

# **Economic Significance of the Demographic Transition in Mexico**

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CEPAL/IDRC PROJECT

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## **Outline**

1. Demographic Transition in Mexico
2. Mexican Economy: An Overview
3. First Demographic Dividend
4. Conclusions

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# 1. Demographic Transition

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## Demographic Transition

### ► Three stages:

#### I. 1921(~)-1970:

- Mortality rate: 22.8 (1940) → 17.9 (1950) → 12.7 (1960) → 10.2 (1970)
- Birth rate: 44.3 (1940) → 44.7 (1950) → 47.3 (1960) → 43.7 (1970)
- Population growth: 2.2% (1940) → 2.7% (1950) → 3.5% (1960) → 3.4% (1970)
- Population 1790: 51 mill
  - Projection for 2000: 148 mill

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## Demographic Transition

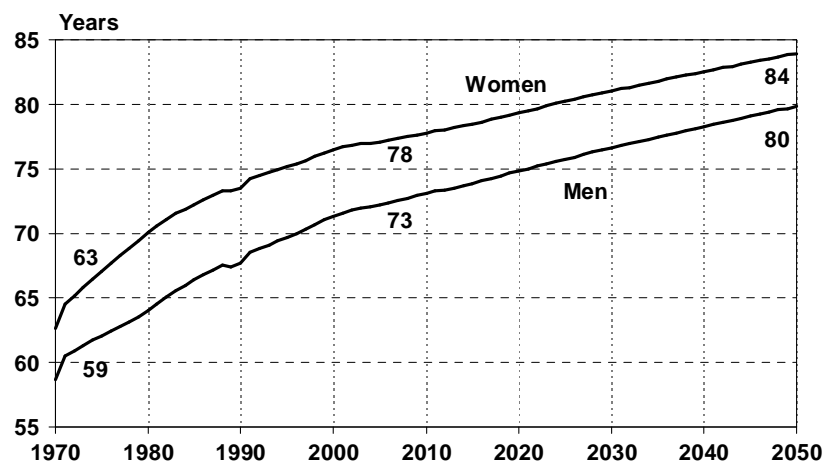
### ► Three stages:

#### II. 1970-2030(~)

- TFR: 6.77 (1970) → 3.64 (1988) → 2.41 (2000)
- Population 2000: 100 mill
- Work Participation rates:
  - 1970: 49.3 : 21.9 for Women
  - 1988: 52.4 :
  - 2000: 57.3 : 36.8 for Women
- PEA: 15 mill (1970) 42 mill (2000)
- Population 1790: 51 mill

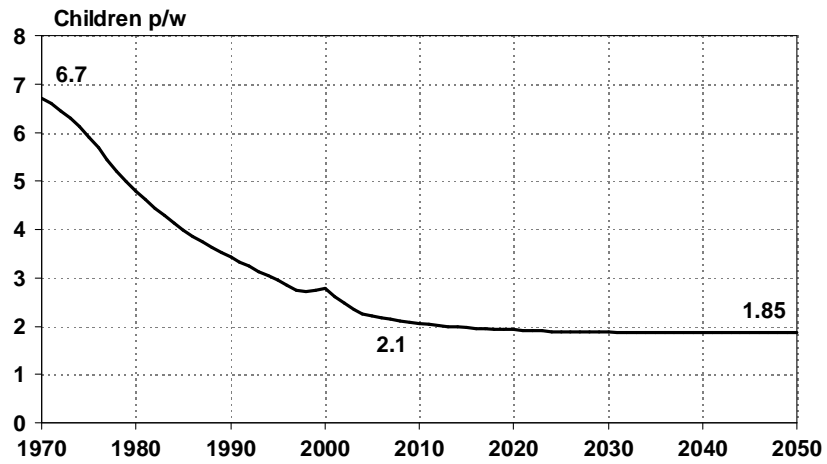
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## Survival (life expectancy)



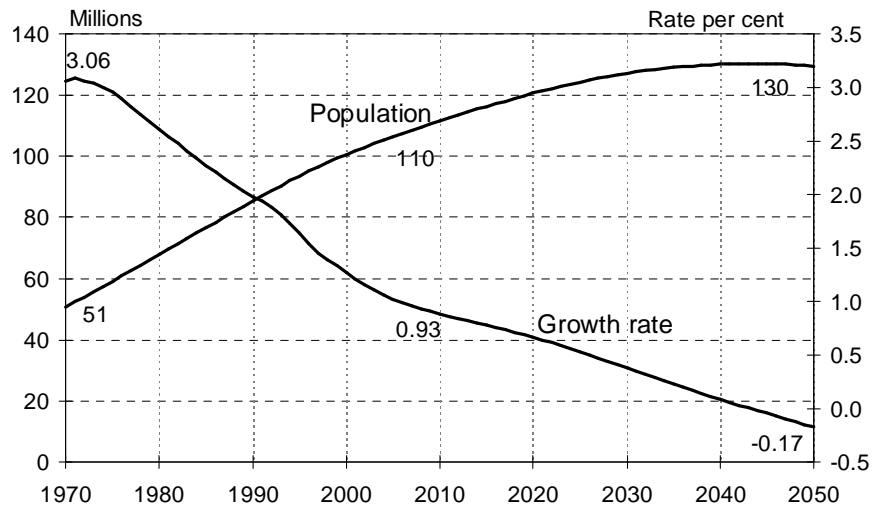
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## Fertility (TFR)



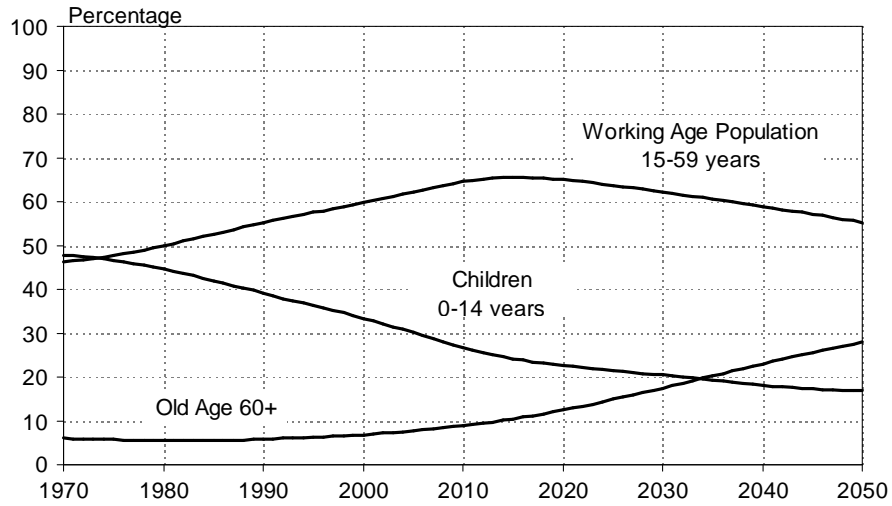
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## Population Increase



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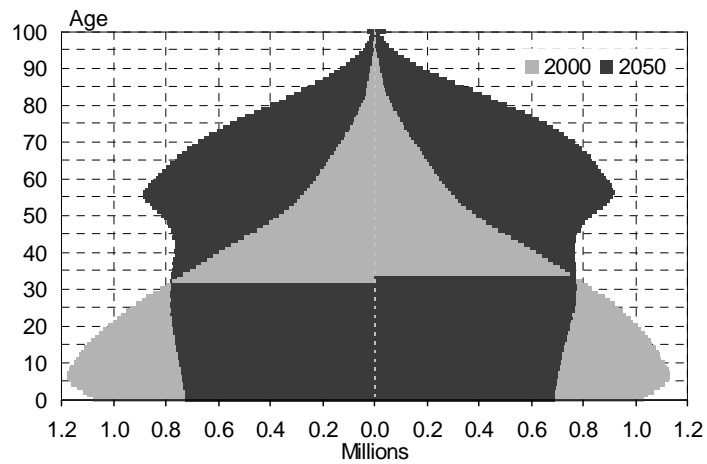
## Age distribution



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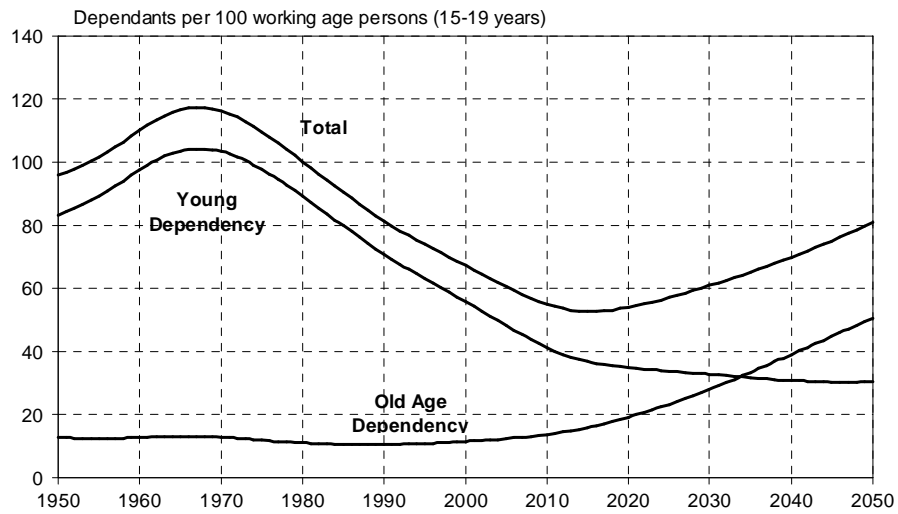
## Demographic Transition

III. >2030(~)



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## Age distribution



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## 2. Mexican Economy: An Overview

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## **Mexican Economy: An Overview**

- ▶ 1921-1940:
  - 1.7% average GDP growth
- ▶ 1940: "Imports Substitution" (IS) Model
  - Protection of Domestic Industry
  - Restriction to imports
  - Low technological progress
- ▶ 1940-1970
  - 6.2% average GDP growth

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## **Mexican Economy: An Overview**

- ▶ 1976-1981
  - Crisis of the IS Model
  - Discovery of abundant oil resources
  - High investment in oil industry via debt
  - Increase of Exports
- ▶ 1980's
  - Collapse in oil international prices
  - Increase of interest rates
  - Huge depretiation of mexican peso
  - Inflation

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## **Mexican Economy: An Overview**

- ▶ ...1980's
  - Decrease in real wages
  - Unemployment
  - Crisis Control:
    - ▶ Stabilization Programs (IMF, WB): For instance Plan Brady
    - ▶ Insertion of the economy to the international comerce and capital flows
    - ▶ Mexico is part of GATT
    - ▶ Privatization of Public assets
  - 1994: Mexico signs the North America Free Trade Agreement (NAFTA)



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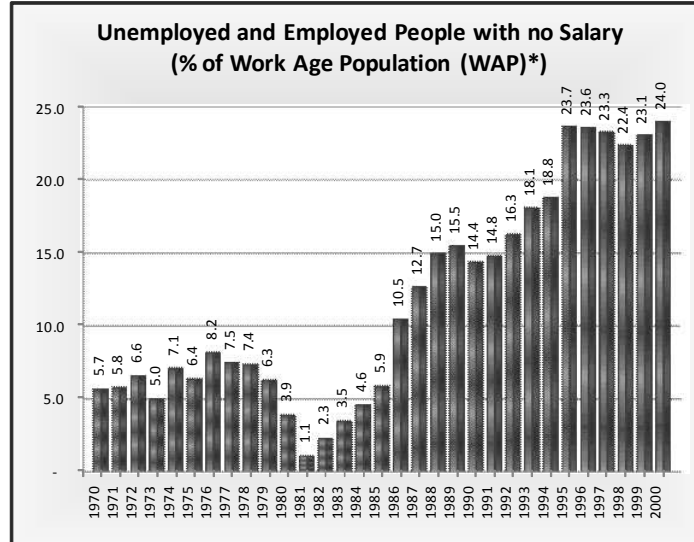
## **Mexican Economy: An Overview**

- ▶ 1995
  - Crisis. Private debt
- ▶ 1970-1987: Domestic market
- ▶ 1988-2000: Global markets

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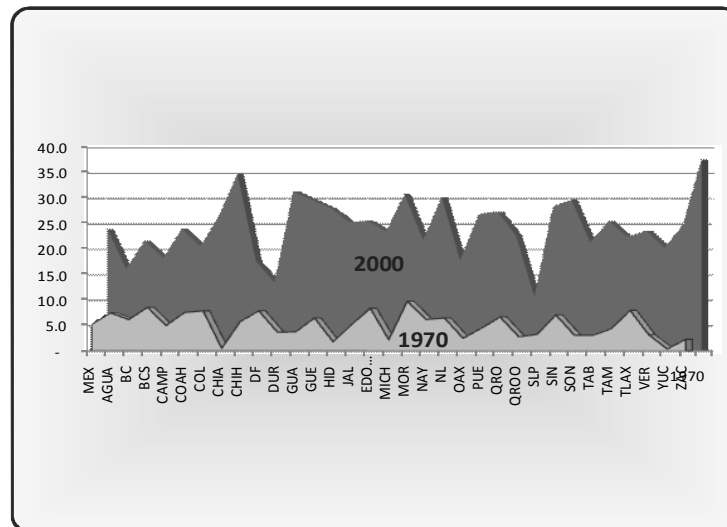


## Labor Market Pressures



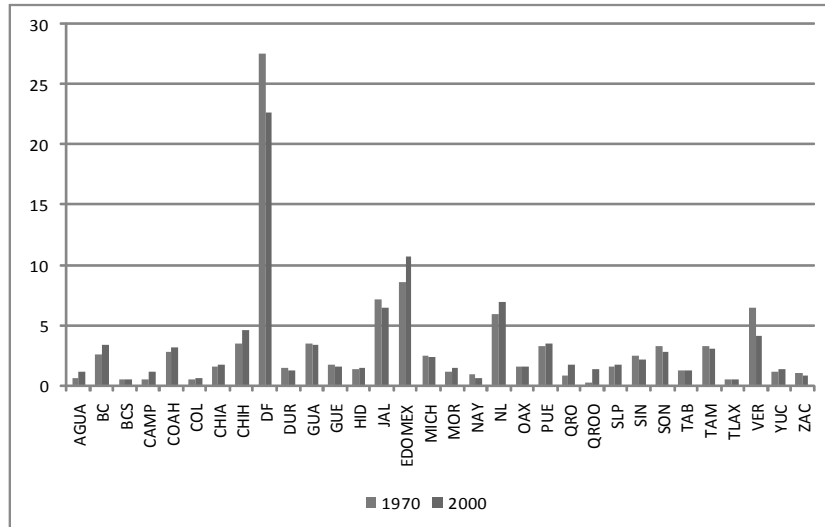
\* Includes people 15-64 employed or who is looking for a job  
Source: Hernández Laos (2004)

## Domestic Percentage Difference between WAP and Number of people with a job)



Source: Hernández Laos (2004)

### Domestic Distribution of GDP (mill 1993 pesos)

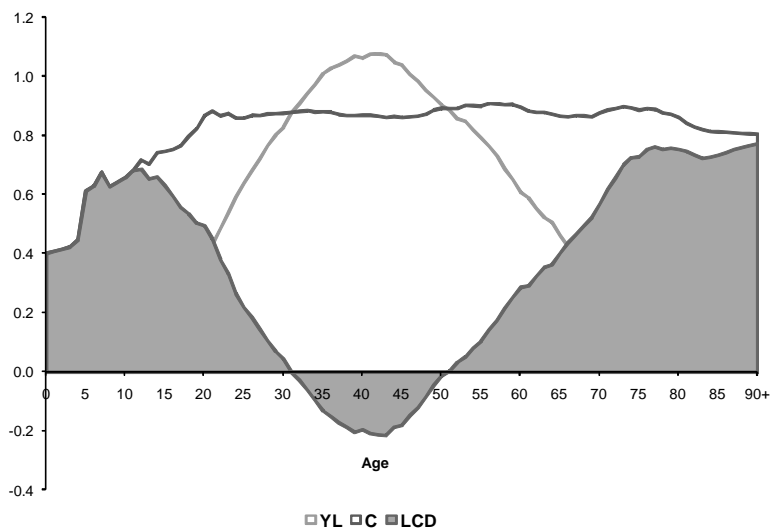


Source: Hernández Laos (2004)

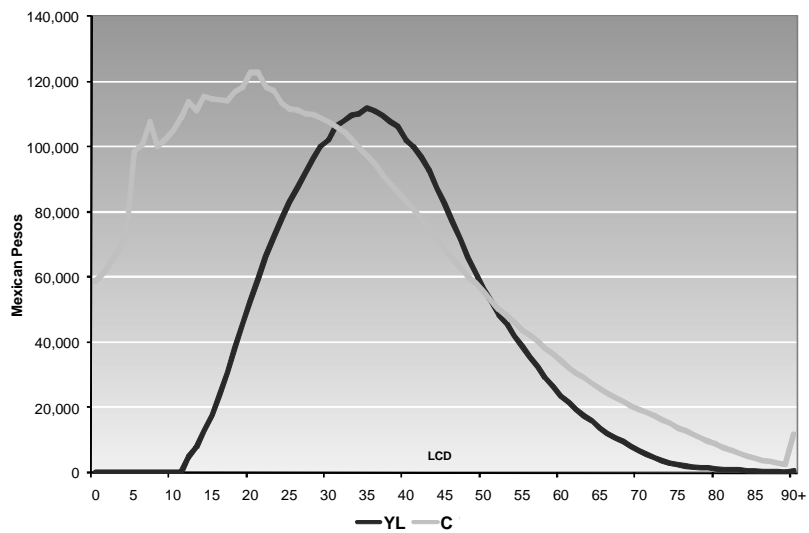
## 3. First Demographic Dividend

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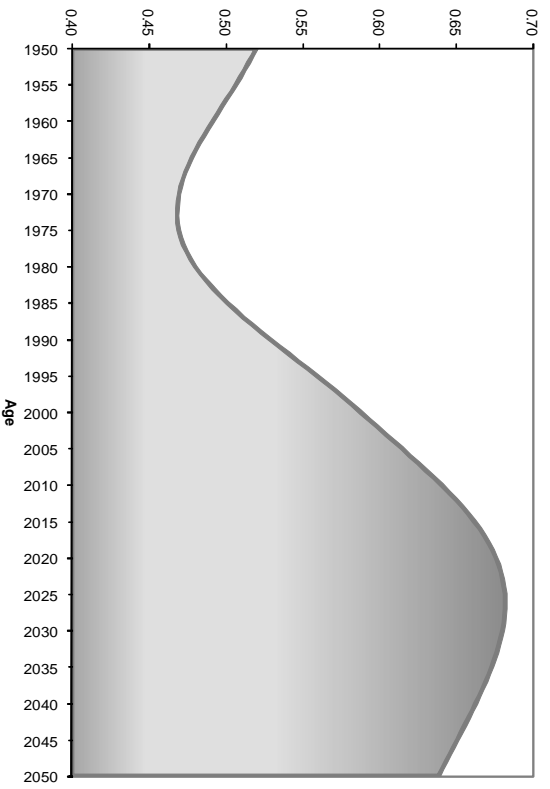
### LCD: Mexico 2004 (relative to 30-49 Av YL)



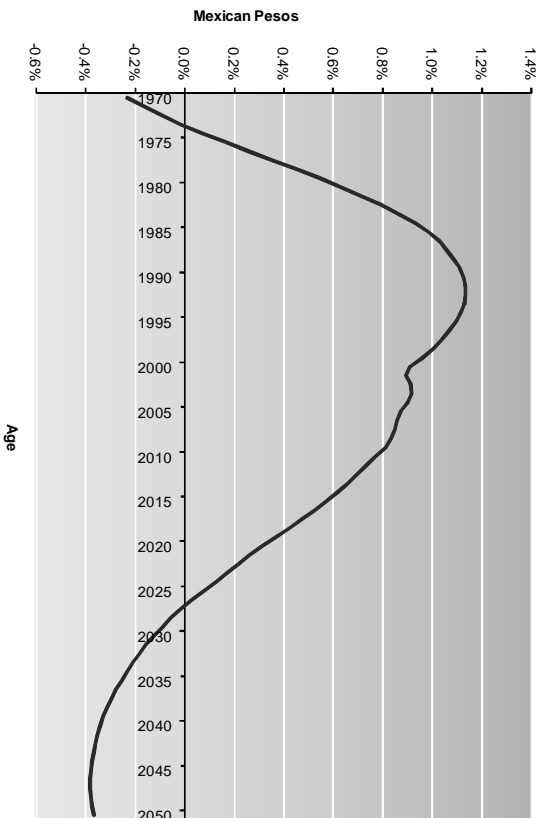
### Aggregate C and YL, Mexico 2004



## Support Ratio, Mexico (1950-2050)



## First Demographic Dividend, Mexico (1970-2050)



## Contribution of the First Dividend to GDP/N

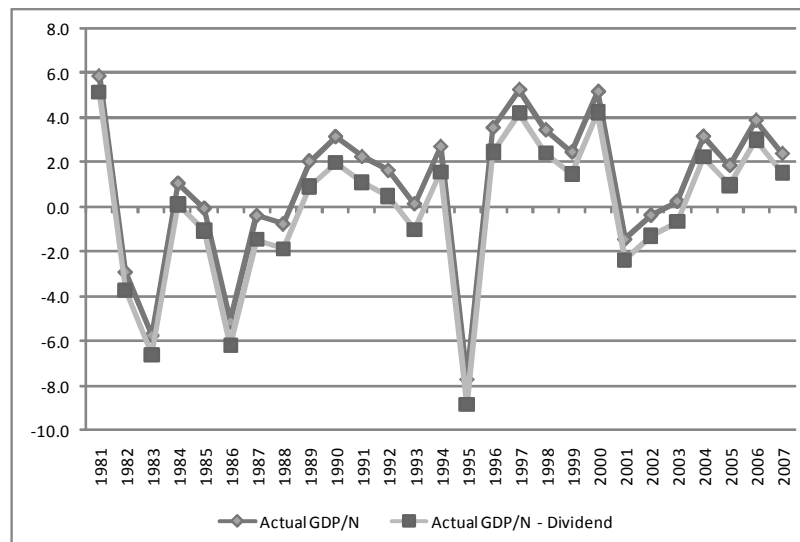
Year	Actual GDP/N	First Dividend	Actual-Dividend
1981	5.86	0.72	5.14
1982	-2.91	0.79	-3.70
1983	-5.74	0.87	-6.61
1984	1.07	0.93	0.14
1985	-0.05	0.99	-1.04
1986	-5.14	1.03	-6.17
1987	-0.38	1.06	-1.44
1988	-0.76	1.09	-1.85
1989	2.05	1.11	0.94
1990	3.15	1.13	2.02
1991	2.25	1.13	1.12
1992	1.64	1.13	0.50
1993	0.14	1.13	-0.99
1994	2.71	1.12	1.59
1995	-7.71	1.10	-8.81
1996	3.55	1.07	2.48
1997	5.26	1.04	4.22
1998	3.45	1.01	2.44
1999	2.46	0.96	1.50
2000	5.17	0.91	4.26
2001	-1.45	0.89	-2.34
2002	-0.36	0.91	-1.28
2003	0.26	0.92	-0.65
2004	3.16	0.90	2.26
2005	1.87	0.87	1.00
2006	3.88	0.86	3.03
2007	2.40	0.85	1.54

### ► Demographic Dividend in LA

- (1998-2008):
  - Mexico (9.92%)
  - Cuba (+1.3%), Uruguay (+1.6%), Chile (+2.5%)\*
- (2008-2018):
  - Mexico (7.13%)
  - Honduras (+8,9%), Nicaragua (+8,4%) , Haiti (+7,8%)\*
- (2018-2026): Mexico (2%)

Source: CEPAL 2008

## Contribution of the First Dividend to GDP/N



## **Final Remarks**

- ▶ Mexico have experienced a Demographic Transition where the declined in TFR has been impressived
- ▶ Recurrent crisis and many fluctuations have characterized the performance of the Mexican Economy
- ▶ The demographic transition and the poor economic development in Mexico have caused high pressures in labor markets
- ▶ A First demographic Dividend has occurred in Mexico and it will extinguish after 2026
- ▶ Mexico has not taken full advantage of the demographic opportunity
- ▶ Some reforms are necessary in order for Mexico to take advantage of the remaining first dividend and create necessary conditions for a Second Dividend

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**Thank You!**

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