

Mexico, how are we doing in retirement savings?



The document presents a **Diagnosis of Retirement Savings in Mexico** and estimates the potential market of people who can save for retirement in Mexico. An analysis is made of the Mexican savings ecosystem with purpose of solving questions such as who saves in Mexico? who can save in Mexico? and who could save more in Mexico?

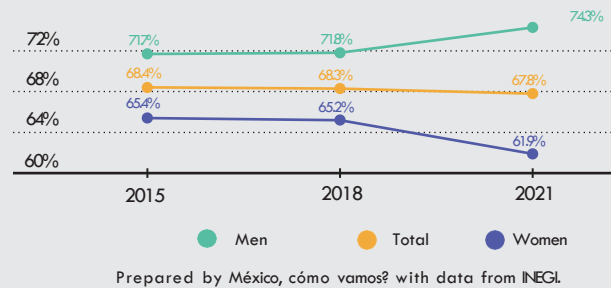
67.8% of the population between the ages of 18 and 70 have at least one type of formal financial product.

Only **39.2%** of the population between the ages of 18 and 70 have a retirement savings account.

There is an important gender gap on retirement savings accounts; 48.8% of men have a savings account while only 30.7% of women have one.

Population between 18 and 70 years old with at least one formal financial product

By gender



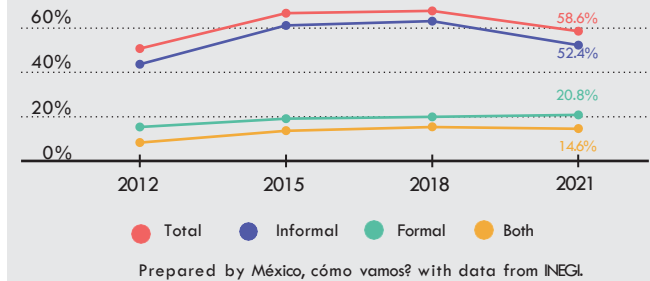
Regarding savings in general, the population that saves in Mexico **has increased by 7.8 percentage points between 2012 and 2021**, going from 50.8% of the population in 2012 to 58.6% of the population in 2021.

There are many reasons behind the low 2.6% and 2.8% saving rates shown in “People who save in Mexico” chart; one of the most important is informality. Most of the retirement savings accounts are part of the mandatory pension system and informal workers don’t participate in such system. Informality has a greater impact on women since more women tend to work in the informal sector.

Employees in Mexico tend to spend 60% of their work life in the informal sector; this has a material impact on replacement rates, due to the gaps in contributions throughout a person’s working years.

People who save in Mexico

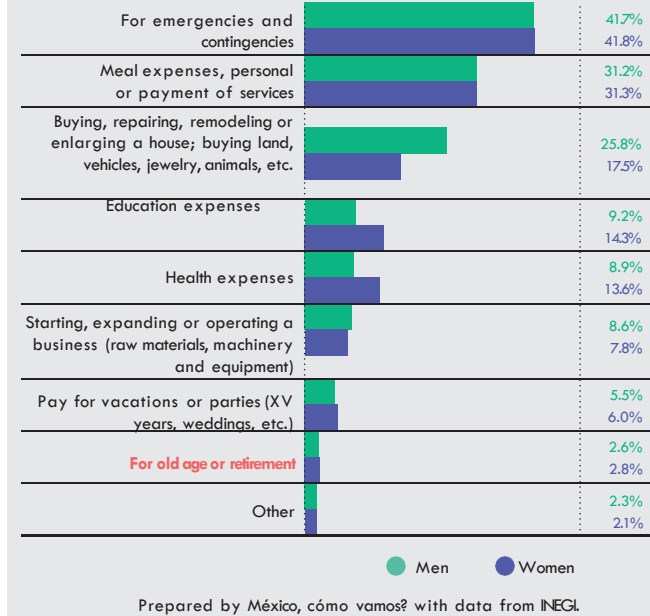
By type of savings



To understand saving for retirement, it is important to understand how people spend their income. Considering the formal labor market, only **2.6% of men** report allocating resources for or retirement, while in the case of **women it is 2.8%**¹

Expenses and Savings

People within the formal labor market, by sex (2021)



¹ In the case of the informal labor market, only 1.6% of men report allocating resources for old age or retirement, while for women it is 0.6%.

Who saves in Mexico?

If we were to characterize a typical saver on the basis of the characteristics of the entire population, we would obtain that a **typical saver is male**; lives in an **urban location with population over 100,000**; the age range is **18 to 29 years old**; their schooling is an **undergraduate diploma or higher**; has a **formal job**; is within the group of population with the **highest income**; has a **monthly budget** as well as **credit with financial institutions.**



However, when the analysis focuses on **employed persons** there is an important change in the demographics of the average saver; all characteristics remain the same except for gender. The typical saver is no longer male but female. This shows that the higher propensity to save by men disappears when comparing employed men and women; and women save more than men.



Who can save in Mexico?

Based on the income reported by individuals in the National Financial Inclusion Survey (ENIF), income deciles were constructed. Income decile I includes people with lower monthly incomes, while decile X includes people who report the highest monthly incomes. **There is a positive relationship between income level and people's propensity to save.**

Employed persons* between 18 and 70 years of age who have a formal retirement savings account or AFORE

By sex and labor income decile

		Men									
		I	II	III	IV	V	VI	VII	VIII	IX	X
2015		15.3%	29.4%	36.8%	52.4%	54.3%	67.2%	60.1%	71.2%	75.5%	77.7%
2018		20.9%	31.2%	43.8%	48.9%	56.3%	62.3%	58.9%	65.1%	66.8%	75.6%
2021		26.8%	24.5%	39.7%	42.7%	53.1%	65.1%	55.9%	72.4%	69.2%	74.6%

		Women									
		I	II	III	IV	V	VI	VII	VIII	IX	X
2015		19.3%	28.8%	50.4%	54.1%	65.4%	62.0%	66.7%	80.2%	75.0%	75.7%
2018		17.5%	31.6%	49.6%	53.7%	51.5%	54.0%	69.1%	66.6%	77.8%	76.9%
2021		15.2%	28.1%	41.6%	51.0%	54.0%	70.9%	60.2%	72.7%	74.6%	70.1%

*Only people who had a job in the last month and received remuneration for it are taken into account.

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Employed persons* between 18 and 70 years of age who have a formal retirement savings account or AFORE

By type of employment and labor income decile

		Formal employment									
		I	II	III	IV	V	VI	VII	VIII	IX	X
2015		19.8%	34.6%	47.4%	61.3%	66.4%	72.3%	71.7%	78.3%	82.2%	79.8%
2018		51.8%	72.5%	77.1%	83.3%	73.5%	80.6%	80.9%	86.7%	84.0%	88.7%
2021		64.7%	64.7%	71.5%	71.0%	81.3%	78.6%	82.8%	84.2%	81.2%	88.9%

		Informal employment									
		I	II	III	IV	V	VI	VII	VIII	IX	X
2015		14.5%	19.4%	31.2%	30.0%	30.5%	39.1%	31.4%	51.4%	48.9%	55.9%
2018		15.8%	21.3%	28.9%	26.6%	31.0%	38.9%	38.5%	37.8%	39.5%	42.9%
2021		15.5%	20.1%	26.2%	31.4%	29.8%	31.7%	24.9%	47.3%	45.6%	35.7%

*Only people who had a job in the last month and received remuneration for it are taken into account.

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In the case of retirement savings, it is important to note that the gap between people in formal and informal employment has increased over time. The percentage of workers in the formal market who have retirement savings increases significantly for almost all income levels between 2015 and 2021, this increase is not seen in the informal market, not even in higher income levels.

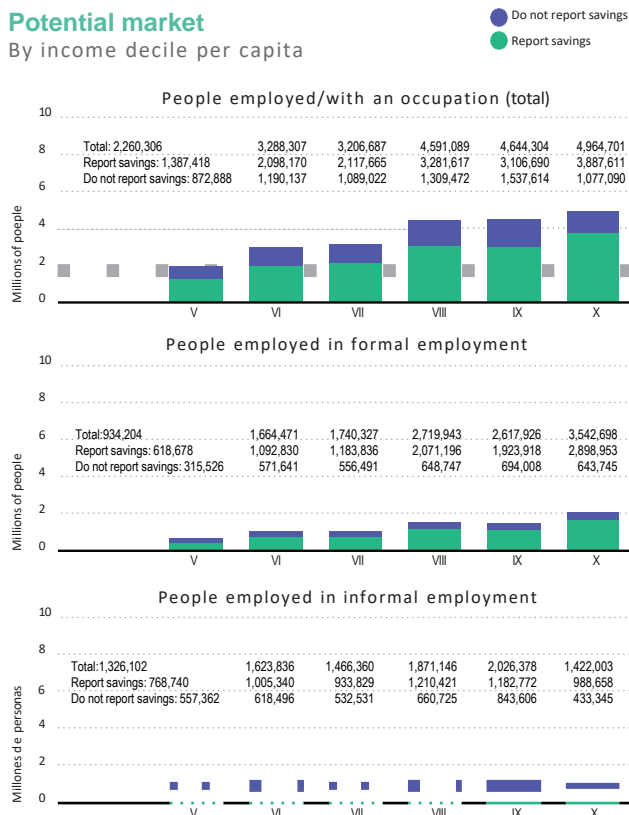
What's the size of the voluntary savings market?

The **voluntary savings market** in Mexico is made of 22,955,394 people. For purposes of the study the voluntary savings market is divided in two categories. **The transitional savings market**, that is, people who already save (in formal or informal instruments) and could transition to other instruments – such as retirement saving accounts – or increase the contributions they make to their existing accounts; and the **potential market** made up of employed people who have enough income to save but are not currently doing it.

The transitional savings market is made of 15,879,171 people, while the potential market is 7,076,223 people. The following chart breaks down the potential market by income levels and by type of occupation.

Potential market

By income decile per capita



*Estimated labor income for household members who work based on whether or not they are head of household, age, region in which they live and type of locality.

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To estimate the size of the voluntary savings market in monetary terms, an exercise was made that includes people in decile V - who have sufficient income to save, save 2% of their income (whether in additional contributions or other savings); people from decile VI to IX - who save 5% of their income - and people in decile X – that save 10% of their income. Decile I – IV was not included because their income level cannot afford the basic food and non-food basket.

Decile V (2%) + Decile VI (5%)+ ... + Decile IX (5%) + Decile X (10%)

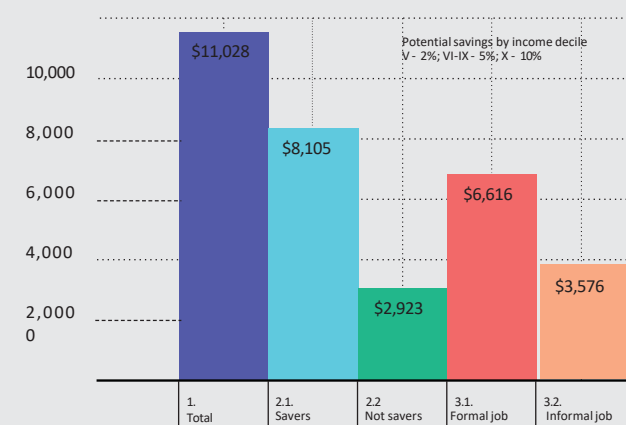
Using the above combination, the estimated potential voluntary market is **\$11,028 Mexican million pesos per month (\$612 million USD)**.

Breaking down by type of market, the transitional market (people who already save) would be \$8,108 Mexican million pesos per month and the market for non-savers would be \$2,923 Mexican million pesos per month.

Breaking down the savings market by labor market type, the potential savings market for people with a formal job is \$6,619 Mexican million pesos per month and the market for people with an informal job is \$3,576 Mexican million pesos per month.

Potential savings market

Millions of people (MXN)



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4 The potential savings market is made up of those employed people who have sufficient per capita income to purchase a Basic Food Basket (CBA) and a Basic Non-Food Basket (CBNA).

5 It is a monthly calculation given that the budget constraint households face are built from the monthly household labor income.

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