

OECD ECONOMIC SURVEYS

MEXICO

ISSN 0376-6438, e-ISSN 1609-7513

January 2017

[Consulta en línea desde MEYSS](#)

Executive summary	9
Assessment and recommendations	13
Reforms are working, but disparities persist across Mexico	14
Despite external headwinds, growth is resilient	16
Vulnerabilities persist	20
Monetary policy has been successful at containing inflation	20
Fiscal performance is improving but the credibility of the fiscal rule could be enhanced	22
Fiscal policy needs to be more supportive of inclusive growth	24
Mexico still needs to deliver on skills and education gaps	32
Realising Mexican women's aspirations	35
Reforms are boosting productivity in certain industries	38
Openness to trade and investment is paying off in some sectors	42
Further reforms are needed to improve governance and legal institutions	44
The carbon emissions tax rate remains insufficient	46
References	49
Annex. Follow-up to previous OECD policy recommendations	53
Thematic chapters	
Chapter 1. Towards a more inclusive society	61
Financial inclusion	62
The role of firms in achieving sustainable and inclusive growth	75
Policy recommendations to improve inclusion	84
References	85
Chapter 2. Boosting productivity through integration into Global Value Chains	87
Determinants of GVC integration	88
Where does Mexico stand?	90
Where does Mexico have a comparative advantage?	100
How can Mexico further integrate and climb up GVCs?	101
Are GVCs inclusive in Mexico?	113
The dark side of GVCs	121
Policy recommendations to boost productivity	122
Notes	122
References	123

Boxes

1. Recession risks are low	17
2. Mexico's oil dependence has fallen, but remains elevated	18
3. Key vulnerabilities	20
4. Examples of policies to reduce informality	41
5. Green growth developments and challenges	47
1.1. Financial Inclusion Index	67
1.2. Entrepreneurship and SME policy in Mexico: The role of INADEM	71
1.3. Financial inclusion and female entrepreneurship	74
1.4. Environmental, social and governance (ESG) scores	79
1.5. Do ESG-friendly firms perform better?	82
2.1. Mexico's car industry: A success story	95
2.2. Projecting Mexico's backward integration to GVCs in 2014	98
2.3. How does Mexico's productivity dispersion compare with China's?	116
2.4. Modelling misallocation	118

Tables

1. The government's package of structural reforms since 2012	14
2. Macroeconomic projections	17
3. Banking system financial indicators (per cent)	21
4. Past OECD recommendations on financial stability	22
5. Implementation of recommendations to mitigate commodity-related risks	24
6. Past OECD recommendations on fiscal policy	24
7. Past OECD social recommendations	28
8. Past OECD recommendations on health policy	29
9. Tax expenditures have declined (% of GDP)	30
10. Tax evasion estimates have been declining but remain high	31
11. Past OECD recommendations on education and skills	35
12. Gender inequalities are large	36
13. Past OECD recommendations on gender and labour market dynamism	37
14. Past OECD recommendations on financial inclusion	38
15. Past OECD recommendations on legal issues	46
1.1. Timeline of reforms and commitments on financial inclusion	64
1.2. Econometric estimation results for different samples	74
1.3. Econometric estimation results for formal and informal females in urban and rural areas	75
1.4. Econometric estimation results for formal and informal females by economic sector	75
1.5. Estimated coefficients on the association between ESG scores and firms' financial and productivity performance: Mexican firms	82
1.6. Estimated coefficients on the association between ESG scores and firms' financial and productivity performance: Mexican, Latin American and North American firms	83
1.7. Testing for causality	84
2.1. Estimation results of ICE model by industries	120
2.2. Gains from a more efficient allocation of production factors	120

Figures

1. Reforms are expected to yield large impacts	15
2. The economy is resilient	16
3. A recession is unlikely in the short term	18
4. Oil dependence in Mexico	19
5. Monetary policy has successfully anchored inflation expectations	21
6. The government expects to return to primary surplus and put the debt-to-GDP on a downward path	23
7. Some well-being indicators are low compared to OECD peers	25
8. With low social spending, poverty and income disparities remain high	27
9. Disparities across Mexico	28
10. Mexico's tax structure should be more diversified	30
11. Mexico's VAT, as a share of tax revenues, is in line with OECD but lags behind peer countries, 2014	31
12. Increase spending while ensuring fiscal sustainability	32
13. Education quality remains lacking in Mexico and regional differences persist	33
14. Lack of skills is a major constraint on firms' operations	34
15. Female labour force participation in Mexico has increased but leadership gaps remain	36
16. Gender gaps in financial inclusion are large	38
17. Multi-factor productivity diverges across sectors	39
18. Employment and productivity changes in the agriculture sector during catching-up episodes among selected OECD countries	40
19. Mexico's import content of exports (ICE) in selected manufacturing sectors has declined	42
20. Ample scope to reduce foreign investment and trade barriers	43
21. Mexico is the poorest performer for safety and corruption across OECD countries	45
22. Green growth indicators in Mexico	48
1.1. Financial inclusion is a key enabler of economic growth and poverty reduction	63
1.2. Financial inclusion in Mexico remains the lowest amongst OECD countries	65
1.3. Financial access points are still low in many municipalities	65
1.4. The state of financial inclusion has improved from 2009 to 2015	66
1.5. Use of financial services and access points has slightly improved	68
1.6. Gender gaps in financial inclusion are large	69
1.7. The use of formal credit is low	69
1.8. Women entrepreneurs' share in the informal sector is large while the share of women employers is significantly lower	73
1.9. Paid leave entitlements should be more gender equitable	77
1.10. ESG scores of Mexican firms are lower than other Latin American countries	80
1.11. Differences between sectors are large	81
2.1. Productivity is picking up in some parts of the economy	88
2.2. Mexico's backward and forward participation in GVCs, 2011	91
2.3. Backward GVC participation ratio: relative contribution of policy and non-policy factors	92
2.4. The impact on GVC integration of other policies	93

2.5. Mexico's participation in GVCs, share of intermediates in total trade of manufactured goods and export penetration into the US economy	94
2.6. Mexico's exports are evolving	95
2.7. Light vehicles production and installed capacity	96
2.8. Auto sector performance	97
2.9. Mexico's backward and forward participation to GVCs in selected sectors vs peer OECD countries (2011)	98
2.10. Projected 2014 backward GVC integration in manufacturing industries (ICE) .	99
2.11. Sectorial complexity measures vs backward participation in GVCs (ICE)	100
2.12. Backward GVC participation and labour productivity vs revealed comparative advantage (RCA)	101
2.13. Mexico's Knowledge Economy Index (KEI) is the lowest among OECD countries.	102
2.14. FDI flows and stocks	103
2.15. FDI, backward integration to GVCs and labour productivity	103
2.16. Foreign investment and service trade barriers remain high in some sectors..	104
2.17. Research and development (R&D) expenditure.	105
2.18. Sectors spending more in R&D are more integrated in GVCs and enjoy higher labour productivity	106
2.19. Intellectual property activity	107
2.20. ISO certified industries are more backward integrated in GVCs.	108
2.21. Sectors with higher educated workers are more productive and more integrated in GVCs	109
2.22. Mexico's share of engineering graduates is high but lags behind in tertiary and vocational	109
2.23. High sectoral concentration is an issue in the south	111
2.24. High sectoral concentration can be persistent	112
2.25. Entry barriers vary widely across localities	113
2.26. Contribution of SMEs to GVCs in Mexico	114
2.27. Informality and productivity by firm size	115
2.28. Aggregate TFP growth and firm-level dispersion.	117
2.29. More efficient factor allocation could shift out the productivity distribution .	121
2.30. Vulnerability to demand shocks in GVCs, by economy	121