A tale of two Mexicos: Growth and prosperity in a two-speed economy

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Today’s discussion

What has kept Mexico’s growth disappointingly low in the 20 years under NAFTA?

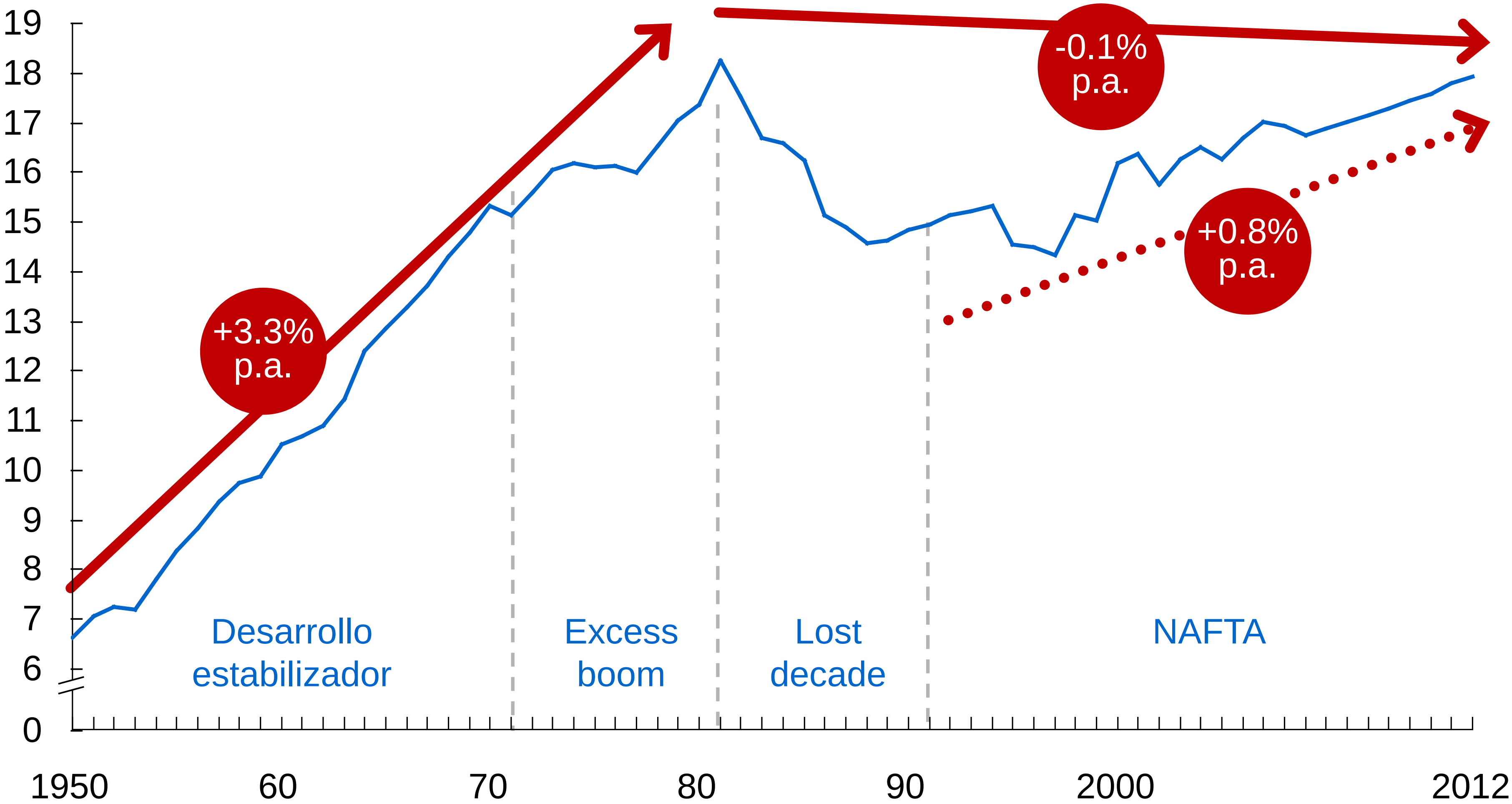
What are Mexico’s growth prospects now?

How can California benefit from a prosperous Mexico?

Despite NAFTA and reforms, Mexico has not raised its productivity in 30 years

GDP per hour worked

2012 purchasing power parity dollars



Behind flat performance is a widening productivity gap between large modern and traditional businesses

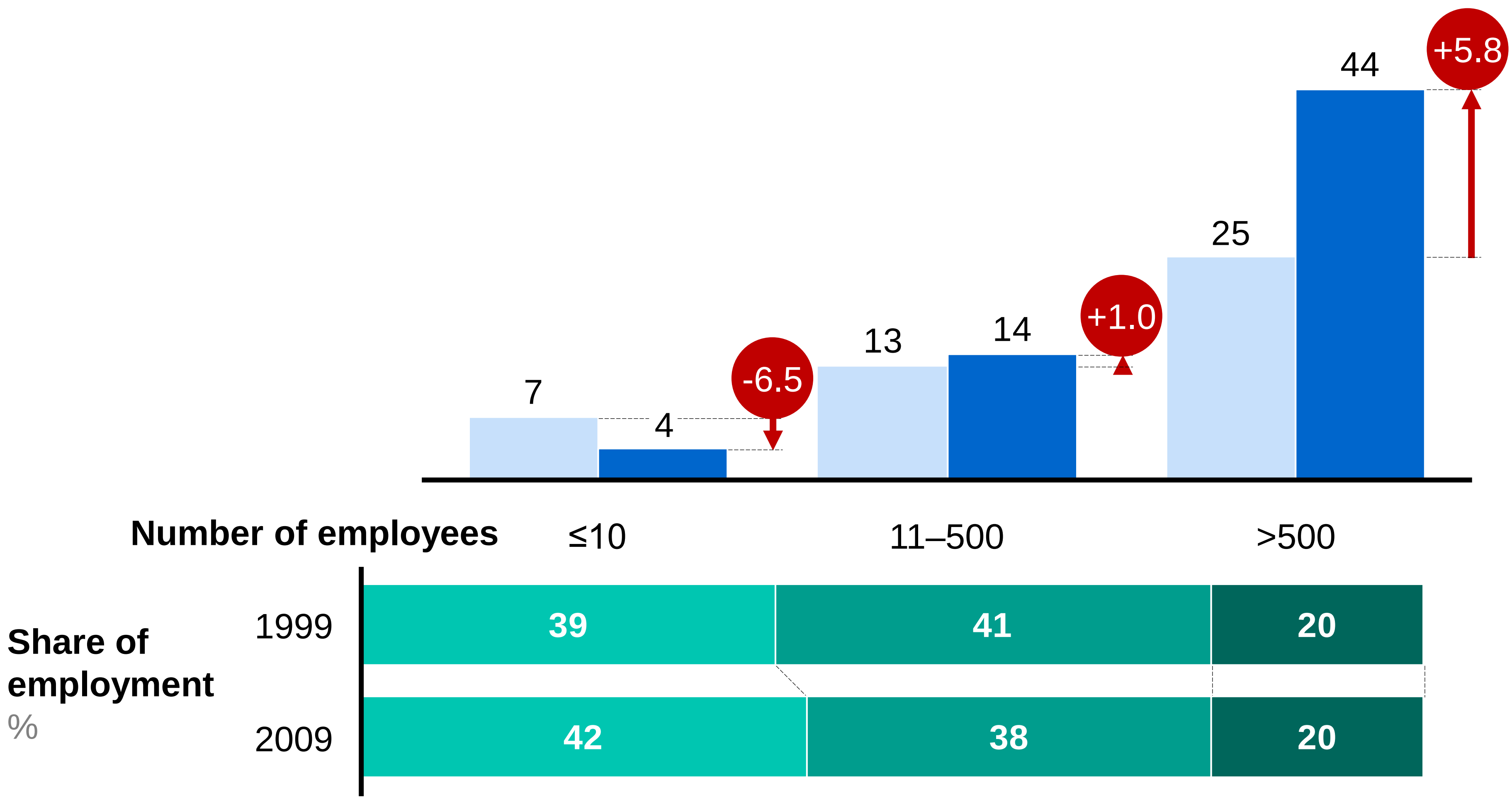
Value added per occupied person

$ thousand, constant 2003 $

1999

2009

Compound annual growth rate, 1999–2009 (%)



SOURCE: *Censos Económicos 1999, Censos Económicos 2009*, Instituto Nacional de Estadística y Geografía; McKinsey Global Institute analysis

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3 key levers to boost productivity growth across the economy

- **Help traditional enterprises evolve into modern, formal SMEs**
- Expand access to capital, particularly for midsized companies
- Continue to make Mexico a place where world-class companies prosper

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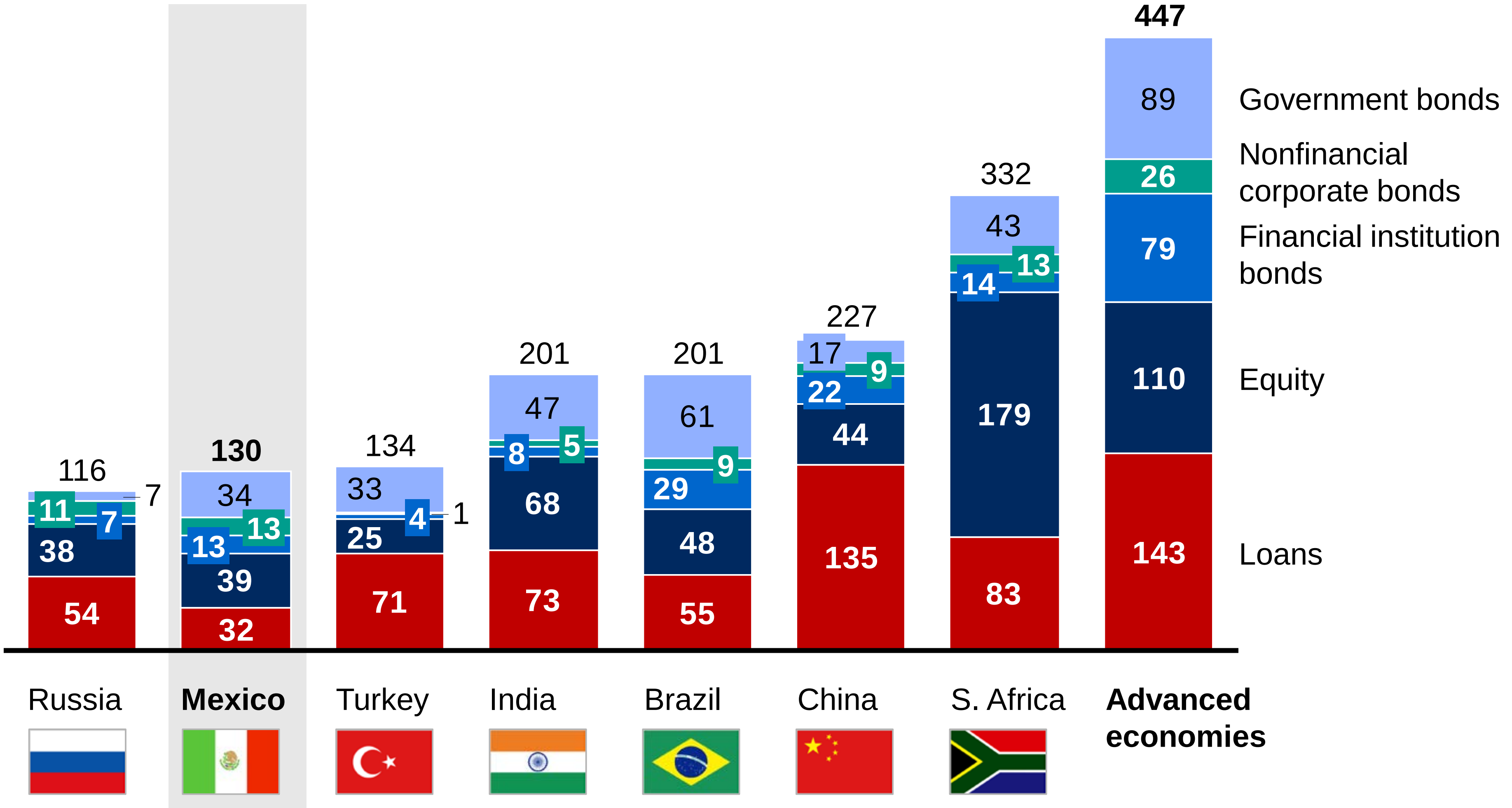
Access to capital is limited relative to other emerging economies, with particularly wide gap in loans

Financial depth, 2013

Stock of debt and equity as % of GDP



SOURCE: McKinsey Global Institute Financial Assets database; McKinsey Global Institute analysis

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- Export market for goods and services geared to Mexico's growing consuming class
- Complementarities in supply chains
- New markets and applications for California's technology and innovation

Thank you

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