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

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Population growth, not productivity has fueled Mexican GDP growth

Contribution of labor inputs and productivity increases to GDP growth, 1990-2012
Compound annual growth rate, percent

Mexico | Brazil | Peru | Chile | India | China

- Mexico: 2.7% (72% labor input, 28% labor productivity)
- Brazil: 3.0% (60% labor input, 40% labor productivity)
- Peru: 5.0% (31% labor input, 69% labor productivity)
- Chile: 5.3% (50% labor input, 50% labor productivity)
- India: 6.6% (33% labor input, 67% labor productivity)
- China: 9.3% (91% labor input, 9% labor productivity)

1 Higher labor input reflects increased population and changes in participation and employment rates; calculated as a residual
2 Labor productivity growth is measured as real GDP per employee

SOURCE: Conference Board Total Economy Database 2013; McKinsey Global Institute analysis
Despite NAFTA and reforms, Mexico has not raised its average productivity in 30 years

GDP per hour worked
2012 purchasing power parity dollars

SOURCE: Conference Board Total Economy Database 2013; McKinsey Global Institute analysis
Behind flat performance is a widening productivity gap between large modern and traditional businesses

Value added per occupied person
$ thousand, constant 2003 $

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>≤10</th>
<th>11–500</th>
<th>&gt;500</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>39</td>
<td>41</td>
<td>20</td>
</tr>
<tr>
<td>2009</td>
<td>42</td>
<td>38</td>
<td>20</td>
</tr>
</tbody>
</table>

Share of employment %

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compound annual growth rate, 1999–2009 (%)</td>
<td>-6.5</td>
<td>+5.8</td>
</tr>
</tbody>
</table>

Thank you

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