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

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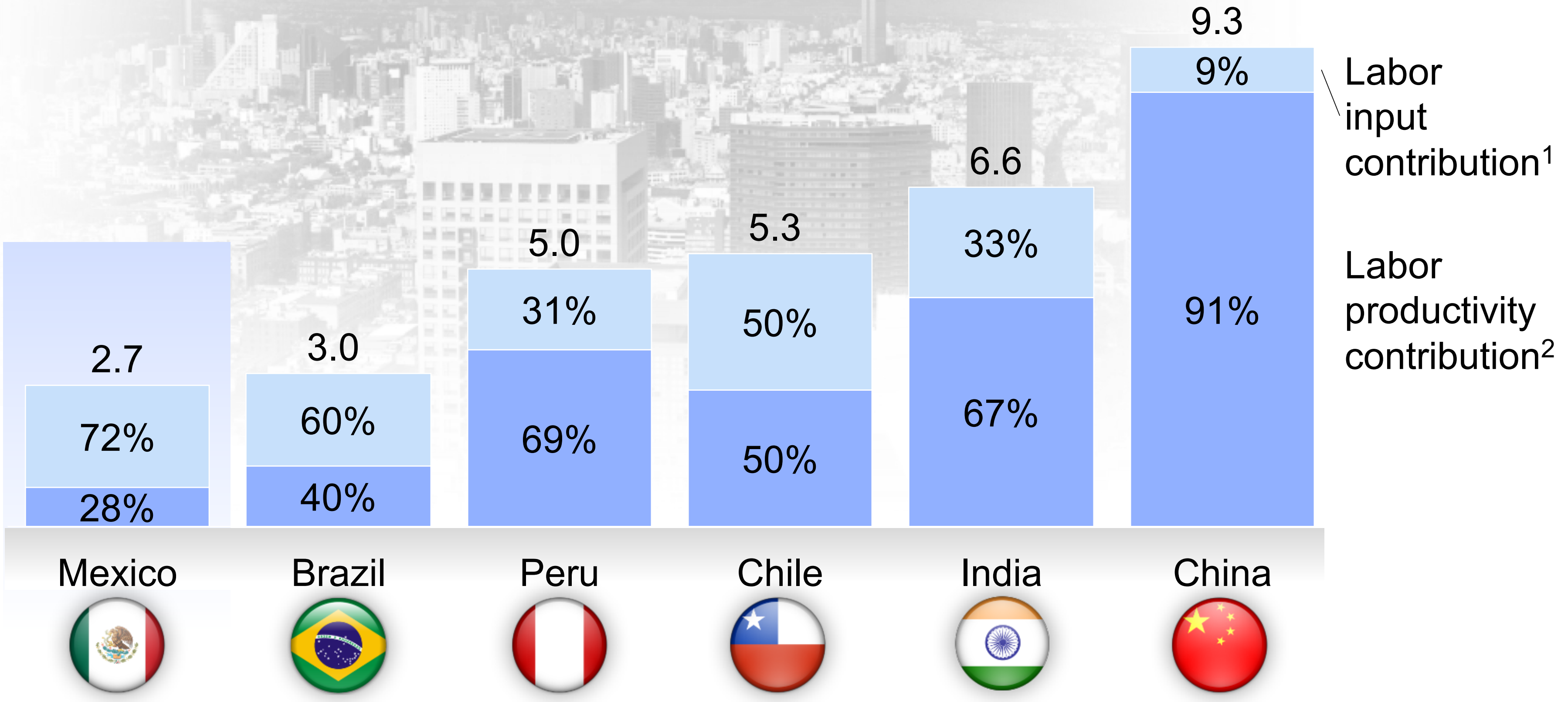
Population growth, not productivity has fueled Mexican GDP growth

Contribution of labor inputs and productivity increases to GDP growth, 1990-2012

Compound annual growth rate, percent



1 Higher labor input reflects increased population and changes in participation and employment rates; calculated as a residual

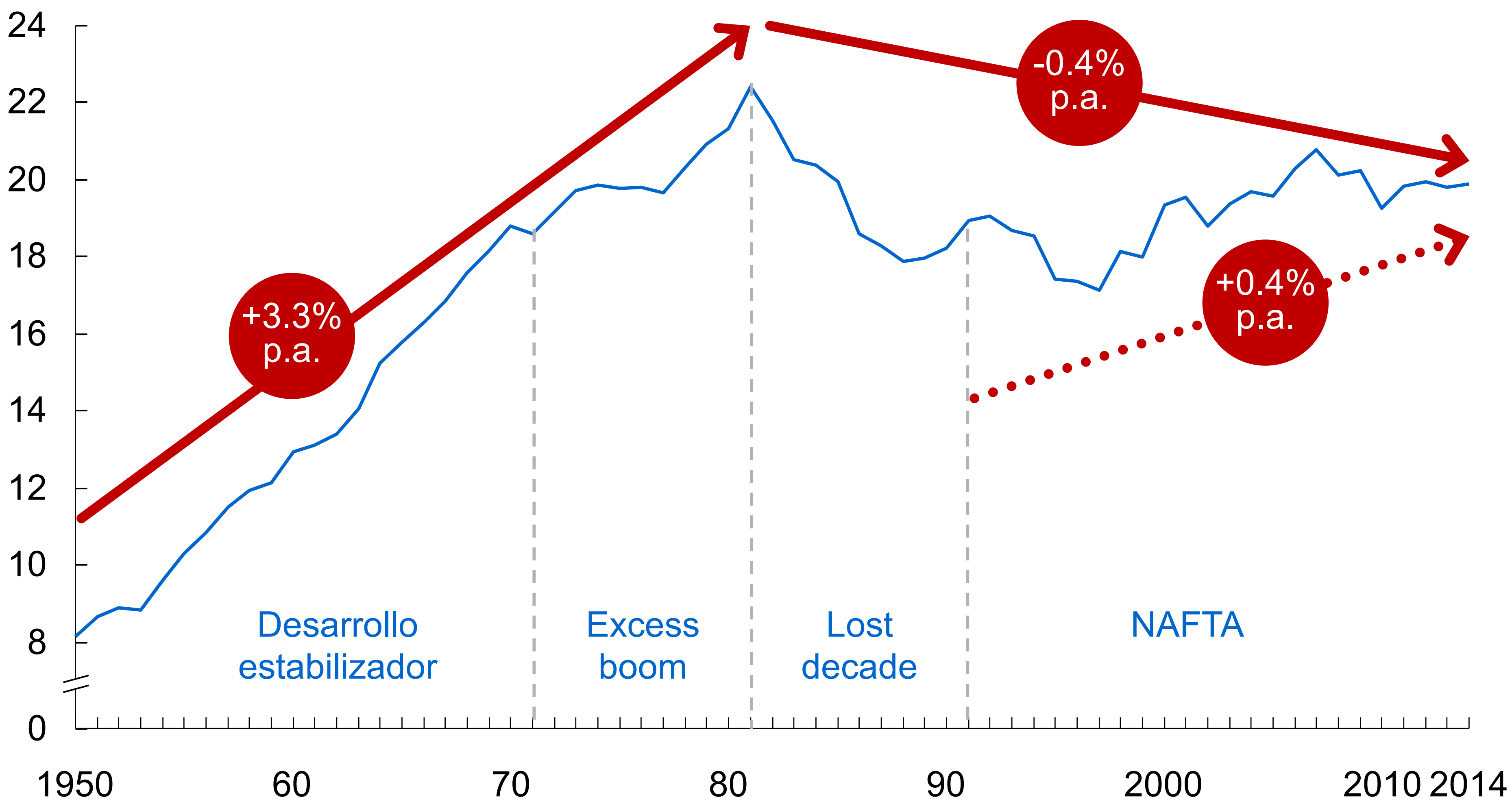
2 Labor productivity growth is measured as real GDP per employee

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

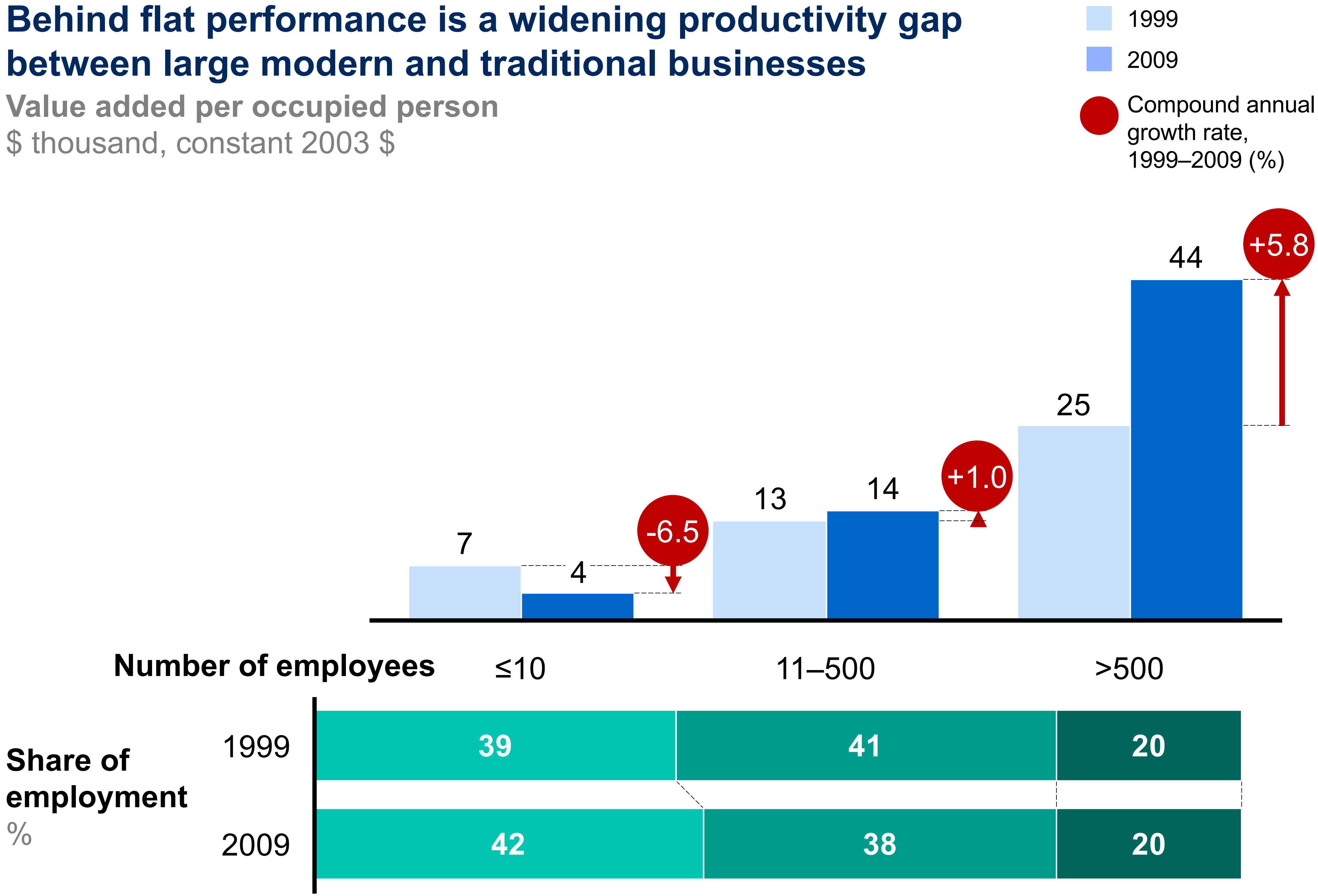
2012 purchasing power parity dollars



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

Value added per occupied person

$ thousand, constant 2003 $



Thank you

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