

MEXICO

Growth in GDP per capita has been insufficient to narrow the very wide income gap vis-à-vis the OECD average. The gap is mainly due to a very large productivity shortfall. Pension and fiscal reform have been undertaken in the past few years and a recent healthcare reform has been implemented, but further reforms are required, especially in the following areas.

Priorities supported by indicators

Raise achievement in primary and secondary education

The educational attainment of the population is low and improvements from one generation to the next have been slow. Investment in human capital, as measured by the share of education spending in GDP, has increased over the past decade and is now slightly above the OECD average, but this is not yet reflected in educational outcomes. According to PISA scores, students' results in reading and mathematics are the lowest in the OECD. This has depressed productivity performance.

Actions taken: The conditional programme *oportunidades* now provides scholarships to low-income youth staying in upper-secondary education. The modernisation of curricula continues. School evaluation and the publication of some of these results are in progress.

Recommendations: In the allocation of education spending, put more focus on non-wage items and secondary schooling. Review incentives for teachers, with the introduction of performance-based evaluation. Further strengthen technical and vocational education.

Reduce barriers to entry in network industries

Competition in some key sectors is hampered by restrictive regulations; in others, pro-competition regulations are lacking or are not effective or enforced. Telecommunications, electricity, railroads and the media sectors are some of the areas where competition is weak.

Actions taken: The government has launched a broad review of laws and regulations to identify and eliminate unnecessary restraints on competition. The competition commission (CFC) has increased its capacity for economic analysis of competition cases.

Recommendations: Reduce regulation that is restricting competition and increase the effectiveness and enforceability of competition-enhancing access regulations that facilitate the entry of new participants. In railways, clarify rules for setting trackage and interconnection tariffs. In telecommunications, establish a clear legal framework for setting access prices, facilitate an increase in the types of networks, unbundle the local loop, and effectively regulate mobile termination charges. Clearly separate the generation of electricity from its transmission and give the CFC broader powers over competition issues in the electricity sector.

Reduce barriers to foreign ownership

Restrictions on foreign direct investment (FDI) are still in place in many sectors, hampering competition, technological transfer from abroad and lessening the pressure to innovate.

Actions taken: No action taken.

Recommendations: Ease restrictions on FDI in services and infrastructure sectors, such as telecommunications (with fixed line telephony), domestic land transport, coastal shipping and airports.

Other key priorities

- **Reform the state-owned oil company.** Improve the governance of PEMEX by lifting the public works constraints that apply to investment, increasing labour mobility (within the company) and strengthening the company's accountability to ensure efficient operation. Facilitate risk and profit sharing with other companies to access the technology needed to increase output.
- **"Rule of law".** Improve the "rule of law", further by increasing transparency, clarifying property rights, and ensuring more effective and predictable law enforcement.

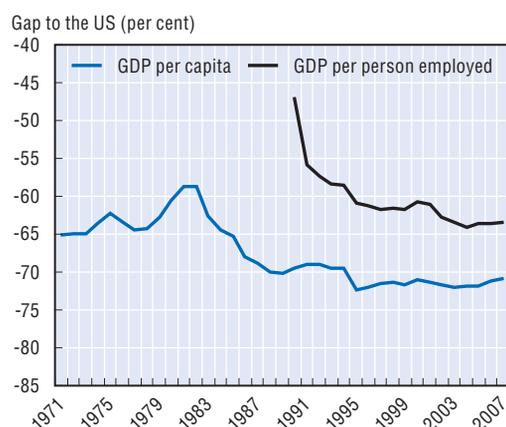
MEXICO

Structural indicators

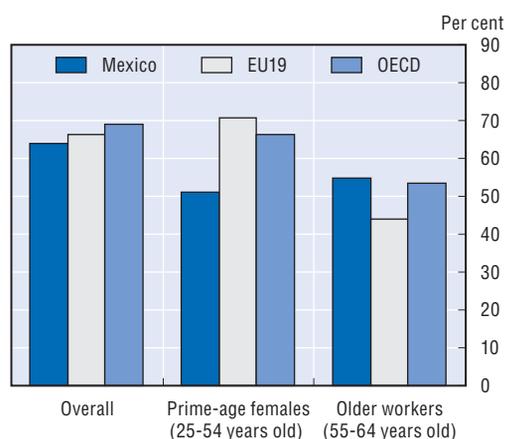
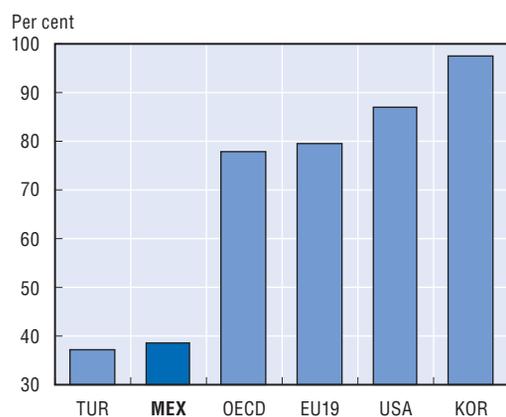
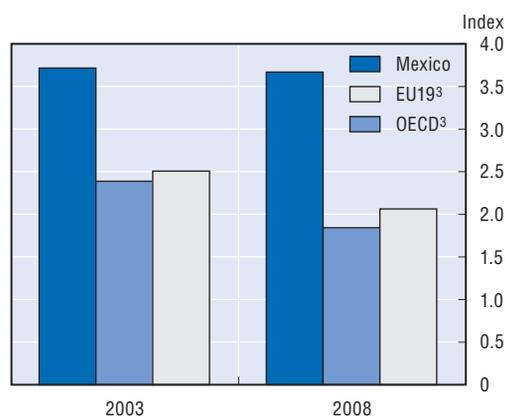
Average annual trend growth rates, per cent

	1997-2007	1997-2002	2002-2007
GDP per capita	1.9	1.8	1.9
Labour utilisation	0.9	1.0	0.8
of which: Employment rate	0.9	0.9	0.9
Average hours	0.0	0.1	-0.1
Labour productivity	0.9	0.8	1.1
of which: Capital intensity
Multifactor productivity

Source: Estimates based on OECD Economic Outlook, No. 84, Vol. 2008/2.

A. Little convergence in GDP per capita and productivity despite large gaps¹

B. Employment rates for females are low, 2007

C. Upper-secondary education attainment is lagging, 2006
Percentage of population aged 25-34D. Product market regulation in network industries is strict²

1. Percentage gap with respect to US GDP per capita and per person employed (in constant 2000 PPPs).

2. Index scale of 0-6 from least to most restrictive.

3. Excluding Greece, Ireland and the Slovak Republic.

Source: Chart A: OECD, National Accounts Database; Chart B: OECD, Labour Force Statistics Database; Chart C: OECD (2008), Education at a Glance; Chart D: OECD, Product Market Regulation Database.

StatLink  <http://dx.doi.org/10.1787/533865864603>