

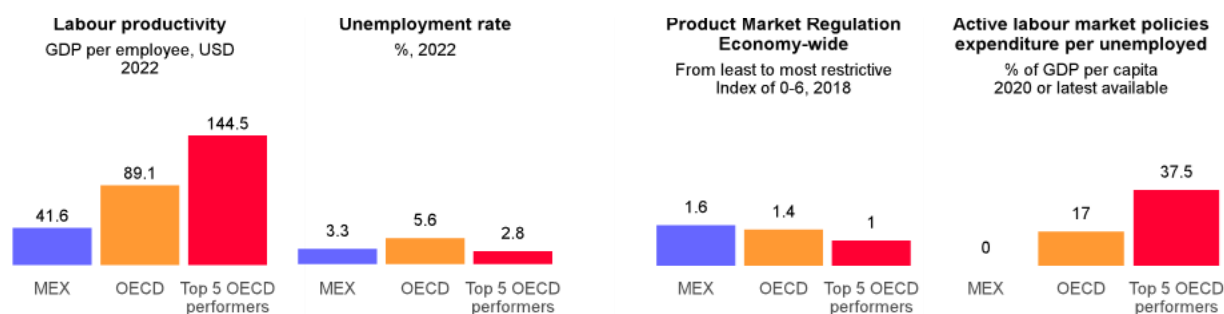


## Performance gaps

## Recommendations

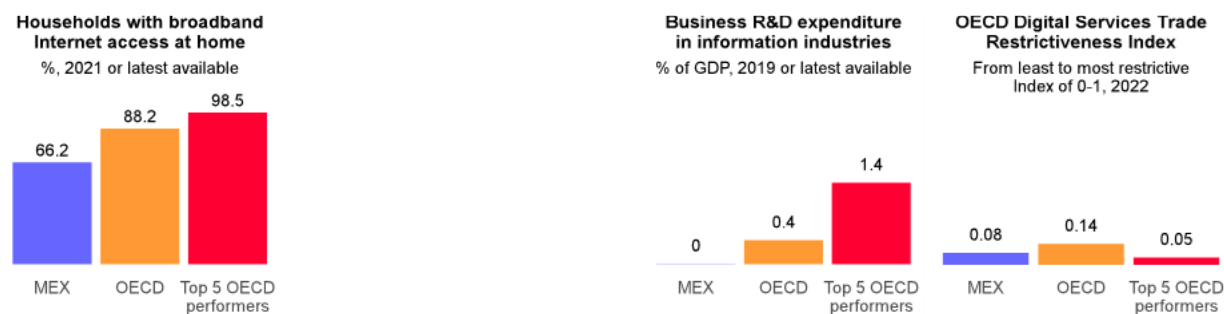
### Product and labour markets functioning

- Competition is weak in key sectors of the economy and a small number of companies tend to dominate markets.
- SMEs access to credit is hampered by high interest rate margins and information asymmetries. Digitalisation and Fintech hold the potential to widen access to finance, but market barriers limit their development.
- About 55% of workers are informal, which is a cause and consequence of low productivity.
- Strengthen competition, including by ensuring that the competition authority remains independent and adequately resourced, and by reducing regulatory burdens.
- Upgrade digital payment regulation to facilitate entry in the payment card market.
- Establish a comprehensive strategy to reduce the cost of formalisation, including reducing firms' registration costs at the state and municipal level.



### Digital transition

- Mexico has made efforts to enhance digital access, increasing internet access and connectivity through mobile broadband. However, the number of fixed broadband connections remains low and they are more expensive than in peer countries.
- The large education gap in internet usage among younger adults may entail a persistent digital divide.
- The business sector lags behind in exploiting the potential of digitalisation. Notably, too few firms accept digital payments.
- Increase competition in the fixed broadband market by facilitating the entry of new providers.
- Modify school curricula to strengthen digital literacy from a young age and upskill teachers' digital capacity.
- Support SMEs with technical assistance or grants to increase their online presence.
- Create incentives for the use of digital payments via cash rebates, government sponsored lotteries or consumer rewards.

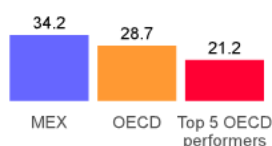


### Inclusiveness, social protection, and ageing

- Mexico has one of the highest levels of poverty and income inequality in the OECD, calling for continuing efforts to strengthen social protection, notably by making it more efficient and responsive to economic cycles, to reduce gender gaps and to improve education.
- The education system has been heavily impacted by the pandemic and pre-existing inequalities have likely widened further.
- Despite recent progress female labour force participation is still lagging as care responsibilities fall disproportionately on women.
- Establish a federal unemployment insurance scheme.
- Establish a network of childcare facilities, giving priority to low-income households.
- Put in place programmes aimed at the school reintegration of those who dropped out during the pandemic and provide targeted support and tutoring to those with learning difficulties.

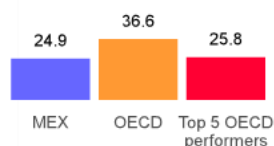
#### Mean poverty gap after taxes and transfers

Line at 60% of median disposable income  
2021 or latest available



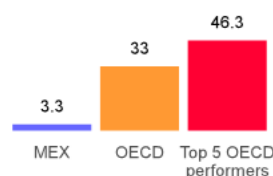
#### Impact of socioeconomic background in PISA reading score

%, 2018



#### Strength of redistribution

Differences in Gini coefficients between market & disposable income relative to coef. on disposable income  
%, 2021 or latest available

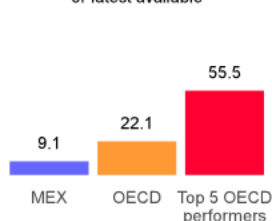


### Climate transition

- Mexico was a pioneer among emerging economies in acting on climate change mitigation and adaptation. However, additional policy action is needed to meet emission targets.
- The country's potential in the renewables sector is high but remains untapped and the share of renewables in the energy mix is lower than in most other OECD countries.
- Modernising the electricity grid would enable greening the electricity mix by increasing the share of renewables.
- Broaden the carbon tax base, gradually increase the rate, and use part of the revenues to offset the effects of higher energy prices on low-income households.
- Maintain regulations that promote renewables generation and private sector participation.
- Upgrade the electricity grid by implementing smart grid technologies and integrating storage devices into the network.

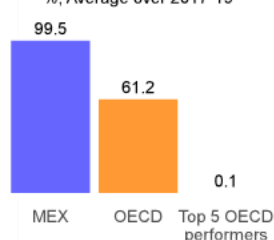
#### Share of renewables in the energy mix

%, Average over 2019-21 or latest available



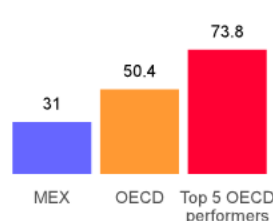
#### Share of population exposed to more than 10 µg/m3 of PM2.5

%, Average over 2017-19



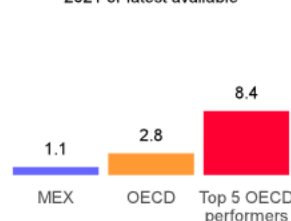
#### Carbon pricing score

%, at EUR 30 per tonne CO2, 2018



#### Environmentally-related government R&D budget

% of total government R&D  
2021 or latest available

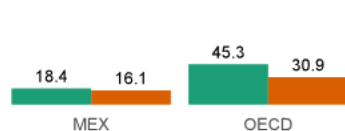


## Overall performance

#### Economy

Thousands USD per capita  
2022 or latest available

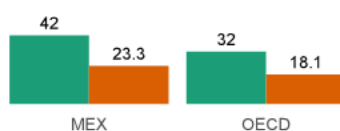
Gross Domestic Product  
Household gross adjusted disposable income



#### Inequality and poverty

2021 or latest available

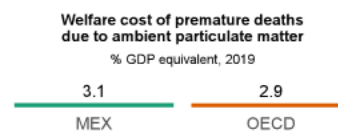
Gini coefficient after taxes and transfers (index of 0-100)  
Poverty rate, line at 60% of median disposable income (%)



#### Environment and climate

1 unit of GDP, 2021

0.31 GHG emissions  
0.24 (OECD)



#### Welfare cost of premature deaths due to ambient particulate matter

% GDP equivalent, 2019





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## Economic Policy Reforms 2023

Going for Growth

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