focus

Focus on Mexico

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Economy Outlook

Mexico is the **second largest economy in Latin America,** and the 13th largest in the world. After over a decade of macroeconomic stability and an export-led recovery from the peak of the financial crisis in 2009, Mexico is currently enjoying positive **growth rates around 4%** and its attractiveness as investment destination has been increasing constantly especially as the economy of Brazil, the other largest player in Latin America, slowed to around 2% growth in 2012. The demographic trend confirms the perspectives of economic growth as the proportion of not-working age on the working age population decreases.

Some uncertainties on the immediate growth prospects for Mexico arise from its strong ties with the US fluctuating economic situation, as **Mexico still exports 80% of its goods to the United States.** Nevertheless, a long-term even if slower growth is expected as the country's macroeconomic fundamentals including account deficit, public debt management and international reserves are all at healthy levels.

On general terms, **the political environment is also quite stable,** although social issues such as drug-cartel wars, criminality and corruption scandals tied to large monopolies and oligopolies often trouble the picture. President Enrique Pena Nieto won the 2012 election without significant turmoils, and a further step onto the international political stage was the assumption of the 2012 presidency of the G20 that confirmed the country's role as regional and global actor.

Thanks to several factors, including average wage at only 12% more than in competing manufacturing bases such as China and the slowdown of Brazil's economy, the country is being increasingly targeted as a favoured investment destination. In 2012 Mexico's Stock Exchange, the Bolsa Mexicana de Valores, has been the second-best performing stock market in the world. The local currency (peso) remains weak against the dollar and Mexico has 43 free trade agreements with other nations, the highest number in the world.

These conditions attract foreign companies to invest in Mexican manufacturing facilities.

As the world 7th largest oil producer, Mexico is also potentially attractive for the energy sector, but the national energy industry is state-owned. The new leadership has tried to implement a wide reform to allow private investment, with a special eye on the giant public oil company Pemex, that recently announced deep-water oil discoveries in the Gulf of Mexico. President Nieto is pushing to accelerate the reform that may introduce public-private partnerships as well as pressing on other key issues in transparency and competition legislation, but the path is mined by strong political controversies and uncertainty about the constitutional changes required to allow such developments.

It looks like Mexico is well positioned to attract more and more investment not only in established sector such as automotive (accounting for about a quarter of exports), televisions and other electronic goods, but in the whole manufacturing sector as well. It is also worth noticing that the long history of immigration flows towards the bordering US, that led the number of Mexicans to account for over 30% of US immigrants, is now being inverted. In fact, according to the Pew Research Hispanic Center (http://www.pewhispanic.org), after a peak of 770,000 unauthorized annual immigrants about a decade ago the figure began to decrease for the first time in two decades, dropping to 140,000 in 2010. At the same time, 1.4 million Mexicans living in the U.S. returned to Mexico between 2005 and 2010. In 2011, the Center estimated that some 6.1 million unauthorized Mexican immigrants were living in the U.S., down from nearly 7 million in 2007. Over the same period, authorized immigrants from Mexico rose from 5.6 million in 2007 to 5.8 million in 2011.

The downward trend in migration rates accounts for both the difficult times in US with employment crisis and financial contraints and the attractiveness of Mexican expanding economy.

Despite these positive achievements, however, the picture is not entirely rosy. According to some economists, in 2012 the number of Mexican citizens living below the poverty line reached about 60 million. Despite the implementation of social welfare programs such as the Oportunidades, providing monetary educational grants to children from poor families in urban and rural communities, and the Seguro Popular universal health insurance aimed to provide medical insurance coverage to uninsured people, the spillover effects of Mexico's growth haven't been equally distributed among the population.

Combined with underemployment or precarious job conditions and inflation, this resulted in the highest rates of inequality and poverty among the OECD countries, as stated by the organization itself. It is estimated that almost 47% of Mexico's total population lives in poverty, mainly in urban areas.

These figures highlight the great priority of strengthening the **resources to lift social disadvantaged groups' conditions** so that they can participate and actively contribute to the country's growth. According to the World Bank, the Oportunidades program is an example of attacking poverty in both the short and long terms. The original beneficiaries were rural villagers, but by 2002 the program had already been extended to small urban centers and city inhabitants.

A crucial element is the careful selection process and the cash payment of benefits directly to female household heads, who are considered as more responsible in spending the additional funds on the family. The continuity of benefits isn't tied to income or family size change, but rather to complying with the program's conditions.

As additional benefit, a fund for school-aged children from the third to the twelfth grade is provided if they attend at least 85% and passes each grade by the second try. Moreover, families receive 13% more funds if they keep a girl in middle and high school, since traditionally fewer girls than boys are allowed to remain in school beyond elementary grades. Education benefits also grow with grades.

The evaluation of a decade of implementation showed that the program also brought significant improvement in health conditions, as evidence indicates that families use about 70% of their payments on improved diets and also invest in farm animals and cleaning supplies. Moreover, mandatory health checks not only work for the early detection of problems early but they also raise awareness about healthy lifestyle and habits.

Healthcare

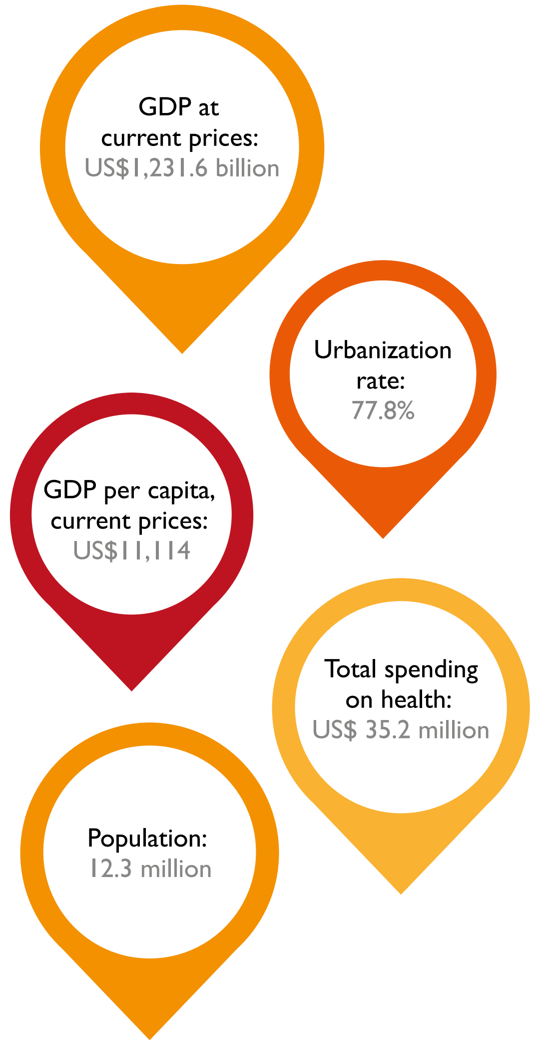
According to OECD data, health spending in Mexico is among the lowest at 6.9%, three percentage points below the OECD average of 9.5%. Per capita health spending in 2010 was US$916 (adjusted for purchasing power parity), compared with an OECD average of US$3,268. Despite the growth in public expenditure by average 4% a year in the last decade, the share of public funds for the total health spending in Mexico remains as low as 47.3%, compared to an OECD average of 72.2%.

It is important to notice that the number of doctors per capita has doubled over the past two decades, from 1 every 1000 population in 1990 to 2 in 2010, but the doctor per inhabitants ratio remained once again far below the OECD average of 3.1 in 2010. The same happens for nurses, whose ratio was 2.5 per 1,000 population in 2010, against the OECD average at 8.7, and hospital beds that were at half the OECD average figure (1.6 beds per 1,000 population against 3.4).

While the availability of diagnostic equipment has risen in most OECD countries, it has remained at 2.0 per million population in 2010 for MRI, compared to the OECD average of 12.5. CT scanners followed the same trend at 4.8 per million population in 2010, with OECD average at 22.6.

These figures provide evidence that the Mexican public health system too often lacks adequate equipment and resources, although the private sector, providing care for about 3 million Mexicans, is well organized and equipped. Private hospitals in main urban areas offer advanced tertiary care and services. About 25% of patients with Social

General figures



Security benefits or having no coverage pay out of pocket for private care. In smaller cities are common private hospitals or clinics owned by local physicians.

About half of Mexican population is covered by a public insurance scheme called Seguro Popular, providing coverage for individuals that are not affiliated to any social security institutions. Members of households covered by the Seguro Popular can access medical, surgical, pharmaceutical and hospital services for a total list of 275 medical operations. The public insurance scheme was launched in 2003 by the Mexican government with the aim to remove great inequalities in access to health services guarantee that all citizens, even in the poorest income groups, may receive adequate healthcare. Since 2004, over 52 million Mexicans, who previously lacked any other insurance, enrolled in the scheme, which was a big improvement since before the reform, medical insurance was available only through employment-based pr private schemes. Despite the milestone achieved by the program, some critics to the Seguro Popular include the poor quality of services often offered in rural areas and lack of coverage for relevant long-term diseases.

Another issue is the low salary of Mexican doctors, that lies at about one-quarter of their US counterparts. This requires many doctors and health professionals to work both for the public and private system, affecting the quality of their service due to the excessive workload.

Although in the last few years about 1,200 new hospitals and clinics were built and another 2,500 were renewed, there is still much to be done in providing a sufficient number of facilities in rural and more isolated areas. Moreover, still about 36 million Mexicans have poor access to medicines and quality health services. The low public spending and the concurrent needs to keep public finances under control to maintain the macroeconomic stability lead many to indicate public-private partnerships as a model for pouring more resources into the country's health system, at the same time improving practices and standards and eliminating wastes, making healthcare affordable to more people while at the same time increasing the quality of services.

Mexico in figures - Healthcare

Fast facts: Health resources

- Percentage of public facilities: 86.8%
- Percentage of private facilities: 13.2%
- Public medical units increased by average: 8.2% between 2000-2007, from 19,099 to 20,664. Hospitals grew by 17.3%, outpatient units by 7.7%.
- Private medical units increased by average 6.1% between 2001-2007.
- The number of beds increased by 6.3% in the public sector and 11.2% in the private sector.
- The number of public medical offices grew by 11.6% from 51,384 to 57,338.

Fast facts: Health workforce

- 70.2% of doctors work for the public sector, 29.8% in private facilities. 84.2% of nurses work for the public system as well.
- Public medical workforce grew by 27.7% between 2000-2007, with total 30,054 doctors added and growth concentrated in 2004-2005.
- Private doctors grew by 59.8% between 2001-2007, with total 24,239 doctors added.
- Public nursing workforce grew by 9.6% while private nurses grew by 25.4%.

Figures for the dental sector

A speaker from the local branch of Ivoclar Vivadent recently estimated that about 117,000 dentists and 43,000 dental tecnicians operate in Mexico. Moreover, about 40% of practices are private. High quality private dental clinics, staffed with skilled dental professionals that often received education or training in the US, are determining also an increasing flow of dental tourism, as cost of treatments may be even half than in the USA.

Dental treatment accounts for about 6% of personal income, but the majority of patients seeks dental care only for emergency cases, while prevention and oral health education is still low.
The dental sector also lacks incentives, as a reported 5% of new graduates is able to set up its dental practice within the first 5 years of work.

Form a geographical perspective, Mexico City is by far the largest regional market for dental equipment and supplies, estimated to account alone for about half of the total market value. According to AMIC, the Association of Mexican Dental Industry and Commerce, local production only meets around 20% of the demand, with some 40 manufacturers producing latex gloves, amalgams and oral hygiene products in the areas of Baja California and Jalisco, while the remaining share of procucts, especially equipment and instruments, is imported mainly from China, Malesia, Pakistan, Brasil and USA.

The Association values the total market for dental products at about US$1 billion and grew by annual average 10% over the last three year.

From 15 to 19 May 2013, the 59th ExpoDental AMIC will provide the trade show platform for all companies interested in exploring the Mexican market.
For further information: www.amicdental.com.mx

Availability of medical equipment

Equipment	Ratio per 1 mn population, non insured	Ratio per 1 mn population, total	Ratio per 1 mn population, insured
Tomographs	2.3	1.6	3
Radiotherapy equipment	0.5	0.6	0.5
Mammography units	3.7	2.9	4.7
Surgical microscopes	6.3	4.3	8.7
Ultrasound devices	17.3	12.3	23.2
X-ray devices (including mobile)	28.1	17.4	41
Dental units	56.8	72	38.6
Dental x-ray equipment	28.6	37.6	17.8
Electrocardiographs	39.8	33.4	47.5
Electroencephalographs	2.4	1.3	3.7
Ecocardiographs	1.4	1.1	1.7
Endoscopes	2	2.6	1.4
Equipment for hemodyalisis	15.4	3.7	29.4

Source: http://www.sinais.salud.gob.mx

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