

MEXICO

WORLD RANK:

67

REGIONAL RANK:

14

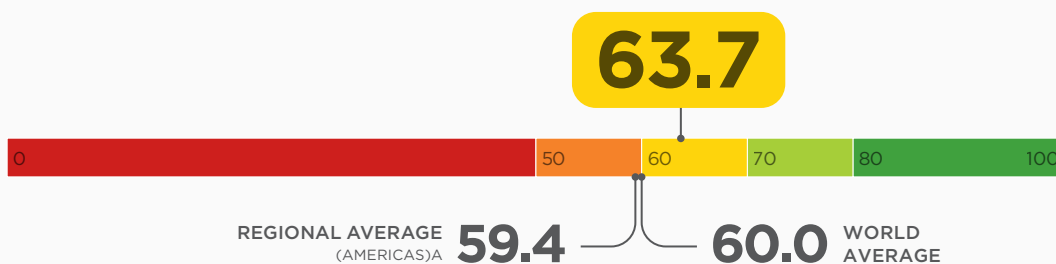
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

Mexico's economic freedom score is 63.7, making its economy the 67th freest in the 2022 *Index*. Mexico is ranked 14th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

The Mexican economy grew slowly in 2017 and 2018, contracted in 2019 and more deeply in 2020, and returned to growth in 2021. During those five years, a trend of middling economic freedom has continued. With minor score changes across all 12 indicators, Mexico has recorded a negligible 0.1-point overall gain of economic freedom since 2017 and remains trapped in the middle ranks of the "Moderately Unfree" countries. Fiscal health, **trade freedom**, and **investment freedom** are relatively strong, but Mexico's long-time, very feeble rule of law does not befit the second-largest economy in Latin America.

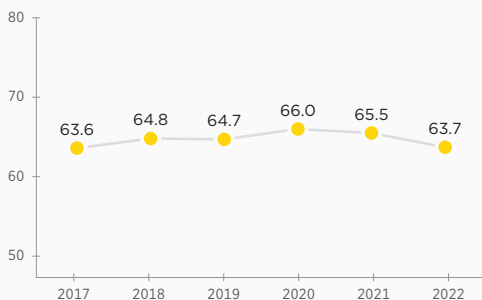
IMPACT OF COVID-19: As of December 1, 2021, 294,428 deaths had been attributed to the pandemic in Mexico, and the government's response to the crisis ranked 122nd among the countries included in this *Index* in terms of its stringency. The economy contracted by 8.2 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +0.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
128.9 million

GDP (PPP):
\$2.4 trillion
-8.2% growth
in 2020
5-year compound
annual growth -0.3%
\$19,130 per capita

UNEMPLOYMENT:
4.7%

INFLATION (CPI):
3.4%

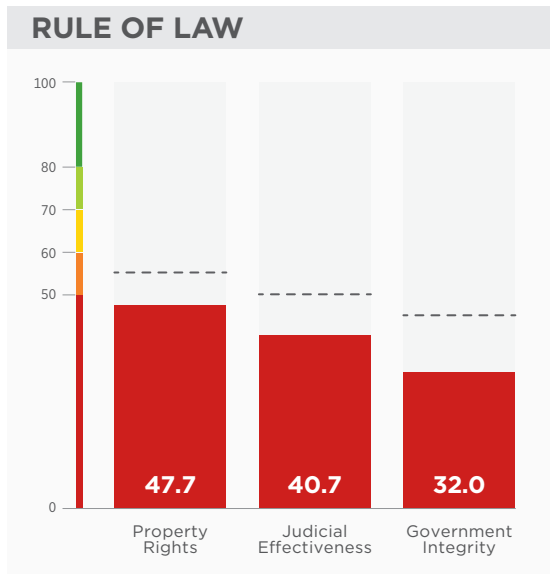
FDI INFLOW:
\$29.1 billion

PUBLIC DEBT:
60.6% of GDP

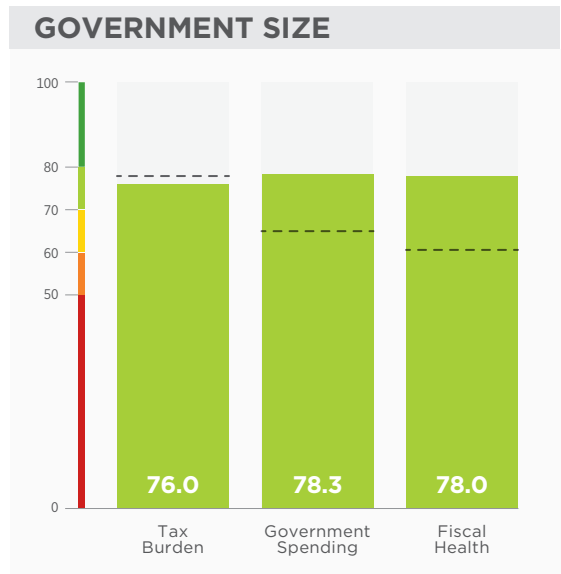
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: President Andrés Manuel López Obrador of the populist left-wing MORENA party is in the fourth year of his single six-year term. His failure to deliver on promises to solve such problems as crime, corruption, and poverty led to MORENA's congressional losses in 2021 mid-term elections and could derail constitutional amendments that López Obrador seeks to enhance his power, reverse his predecessor's reforms, and reimpose 1970s-style statist controls over energy and other sectors in the oil-rich country. Nevertheless, he supports the U.S.-Mexico-Canada trade agreement that helps to propel the Mexican economy. He must also deal with unprecedented new flows of migrants seeking to enter the U.S. illegally from Mexico. Nearly 60 percent of economic activity takes place in the informal sector.

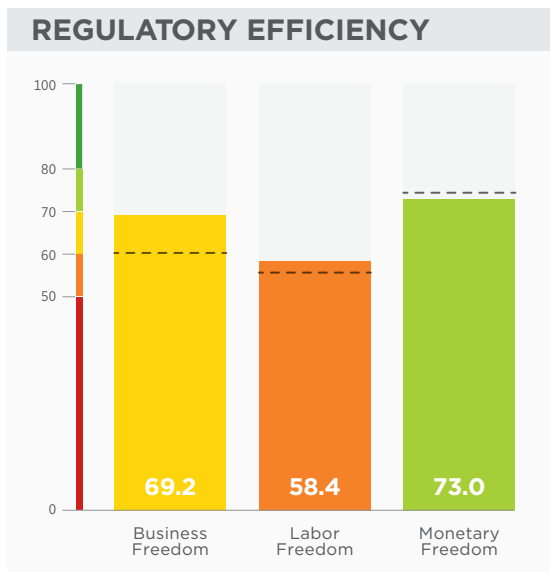
12 ECONOMIC FREEDOMS | MEXICO



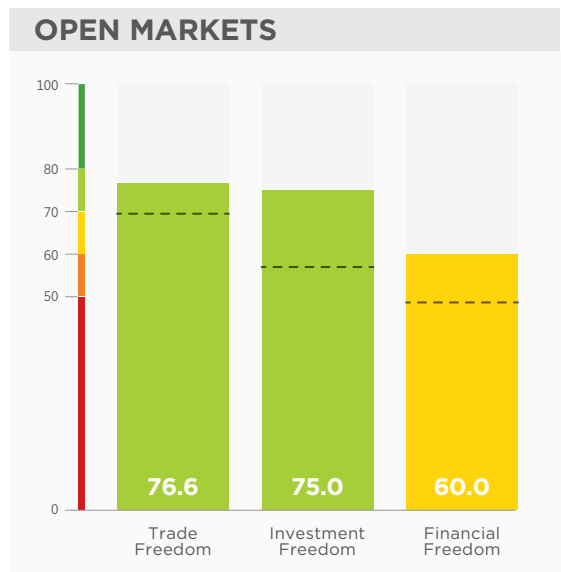
Property rights are protected, but enforcement is uneven, and property registration is problematic. Foreign ownership of land is limited. The judiciary is independent, but court decisions are susceptible to improper influence. Corruption flourishes and rule of law is weakened amid a history of societal toleration of public-sector bribe solicitations, criminal violence, and entrenched political and economic interests that often collaborate with transnational drug cartels.



The top individual income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax. The overall tax burden equals 16.5 percent of total domestic income. Government spending has amounted to 26.9 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.0 percent of GDP. Public debt is equivalent to 60.6 percent of GDP.



Sudden regulatory changes and policy reversals breed a business climate of uncertainty. Questionable contract enforcement, an amorphous security situation, informality, and varying levels of corruption are some of the problems with which businesses must contend. Labor courts are being phased in gradually, state by state, until May 2022. Massive subsidies to the state-owned electric utility and the state-owned oil company PEMEX were increased in 2021.



Mexico has 23 preferential trade agreements in force. The trade-weighted average tariff rate is 4.2 percent, and 251 nontariff measures are in effect. Despite a strong desire to attract more foreign investment, the investment regime lacks efficiency and is hampered by inconsistency. The modern financial sector has become more competitive and open. The banking system remains relatively well capitalized.