The World Bank interviewed a representative sample of the private sector in 8 of the most active economic regions in Mexico. The sample consisted of 1480 business establishments surveyed from August 2010 through June 2011. The Enterprise Survey covers several topics of the business environment as well as performance measures for each firm. Below are the main highlights from the survey.

**Mexican firms added jobs at over 5% but saw only modest gains in sales and productivity**

Mexican firms increased their employment by over 5% per year, comparable to growth rates in other countries in Latin America & Caribbean (LAC) and to other Upper Middle Income (UMI) economies. Nonetheless, sales growth, in real terms, grew at less than 1%, lagging behind both LAC and UMI averages. In terms of productivity, though, Mexican firms did experience modest growth, compared to declining productivity in the rest of the region and flat rates in UMI economies.

**However, productivity growth was due to gains from Mexico’s small firms**

While, overall, firms in Mexico saw their productivity grow, these gains were driven by small firms. Firms with less than 20 full-time employees had productivity growth rates above 2% annually. By contrast, medium and large firms experienced declining labor productivity growth. Mexico’s largest firms, with more than 100 employees, reported declines in productivity of 5% annually over the same period.

**Mexican firms cite informality, tax rates, access to finance, and crime as top obstacles**

When asked to rank 15 different elements of the business environment, the component selected by most private Mexican firms is the practices of the informal sector, followed by tax rates, access to finance and crime, theft and disorder. These four obstacles cover more than 50 percent of the Mexican private sector. Compared to the rest of Upper Middle Income economies, informality and crime are not as common as areas of concern for the private sector whereas tax rates and access to finance are commonly selected in economies of similar levels of income.
A greater proportion of Mexican firms face competition from the informal sector

The Enterprise Surveys also provide evidence based on the experience of the firms navigating the business environment rather than on opinions of Managers. Seven out of every ten firms in Mexico report competing with the informal sector. This rate is notably higher than 62% reported in the rest of LAC and 53% in UMI economies. This evidence confirms that the choice of informality as the top obstacle is based on the actual experiences of firms.

Mexican firms exhibit lower levels of access to financial intermediation

Similarly, Mexican firms seem to face relatively harder conditions than their counterparts in LAC and in UMI economies around the world in financial markets. A considerably lower share of Mexican firms has a loan or line of credit or a checking or savings account than their homologues in LAC or UMI economies. Additionally, Mexican firms are required to provide higher collateral value relative to the loans they receive.

While losses due to crime in Mexico are high significantly fewer firms actually pay for security

The cost of crime – measured as the cost of security plus losses due to crime – for Mexico’s private sector is over 2% of annual sales, confirming the perception that crime is one of the top 4 obstacles for firms. Nonetheless, the share of firms paying for security, an indicator also measured by Enterprise Surveys, is considerably lower in Mexico than in LAC and UMI economies.

The Enterprise Analysis Unit is a joint World Bank and IFC team of economists, survey experts specialized in private sector development. Surveys implemented by the team reveal what businesses and firms experience across the world by interviewing representative samples of the formal, non-agricultural, non-extractive, private sector with 5 employees or more. The resulting globally comparable firm-level data is used to construct business environment indicators and measure firm performance. The findings and recommendations help policy makers identify, prioritize, and implement policy reforms that support efficient private economic activity.

For more information on the survey visit http://www.enterprisesurveys.org

Generated using Enterprise Survey data as of October 22, 2013