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Invest in Mexico

Your best option
for the long term



Secretariat of Economy

Undersecretariat of Foreign Trade
Global Economic Intelligence Unit

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“Invest in Mexico: your best option today for the long term”

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INVEST IN MEXICO



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the long term



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INTRODUCTION

Mexico is at an unbeatable historical moment to attract investment. Political, economic and social stability, together with the nearshoring phenomenon, position Mexico as one of the most attractive and competitive countries at an international level.

Nearshoring involves companies relocating their production chain, or part thereof, to a spot closer to the final consumer in order to reduce risks, time and costs.

Throughout this decalogue, you'll learn why Mexico is the best destination for your investment.





Economic
stability



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Mexico is the
**12th largest
economy
in the world¹**

With a Gross Domestic Product (GDP) of **1.8 trillion dollars²** in 2023, over 600 billion dollars more compared to the GDP reported at the start of the current administration in 2018.

At the end of 2023 the GDP grew by **3.2 %³** compared to 2022, the same growth as the US, **3.2 %⁴**.

Mexico has 14 Trade Agreements with 50 countries and 30 Agreements for the Promotion and Reciprocal Protection of Investments with 31 countries,⁵ which gives Mexico access to **1.3 billion of potential consumers**.

In addition to being an open economy, the domestic market alone is attractive for investment, as it comprises **129.6 million consumers⁶** whose purchasing power increases each year.

For example, cumulative sales in self-service stores, in 2023, were equivalent to **90 billion dollars, 23 %** higher than in 2022.⁷

By December 2023, Mexico consolidated itself as the main trading partner of the United States of America (U.S), displacing China, who was its main supplier since 2007.⁸



¹IMF | World Economic Outlook (October 2023).

²INEGI GDP | Current values.

³INEGI | GDP statement as of 4Q 2023 (February 24, 2024).

⁴BEA | Gross Domestic Product Real, 4Q and Year 2023 (February 28, 2024).

⁵Secretariat of Economy | Foreign Trade, Countries with Treaties and Agreements Signed with Mexico.

⁶INEGI - ENOE, 4Q 2023.

⁷Press release, December, 2023 ANTAD | Exchange Rate = 16.9190 as of 12-29-2023.

⁸United States Census Bureau | Top Trading Partners - December 2023.

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Getting to know Mexico's Macroeconomic Data:



The Mexican peso is one of the most stable currencies and one of the currencies that has appreciated the most in the last year. As of July 28th 2023, it reached its maximum appreciation of **18 %**⁹, with respect to the start of the current administration in 2018, registering its lowest exchange rate since December 2015, a historic event for the Mexican economy.



At the end of 2023, inflation was **4.66 %**,¹⁰ which is below the number registered during 2022 (**7.82 %**), and below the average for other regions such as the G20(**6.5 %**),¹¹ and OECD countries (**6.0 %**).¹²



Mexico has solid international reserves, with 22 % growth during the current administration, increasing from **173.8 billion dollars**¹³ in **November 2018** to **212.8 billion dollars as of December 2023**.¹⁴



As of December 2023, public debt in Mexico represented **46.8 %**¹⁵ of its GDP, while in the United States it was **123 %**¹⁶ and in Canada, **106 %**¹⁷ of their GDP.

⁹ Bank of Mexico | Exchange Rate.

¹⁰ INEGI | Inflation Portal.

¹¹ OECD | Consumer Prices, OECD - February 2024.

¹² Idem.

¹³ Bank of Mexico | International assets, domestic credit and, monetary base. |November 2018.

¹⁴ Bank of Mexico | International assets, domestic credit and, monetary base. |December 2023.

¹⁵ Government of Mexico | Press Release No. 29 Reports on the Situation.

¹⁶ International Monetary Fund - USA.

¹⁷ International Monetary Fund - Canada.

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Mexico has sound public finances:

The Mexican government has made a **historic payment** towards foreign debt interest with the aim of reducing pressure on public finances in the medium term.

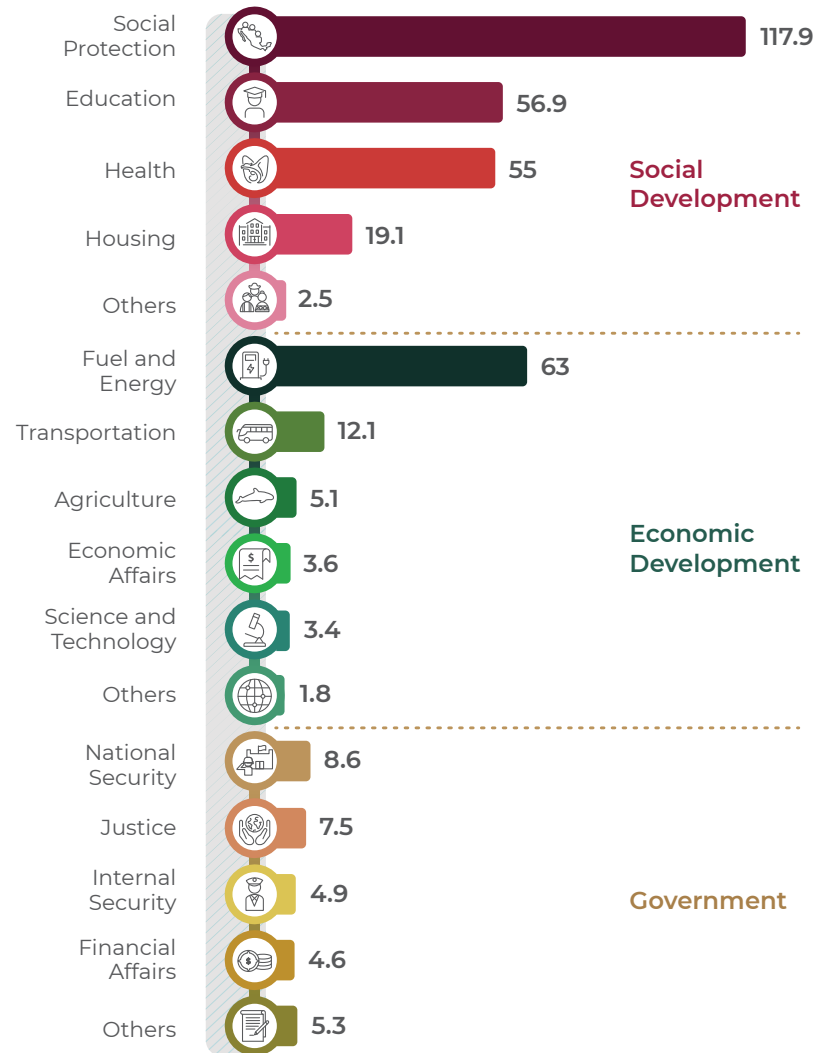
As of December 2023, tax collection was **267 billion dollars**. At the end of 2018, tax revenues were **156 billion dollars**, which poses a 71 % increase in tax revenue for the country.¹⁸ Mexico has increased its tax collection in recent years, despite the COVID-19 health emergency, trade wars, and military crises, which indicates taxpayer confidence.



63.6 billion dollars

Planned investment spending by 2024¹⁹

Programmable Spending by Functional Classification, 2024 (billion dollars)



¹⁸ Tax Administration Service | Revenue | Federal Government Tax Revenues.

¹⁹ Budget Transparency | Investment Expenditure. The exchange rate as of November 9, 2023, of 17.4888, according to the date of final approval of the Federal Spending Budget 2024 by the Chamber of Deputies.



Political and
social stability



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The democratization of the Mexican political system and a solid anti-corruption policy give certainty to economic stakeholders. This administration has focus on addressing issues at the root causes and prioritizing people and regions that have historically been excluded from the country's economic development.

Never before has so much of the public budget been invested in the social justice agenda.



As of May 2023, **71 %** of Mexican households receive support from at least one Welfare Programs. That represents more than **30 million families that receive a portion of the public budget**, which translates into peace and tranquility for Mexicans.²⁰

²⁰ Welfare Programs Progress 2023.



Priority programs:

- Youth Building the Future (Jóvenes Construyendo el Futuro).
- Sowing life (Sembrando Vida).
- Benito Juarez Scholarships.
- Aid for Children of Working Mothers.
- Pension for the Well-being of Persons with Disabilities.
- Assistance for the Well-being of Senior Citizens.





Foreign **Direct Investment**

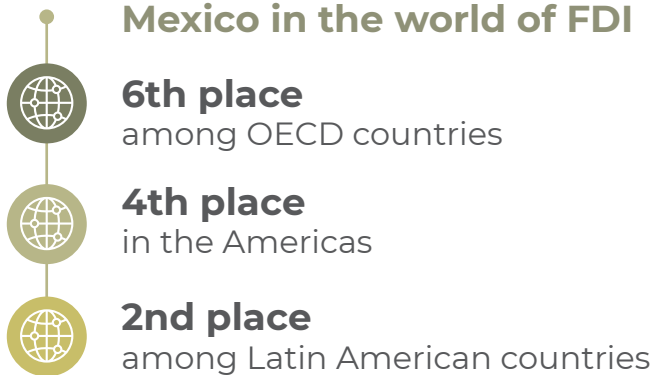
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According to the World Investment Report 2023, published by the United Nations Conference on Trade and Development (UNCTAD).

Mexico recorded a **0.6 %** increase in its share of global FDI flows, going from **2.1 % in 2021 to 2.7 % in 2022**, demonstrating its growing importance in this area.





In 2022, global investment flows decreased by 12 % compared to 2021. However, Mexico experienced an 11.6 % growth, ranking 11th among the countries that receive the most FDI, with 35.2 billion dollars.²¹







Main FDI receiving countries, 2022 (million dollars)²²

1° United States	286, 057	7° Canada	52, 633
2° China	189, 132	8° India	49, 355
3° Singapore	141, 211	9° Sweden	45, 963
4° Hong Kong	117, 725	10° France	36, 413
5° Brazil	86, 050	11° Mexico	35, 292
6° Australia	61, 629	12° Spain	34, 811

Likewise, Mexico's **17 %** share in total investment in **EV production in 2021 and 2022** is noteworthy, just below that of Europe and the United States.

2020 
45 %  China
10 %  United States
7 %  India

2021 and 2022 
37 %  Europe Union
18 %  United States
17 %  Mexico

²¹ UNCTAD - World Investment Report 2023.

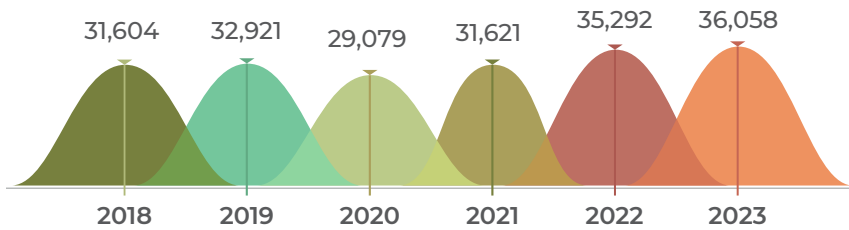
²² Mexico is part of the Organization for Economic Cooperation and Development (OECD), which provides the methodology to calculate FDI through the Benchmark Definition of Foreign Direct Investment. It is important to note that the countries of China, Singapore, Brazil and India are not part of the OECD, so there could be differences in the precise methodology to calculate FDI.

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At the end of 2023, Mexico registered 36.06 billion dollars of FDI, 27 % higher than the amount reported at the closing of 2022,²³ it being the highest amount on record.

**FDI in Mexico at the End of Each Year
(million dollars)**



The FDI's behavior is the result of investors' trust in the country's good business environment and economic stability, hitting a new record in profit reinvestment.

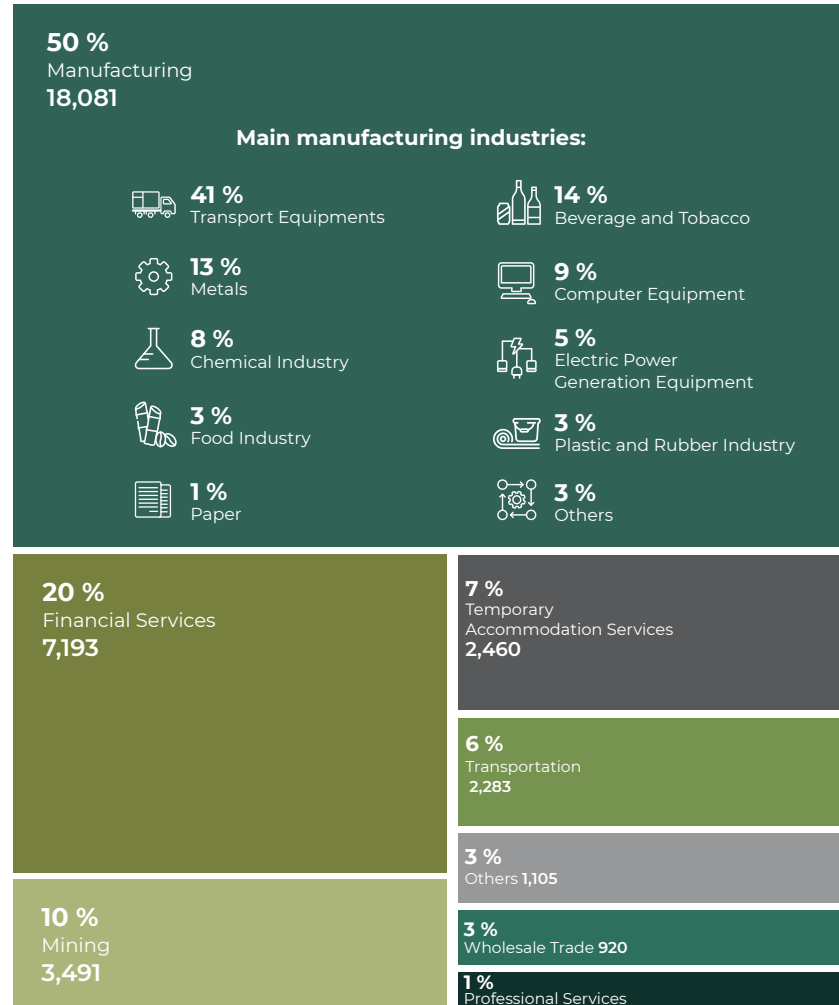
**FDI flows by investment category
(million dollars)**



Amounts reported as of December 31, 2023.

²³ Without considering the Televisa - Univision merger and Aeromexico's Restructuring. Secretariat of Economy | National Register of Foreign Investments (RNIE).

Distribution of FDI Flows by Economic Sector (million dollars)



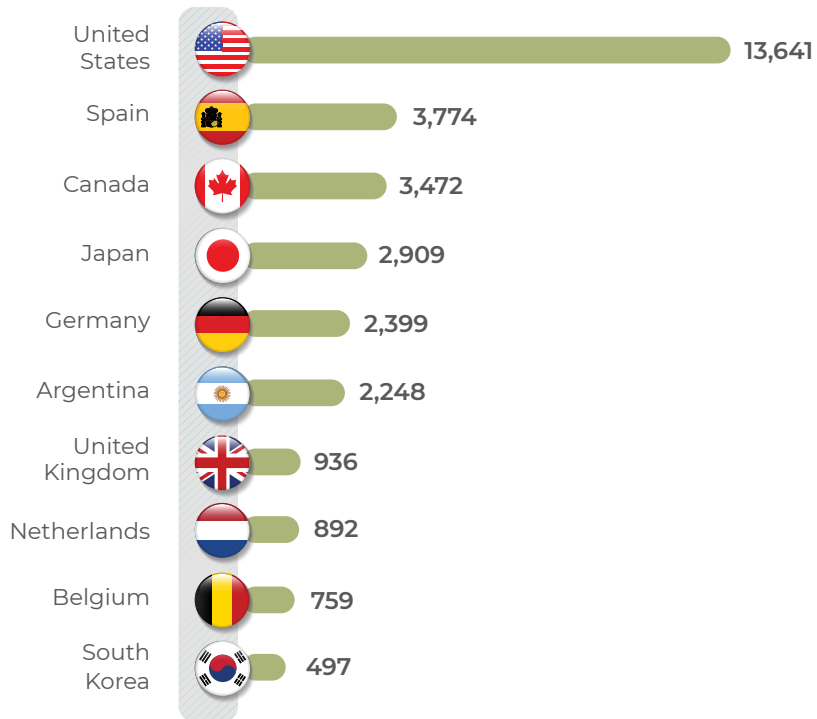
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According to the FDI registered in 2023, the United States is the main investment country in Mexico, amounting to 38 % of total flows. This is a result of the economic integration of the North American region, whose countries invested 48 % of the total FDI of the period.

Of the total FDI registered for 2023, 76 % is concentrated in 10 states of the country. In 2023, there was a re-configuration of investments throughout the country.

Top 10 FDI-originating countries in 2023 (million dollars)



Top 10 FDI-receiving states in 2023



Amounts reported as of December 31, 2023.
Secretariat of Economy | National Register of Foreign Investments (RNIE).



The agreement

between Mexico, The United States,
and Canada

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Over three decades of trade integration, the production chains of North America have been consolidated. Furthermore, the modernization that led to the USMCA, starting July 1st, 2020, positions this trade zone at the forefront of labor and environmental standards.²⁴

Thanks to the USMCA, companies settling in Mexico can access:



376 million
potential consumers
in the United States
and Canada²⁵

in addition to
129.6 million
consumers in Mexico

To measure the magnitude of the relationship, it suffices to say that from January to December 2023, around 14 million dollars were traded every minute among the three partners with the rest of the world.²⁶



7.4 billion dollars

The total value of North American trade globally from January to December 2023²⁷

Given the lessons of the pandemic, geopolitical changes, and increased logistics costs, the USMCA provides certainty to investors seeking to reduce risks by nearshoring their production chains closer to their final consumers.



With USMCA Decision 5

Mexico, the United States and Canada coordinate and secure supply chains against any emergency²⁸

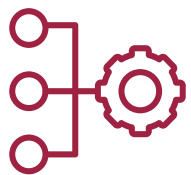
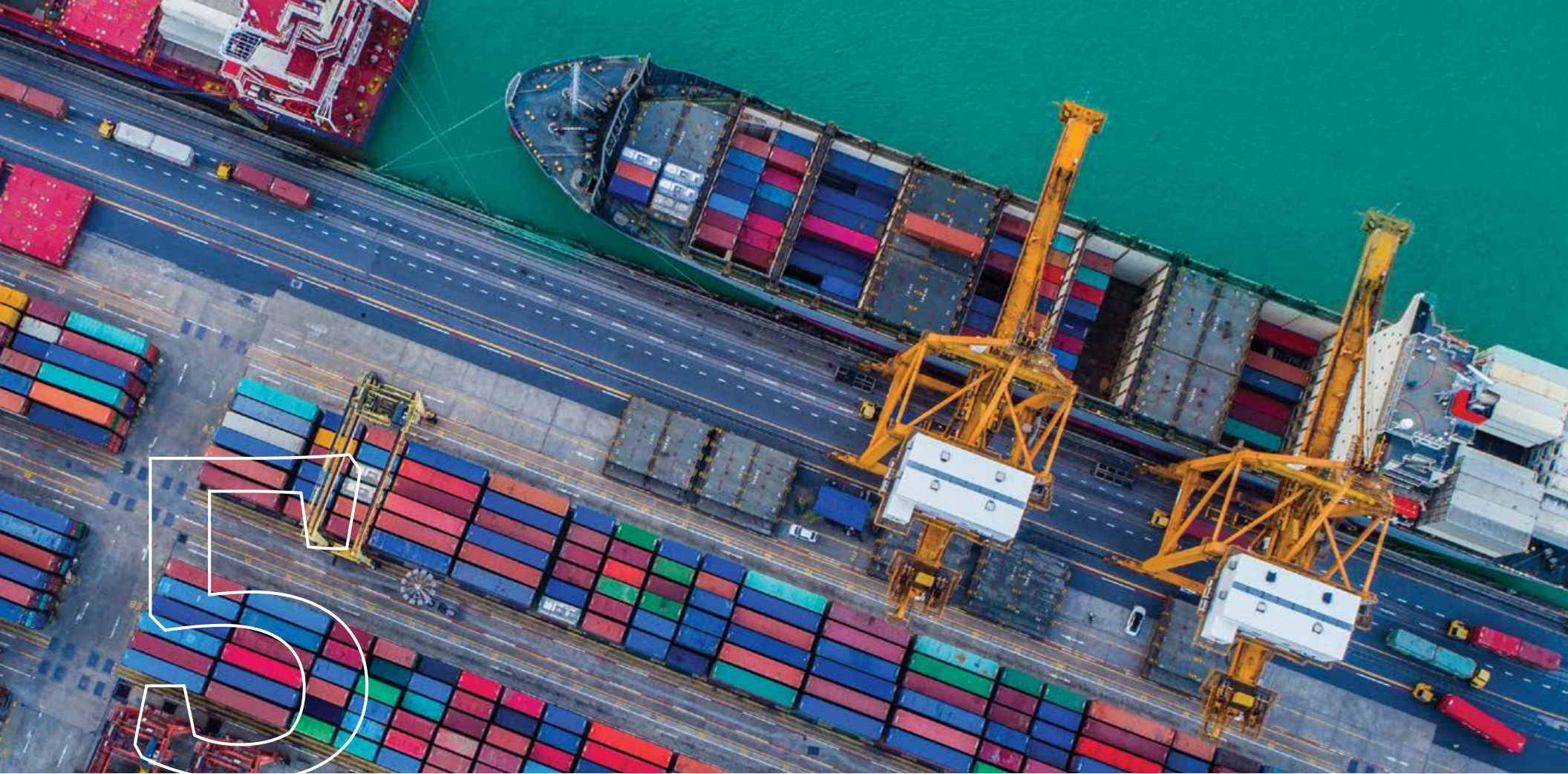
²⁴ Secretariat of Economy | (July 1, 2020) USMCA.

²⁵ World Bank | Total population.

²⁶ Secretariat of Economy with data of US Census Bureau | Government of Canada | INEGI, Trade Balance (December 2023).

²⁷ US Census Bureau | Government of Canada | INEGI, Trade Balance, December 2023.

²⁸ USMCA Free Trade Commission. Decision 5. <https://www.gob.mx/t-mec/>



Infrastructure
that connects



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Efficient connectivity is crucial in making trade work. Mexico also stands out for its railway infrastructure, airports, seaports and highways.

Mexico has **103 ports**,³³ among which the most active in terms of trade are Manzanillo, Lázaro Cárdenas, Veracruz, Coatzacoalcos and Altamira. January to June 2022, **287 million tons**³⁴ were mobilized in Mexican ports.



The national railway network totals **23,389 kilometers (km)**

and it is divided into:

- **17,360 km** of primary and secondary roads under concession.
- **4,474 km** of auxiliary road.
- **1,555 km** of private roads.²⁹



Mexico has more than **187,905 km** of highways and roads

- **50,798 km** of federal highways.
- **103,053 km** of state highways.
- **23,131 km** of roads (municipal and private).
- **10,923 km** of concessional highways.³⁵

Mexico has **1,514 aerodromes**, **559 heliports**³⁰ and **78 airports**,³¹ the most relevant of which are Tijuana, Monterrey, Guadalajara, Cancun, and Mexico City. The latter, from January to May 2023, handled more than 19.6 million passengers and more than 245,000 tons of cargo,³² both with an 11 % increase compared to the same period of 2022.

Mexico shares **3,153 km of border** with the United States, featuring 56 bridges and entry point.³⁶ Transit times from Mexico to the United States are the most competitive:



Shanghai to Los Angeles → **17 day**
Tijuana to Los Angeles → **3 hours**

²⁹ Mexican Railway System | Mexican Railway System.

³⁰ Aerodrome and Heliport Database | May 8, 2023.

³¹ Mexican Airport System | Federal Civil Aviation Agency.

³² Airport Operational Statistics - May 2023.

³³ Secretariat of the Navy | Prontuario_2022.pdf

³⁴ Secretariat of the Navy | Monthly Statistical Report June 2023.

³⁵ National Road Network | Mexican Institute of Transportation | Government.

³⁶ International Boundary and Water Commission between Mexico and the United States.



Young and skilled
workforce



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We are the **tenth most populated** country in the world. Of the **129.6 million people**,³⁷ nearly half are part of the active labor force.³⁸ This is why Mexico is doubling down betting on education.

In the last two decades, average schooling increased from **7.5 to 9.7 years**.³⁹ By 2023, investment in this sector is expected to reach **56.9 billion dollars**.⁴⁰

Mexico is one of the ten countries of the Organization for Economic Cooperation and Development (OECD) that graduates more professionals in science, technology, engineering, and mathematics every year.

Every year, more than one million graduates are ready to join all productive activities due to nearshoring.

There is currently a coordinated effort between the Secretariats of Economy, Public Education, Labor, and Social Welfare, the National Council of Humanities, Sciences and Technologies, and the productive sectors to update curricula by discipline, promote specialties based on nearshored industries and ensure that investments get an adequate profile of the Mexican talent available.



29 years old

The average age of the Mexican population



+61 million

are part of the active labor force



The availability of the labor force, legal reforms, and productivity made Mexico one of the ten most attractive labor markets globally in 2022.

(Workforce de Manpower Index).



³⁷ World Bank | INEGI. Population, 4Q 2023.

³⁸ INEGI. Employment and occupation.

³⁹ INEGI. Education.

⁴⁰ Budget Transparency | Functional Classification | Social Development. The exchange rate as of November 9, 2023 of 17.4888, according to the date of final approval of the PEF 2024 by the Chamber of Deputies.



Sufficient and
clean energy



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Mexico has sped up its transition to green energy while ensuring the reliability of the grid with sufficient energy at affordable prices.

According to numbers from the Secretariat of Energy, in 2022, **31.2 %** of energy generated came from clean sources (**106,170 GWh**), which represented an increase of **9,320 GWh** compared to 2021.⁴¹

One of the advantages of the Mexican energy system is its diversified matrix: the confluence of hydroelectric, natural gas, oil, and nuclear energy and the growing presence of solar and wind energy sources allows the supply network to not depend on a single source.



Nearly one-third
of energy comes from
clean sources



Diversified Energy Matrix:

- Hydroelectric plants
- Natural gas
- Oil
- Nuclear energy
- Geothermal
- Photovoltaic
- Bioenergy
- Solar and wind power sources with a growing presence

⁴¹ Secretariat of Energy | Clean Energy Progress Report Annex 3.



Tax **incentives**



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Mexico has a series of incentives and development programs that help to attract investment. These include tax incentives to promote regional development in the Northern Border and in the South-Southeast.

Regional Federal Incentives

Northern and Southern border



Value-added Tax (VAT)

- A 50% VAT credit, which results in a reduced rate from 16% to 8%.⁴²
- The fiscal address, branch office, agency, or establishment must be located within the northern or southern border region.



Income Tax

- A tax credit equivalent to one-third of the income tax in the fiscal year or in its provisional payments.⁴³
- Entities must show that the income earned in the border region represents at least 90% of total earnings.



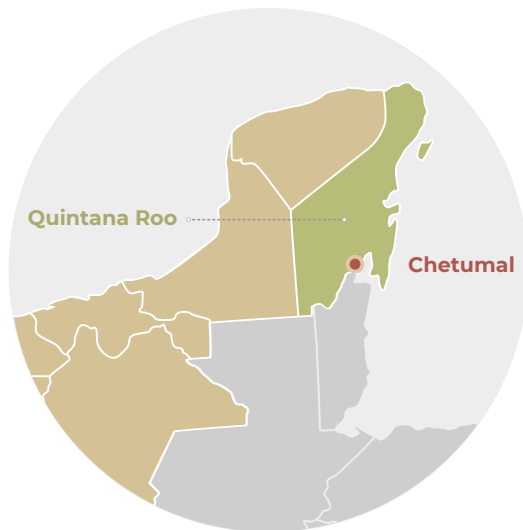
⁴² Secretariat of Finance and Public Credit | Tax incentives for the northern and southern border region.

⁴³ Idem.

Chetumal Free Trade Zone

Tax incentives are granted to legal entities or individuals that are located and trade certain goods or services (according to specific tariff items),⁴⁴ in the Chetumal border region, such as:

- Machinery and equipment commercialization.
- Pharmaceutical products commercialization.
- Construction materials commercialization.
- Repair and maintenance of automobiles.



Customs Process Duty

- Credit equivalent to 100% of the customs process duty for definitive imports made in the Chetumal border region, of the goods included in the Decree.



General Import Tax

- 100% general import tax credit on foreign goods other than those inside passengers' luggage, imported definitively into the Chetumal border region.

Effective from January 1st, 2021
to December 31th, 2024.



⁴⁴Total tariff items: 1,307.
DECREE of the Chetumal Free Zone | Official Gazette. December 31, 2020.
Modifications to the Decree of the Chetumal Free Zone. | Official Gazette. November 18, 2022.

Development Programs

Manufacturing, Maquila, and Export Service Industry Program (IMMEX)⁴⁵

IMMEX is an export promotion instrument used by companies that import goods temporarily and carry out an industrial or service process for manufacturing, transforming, repairing, or providing services.

This program offers the possibility of importing goods under a temporary regime, **deferring the payment** of the **general import tax**, the **value-added tax (VAT)**, and, if applicable, the **countervailing duties**, as long as the companies carry out an industrial or service process intended for the manufacturing, transformation, repair or rendering of export services.



This applies to legal entities

- Producers
- Export service providers
- Residents in the national territory

Sector Promotion Programs (PROSEC)⁴⁶

PROSEC is an instrument that benefits legal entities that produce certain goods.

They are allowed to import various goods used in the production of specific products **at a preferential tariff**, regardless of whether the final products are destined for export or to the domestic market.

The benefits are only for imported goods for the participant sectors; however, PROSEC program holders may request their incorporation into new sectors, provided they can prove that they manufacture goods corresponding to such industries.



This applies to manufacturers of goods

- 24 PROSEC sectors
- Article 4 PROSEC Decree

⁴⁵Secretariat of Economy | National Foreign Trade Information Service (SNICE) | Promotion programs. IMMEX.

⁴⁶Secretariat of Economy | National Foreign Trade Information Service (SNICE) | Promotion programs. PROSEC.



One-stop
shop for investors

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International Context

According to the World Trade Organization, bureaucratic delays and excessive procedures are an obstacle to the establishment of an investment.

As an investment facilitation measure, One-stop shops are investment attraction tools that are used at the international level to provide transparency and orientation to investors in the investment setup cycle.

In this context, according to information from the Global Enterprise Registration portal of the United Nations Conference on Trade and Development (UNCTAD):



170 countries
have digital information
websites and

77 countries
have digital
one-stop shops

Our Model

As part of its policy to attract and promote investment, through a Presidential Decree,⁴⁷ the Secretariat of Economy created a model to provide attention, accompaniment, and follow-up to domestic and foreign investors, consisting of two mechanisms: *Ventanilla Única para Inversionistas* (One-Stop Shop for Investors) and *Registro Único de Proyectos de Inversión* (Single Registry of Investment Projects).

Benefits



They provide legal certainty and transparency on rules and procedures.



Cost and time efficiencies for users



Accompaniment in the establishment process.

⁴⁷ DECREE on the creation of the One-stop shop for Investors and the Single Registry of Investment Projects, published in the Official Gazette of the Federation on July 26, 2023.

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REGISTRO ÚNICO DE PROYECTOS DE INVERSIÓN

One-stop Shop for Investors (VUI MX®)

It is a free public contact and guidance mechanism for the planning or setup of an investment in Mexico.

Through the VUI MX® portal, interested parties can find a step-by-step guide, from the investor's point of view, on the procedures at the federal level to achieve the setup of an investment in the country.

It provides relevant information on Mexico as an investment recipient and facilitates links with state authorities.

It is aimed at all national and foreign individuals interested in establishing their investments in the country.

Single Registry of Investment Projects (RUPI)

It is a public, electronic and free administrative facilitation mechanism for the establishment of investments in Mexico.

Through the RUPI registry, investors can have access the accompaniment from the Secretariat of Economy during the establishment or expansion of their investment.

The One-stop shop for Investors increases Mexico's competitiveness by joining international best practices.

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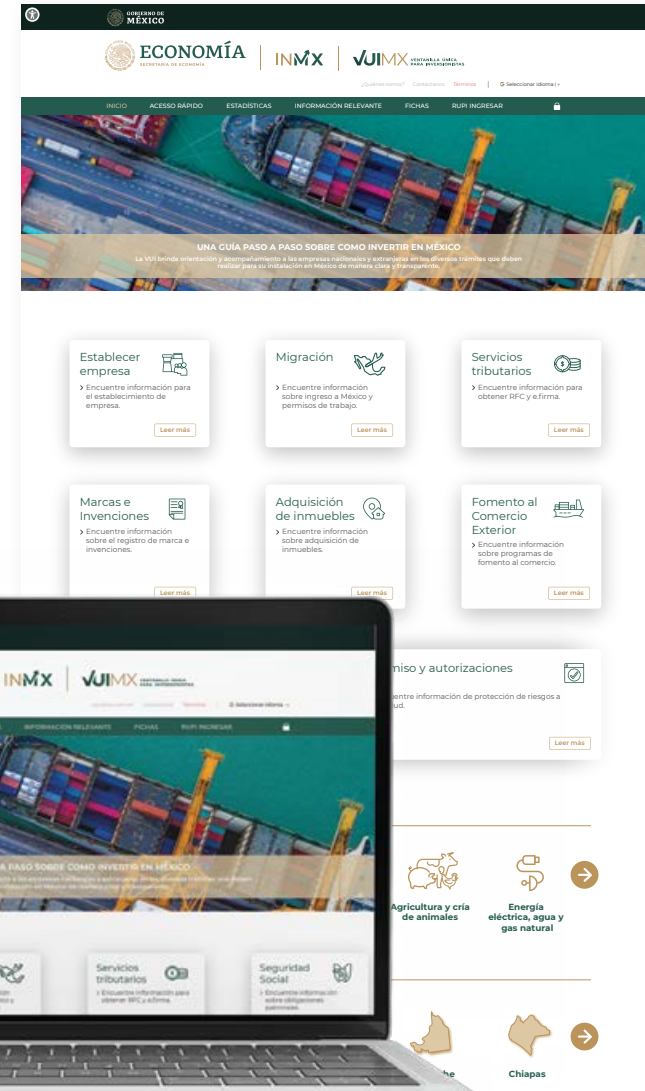
In addition to the good times that the Mexican economy is experiencing due to its economic stability, good business environment, and competitive advantages, such as its talent and strategic geographic location, Mexico is positioned among the main destinations worldwide for attracting investment.

Ventanilla Única para Inversionistas (VUI MX): Winner of the “Best Digital Information Portal 2023” by UNCTAD.



Scan me

<https://ventanillaunica.economia.gob.mx>





MSMEs
development



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Micro, Small and Medium Enterprises (MSMEs) play an essential role in the Mexican economy. According to the latest 2019 Economic Census, there are 4.7 million in Mexico.



99.8 %
of the country's
establishments are
MSMEs⁴⁸

7 out of 10
employees work
in a MSME⁴⁹

As the most significant percentage of economic units, MSMEs are an investment niche in multiple sectors such as tourism, agro-food, and chemicals. Their high level of adaptability and the use of various resources throughout the different geographical areas of the country characterize them.

Manufacturing MSMEs with export capacity focus on economic activities related to the automotive, food, and textile industries. Mexico works with nearshoring companies to ensure their supply.

The Secretariat of Economy, through various actions, works hand in hand with MSMEs to include them in regional supply chains to meet the input demands of companies nearshoring to Mexico.



⁴⁸ INEGI | Statistics regarding Micro, Small, and Medium-sized Enterprises - national data (June 25, 2020).

⁴⁹ INEGI | Economic Census 2019 Statistics.



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