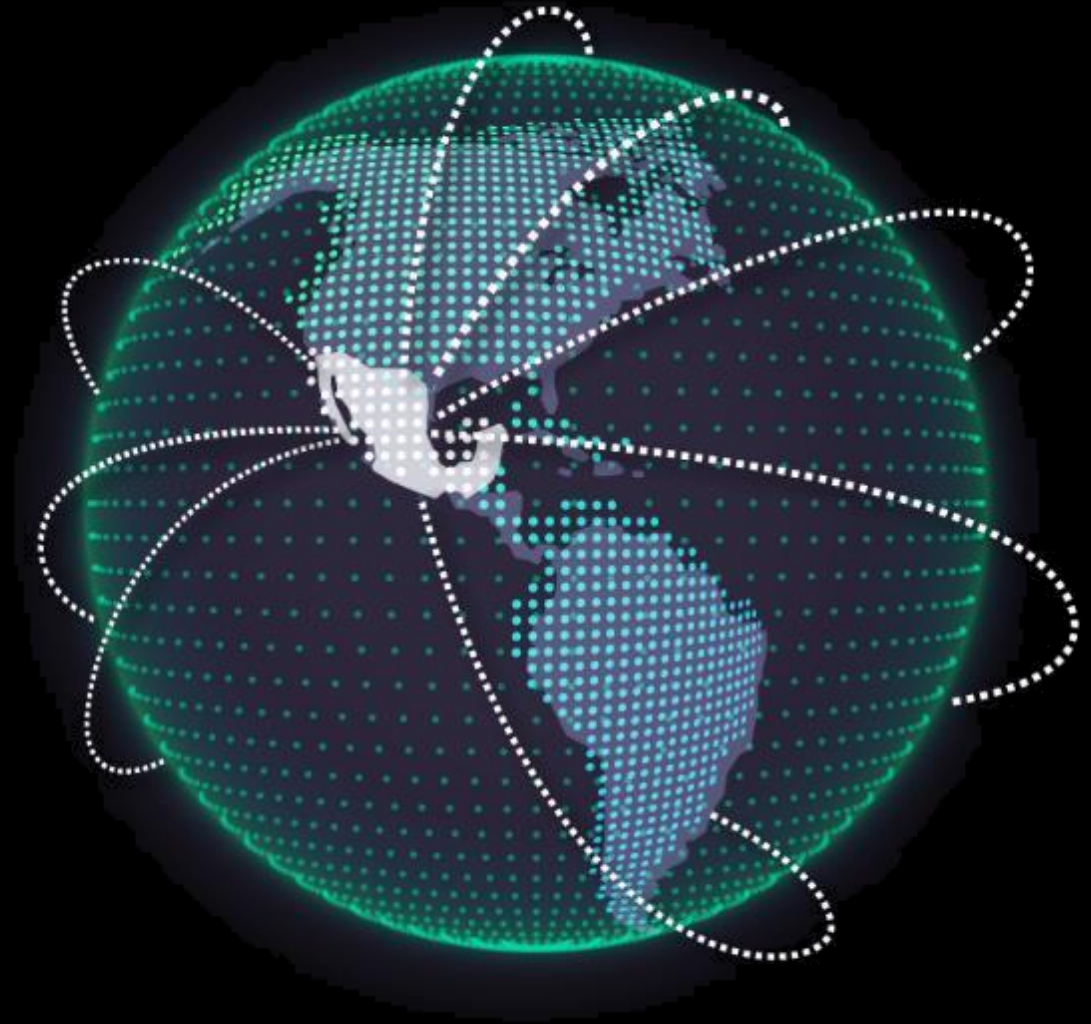


Mexico Investment Monitor



Into a paradigm shift

Investor momentum has passed

World FDI has decreased -31.0% from its peak in 2016. ([Page 6](#))



Few newcomers to the country

FDI New Investments are in one of their lowest levels since 1975. ([Page 10](#))



Trade with the US continues to be key

Mexican exports are growing 7 times faster than the overall economy. ([Page 15](#))



FDI is losing relevance

In 2023 FDI accounted for 8.3% of all investment in Mexico vs average of 12.4% in the last decade. ([Page 9](#))



Euphoria is fading away

Investment announcements are down 76.3% in the current year. ([Page 14](#))



Regional patterns unchanged

Mexico City has increased its FDI inflows by 73% in the past 6 years. ([Page 18](#))



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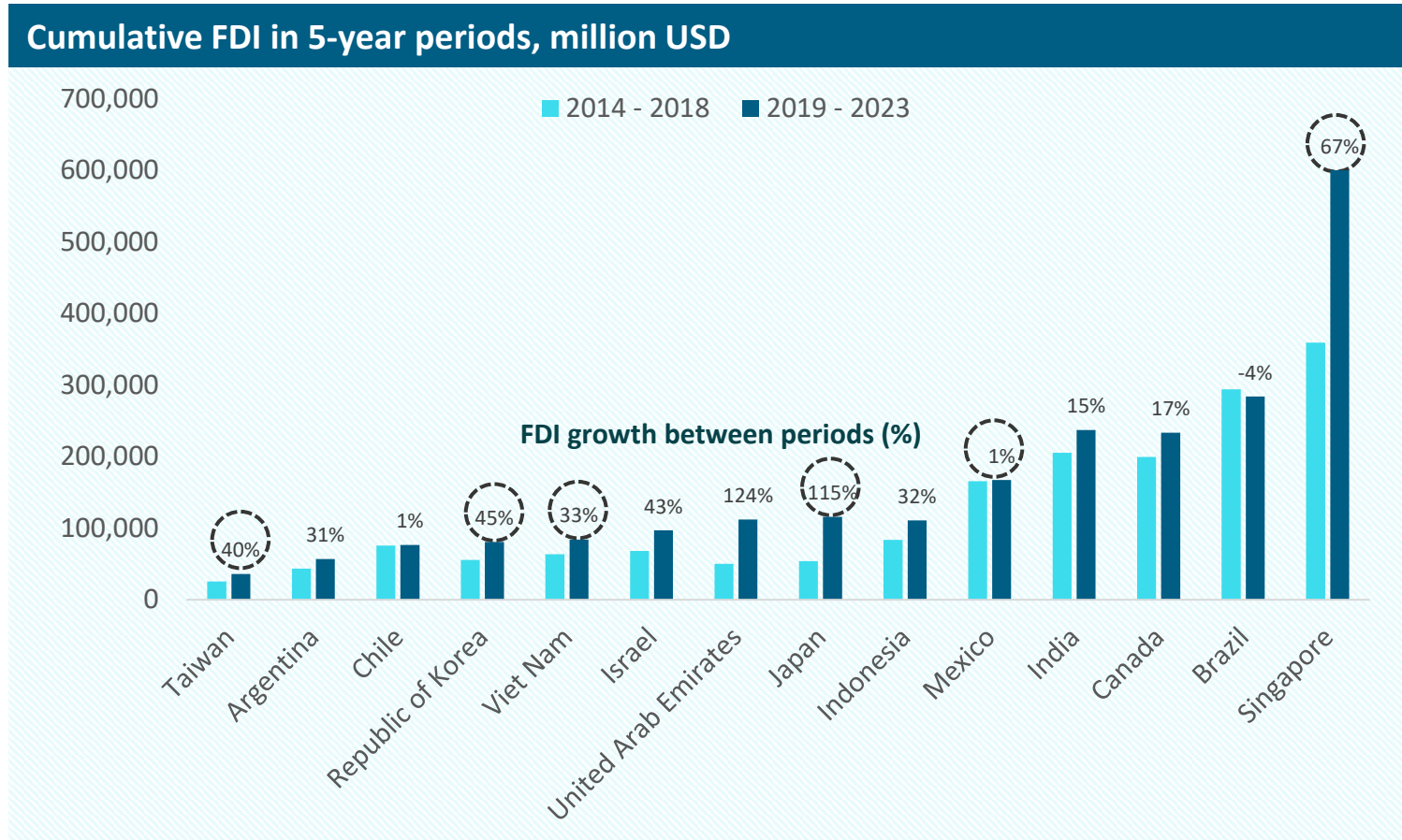
1	Global trends
2	Mexico in the balance
3	Regional dynamics
4	Closing Remarks



Global trends

Nearshoring through the rearview mirror

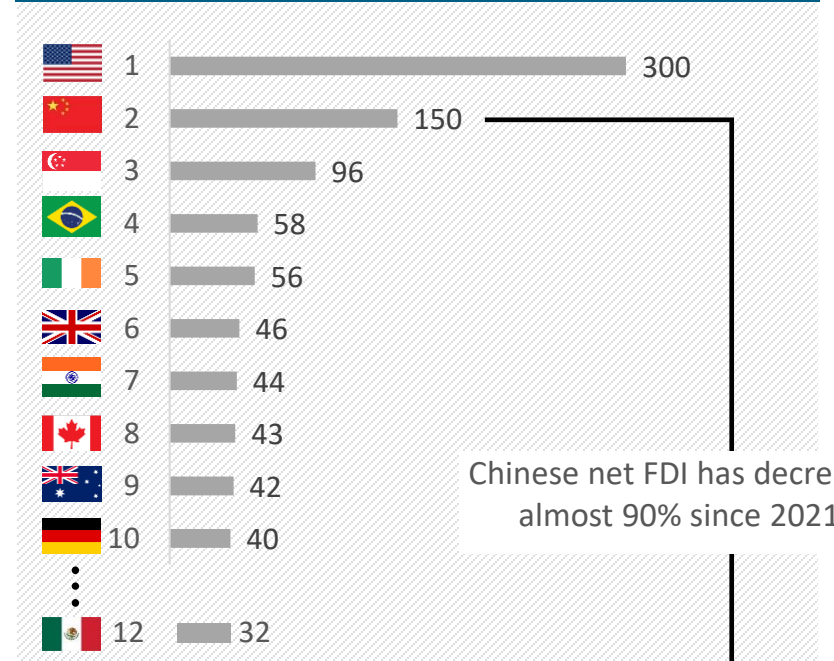
As we noted in our [previous report](#), China has ceased to be the focal point for global investment markets, leading to a redirection of global flows in recent years. The main beneficiaries have been other Asian economies, while **Latin America, including Mexico, has failed to capitalize on this trend.**



Source: UNCTAD and China's State Administration of Foreign Exchange.

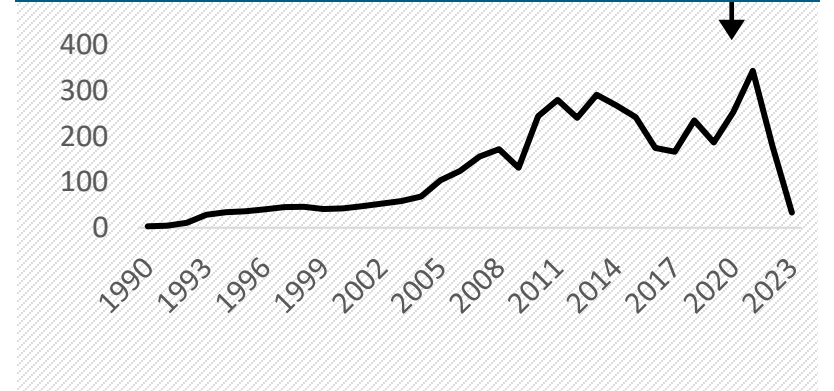
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FDI Inflows, average 2014 – 2023 | Billion USD



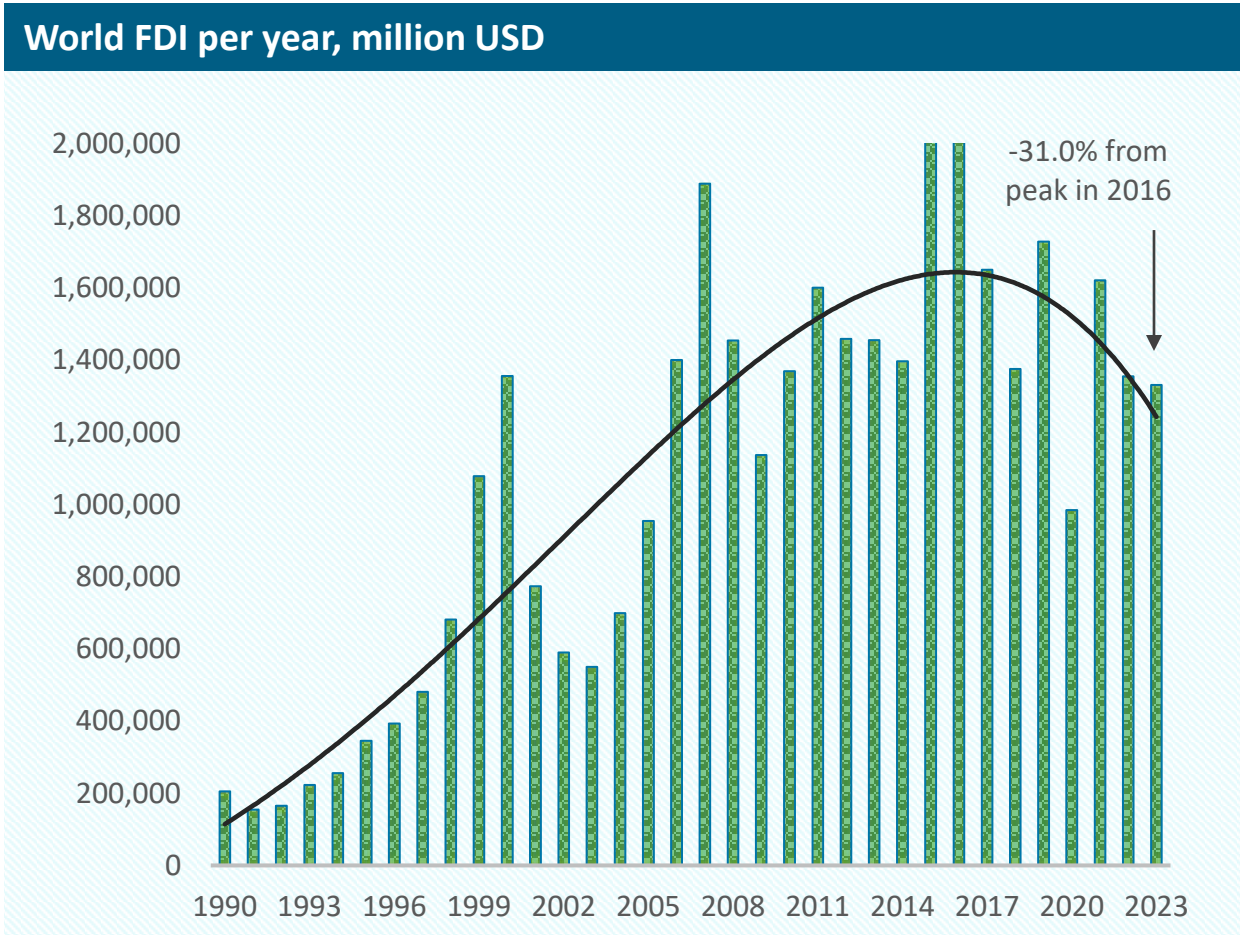
Chinese net FDI has decreased almost 90% since 2021.

Annual Net FDI in China | Billion USD



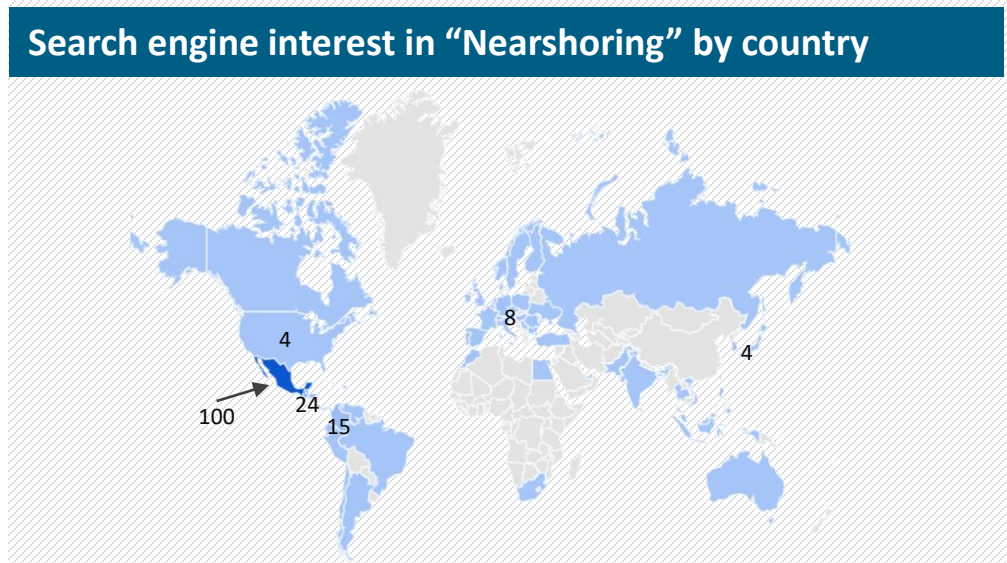
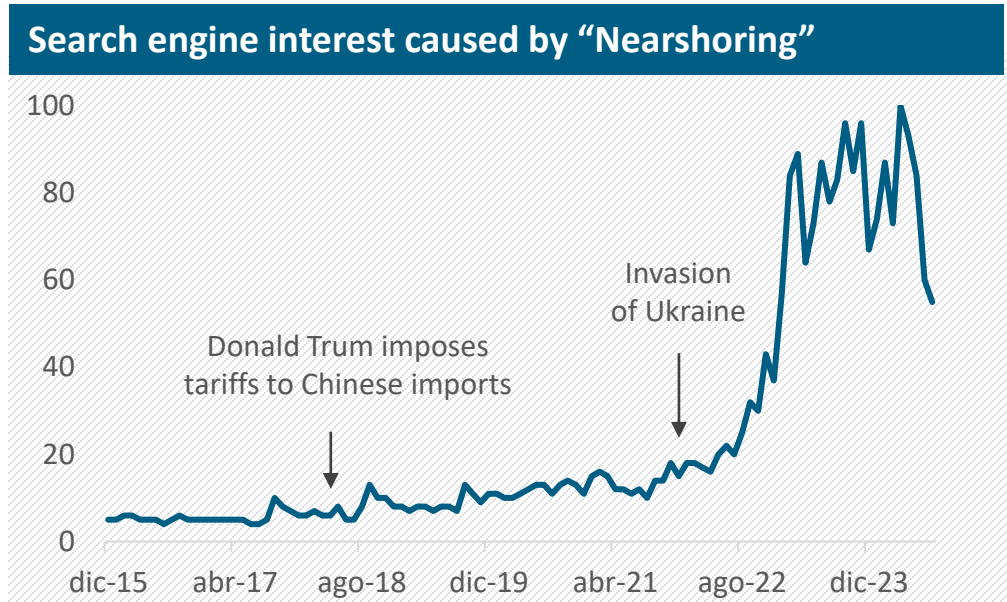
Momentum is fading

The **boom of nearshoring** began in late 2016 with the election of Trump as president of the United States and a buoyant investment sentiment. Now, the latter has changed, and **FDI figures show a clear downward trend**.



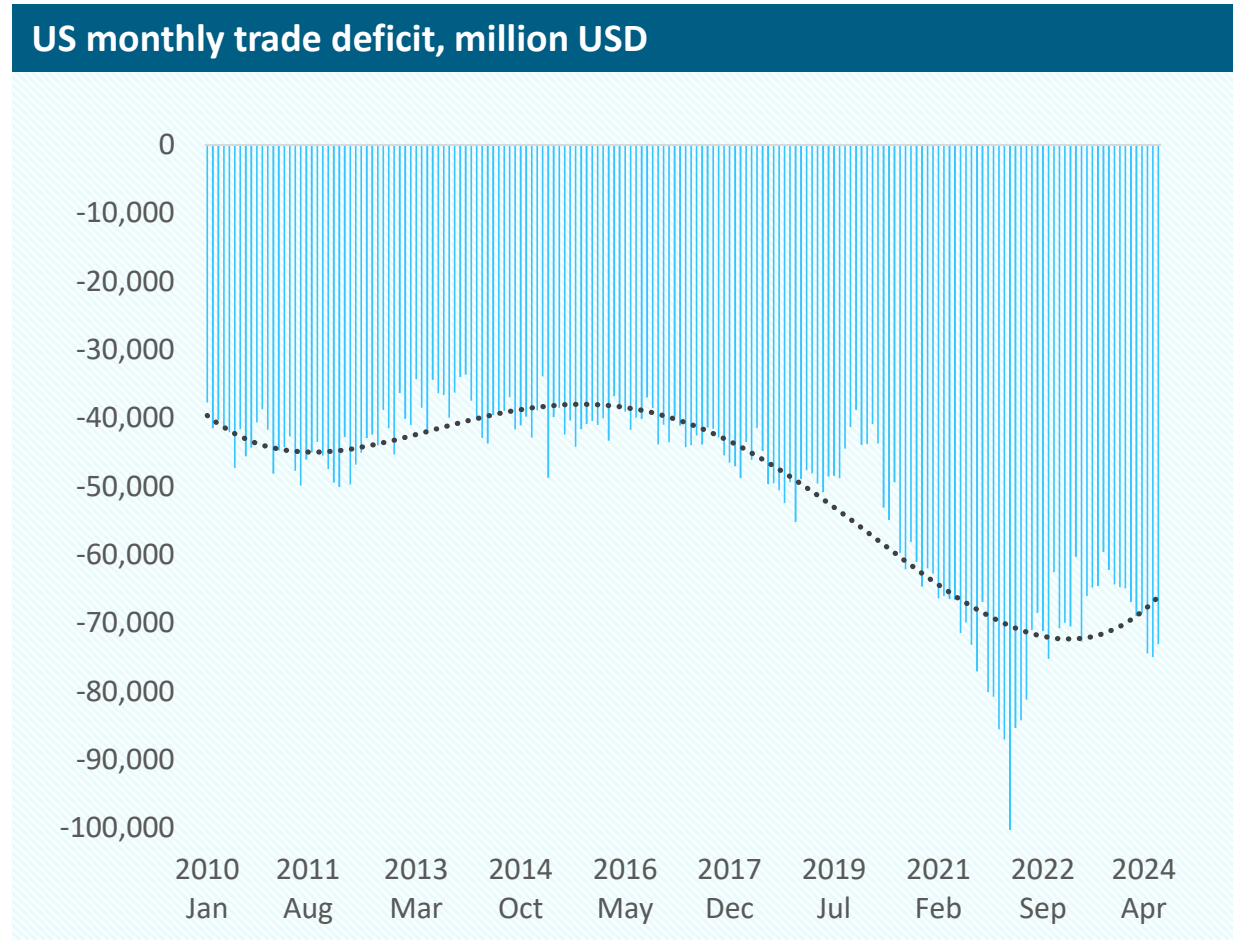
Source: UNCTAD, Google Trends between 2015 -

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Trade patterns have changed

Regarding actual trade statistics, there have also been notable changes, as **the US trade deficit has nearly doubled** in the last decade. In this regard, Mexico has indeed been one of the main beneficiaries.

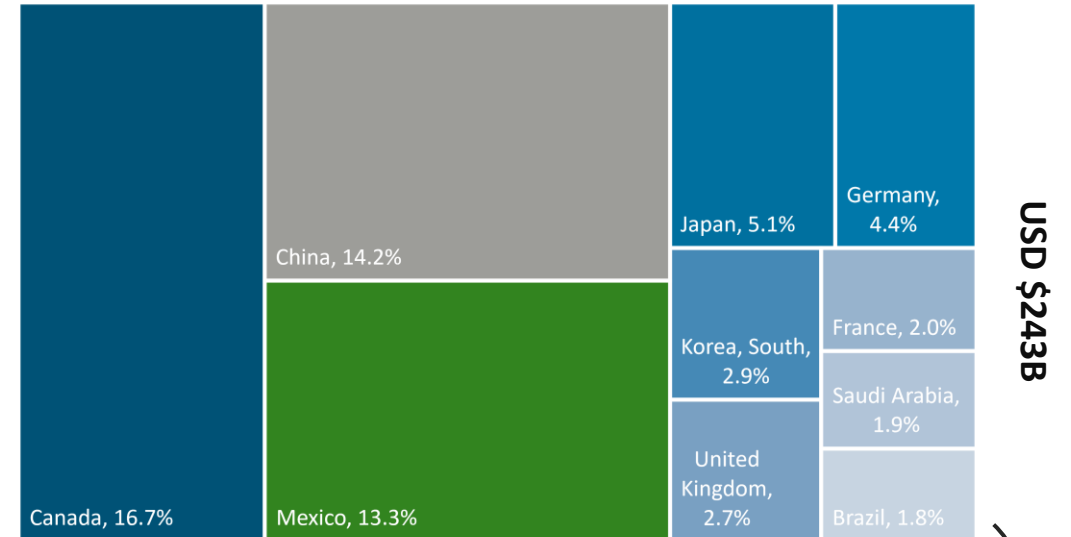


Source: UNCTAD, Bureau of Economic Analysis

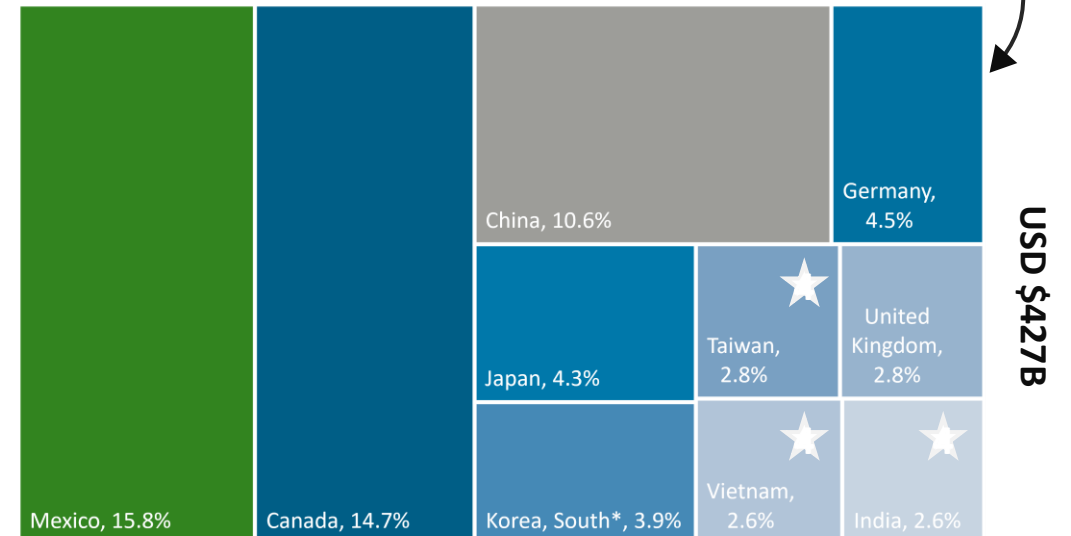
*Deficit from January to June

US trade deficit distribution*

2014



2024

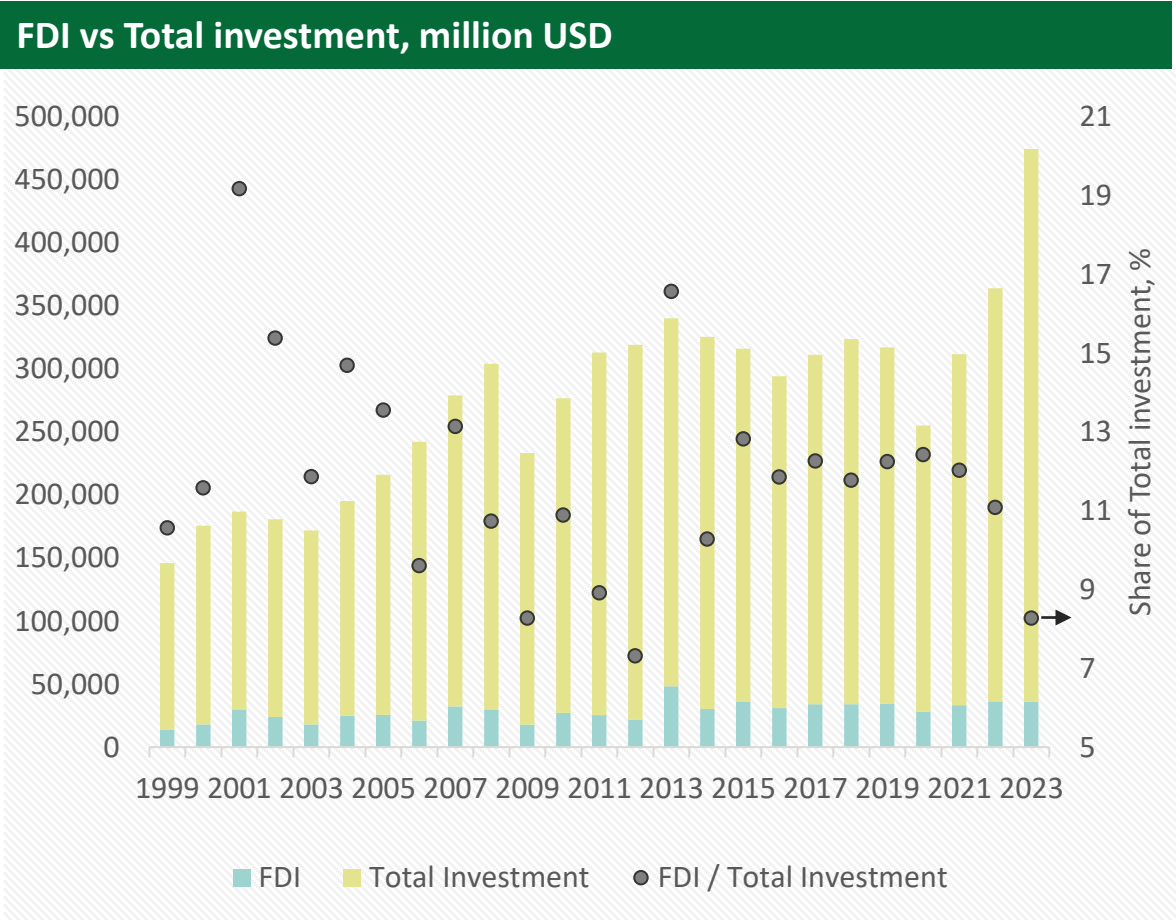
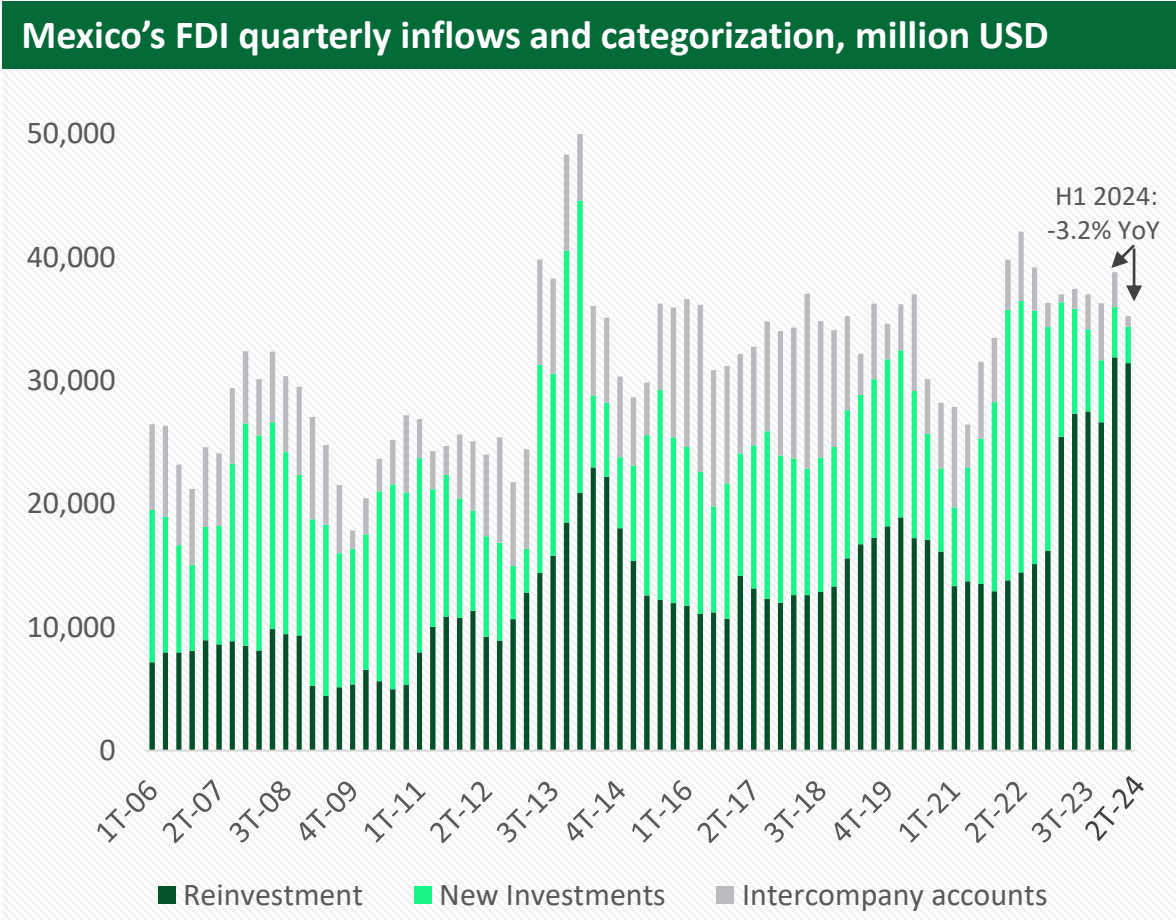




Mexico in the balance

Mexican investment has yet to take off

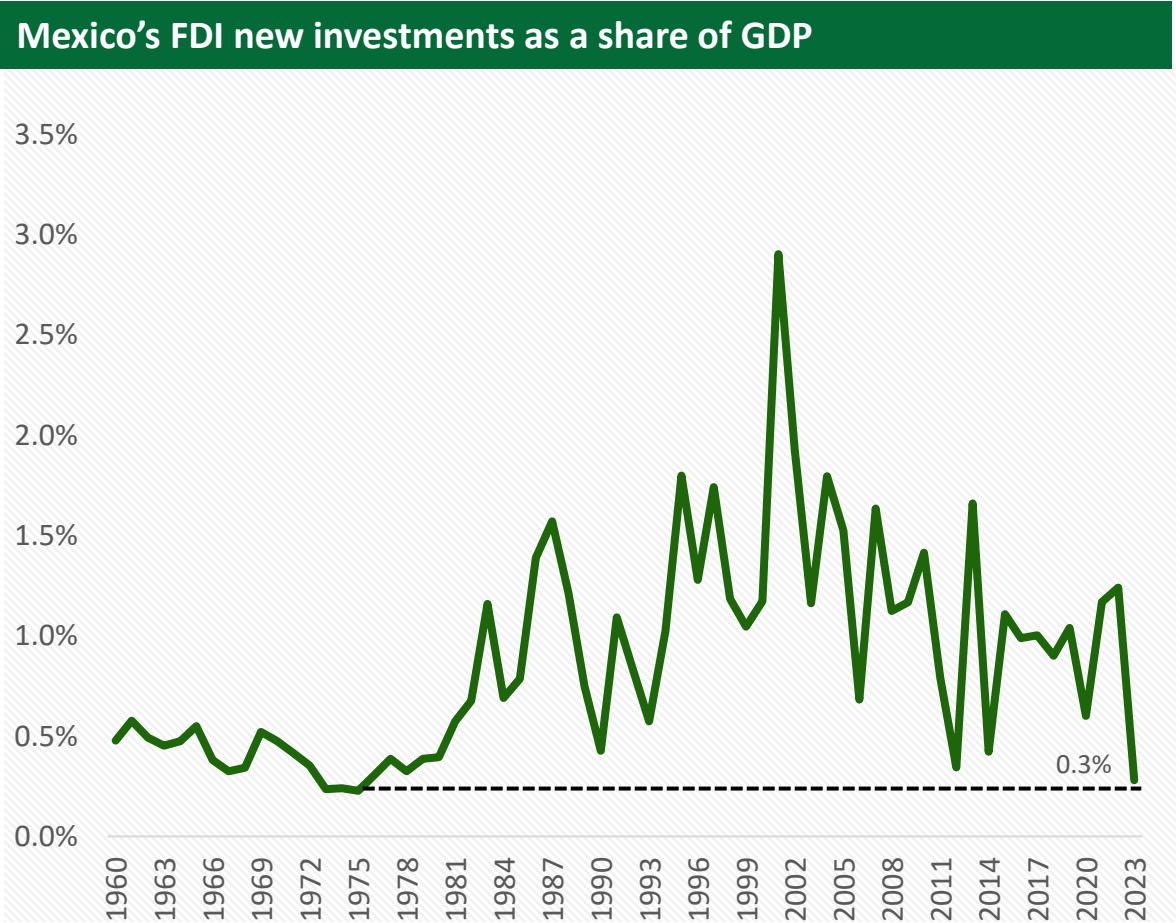
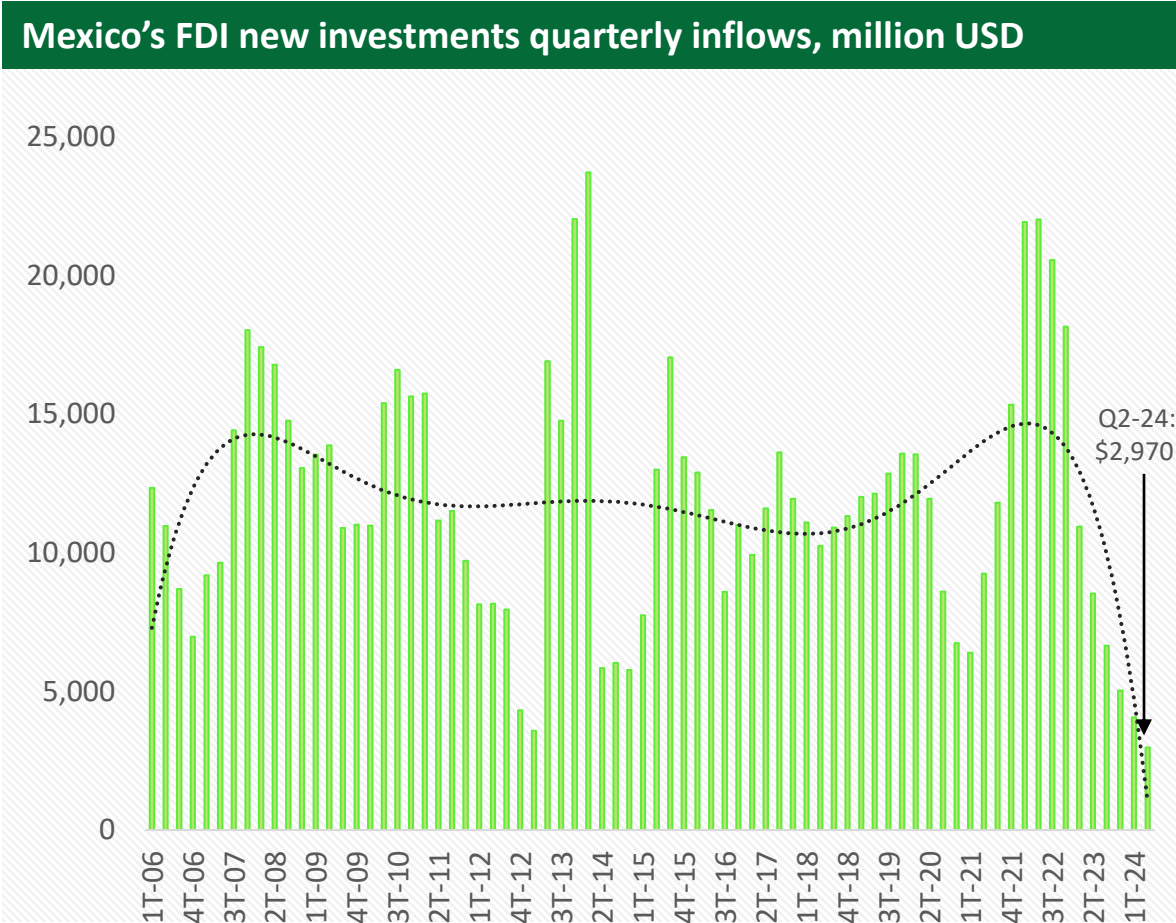
Given that the relocation of investments and changes in global value chains began a few years ago, Mexico should have experienced significant growth in its FDI figures, as seen in Asian countries and even North American neighbors. However, **investment remains weak** and it is beginning to form a downward trend.



Source: INEGI and Bando de Mexico.

Data does not support the euphoria for a new “Mexican moment”

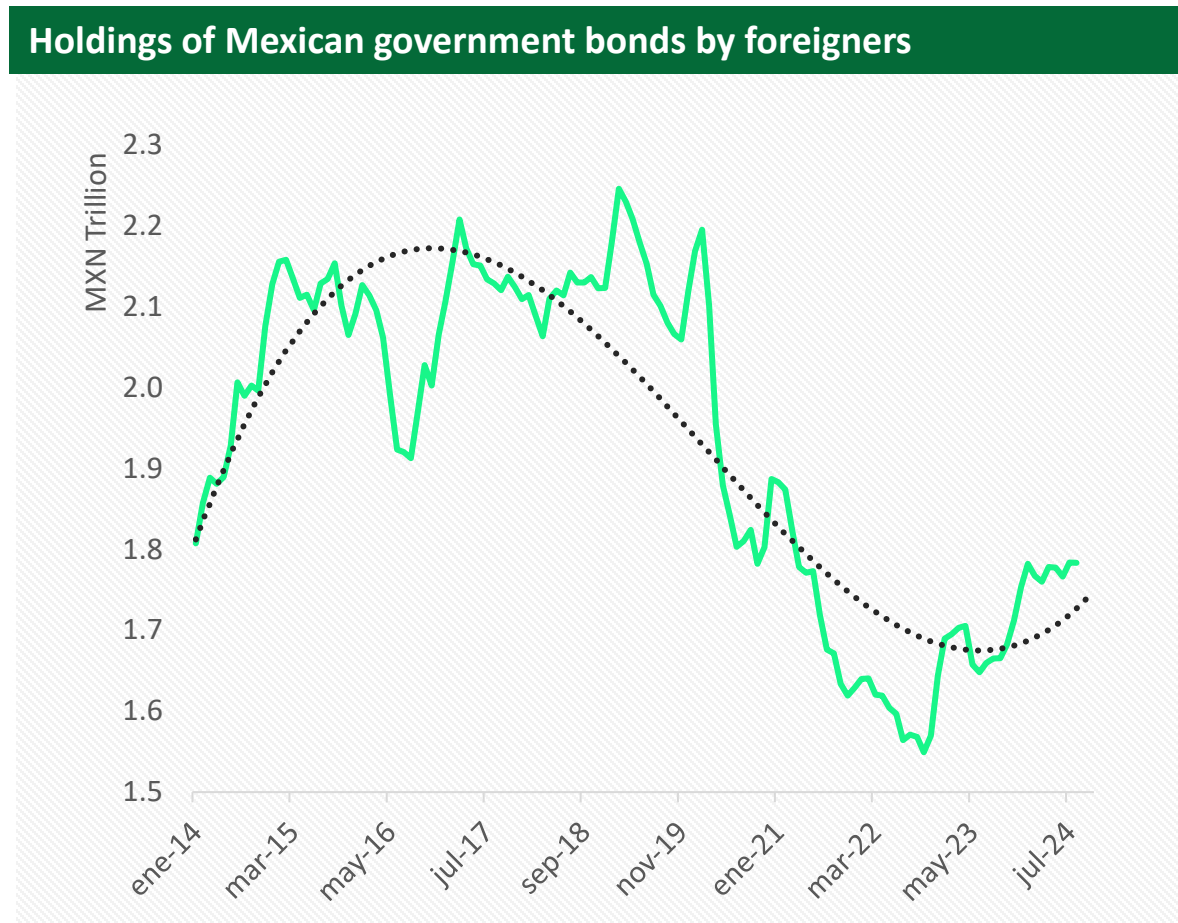
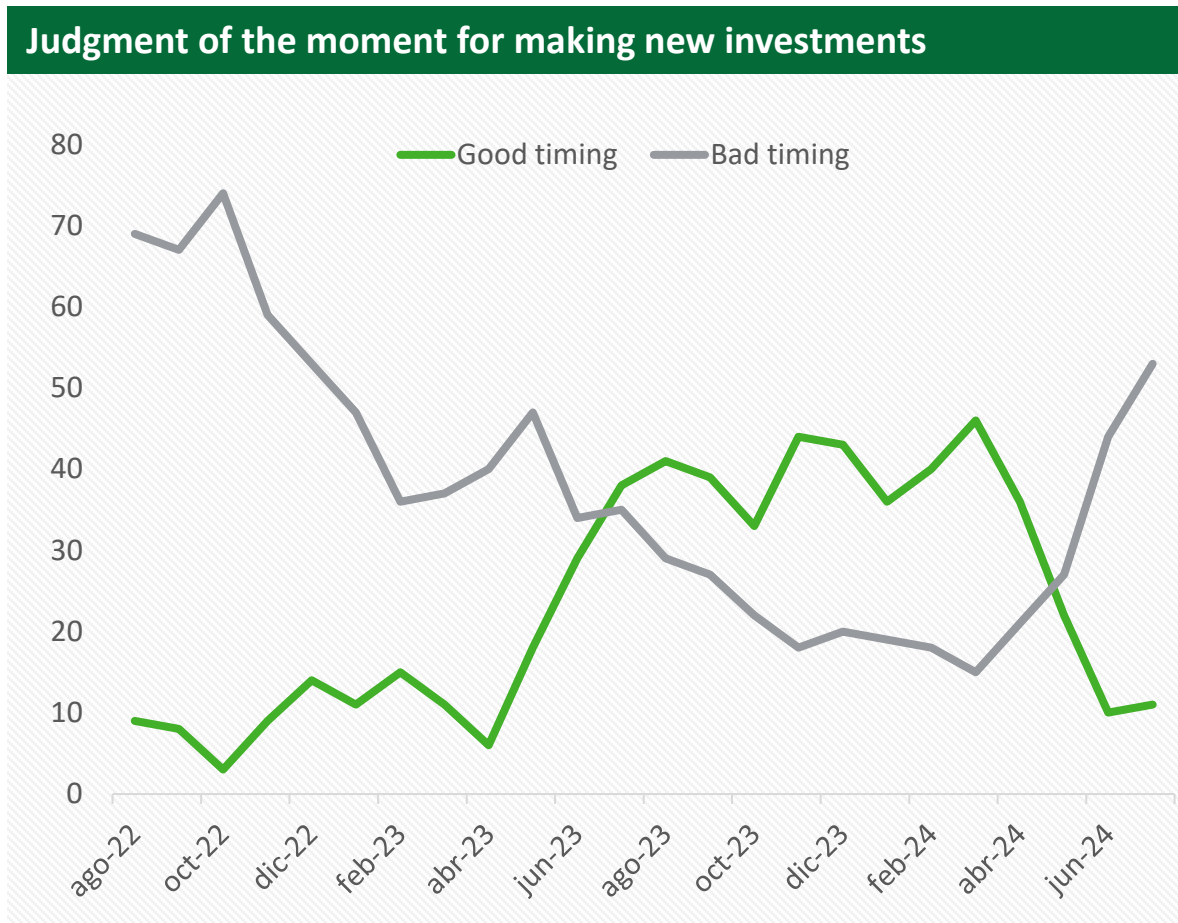
Within FDI, the subcomponent of **new investments** best reflects the attention that Mexico receives as an investment destination from global investors but, contrary to expectations, since 2023 it has shown its lowest levels in all recorded history.



Source: Banco de Mexico and World Bank

Cautious omens for the near future

Similar to what is happening in the international environment, at the local level, **investors have reduced their confidence** and there are signs of the adoption of a risk-off behavior. This sentiment makes it unlikely that there will be a boom in new investments in the short term.

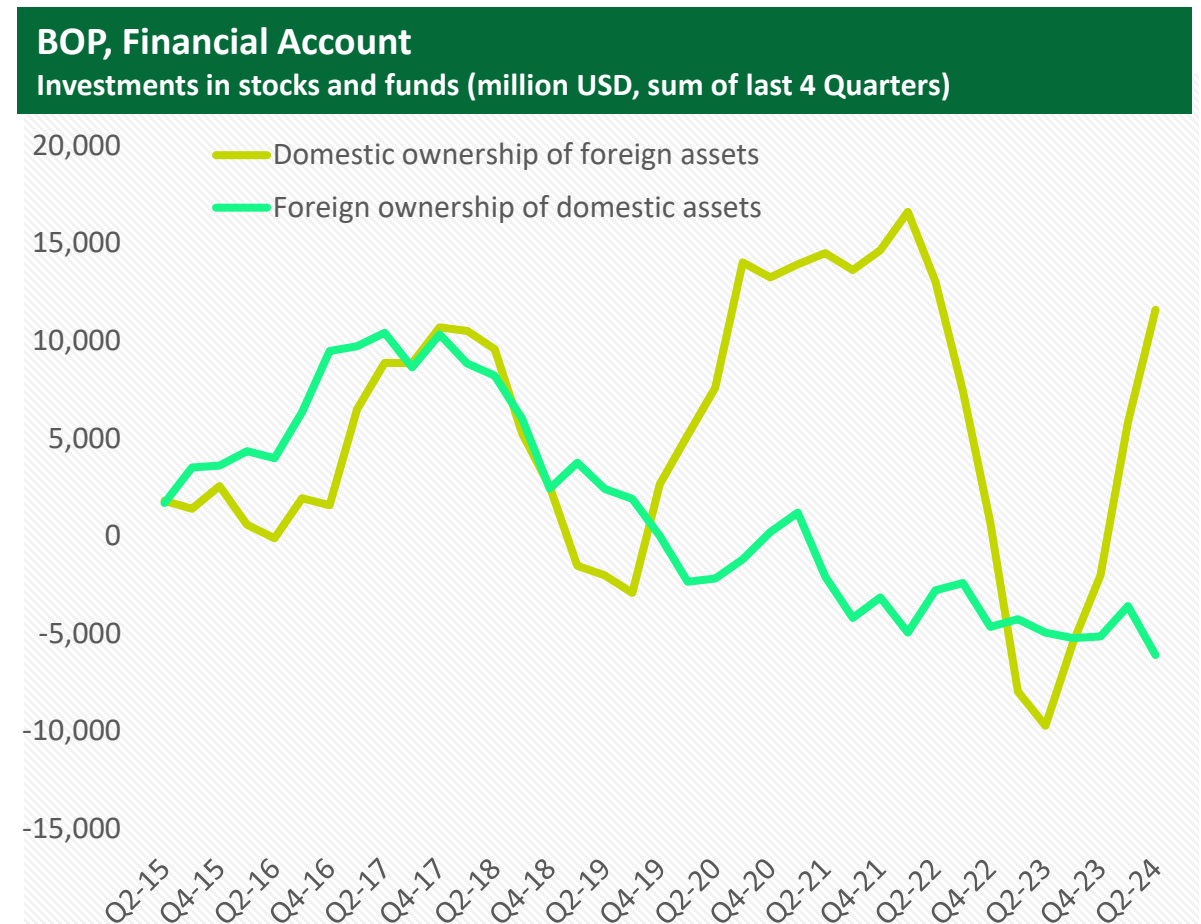
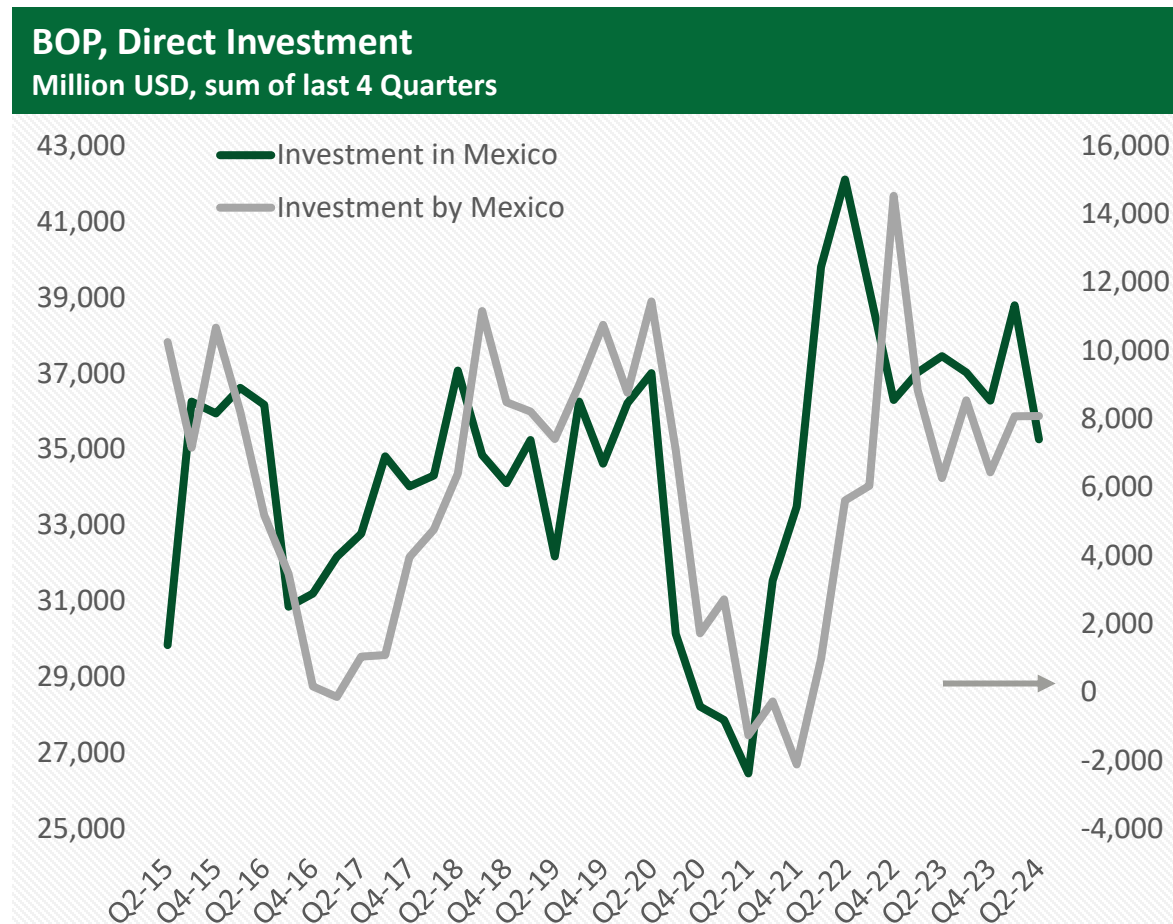


Source: Bank of Mexico. Survey of Expectations and System of Economic Information

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Are capitals actually exiting?

While the absolute figures for investment have not changed much, their composition has. Some of the subaccounts show that the country has lost its attractiveness as a destination for **financial capital inflows**. Notably, the domestic ownership of foreign assets (around 80% of which comes from Retirement Funds Administrators –AFORES- and insurance companies) is near its record levels, which is a sign that capitals find better investment opportunities outside from Mexico.

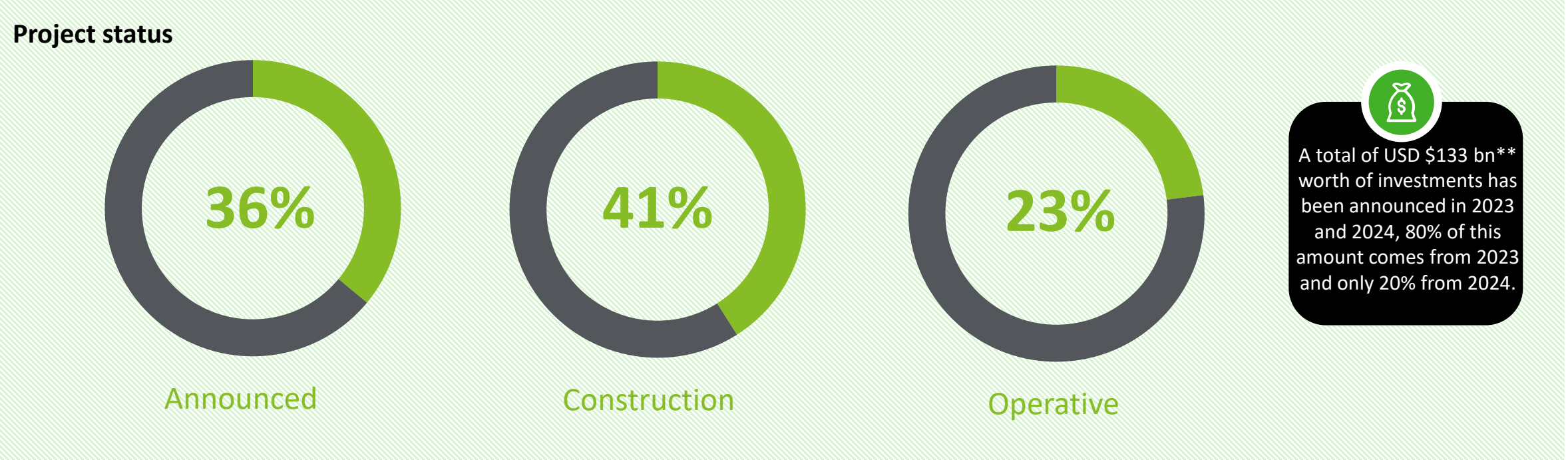


Source: INEGI.

Changes to our investment monitor

Starting with this edition, **we have updated the methodology** of our monitor in an attempt to track all investment announcements instead of only those related to the relocation trend. We believe that this change will enable a sharper analysis of risks and opportunities for businesses. Future releases will also revolve around this new figure.

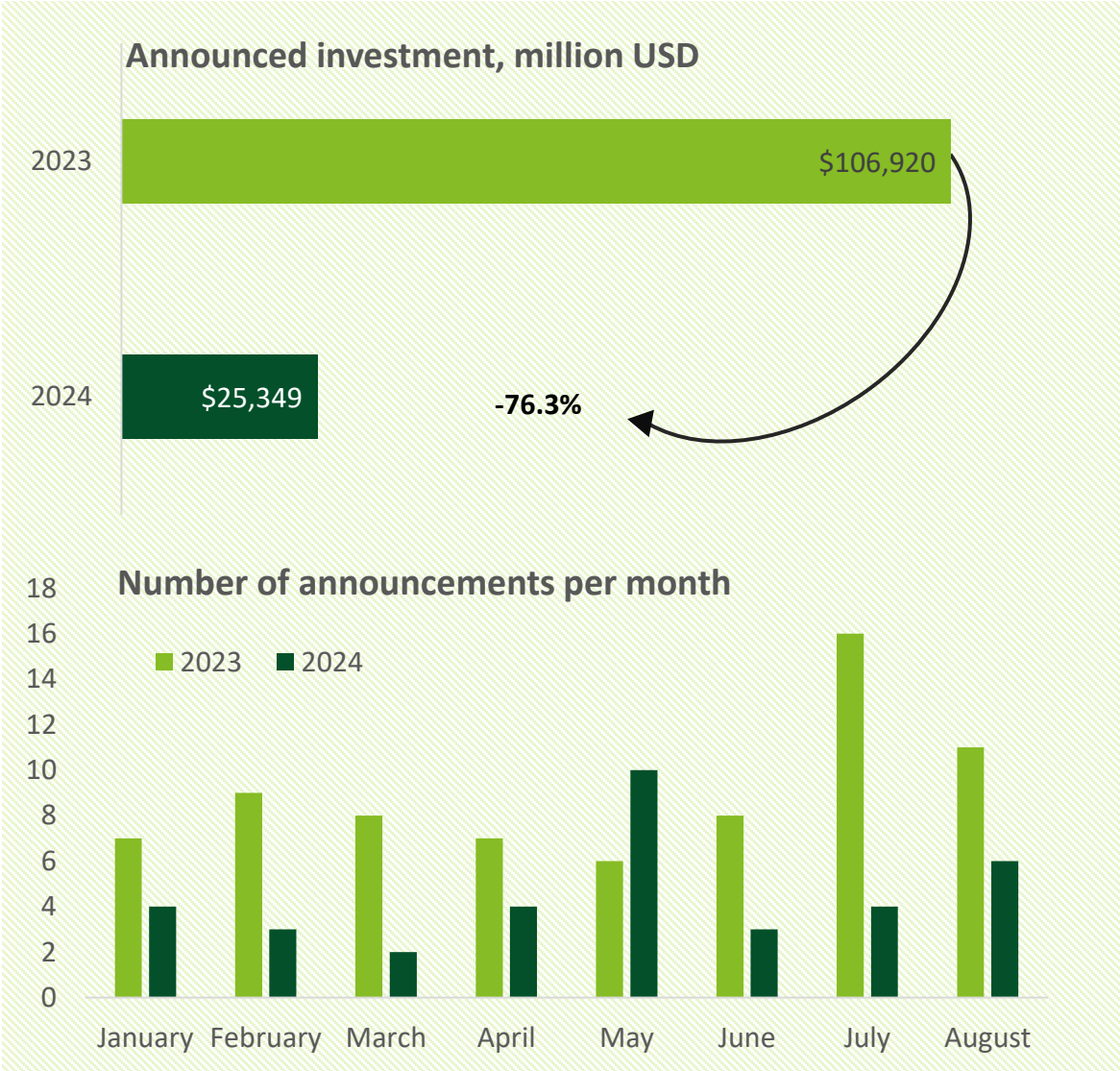
Companies that have either announced their first-time entry into the country or announced expansions in existing facilities spanning the period from January 2023 to August 2024.*



*Since this is a manual process we do not necessarily account for all the projects announced through the time window.**Given the changes in our methodology, the investment announcement figure is not comparable with that of our previous nearshoring reports.

Source: Econosignal Investment Monitor.

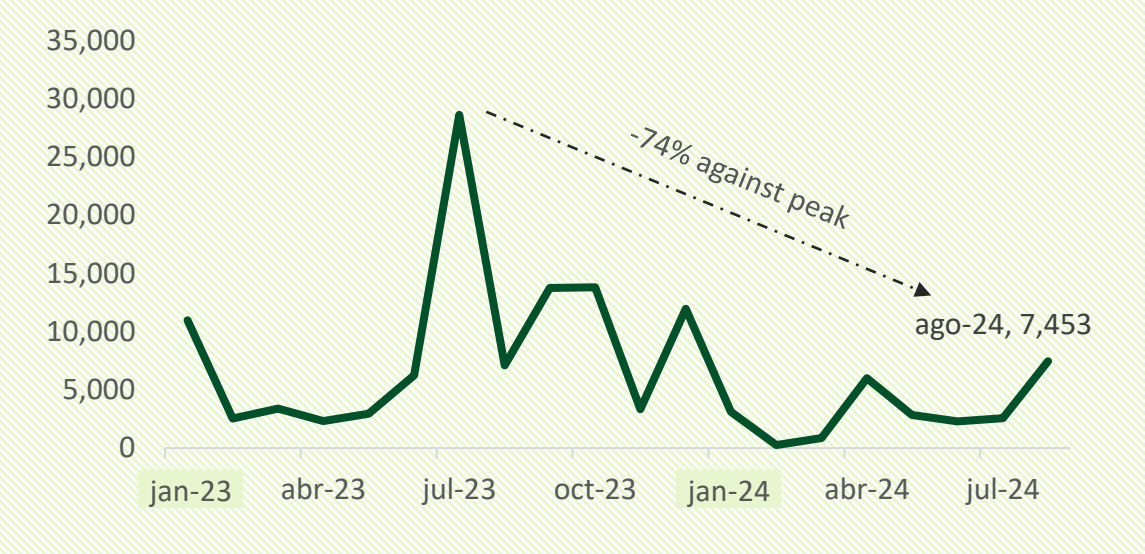
Investment euphoria is fading



No easy times ahead

Our tracking of investment announcements leaves little doubt that **investors are becoming increasingly cautious**. Up to August 2024, there has been a **decrease of more than 70% in the announcement figures**. Also, given that September and October have been subject to the uncertainty coming from the judicial reform in Mexico and the presidential elections in the US, it is likely that the decline will deepen.

Evolution of new investment announcements | Million USD

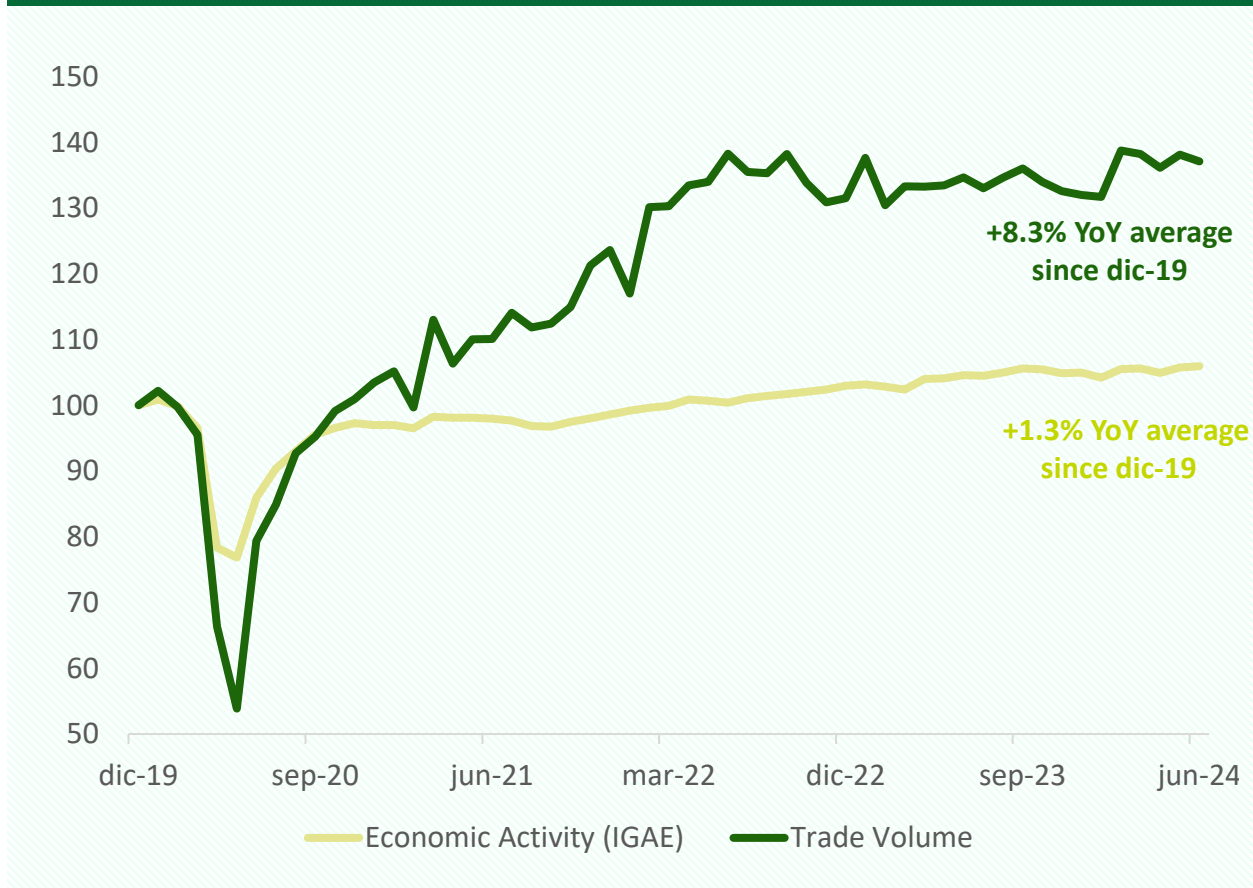


Source: Econosignal Investment Monitor.

Trade holds the strongest case for nearshoring

On the other hand, exports have undergone an exceptional transformation, and their growth is more than 6 times the growth of the overall economy. In recent months, performance has been jeopardized by the US economic slowdown.

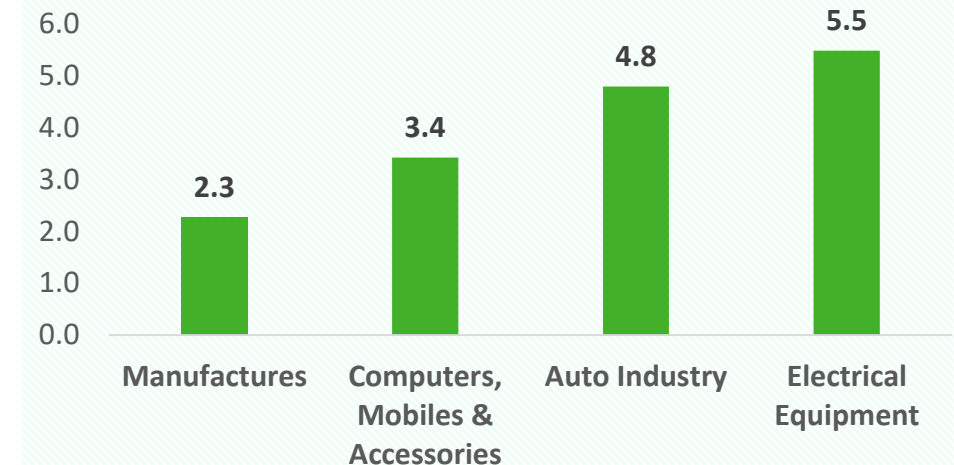
Growth of Mexico's Index of Economic Activity vs Trade Volume



Source: INEGI.

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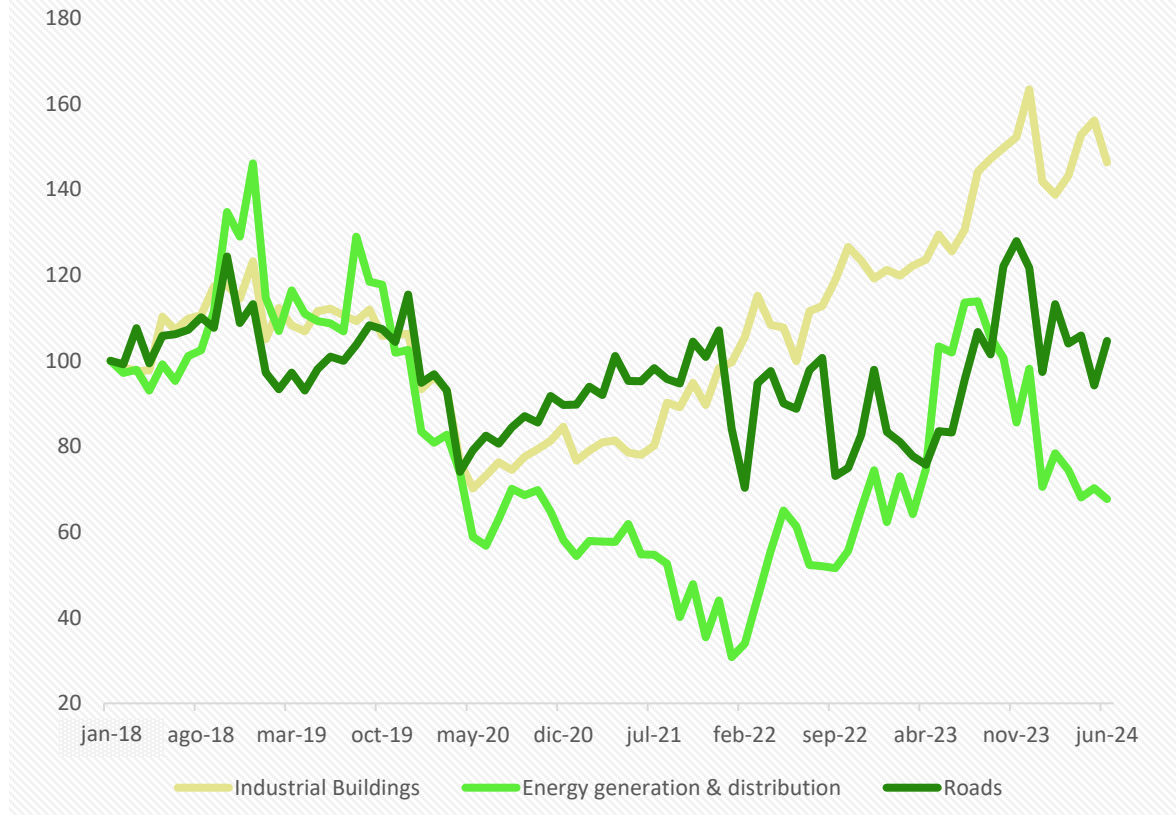
Average annual growth rate of sectors and industries (dec-19, jun-24, %)



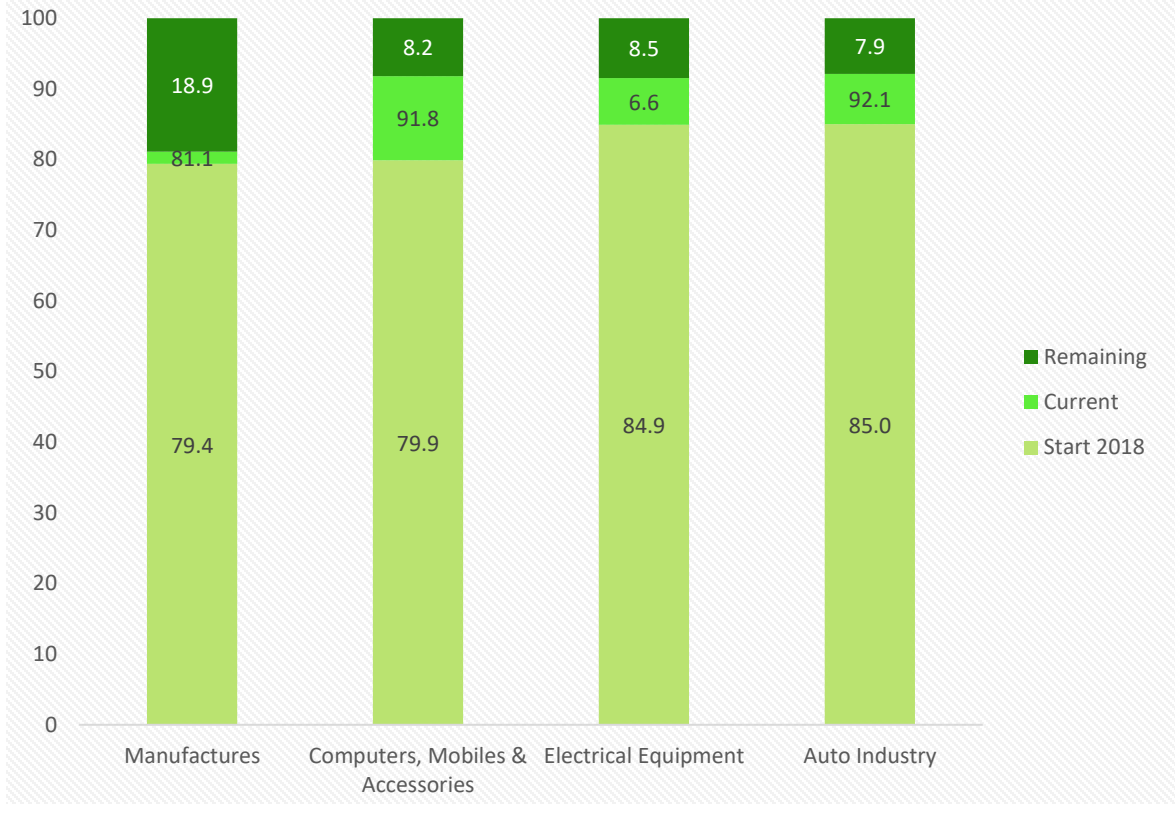
Mexico may be reaching its limits

However, investment is too low to think that the fast growth trend of the exporting sectors can be sustainable. So far, the increase in the operation volume has been enabled by **unused capacity of existing facilities**, but this metric is approaching its limits and thus the export boom could prove to be short-lived.

Index of sectorial construction in Mexico
National Survey of Construction Companies (2018 = 100)



Industrial capacity utilization
Monthly Business Opinion Survey



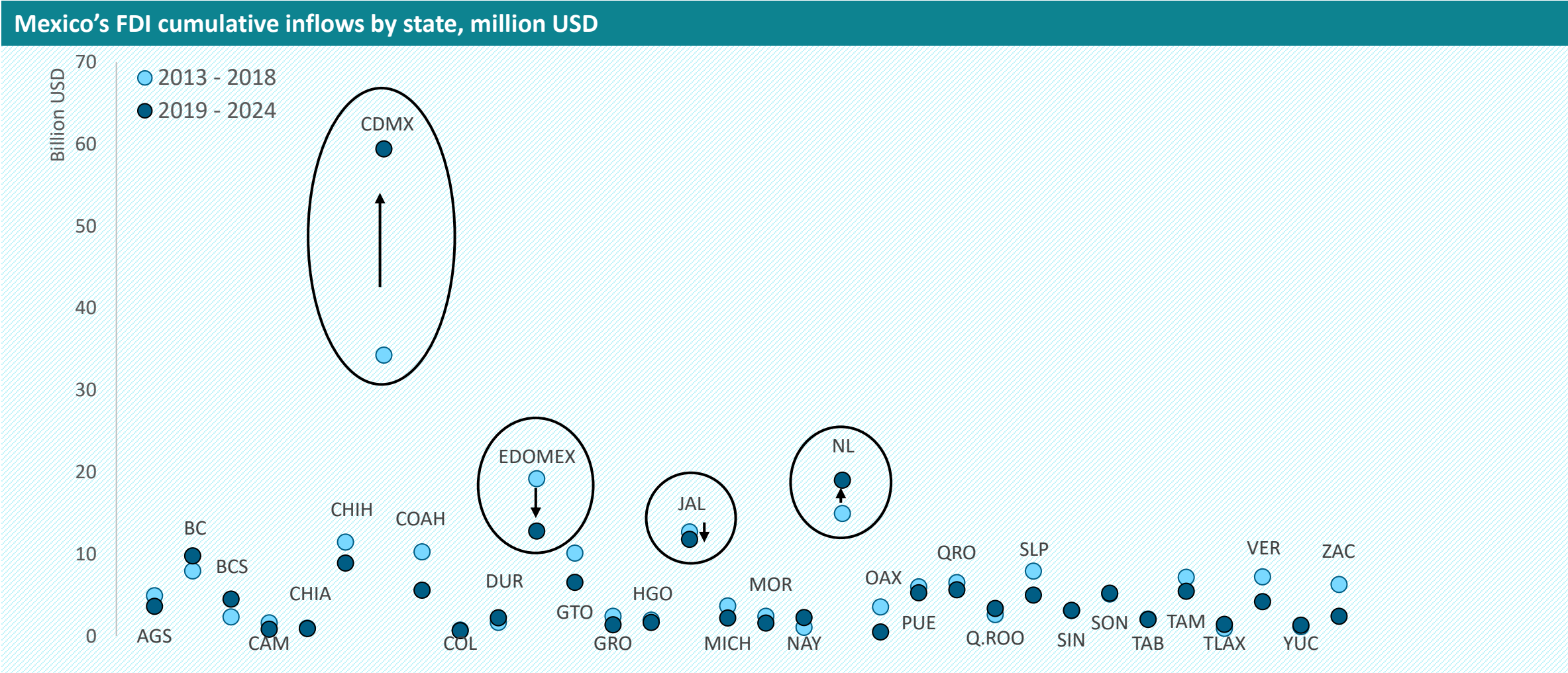
Source: INEGI.



Regional dynamics

Few revelations in the local arena

At the regional level, the figures also lack the strength to support the idea that nearshoring has been transformative for the country. In the last 6 years, **only 4 entities registered an increase of more than \$1 billion** in their cumulative investment flows.

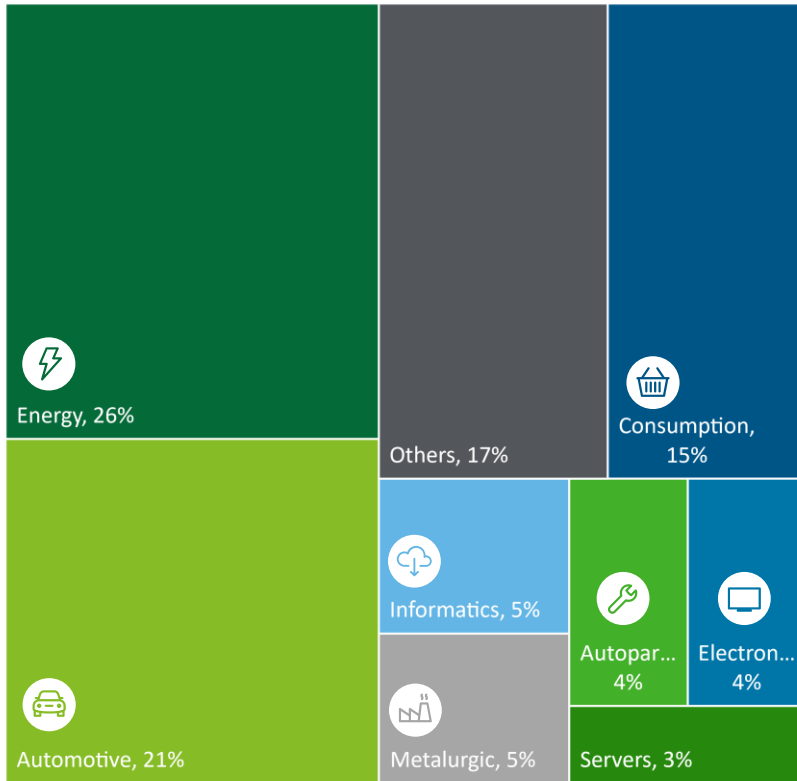


Source: Mexican Secretariat of Economy. 2024 figures up to Q2.

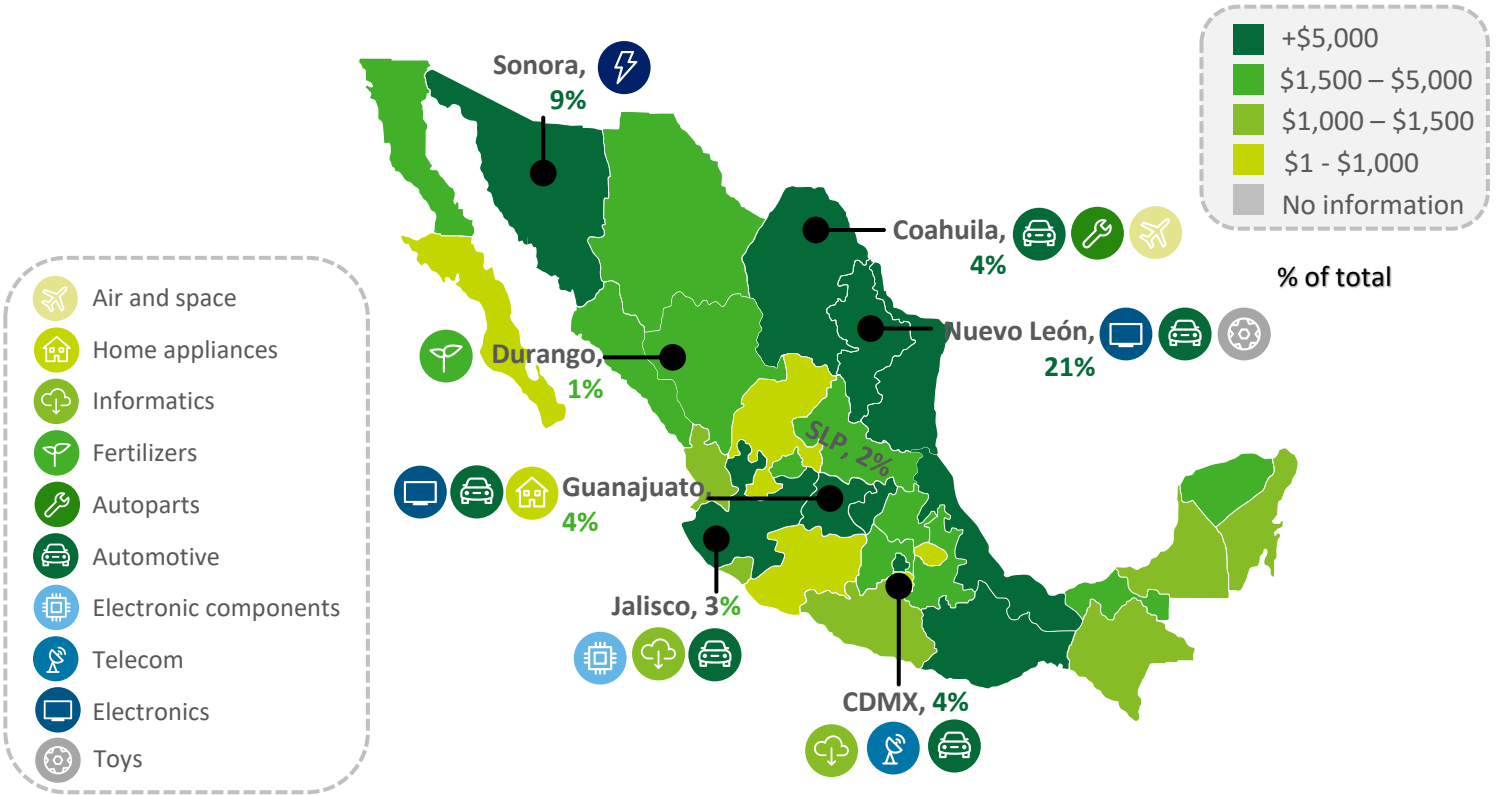
Energy and vehicles lead the way

Our tracker shows that the largest investment announcements have been made in the sectors and states that already enjoyed high-performance relative to the rest of the country. This aligns with the thesis that **nearshoring has not managed to place Mexico on a different development path.**

Main sectors of investment, % total



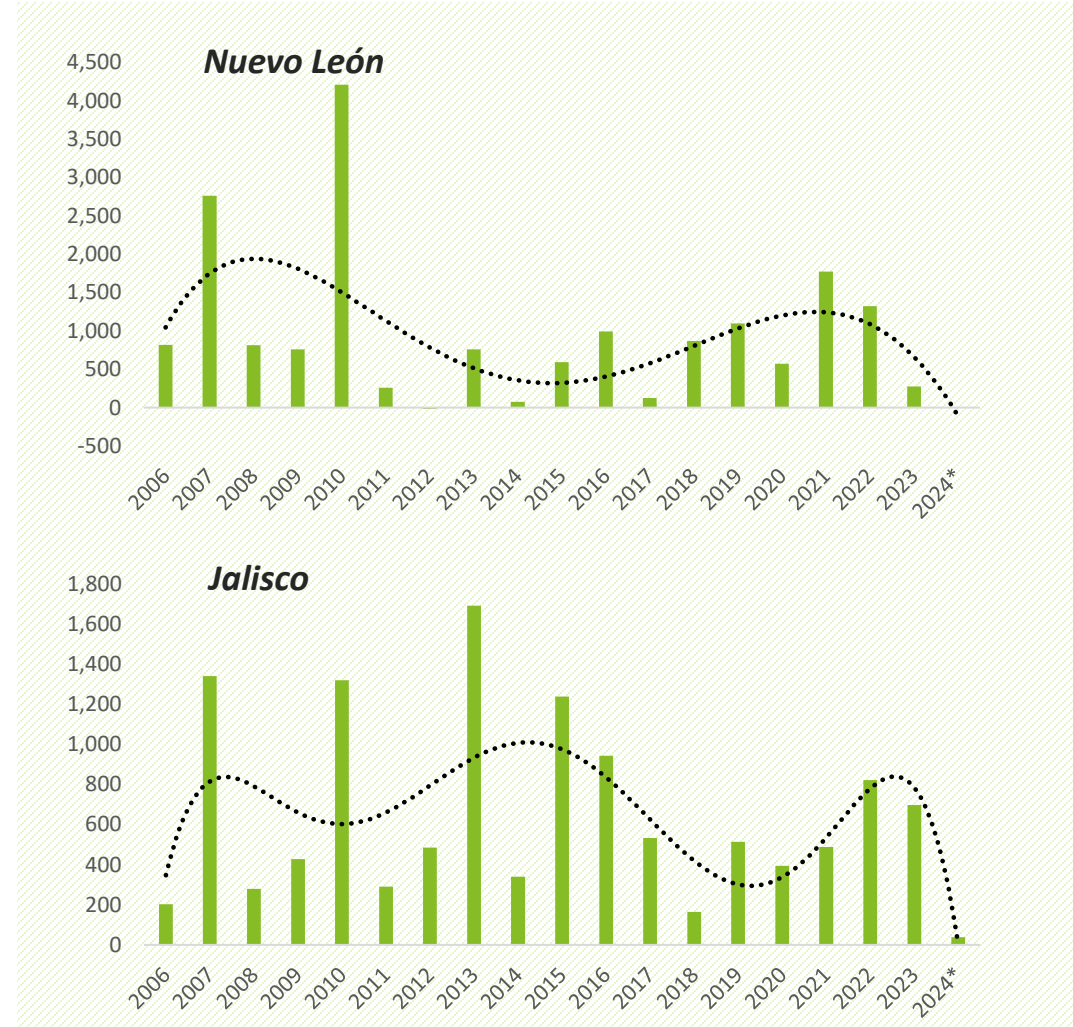
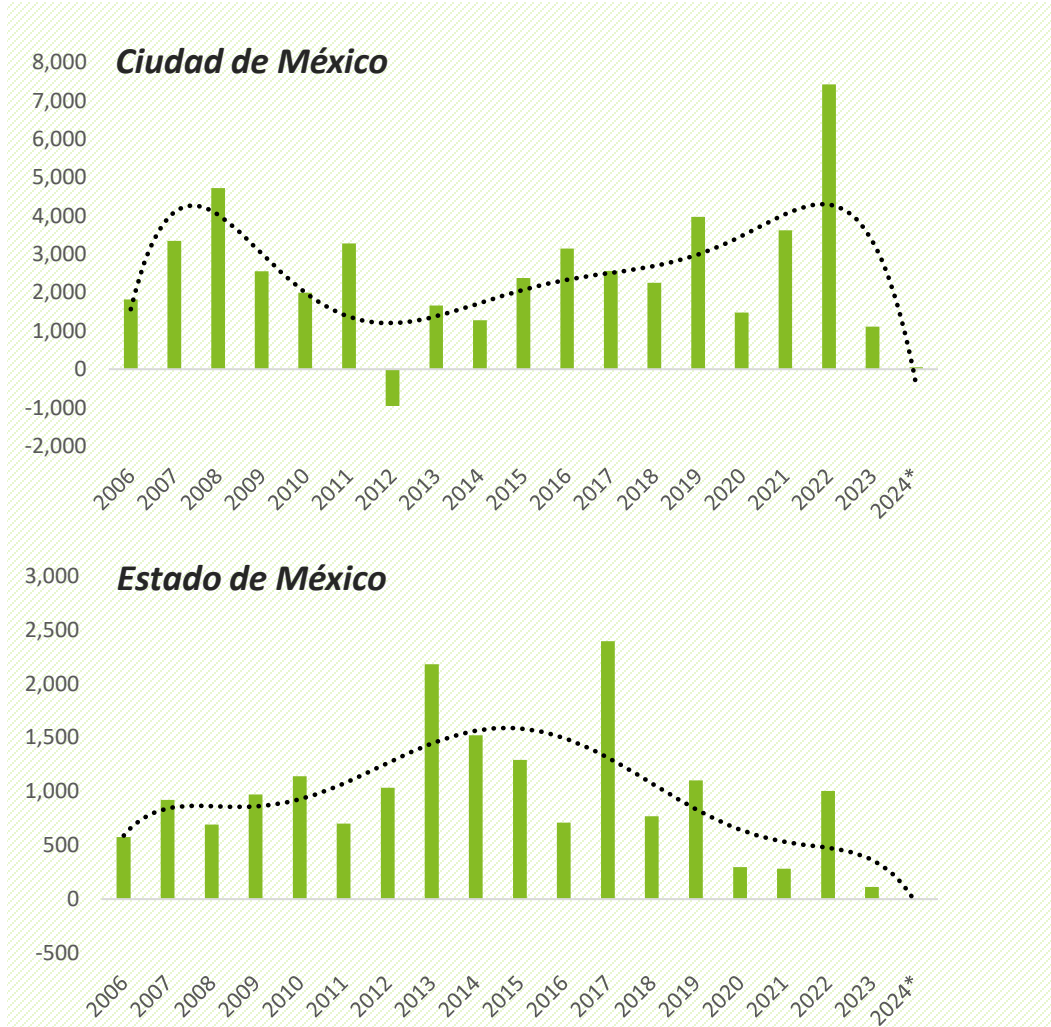
Tracking of investments by state and main destination sectors, million USD



Source: Econosignal. We conduct a follow-up of companies that have announced that they will expand their activities or that have arrived for the first time in the country from January 2023 to August 2024. As this is a manual process, we have not necessarily counted all the projects announced through nearshoring during the period of study.

The largest FDI recipients share a trend

Although the main recipients of new investment experienced an improvement in their performance starting in 2017, investing momentum has quickly faded in the last 2 years.



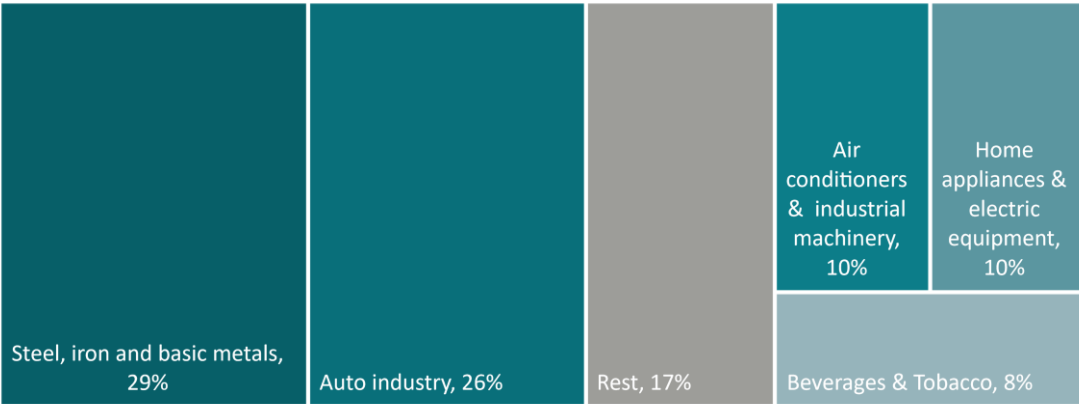
Source: Mexican Secretariat of Economy. 2024 figures up to Q2.

Distribution of FDI 2018 – 2024*, *Nuevo León* (USD \$19.0 bn)

Thanks to its close integration with Texas's production ecosystem, *Nuevo León* is the state that appears to have the largest potential for nearshoring. Five of the 10 largest investment announcements between 2021 and 2024 are located here, but few of them have materialized.



Manufacturing FDI, (USD \$14.6 bn)



Featured investment announcement



Project

Development of a 10-hectare industrial park to host facilities for the processing and manufacturing of construction machinery, warehousing and logistics, and business support services.

Amount
USD \$5.0 billion

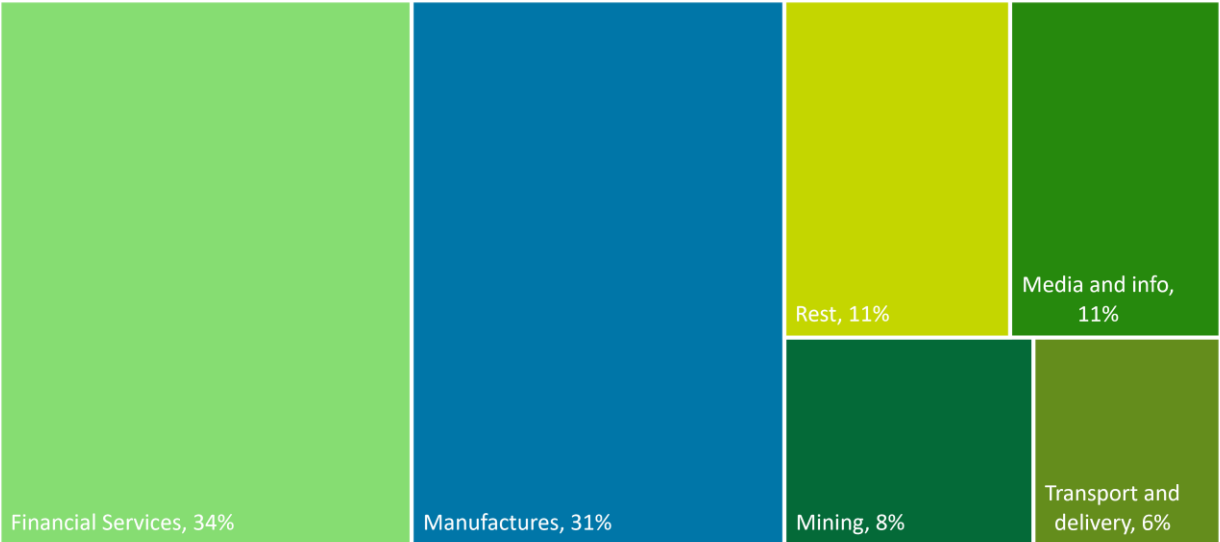
Status
Construction

Announcement
October 2023

Estimated completion
1st phase in 2024

Source: Mexican Secretariat of Economy and Deloitte Investment Monitor. *2024 figures up to Q2.

Distribution of FDI 2019 – 2024*, Ciudad de México (USD \$48.2 bn)

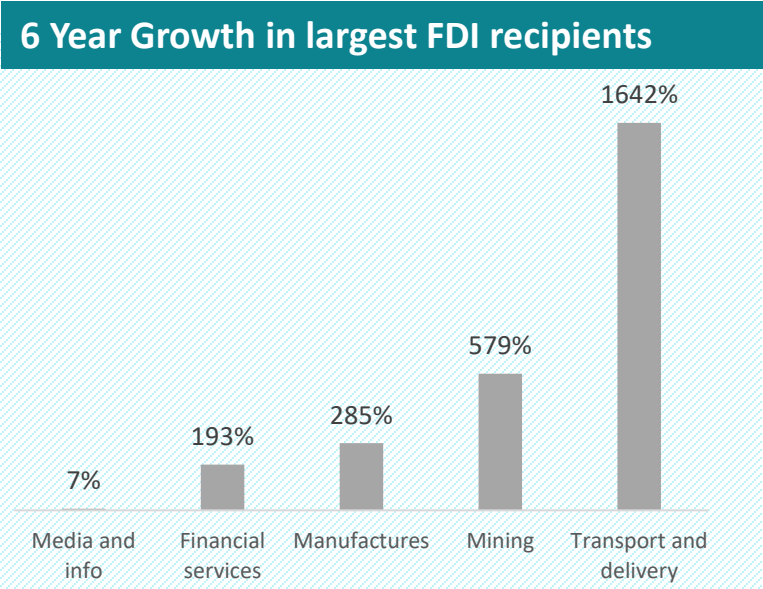
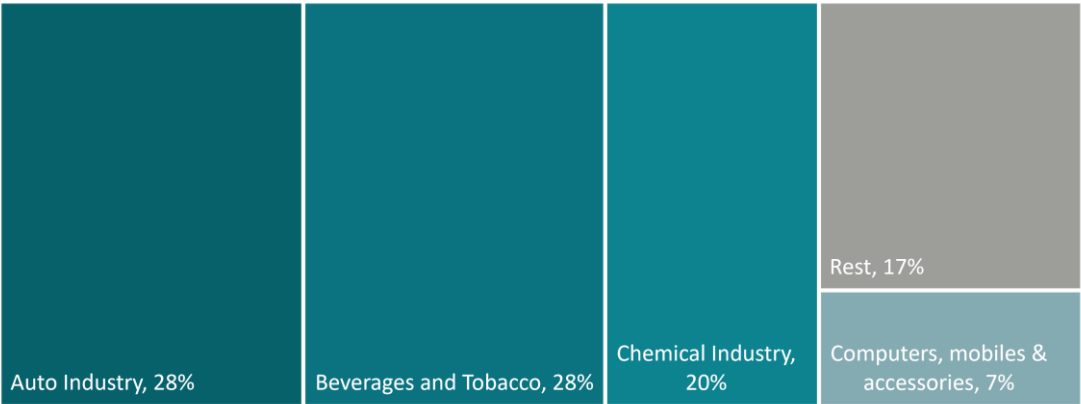


Ciudad de México continues to be the epicenter of investment, but the vocation of economic activity in the entity is more linked to domestic consumption and the financial sector, so it is difficult to think of it as a success story of nearshoring.

Featured investment announcement

USD \$2.5 billion → Transport & delivery

Manufacturing FDI, (USD \$14.9 bn)

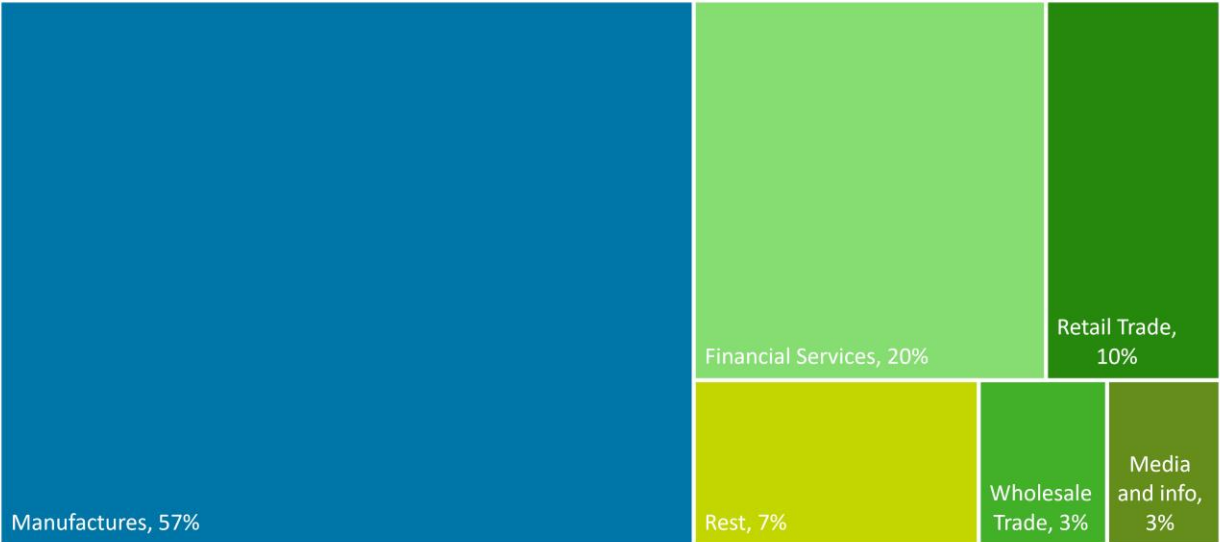


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Source: Mexican Secretariat of Economy. *2024 figures up to Q2.

Distribution of FDI 2019 – 2024*, *Estado de México* (USD \$12.8 bn)

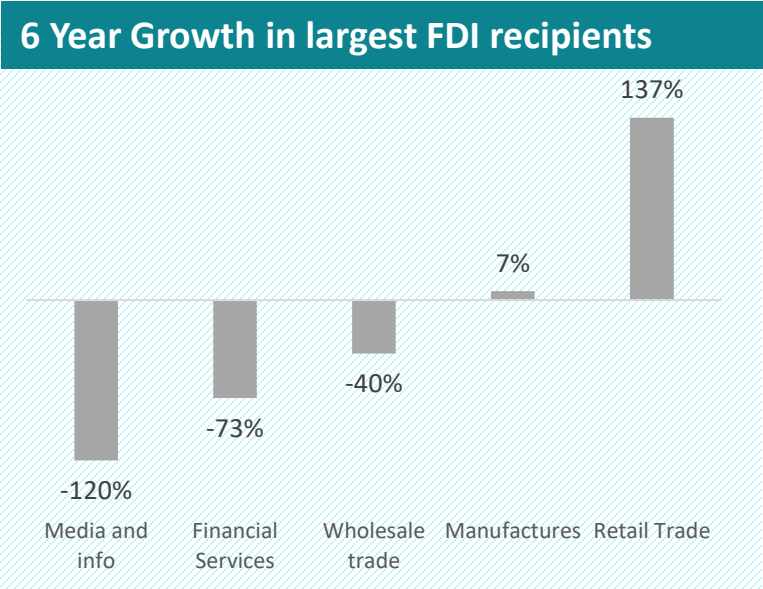
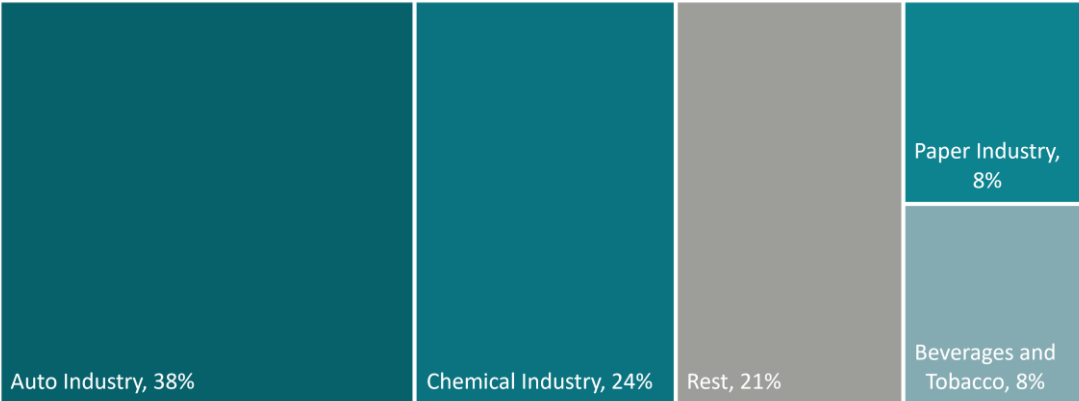


Although it is one of the main recipients of FDI, *Estado de México* has failed to capture the attention of investors. In fact, between January 2019 and June 2024, new investments fell by 66.6% compared to the same period in the previous six-years.

Featured investment announcement
 USD \$247 million → Manufactures



Manufacturing FDI, (USD \$7.3 bn)

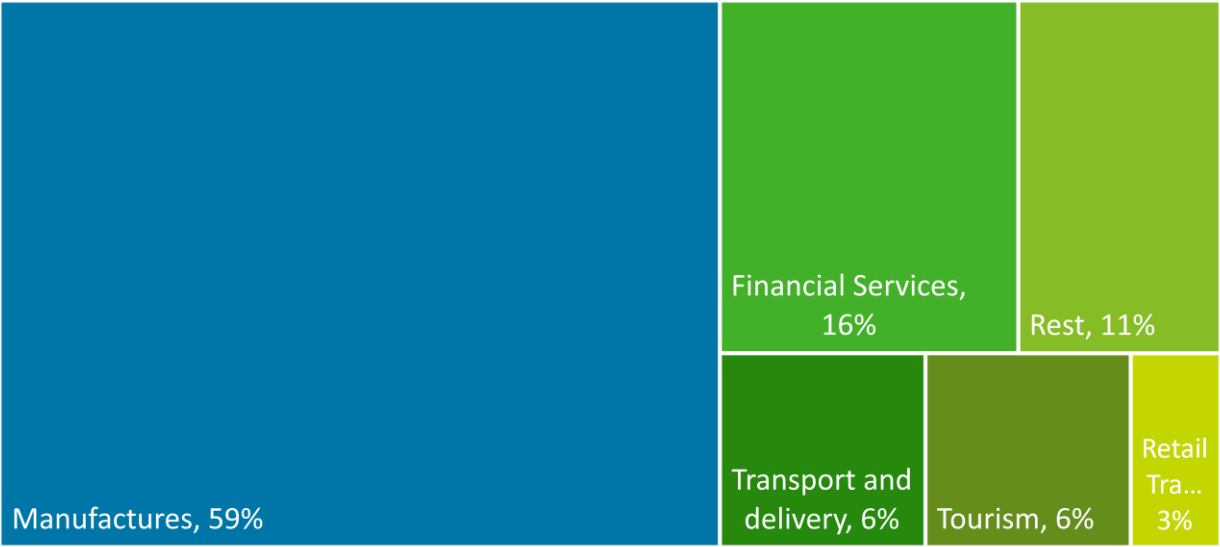


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Source: Mexican Secretariat of Economy. *2024 figures up to Q2.

Distribution of FDI 2019 – 2024*, Jalisco (USD \$11.8 bn)



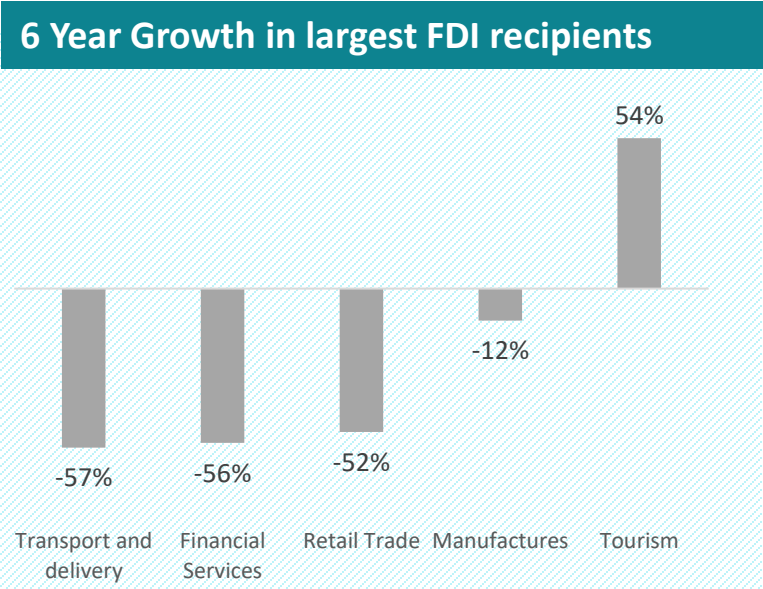
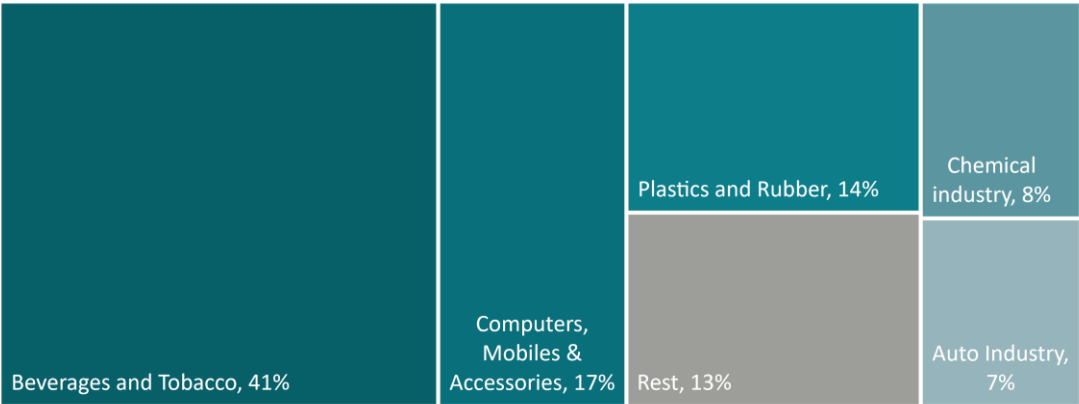
Jalisco has great potential to benefit from nearshoring but so far, few investments have materialized. The presence of organized crime is a factor that intervenes in companies' assessment of opportunities.

Featured investment announcement

USD \$1.5 billion → Manufactures



Manufacturing FDI, (USD \$7.0 bn)



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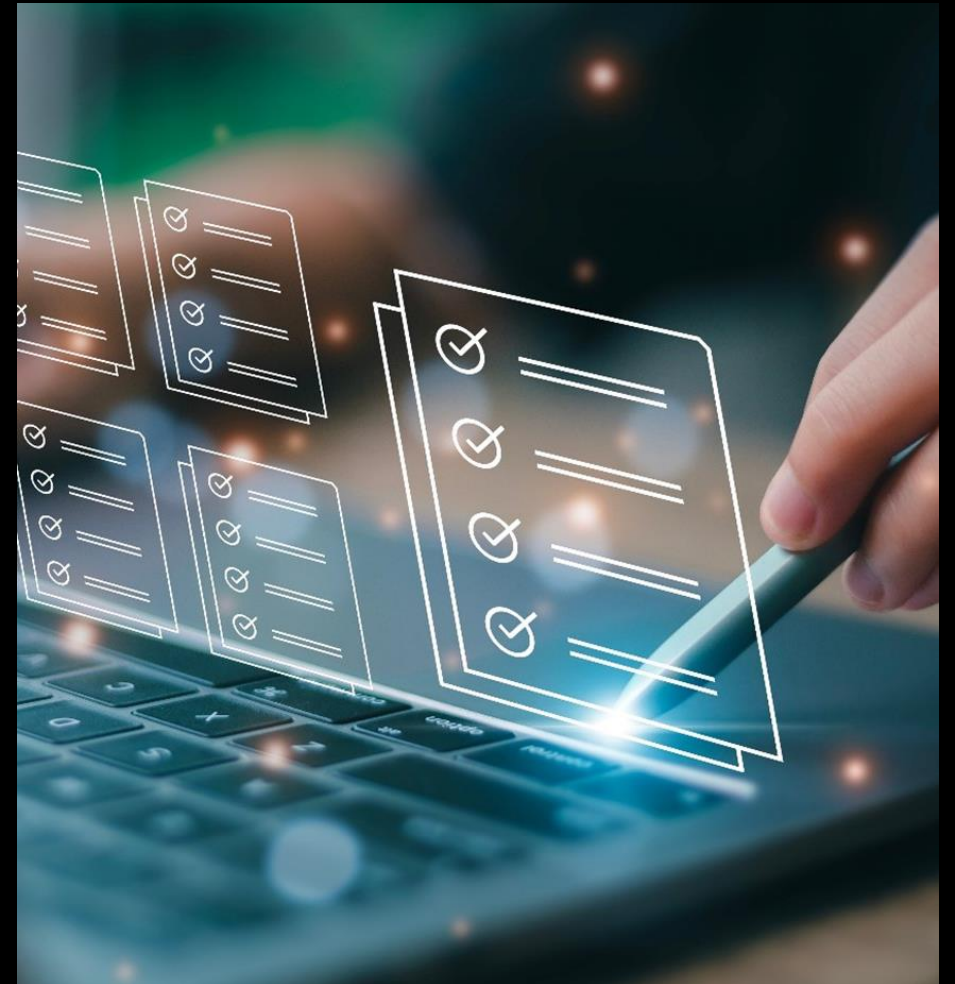
Source: Mexican Secretariat of Economy. *2024 figures up to Q2.



Closing Remarks

What is truly happening?

-  Far from being a new trend, **nearshoring has been present for almost a decade**, altering investment and trade patterns around the world.
-  **Asian countries have been the most benefited** thanks to their friendly investment climate, infrastructure development, and demographic advantages.
-  On the other hand, **Mexico has failed to attract the same interest** and investment figures remain static.
-  The **change in global economic conditions** seems to indicate that the boom that world investment enjoyed in recent years has come to an end.
-  Mexico has faced some limitations due to the **infrastructure deficit** and **political uncertainty**; it is thus difficult to expect a quantum leap in FDI statistics.
-  Investment flows will continue to arrive, but it is possible that the euphoria for **nearshoring is nearing to its final stages** and attention will turn to the entire investment phenomena.



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