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MEXICO 2024



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C R E A E M O C I O N E S

thebusinessyear

Mexico 2024

To understand how the investment environment has evolved over recent months, our team conducted a year-long, on-the-ground research operation that included interviews with over 150 business leaders and officials defining trends across every major sector of the economy.

Every year, TBY forms partnerships with associations and chambers that can provide insider knowledge for content development and networking opportunities. This year we are happy to announce new partnerships with DatacenterDynamics (DCD) and the Mexican Data Center Association (MEXDC), which helped boost our coverage of telecoms and data center infrastructure. Our team also formed a partnership with the American Society of Mexico, which has helped inform much of our coverage of nearshoring. Elsewhere, the National Association of the Chemical Industry (ANIQ) provided us with new perspectives on industrialization in Mexico.

Nearshoring continues to dominate investment inflows as Mexico has a limited time window to continue attracting companies that are in the process of relocating their global supply chains to reduce geopolitical risks and logistical costs. The nearshoring wave has been particularly positive for the pharmaceutical industry, which, on one hand, is struggling with slow per-

mitting processes, while, on the other, is experiencing record-breaking sales.

This year's edition also features a spotlight on advances in the local agriculture industry. Mexico has a long history in agriculture and is the birthplace of important crops such as domesticated corn and beans. Interviewees noted that despite Mexico being known for low-value crops, the industry overall is moving toward added value specialty products such as berries and the formalization of the industry through science and technology.

Since 2012, TBY has observed the terms of three presidents, including Felipe Calderón, Enrique Peña Nieto, and now Andrés Manuel Lopez Obrador (AMLO). In contrast with the nervousness and uncertainty of the 2018 election, our team notes a particular sense of ease around the upcoming elections as CEOs and investors are more familiarized with Morena, the party founded by the incumbent president. Overall, 2024 is expected to see an unusual general continuity of business during an election year thanks to the fact that both of the main presidential candidates are not expected to announce disruptive macroeconomic policies. The latter is important as both the private and public sector continue to invest in making Mexico an increasingly attractive destination for FDI investment and logistics. ✦

This publication has been produced by The Business Year International's expert cadre of journalists, writers, editors, and designers. The content contained within is original and was compiled by our team on the ground.

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A photograph of a cityscape, likely Mexico City, featuring a prominent yellow-tiled dome in the foreground and modern skyscrapers in the background. The dome is part of a large, ornate building, possibly a cathedral or government building. The city is densely packed with buildings, and the sky is hazy. A Mexican flag is visible on a pole in the middle ground.

EXECUTIVE SUMMARY

Mexico unleashed huge spending in 2023 as the incumbent president, AMLO, sought to fulfil campaign promises of megaprojects, especially in the south of the country.

THIS PAST year was the incumbent president's last full year in office. A significant focus for the year was directing public spending toward the completion of promised megaprojects and social programs. This investment has effectively reactivated the economy of key states in the south of Mexico, making this region a prime destination for investment in the coming years. The rebuilding of global supply chains also continued to be a main priority for companies that spoke to The Business Year as players amped up investment in technology and AI in preparation for the incoming wave of manufacturing demand.

HEADING SOUTH

Southern Mexico has historically been an underserved region of the country and finally got a chance to step into the limelight during this administration. The private sector followed suit, announcing important investments in the region's energy and telecommunication grid to complement the investment that is expected to arrive. The state of Yucatan also worked on promoting itself as a new nearshoring hub thanks to investments at Port Progresso, the amount of real estate available for industrial use in comparison to the saturation near the northern border, and the opening of the long-awaited Tren Maya that will connect by railroad the South of Mexico for both tourism and cargo.

THE END OF THE UNICORN

Unicorns, companies with an estimated valuation of USD1 billion, experienced a peak in 2021 but are no longer making headlines in Mexico or the rest of Latin America as investment funds

steer toward companies that are less driven by speculation and can provide more tangible returns. This has marked a slowdown on the fintech market in Mexico while providing opportunities for more traditional companies with long-track records in sectors such as health-care, education, retail, and banking. In all, the finance sector sees this as a positive move as funds are taking a deeper look at ESG impacts of the companies they are investing in and the overall impact on development goals.

FISCAL POLICY

Public spending will continue to be a hot topic as AMLO’s administration is on a mission to complete promised megaprojects and sustain social programs before elections in 2024. According to the Wilson Center, the approved increase of public spending that was announced for 2024 will position Mexico in its largest fiscal deficit for the last 30 years. Balancing the lack of tax revenue and increased public spending on social programs will be one of the main challenges faced by the next administration. Many analysts are proposing a need for a fiscal reform to balance the increased spending on pensions, health, and education with the rising cost of public debt. By the end of 2024 BBVA research estimates that public debt will increase to 48.6% of GDP from 46.4% in 2023.

EXPANDING THE GRID

While Mexico has a lot to offer in terms of its geographical positioning and qualified workforce, the need for more telecommunications infrastructure and a stronger energy grid were often pointed out as areas of opportunity to increase competitiveness. With the rise of Industry 4.0, manufacturing is much more power heavy and energy availability is a key factor for companies deciding where to invest. According to the International Chamber of Commerce Mexico (ICC Mexico), the country has a cumulative deficit of 4,370km of power transmission lines and will need an investment of MXN132 billion per year to maintain economic growth. ICC Mexico concluded in a study that for “every percentage point of GDP growth, 800km per year of transmission lines must be erected.” In response, companies like Engie and TC Energy have announced important investments to close the deficit. Engie estimates that it will spend more than MXN900 million to expand its natural gas distribution network in 2024 and TC Energy’s project with CFE, the Southeast Gateway Pipeline, is estimated to cost USD4.5 billion. ✖

GDP PER CAPITA (2021)

SOURCE: WORLD BANK

USD10,045.68

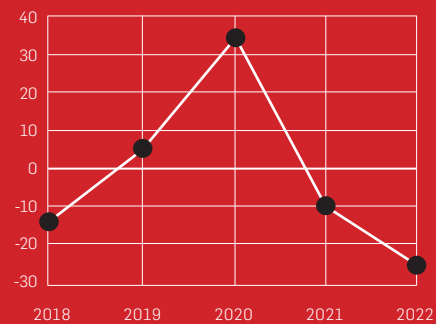
INFLATION (2022)

SOURCE: FOCUSECONOMICS

7.9%

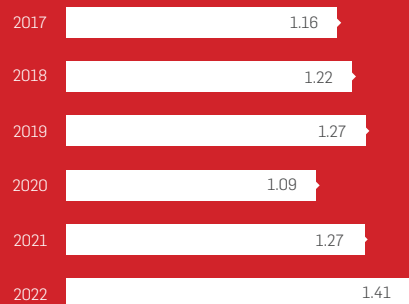
TRADE BALANCE (USD BN)

SOURCE: FOCUS ECONOMICS



GDP (IN USD TRILLIONS)

SOURCE: THE WORLD BANK



**MARCH 2,
2023**

Elon Musk announces plans for the world's largest Tesla plant in Mexico. The factory, with a potential investment of USD5 billion, is projected to create up to 6,000 jobs.

**SEPTEMBER 30,
2023**

US Customs and Border Protection reports 2.3 million migrant detentions at the southern border in the last fiscal year, marking a 37% increase from the previous year. Migration becomes a pivotal topic in the 2024 presidential debates for both the US and Mexico.

**DECEMBER 16,
2023**

Inauguration of Tren Maya, one of President AMLO's major mega projects. The train embarks on its first journey from Cancún to San Francisco Campeche.

**JULY 4,
2023**

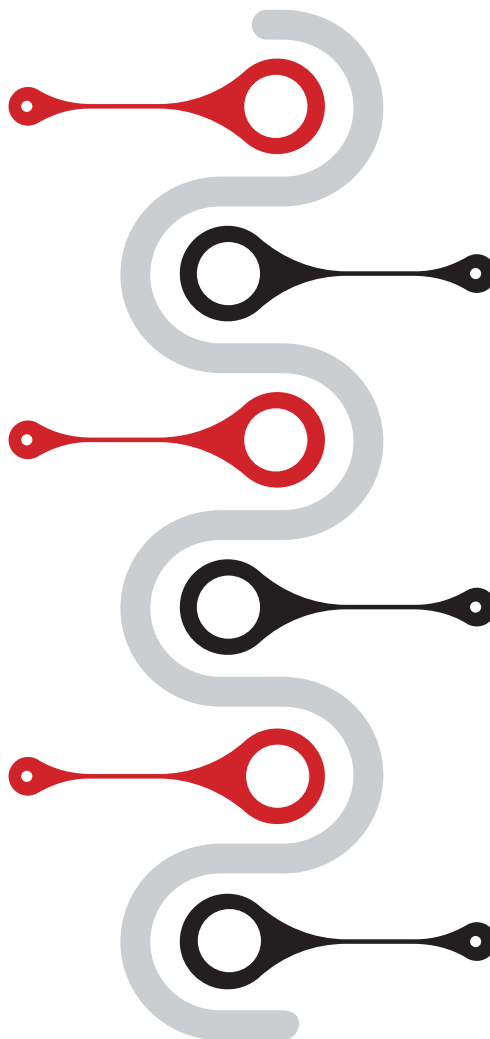
Governor elections occur for Coahuila and the State of Mexico. Manolo Jiménez, part of the PRI-PAN-PRD alliance, emerges victorious in Coahuila. Delfina Gómez, from the Morena-led alliance, secures the win in the State of Mexico.

**NOVEMBER 25,
2023**

A Category-5 hurricane hits the Guerrero coast, setting records for intensity and wind speed in the region. The reconstruction and economic revitalization of Acapulco and nearby areas become key topics for 2024.

**JANUARY 1,
2024**

Minimum wage in Mexico sees a significant increase. It rises to MXN249 per day and surges to MXN375 pesos per day in the northern border region, up from MXN88 pesos in 2018.

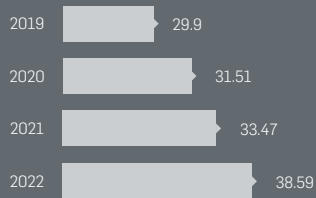


The Angel of Independence monument in Mexico City



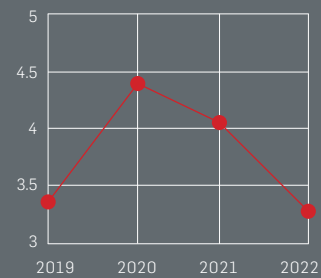
FDI INFLOWS (IN USD BN)

SOURCE: MACROTRENDS



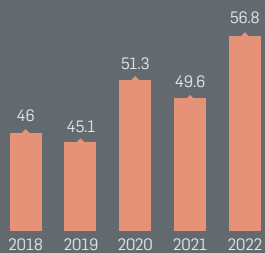
UNEMPLOYMENT RATE (%)

SOURCE: MACROTRENDS



DEBT TO GDP (%)

SOURCE: TRADING ECONOMICS, WORLD ECONOMICS



Diplomacy & Economy

FLY THE FLAG

In the ever-evolving tapestry of Mexico's economic and diplomatic journey, the upcoming presidential elections in 2024 add an extra layer of intrigue for investors. Luz María de la Mora, Senior Business Advisor and Former Undersecretary of International Trade for Mexico, provides crucial context by highlighting Mexico's remarkable position as the 10th-largest recipient of FDI globally.

De la Mora emphasizes Mexico's capacity to attract diverse investments, thanks to its thriving service and manufacturing sectors. Despite challenges, including the imperative to revitalize the national oil company Pemex, Mexico's economic health remains robust, particularly in comparison to its Latin American counterparts. The US-Mexico-Canada Agreement (USMCA) further solidifies Mexico's standing, contributing one-third of global GDP while representing approximately 6% of the world's population.

Mónica Vera, Managing Director of TMF Group, anticipates a surge in investments through nearshoring, emphasizing the growing need for fund management and administrative support. However, Vera candidly addresses local challenges such as bureaucratic processes conducted in person, on paper, and in Spanish, along with a discretionary interpretation of laws, demanding a nuanced approach for investors

navigating the Mexican market.

Alberto de la Fuente, President of the Global Enterprises Executive Council (CEEG), sheds light on the trending topic of nearshoring, underlining Mexico's attractiveness due to its manufacturing prowess. As Mexico transitions towards high-tech manufacturing, de la Fuente acknowledges the necessity of upskilling and reskilling the workforce to secure more investments.

Against this backdrop, the looming 2024 presidential elections in Mexico inject an element of anticipation for investors. The outcome of these elections could shape the future trajectory of Mexico's economic policies and diplomatic engagements. Investors are advised to keep a close eye on the political landscape and potential policy shifts that may impact their investment decisions.

As investors explore opportunities in Mexico, the intersection of economic dynamics and political developments becomes a focal point. The nation's commitment to sustained economic growth, coupled with strategic initiatives like nearshoring, positions Mexico as an attractive prospect. Navigating the intricacies of the local business environment, alongside the unfolding political landscape, will be essential for investors seeking to capitalize on Mexico's potential for growth in the years to come. ✖

THE RIGHT *moves*



Héctor Alexander
MINISTER OF ECONOMY AND
FINANCE, PANAMA

The Panamanian Ministry of Economy and Finance has worked hard to implement a countercyclical fiscal policy to successfully mitigate the economic impacts of the pandemic by borrowing heavily to strengthen government expenditures and banking system liquidity, resulting in 5% growth in 2022.

BIO

Héctor Alexander holds a master's degree and PhD candidate in economy from the University of Chicago in the US. Since 2019, he has held the position of Minister of Economy and Finance in the current administration of President Laurentino Cortizo Cohen. Between 2004 and 2007, he held the position of vice minister of economy and finance and was minister between 2007 and 2009. In 2008, he was chosen by *The Banker Magazine* of the *Financial Times* as Minister of Finance of the Americas. Between 1985 and 1988, he was minister of finance and treasury, and from 1982-1984, he was deputy minister and minister of planning and economic policy.

How would you assess the performance of the Panamanian Ministry of Economy and Finance over the past year?

Due to our countercyclical fiscal policy, we had hoped that we would have been able to recover the GDP and employment levels seen in pre-COVID period. We had originally projected growth of no less than 8% or 9% for this year, but there is a slowdown of growth in Panama and worldwide. However, for June the IMAE, our monthly indicator of GDP growth rate, registered a 13.2% growth rate. In order to grow less than 5% in 2022, which is my goal, the IMAE would have to be negative until the end of the year, which I do not think will happen. Panama has also seen recovery in the formal employment. From September 2020 to April 2022, unemployment fell from 18.5% to 9.9%, and formal employment grew strongly by about 22%, and here we are talking approximately 10,000 people monthly. Panama has no Central Bank, and one of our important economic foundations since 1904 has been the US dollar, but unlike other nations we were unable to rely on monetary policy. That is why right now, part of that underlying inflation that exists in Europe and the US is due to the monetary policy originated during the pandemic, and not just due to food and gas availability. In our case, we have to rely on fiscal policy, which meant using a Keynesian-type countercyclical policy, to strengthen the demand that had been greatly weakened by the pandemic. In short, 2022 is seen as a year of significant growth of at least 5%. And despite the ongoing geopolitical tension and its global repercussions we believe that we will sustain our growth trajectory over the coming years, and this year could be that we recover both the production and employment level of 2019.

What does the countercyclical policy that Panamanian Ministry of Economy and Finance has been applying imply?

“From September 2020 to April 2022, unemployment fell from 18.5% to 9.9%, and formal employment grew strongly by about 22%, and here we are talking approximately 10,000 people monthly.”

This policy was applied in 2020 and 2021 and remains a countercyclical one in nature. We had to borrow heavily to strengthen the demand from the government, at a time when aggregate demand had weakened. For us, it was crucial that there be no liquidity problems in the banking system. Our policy was to seek resources from abroad to channel directly through the banking system and the government expenditures. We also deposited liquid resources at the National Bank, in the form of a trust fund geared at strengthening the credit capacity of the banking system. We also obtained resources from abroad to lend directly to micro, small, and medium-sized enterprises and fortunately, we were successful on that front. So, really, this anti-cyclical strategy helped us create the conditions that facilitate the strong recovery of production and employment that we are experiencing, while talking care of the safety and health of the population and making important transfers to families in need that were adversely affected by the pandemic. ✖

MORE *to offer*

Mexico's diverse industrial and manufacturing base—ranked 22nd globally—and its extensive know-how in assorted activities make it a key ally for the US in an uncertain future.

Luz María de la Mora
SENIOR BUSINESS ADVISOR &
FORMER UNDERSECRETARY OF INTERNATIONAL TRADE FOR MEXICO



What are the main advantages of the Mexican market over other Latam countries?

We are an open economy, and we have active and dynamic international trade. Trade represents about 75% of our GDP, where our total trade in 2022 for example was around USD1.2 trillion, which was a record number, and it continues to grow. Mexico has an industrial and manufacturing base that allows it to be part of medium- to high-tech industries. The Atlas of Economic Complexity from Harvard University places Mexico 22nd among 131 economies. That tells us that Mexico has been able to develop diverse activities in the service and manufacturing sectors which allow it to attract different kinds of investment. In terms of investment, Mexico is the 10th-largest recipient of FDI in the world. In 2022, we received more than USD33 billion of investment, and we expect over USD40 billion in 2023. Notably, half of this investment goes to manufacturing, and a third goes to services such as financial, telecommunications, and business operations. Therefore, Mexico is ideally positioned to be part of this relocation of value chains. In addition, we have an autonomous central bank that has been responsible for controlling inflation, which is declining, the most recent number is 4.4%, the aim is to get to 3.5% which we aim to achieve by the end of 2024. The fiscal strength of the state is not where we would want it to be, at around 14-15% of GDP, which is not enough to realize the potential investments that Mexico merits. Nonetheless, public investment remains low, at about 3.8% of

GDP, so these are areas of opportunity. Mexico has a flexible exchange rate, and no capital controls, though there are some areas where we need to find concrete solutions. Notably, we need to make the national oil company Pemex a viable commercial entity. In addition, we need to cope with the rising number of retired citizens that receive a pension; 22% of our budget goes to paying pensions. These notwithstanding, the Mexican economy appears healthy, especially when compared to other economies in Latam. USMCA represents around 6% of the world population but one third of the global GDP. Mexico has the potential to increase its share in the US market, it represents about 15.7% of US imports, and we have surpassed China as the number one supplier to the US. This will only continue to grow because of the China-US situation. Mexico is the best ally for the US right now.

What industries have you seen the most movement in, and what does this mean for the country?

Nafta transformed Mexico's industry and the automotive sector. Now, every company in the world makes cars in Mexico, and we are seventh in the world in production and fourth by exports. There are clusters in place, such as El Bajío. In addition to vehicle production, we also have a dynamic auto-parts sector that includes firms from Europe, Asia, and the US and has allowed Mexico to create tier 2 and 3 suppliers. This is a powerful source of growth allowing states such as Aguascalientes and Guanajuato to

develop and transform. They have seen growth of around 5% over the past two or three decades. The new USMCA has new rules of origin requirements that are encouraging new investments in Mexico. European countries are coming to Mexico to establish and supply parts to OEMs. Other less mentioned sectors are agriculture and food and beverage. Mexico is the 10th-largest producer of food worldwide. The country produces many products for the US market such as fruits and vegetables, beef, beer, and tequila. This has helped to ensure food security when climate change poses challenges to it. We are not self-sufficient in terms of dairy products and grains, but we can import them from the US. Right now, one in every two tomatoes consumed in the US comes from Mexico. ✖

BIO

Luz María de la Mora holds a PhD in political science from Yale University and has over 25 years of experience in the public sector, serving as head of the economic relations and international cooperation unit at the Ministry of Foreign Affairs and as head of the international negotiations unit in the Ministry of Economy. She was also part of the negotiations team of the NAFTA. She is the former vice minister for foreign trade in the Ministry of Economy in Mexico.

FOCUS

International competitiveness

IN THE *game*

Mexico has many opportunities, but it must improve its security, electrical infrastructure, and stability, as well as reduce its bureaucracy if it wants to improve its competitiveness.

Mexico is at a key moment in its history to become one of the main magnets for attracting FDI. This is due in large part to nearshoring, the strategy by which companies seek to move part of their production to a third country that is in close proximity to their final destination. Thus, many Western companies are moving away from the strategy of outsourcing to Asia, turning instead to countries such as Mexico because of its proximity to the US, where the manufactured products will ultimately be consumed.

In 1H2023, Mexico received USD29 billion in FDI, up 41% from USD20.6 billion in 1H2022. Approximately USD12.4 billion, accounting for 43% of the total, came from US companies, while 15% originated from companies based in Spain, 9% from Germany, 8% from Argentina, 7% from Japan, 4% from the Netherlands, and another 4% from Canada.

These data show the potential of nearshoring, a trend that is reinforced by the ongoing trade war between China and the US, which began in January 2018 and has led to a disincentive for US companies to invest in China. According to a study by the Inter-American Development Bank (IBD), nearshoring could add up to USD78 billion in exports of goods and services in Latin America and the Caribbean in the short and medium term, with Mexico and Brazil as the big gainers.

According to that IBD study, some of the sectors that will see their exports increase in the short term as a result of nearshoring are the automotive, textile, pharmaceutical, and renewable energy sectors. The automotive industry is one of the sectors with the greatest potential, as Mexico is the seventh largest vehicle producer in the world. It is also the world's fourth largest auto parts producer, according to a study by Tempest Capital.

Mexico's aerospace industry, 80% of whose total production is shipped to the US, is another of the country's most important manufacturing sectors and one of those most likely to benefit from offshoring. Machinery and electronics, steel production, construction and materials, or the retail sector also have strong advantages for attracting investment from companies looking to establish or grow their operations near the US and Canada, according to Tempest Capital's study.

"Mexico is indeed an attractive investment destination, mainly due to its strength in manufacturing. Our manufacturing has evolved from simple to intermediate, and the next step involves more high-tech manufacturing, which China excels in," said Alberto de la Fuente, President of Global Enterprises Council (GEC). However, de la Fuente stresses that there are still many

challenges to overcome for the country to gain more investment, such as the possible need to improve the skills of the workforce, the creation of better logistics infrastructure and increased access to international connectivity throughout Mexico.

"Security is a significant concern impacting almost every company," de la Fuente said. In an attempt to improve this situation, CEEG has a specific committee that addresses these security issues and is in contact with the Secretary of Public Security and the National Guard. "We interact directly with the government to achieve several objectives, such as improving coordination between different government levels or providing them with feedback or real-life case studies to overcome specific challenges," he noted.

Mexico faces other problems that limit its competitiveness vis-à-vis other markets. Thus, the country ranks fourth in the latest global business complexity index prepared by TMF, which evaluates a total of 77 different jurisdictions. "Some of local challenges here stem from the fact that everything must be done in person, on paper, and in Spanish. Unfortunately, there is also a rather discretionary way of doing things whereby the law sees inconsistent interpretation. As a result, consistency is lacking and sometimes they will ask you for two copies of something whereas another day this will be three," said Monica Vera, CEO at TMF.

For Vera, one of the main changes in legal requirements in Mexico that is important to be aware of is the anti-outsourcing law, which creates a significant administrative burden of having to submit a series of reports to different authorities if services are to be outsourced. "This was an important topic whereby companies had to make substantial changes because it determines how you organize yourself and allocate your resources", Vera noted.

Another problem, identified in TMF's index, is the Mexican government's current stance of defending fuel-based energy sources over renewables. Advancing clean energy is key for the country, as the system is systemically congested in terms of transmission and generation capacity, according to Tempest Capital's report. The year 2024 marks an election year, featuring a contest between Claudia Sheinbaum and Xochitl Galvez.

Sheinbaum is a member of current president Andrés Manuel Lopez Obrador's Morena party; while Galvez is part of a queue of opposition parties. Whatever the outcome, Mexico's geographic attractiveness and high manufacturing capacity in the face of nearshoring will remain. ✖

The Palace of Fine Arts pictured in Mexico City



Image: Santiago Castiño Chomel

VALUE *proposition*



TMF Group is a leading global provider of high-value business services to clients operating and investing globally that is focused on improving global customer service.

Mónica Vera
MANAGING DIRECTOR,
TMF GROUP

Launching a SOFOM, TMF Mexico CMS

Supporting the entrance of fund managers in Mexico

BIO

Mónica Vera has dedicated her career to business transformation in several industries across Canada and Latin America. Currently, she is Managing Director at TMF Group for the Mexico office. She has extensive experience as an entrepreneur in software-related business development. Previously, she was vice president & partner for IBM Mexico. In her career, she has led large ERP implementation teams for businesses of all sizes, including regional projects, both in Canada and Latin America. She holds a public accounting licentiate degree from Universidad Católica Andrés Bello in Venezuela, a bachelor of sciences degree from Syracuse University in the US, and a humanistic studies master's degree from Universidad Virtual Tecnológico de Monterrey.

How well did Mexico rank in TMF's Global Business Complexity Index 2023?

It is our 10th year publishing the index, and Mexico has fallen one place from third to fourth. There are 77 jurisdictions on the index, and France came in first this year. Some of local challenges in Mexico stem from the fact that everything must be done in person, on paper, and in Spanish. Unfortunately, there is also a rather discretionary way of doing things whereby the law is interpreted inconsistently. This slows down processes with the Tax Administration Service (SAT) and other bodies; however, TMF's index is a way for us to say, "Yes, things are complex, but this complexity is navigable." We want to point out the complexities so that people arrive with their eyes wide open and ensure the conditions do not deter investment in Mexico, which offers considerable immense opportunities.

What are some legal requirements in Mexico that are important for investors to know?

An anti-outsourcing law has created a significant administrative burden whereby a company has to present a series of reports to different authorities to sub contract and so forth. This can take a long time and a good deal of disclosure to get things done. It is all just a matter of knowing how to navigate that.

Financial services have always been a major part of TMF's work. Is that still the case today?

We expect more investment coming in via nearshoring, while fund managers and private banks can expect to see more loans coming their way. There will be a greater need to manage funds and do all of the administrative work related to the fund cash flows, and we are here to provide that service and make everyone's lives easier. We can provide the services they need and all of the reporting to the different authorities. We can help family companies with all their administrative services or with the transition to becoming a public entity. TMF actually rolls up its

sleeves for its clients and gets the work done. Many companies in Mexico are also keen to diversify internationally, which requires a major first step. Again, that is at the core of our value proposition.

What solutions or products are you launching in Mexico to help adapt to these new trends?

We recently acquired a company, a SOFOM, to establish a trust company. We will be able to issue admin trusts and are looking to expand that to a larger scope of trusts and be able to do admin trusts and guarantee trusts. There are only a small circle of providers in that space in Mexico, and we hope to provide considerable value, being a global company, with a presence in 86 countries. We can help companies that have complex structures when they create their funds and pursue large goals like trusts in multiple countries.

What steps are you taking to improve customer service for global companies?

As a global company, TMF is working toward making sure all our clients are satisfied with our services and know that we are accountable, proactive, and thoughtful. That means a mindset change for our teams, as we need to make sure that they move from the way we do business today to the new way of providing services. This includes keeping a part of the bespoke services we do today, because we offer a tailored-made service, whilst at the time introducing more automation, more of a global delivery methodology through the efficient use of global delivery centers. This will allow us to provide greater analysis with more in-depth insight. That is an important project for us in Mexico that will have global consequences. The second objective is to develop the financial service that we are growing organically by establishing alliances with law firms and private banks. At the same time, we are doing this inorganically, looking at the market for partners who can help us expand rapidly. ✖

TMF
GROUP

Global reach
Local knowledge

We make a **complex world simple**

TMF Group is a leading provider of critical administrative services, helping clients invest and operate safely around the world.

With more than 10,000 colleagues in 125 offices across 86 jurisdictions, all working to the same high standards of service and security, we provide our clients with local expertise where it is needed most. Our locations cover 92% of world GDP and 95% of FDI inflow.

We are a key part of our clients' governance, providing the accounting, tax, payroll, fund administration and legal entity management services essential to their success. We make sure rules are followed, reputations protected and operational compliance maintained.

Our global service model and technology platform put our clients in control of their portfolio of entities and global locations. The data insights we deliver keep them on top of emerging regulation, the status of their own activity and any points of risk.

We serve corporates, financial institutions, asset managers, private equity and real estate investors, and family offices. Our clients include the majority of the Fortune Global 500, FTSE 100, and top 300 private equity firms.

Find out more

www.tmf-group.com



COLLECTIVE *efforts*



Comprising the presidents and CEOs of 63 international companies with operations in Mexico, CEEG works to collectively tackle issues that impact all sectors.

Alberto de la Fuente
PRESIDENT,
GLOBAL ENTERPRISES
EXECUTIVE COUNCIL (CEEG)

What is the main focus of CEEG at the moment? CEEG has significant exposure to the Mexican market, allowing us to interact with the Mexican and global governments as a consolidated entity that can solve real problems in Mexico. The council comprises 63 companies covering over 20 sectors. Accordingly, we have clear expertise in almost every industry of the economy, whether retail, insurance, car manufacturing, banking, or energy. We concentrate on issues that impact all sectors rather than specific challenges occurring in a particular industry. For example, nearshoring will impact almost every sector, so this is a significant focus for us. Given the large number of global companies in Mexico, we often help promote global developments such as gender equality, greater inclusion, or ethics and compliance across all sectors, given that these are issues that affect us all.

How does CEEG address security issues that global companies face in Mexico?

Security is a highly relevant issue here, one that impacts all companies. CEEG has a specific committee that addresses security issues and is in direct contact with the Secretary of Public Security in Mexico. We have also raised this issue with the National Guard's economy secretary. We interact directly with the government to achieve several objectives, such as improving coordination between different government levels or providing them with feedback or real-life case studies to overcome specific challenges. Our members include multinationals such as Danone, Nestlé, and DHL, which all have various shipping and logistics operations by road. And we have mapped out the most significant security risks and threats along transport routes and continuously work with the government to make these transport routes safer. We have specific working groups with the participation of other private-sector entities and direct lines of communication with the authorities.

Is CEEG working on any projects or initiatives to incentivize economic growth in Mexico?

Several public announcements about growth and investment were made by companies in CEEG this year. For example, DHL is consid-

ering a USD120-million investment in its hub in Querétaro, Schneider Electric is looking to invest MXN1.3 billion to optimize its plant, Bosch has made almost MXN20 billion in assets into its technology over the last few years, Toyota announced a USD300-million investment in its plant in Guanajuato, and General Motors has also announced its intention to invest MXN1 billion to develop an electric car plant in the north of Mexico. These announcements only affirm our members' long-term commitment to Mexico, and I expect even more reports in the coming year.

Do you believe Mexico can become a nearshoring hub?

Nearshoring is genuinely the trending topic at the moment. Investment is flowing in, though as a country, we may not fully maximize our potential to attract companies. While there is significant momentum, the government was not fully prepared even though it had had an FTA with the US for two decades and had experienced considerable export growth during this time. Mexico is indeed an attractive investment destination, mainly due to its strength in manufacturing. Our manufacturing has evolved from simple to intermediate, and the next step involves more high-tech manufacturing, which China excels in. Nonetheless, gaps in our workforce's competencies might necessitate upskilling and reskilling efforts to secure more investments. Additionally, logistics, internet connectivity, and other related aspects face hurdles. Viewing nearshoring as an integrated North American bloc, we consider ways to bolster the region's strength and competitiveness on a global scale. Infrastructure improvements are essential at the national level and in collaboration with the US and Canada. Enhancing customs integration, building more bridges, roads, and railroads, and genuinely integrating value chains across countries are pivotal. Mexico is viewed as the door to the US, but many forget Mexico has 54 trade agreements with different countries around the world. We can also be a point of export as a region to compete with the rest of the world. ✖

BIO

Alberto de la Fuente holds bachelor's degrees in economics and international relations from Instituto Tecnológico Autónomo de México (ITAM). Additionally, he has a master's degree in economics and history from the University of Oxford and an MBA from the Australian School of Business in Sydney. His career includes positions at the Office of the President of the Republic, the Ministry of Energy, and the Energy Regulatory Commission. He has served as President & CEO of Shell Mexico since 2012. de la Fuente chaired the Energy Group of the British Chamber of Commerce from 2013-2016 and was president of the Mexican Association of Hydrocarbon Companies from 2016-2020.

THE FUTURE *of Plastics*

Felipe Villareal, CEO of Alian Plastics, discusses the history, present, and future of plastics in the automotive sector and beyond.

In 1886 Carl Benz invented the first internal combustion carriage still with three wheels and an impressive speed of 16km per hour. The automotive business has been unstoppable ever since and, lately, I've seen an increase in re-engineering parts from metal into plastic.

From that first carriage until World War II, steel dominated the raw material of automobile production. Then fiberglass was added to the resins, which helps reinforce the plastic, withstanding high impacts, increasing technical strength and high corrosion capacity. At the same time, it is three times less dense than steel. Currently, plastic is enjoying a renaissance in the automotive industry. It allows you to have less weight and provides greater power for innovative designs.

I want to mention just a few words of history so we can recognize the effect of the evolution and increased demand for plastic injection parts, which pushes us to also evolve in the manufacturing and services related to plastic injection processes.

A few years ago, thinking about introducing innovative approaches like Industry 4.0 or artificial intelligence (AI) were "nice to have" within each company, but today, these are "must have." Today, these technologies are quickly becoming an essential part of everyday life, helping businesses also achieve or maintain a competitive advantage.

AI and Industry 4.0 help you reduce lean manufacturing waste: defects, excess processing, overproduction, wait times, inventory, transportation, motion, non-utilized talent. Using AI tools helps minimize human error, increasing a company's potential for suc-

cess.

Let's take as an example reducing defects by minimizing human error as another essential benefit of AI. Its learning capabilities from data and algorithms help it understand processes and opportunity areas to avoid errors and determine potential scenarios for error and make real-time corrections. In a manufacturing environment we can closely monitor output, increase employee ergonomics and thus safety, reducing the chances of production defects, which would generate internal or external rejections.

Automated visual quality inspection solutions also eliminate human errors from the quality control process. Problems like lack of attention or missing a defect in the products are reduced to a minimum. The human eye has its limits, and as the production shift goes on, the fatigue of people is inevitable, leading to human error.

Speaking about automation, robotics can play a key role in plastic injection molding. A robotic arm can load kilograms of weight in mold inserts or in pieces, repetitively for eight or nine hours in a row. Ergonomically, human beings have a limit, a robot does not; it is programmed and with maintenance does what you indicate for hours in a row at a constant and predetermined cycle time. This allows you to take advantage of human talent in more productive activities.

Plastic injection molding machines are often the most critical equipment in plastics manufacturing. Finding efficiencies around these machines, such as those provided by Industry 4.0 and AI, can significantly impact overall productivity and profit margin. ✖

KEY *differentiators*



Isidro Amarildo Bárcenas Reséndiz
MAYOR,
PEDRO ESCOBEDO

Municipality near the capital of Querétaro

Opportunity for nearshoring investment

BIO

Isidro Amarildo Bárcenas Reséndiz, a native of Querétaro, is a distinguished individual with a strong academic background. He earned a bachelor's degree in computer systems engineering from Instituto Tecnológico de San Juan Del Rio and pursued a master's degree in administrative engineering from Tecnológico de Cuautla Campus San Juan Del Rio. As an entrepreneur, he is the founder of GYBO Soluciones Tecnológicas S.A. de C.V. Bárcenas Reséndiz has also contributed to his community, serving as municipal president of Pedro Escobedo during the 2018-2021 administration. Following a successful reelection, he secured a second term for 2021-2024.

What steps is Pedro Escobedo taking to position itself in the international market?

In 2018, a plan was generated to develop the municipality for the following three years. Pedro Escobedo has been characterized by its countryside and natural beauty, and we seek to get people to take more notice and look at Pedro Escobedo as an area to invest in for the industrial sector. Legislation was developed to plan urban development in the area regarding housing, industry, and the commercial area. There have been cities that mix industry and housing too closely, and this can cause conflicts. We want to do all of this responsibly and legally. Our municipality has a large portion of undeveloped land; to date, the land was mostly used for agriculture. Pedro Escobedo and San Juan del Rio have always been closely associated with agriculture in Querétaro. A few years ago, large companies looking for private property started buying plots of land close to the highway. Pedro Escobedo is not only close to Highway 57 but also excellent thermoelectric potential, which is another major plus for the entrepreneurs and companies looking at the area. Furthermore, the two most important freight trains in the country pass through here, and we are 25 minutes away from Querétaro airport. We have also started work to install more fiber optics for the area. We are competing with many other states in Mexico. One differentiator is that we can offer a personalized approach to investors and can welcome them personally too. In 2019, we were able to develop a set of legislative tools that we could offer entrepreneurs, and we decided to go to Amsterdam—the first time a mayor of the municipality had gone abroad to seek investment. We secured our first investment in the agricultural sector for Bandernap, a company involved with compost for berries. The investor was interested in Querétaro because there are many greenhouses here. During the tour, I also spoke to an industrial developer that has extensive experience in Europe and various connections in Spain with inves-

To better position Pedro Escobedo globally, the municipality has focused on responsible urban development, implementing legislation for housing, industry, and commercial areas, and promoting industrial growth and investment.

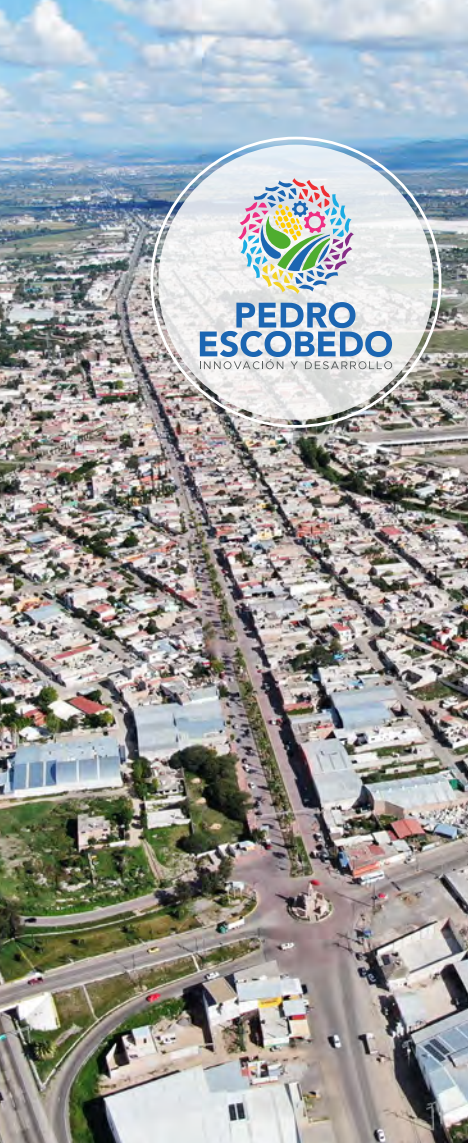
tors who are interested in Mexico. We later received an investment from Spain in a park called Las Palmas as well as an American investor that acquired 60ha and a well. In 2022, Bosch also invested in its first warehouse here for MXN4.3 million. It will focus on manufacturing, and Bosch will install the projects in three stages. We have just secured Chinese investment as well.

What sectors can the municipality host as a manufacturing hub?

I see various opportunities in technology at present. Pedro Escobedo has advanced technologically in the last few years, and now nearly all the 80,000 inhabitants have fiber optics. Before, there were no industrial parks in the area, and now we have put in three: Palmas, Exeter, and Trupo Cima, which is setting up warehouses. Investors can clearly see why Pedro Escobedo has experienced the boom that it has given all the various extras that it offers.

What are your main objectives from now until the end of 2024?

The first objective is to maintain a completely financially clean administration and remain, as we are, without debt. We also want to consolidate another two or three polygon parks while also being responsible to the local community and working on infrastructure for them. I am the first mayor to visit each community for at least one hour every year. We have also invested heavily in education and have a campus for the University of Querétaro here. We also have three public preparatory schools and one private one here. The three public schools have not received any federal investment, though the state government has invested MXN3 million in each one every year. We have around 600 students today from our town, and all their transport costs to university is covered by us. They study in San Juan or Querétaro and save an average of MXN3,000-3,500 a month. ✖



PEDRO ESCOBEDO, the new home of the INDUSTRY IN QUERETARO

Pedro Escobedo, a municipality that constantly renews itself in the search for successful paths that add value, through practices and processes, so that – in a scheme of continuous improvement – it enhances our social well-being results.

For greater business growth and attraction of investment for profitable national and international projects, we advance in the development of a culture of sustainability, both in urban and rural areas. This is of particular importance if we take into account the need to progress considering the productive approach, care for the environment and social needs with a vision for the future.

Our efforts to attract investments and generate jobs for the benefit of our population encourage the actions of this government, taking advantage of the appreciation of the geostrategic location of Pedro Escobedo. In fact, the total investment in our municipality in 2023 amounts to \$5,410 million 95,280 Mexican pesos, which has generated important economic dynamism for the good of our people.

We are very happy for the arrival of international companies, which join our win-win scheme. Thanks to the support and vision of Governor Mauricio Kuri Gonzalez, we will continue to take Pedro Escobedo and Querétaro to the next level.



Amarildo Bárcenas Reséndiz
Municipal President of Pedro Escobedo

Mauricio Kuri González
Governor of the State of Querétaro

MEXICO

INDUSTRIAL PARKS

- Exeter Cantera Industrial Park
- Agua Caliente Industrial Park
- NAVETEC Industrial Park (CCIMA Group)
- Conjunto Industrial Las Palmas

MORE THAN **120** COMPANIES

25% Services	11% Commercial	8% Transformation
12% Agroindustry	11% Transport	8% Chemistry
11% Food Industry	9% Manufacturing	

120 GREENHOUSES

1 THERMOELECTRIC POWER PLANT

Este programa es público; ajeno a cualquier partido político. Queda prohibido el uso para fines distintos a los establecidos en el programa.

PEDRO ESCOBEDO INNOVACIÓN Y DESARROLLO

MUNICIPIO DE PEDRO ESCOBEDO ADMINISTRACIÓN 2023-2024



TBY ANALYTICS *Mexico 2024*

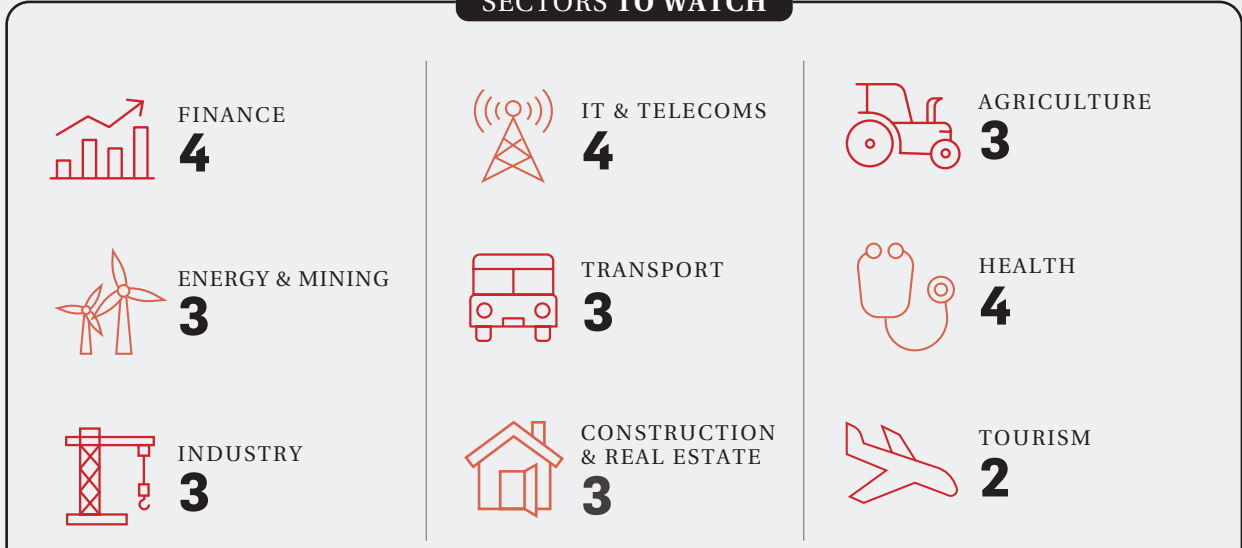
160 interviews were conducted for *The Business Year: Mexico 2024 Analytics*.

BUSINESS CONFIDENCE INDEX

How confident are you about the outlook for business in Mexico this year (1-5)?

3.2
AVERAGE RATING

SECTORS TO WATCH



ADVANTAGES & CHALLENGES

What are the most commonly mentioned advantages and challenges of doing business in Mexico?

ADVANTAGES

- International trade agreements
- Robust manufacturing and supply chain base
- Location next to the US
- Diverse economy
- Cost-effective labor
- Large, young population
- Strong peso
- Central bank autonomy

CHALLENGES

- Economic inequality
- Informal economy
- Corruption
- Security issues
- Dependence on US market
- Lack of infrastructure in some areas
- Sluggish bureaucracy
- Fiscal deficit
- Need for investment in Industry 4.0 and robotics

BETTER *experiences*

Juan Carlos Lozano
MANAGING DIRECTOR,
CREATIVIDAD



Creatividad has over three decades of experience and a solid reputation in the MICE industry, helping companies develop the perfect event no matter their requirements.

In what ways are companies using events to better connect with clients and employees?

The pandemic changed everything, and especially in our industry that relies on human contact. I work in industry and tourism meetings, which was massively affected by COVID. But coming back to normality, we are seeing the need for people to connect with clients face to face, and realizing that technology doesn't work for everything. We have all become used to the online meetings, but when you really want to influence, motivate, or reward people, it is not the same, as there are many situations that require a face-to-face presence. Therefore, the industry is moving in the direction of events. If you are going to take the time to sit in traffic, travel, and go to an event, you expect something different and beyond training or an informative talk. People obviously want the opportunity to network and conduct deals, though they also need something more, which is where we come in. We are there to provide advice, offer consultation, and assess your needs to make sure the event has that added bonus to make it worth attending.

What are your expansion plans, and which industries offer the greatest opportunities?

We have 32 years in the market mainly dealing with technological and financial companies. However, the pandemic brought us many new clients from beyond those areas, such as medical labs, an industry where human contact is a vital component of work. In terms of growth, we have offices here and also a Central America office in Guatemala. Our expansion is geographical and we also stage many events beyond Mexico in Colombia, Costa Rica, and the US. There is a wide spectrum as there are incentive trips, congresses, conferences, or product launches to cater to. In fact, our main limitation concerns

talent, and since the pandemic it has been difficult to retain it. We are active in numerous associations from within our industry including the most elite, and the common denominator for all has been the struggle to retain talent. This is down to various factors; however, most importantly many people now do not want to work in an office, and that does not work for us. There are some grounds for remote working, but we also need people working in person for events. We are having difficulty finding people capable of adapting to our rhythm and lifestyle, as events involve long hours and are very demanding. It is a challenge to find the right people with the right mindset. The sheer strength of the industry because tourism is a massive sector for Mexico accounting for 8-9% of our GDP. Within that meetings tourism represents 1.5% of GDP, which is not insignificant in itself. Moreover, the sector has become increasingly professional over time. Today, you see the industry catered to at universities, in master's degrees and doctorates. Tourists who come for meeting tourism spend up to 20-25% more than a regular tourist because they are on expenses from their companies. The government, too, has now taken notice, recognizing our importance. And while I am reluctant to talk politics, public policy has yet to make a tangible contribution to the development of the industry in Mexico. However, the country has everything in place to thrive: the weather, beaches, high-quality hotels, and quality of service. Still, many do not choose Mexico as an event destination out of safety concerns. In addition, national promoter ProMexico, too, lacks the capacity to help, which is a shame. There is an important internal market, but we should also be looking abroad. Satisfied customers become our ambassadors who bring in more investment. Colombia is overtaking us now, and doing great work staging numerous events with less infrastructure. ✖

***Collaborates
with
national and
international
companies
to create
experiences***

BIO

The General Director of Creatividad, Juan Carlos Lozano is a specialist in talent development, corporate event organization, and strategic relationship activities. He graduated from the communication sciences program at Universidad Anáhuac and completed the AD2 program at IPADE. A distinguished member of the Advisory Board of Universidad Anáhuac and an active member of the Mexican Academy of Communication, Lozano is also a writer and opinion leader in the meetings industry. He has been honored with the Global Paragon Award by MPI and Best Organizer of Congresses and Conventions by Convenciones Latinoamérica.

GROWTH ACROSS *the board*



Promotora is making significant strides in the industrial real estate market, particularly in the regulated warehouse sector and logistics and technology solutions.

BIO

Altagracia Gómez Sierra is Chairman of the Council of Minsa, a company of Grupo Empresarial G, which she joined as CEO. She now serves as a member of the board of directors. She is the deputy general director of Almer and is in charge of the energy division of the conglomerate. She has a law degree with three honorable mentions from the Escuela Libre de Derecho. She has also completed various academic programs at the Royal Academy of Oxford and took two finance and trading courses from Harvard Business School (HBX). Additionally, she conducts the weekly television program *Prospecciones on C7 Jalisco*, together with State Secretary of Education Alfonso Gómez and various distinguished guests.

Altagracia Gómez
PRESIDENT OF THE BOARD,
PROMOTORA EMPRESARIAL DE
OCCIDENTE

There are many unattended opportunities in the industrial real estate market. What progress has Promotora made in this niche?

Promotora as a conglomerate has many different sectors. One of the main sectors is the regulated warehouse sector, and Almer is obviously the biggest one in the country. There are 14 projects in motion at the moment with two aims: to capture and create value in two different areas, namely consolidation and specialization. At the moment, we are also evaluating the possibility of acquiring two or three different companies in different sectors within industrial warehouses. These warehouses specialize in cold storage, different technologies, pharmaceuticals, and/or last-mile deliveries. We have been fortunate to find possible partners to continue the expansion. Of our 14 projects with Almer, some are acquiring assets while others are building new ones from scratch. Some others are commercial alliances with various partners that bring in different expertise or added value. It is basically creating an ecosystem for nearshoring. In Almer, we have been leading the industrial warehouse sector, though we also make up 50% of the market in warehouse enabling. We are also growing rapidly in logistics, business management, and asset-based loans and are the market leaders in those three areas. We are looking at not only how we can offer our clients better solutions in that area but also how to bring in new clients. We have become a one-stop shop for large and small to medium companies that need access to technology and more efficient freight logistics. In terms of warehouses, we do not just have cold storage; we have the largest tequila warehouse in the world, with 20 million liters of tequila. We have been able to find certain niches, grow in them, and diversify. First, it was commodities such as wheat and corn. Then, we moved into minerals, such as aluminum and copper. Now, we are heavily focused on SMEs that have been ignored for a long time but are needed for supply chains

to work for nearshoring.

In what ways has doing business changed since the first free FTA signed in North America in the 1990s?

The FTA in North America is the most important, multilateral trade agreement in the world and has been in effect since the 1990s. This is the most valuable region in terms of trade, though our countries have changed in the last 30 years, and the treaties had the need to evolve. Capitalism is also not the same as it was then; now, it is not only about measuring a company's productivity but also other things like sustainability, diversity, and inclusion. Mexico has everything necessary to be a leader. It is an opportunity to come together as a region and create the greatest value from trade. As a company, we are proud that one of our biggest assets are people and our teams. We have been able to build very capable and diverse teams, and it has been proven that having more diverse teams leads to more innovation and larger profits.

What kinds of industries are you targeting for nearshoring?

We are a highly diversified group, and they all have different targets. We already work with the automotive industry including Tesla, Volkswagen, Audi, and more. These are all international Tier One and Two companies that are part of the international automotive supply chain. For DINA, we have formed a technology agreement with a Chinese company for heavy-duty trucks as well as various agreements for technological and commercial cooperation to develop electric vehicles and other niche vehicles. For example, we have worked with the Californian government and TMM to develop Hustler truck specifically made for the Long Beach port. We are also repurposing RTP buses and converting them to electrical buses. There are various initiatives to encourage the export of different added value products. We are targeting both large companies as well as small to medium-sized ones. ✖

HALLOWED *halls*

Roberto Díaz Bilbao
PRESIDENT & CEO,
CLUB 51

Club 51's vision is to become the most prominent club in Latin America, focusing on expansion, international brand marketing, and meeting client demands, including the development of a unique hotel.



Can you outline the new vision for this emblematic club in Mexico City?

Our vision is for Club 51 to become the most important club in Latam. As part of this plan, we have projects underway that are about to come to fruition that will enable us to expand and market our brand overseas, ensuring that Club 51 will remain top of mind in Mexico. Right now, we are focused on making sure our clients' demands are being met day to day. We have listened to the services being requested and want to ensure we can meet or even exceed them. We are currently developing a 31-room hotel on the 51st floor of the Torre Mayor skyscraper, and we will be the first club in Latam with its own hotel. Expected to open in the summer of 2024, we will literally be the highest hotel in Latam. Our second project will expand our event space capacity from 250 people up to 600 people, encompassing 6,000sqm of installations. The next project involves a new club that we plan to launch in Madrid, and we have a well-designed marketing plan to promote this. The club will also be on the 51st story of a building, and we subsequently plan to launch in another six cities, all of them on the 51st floors. This is our signature. When we replicate our club in other countries, we will maintain our trademark style. There are many clubs around the world but none of them have our style or connect with their clients like we do. Our principal value is generating a unique experience and environment for business leaders that helps them achieve their objectives. That is what we do: generate experiences through our services.

What challenges do your members typically face, and how has Club 51 helped them overcome these challenges?

Everything revolves around the experience. Club 51 recognizes this and understands how our clients can

use these experiences to close business. At the moment, there is a great deal of discussion and hype about Mexico due to nearshoring, and this has been reflected through the number of foreigners joining our club right now. Within three years, I expect half of our members to be foreigners, and the club can be a vital facilitator for these new members. We have relations with over 35 ambassadors, and all of them use Club 51 to determine the feasibility of opening businesses in Mexico. They also use it for networking, as we have high-level members from all over the world across various sectors. We have a service called an international business bureau that we use this to connect people. Club 51 is not just about beautiful installations or décor; it is about real business and making things happen. We organize events and experiences for networking that makes it significantly easier for business leaders to close a deal later.

What profile do you value amongst your members?

We have done research about our ideal members. It is not just based on income but about having a certain profile. We have a committee that decides who can and cannot join, and this is all to ensure we protect our current members. Every day we receive dozens of requests from people wanting to join our club. We have several key requirements: members must be interested in progress; the company's business and personal values must be a fit with ours; and it must be a legitimate and aboveboard company. We have members from some of the 25 richest families in Mexico in our club, and when they come up to the 51st floor, they can leave everything behind. It is a safe space, and we cannot allow anything to ruin this. Club 51 has a limit of 1,000 members, though we might see around 15,000 different people coming through our doors a month because they are our members' guests. ✖

*Expanding
internationally*

*Building tallest
hotel in Latam*

BIO

Serving as the President & CEO of CLUB 51 MX since 2020, Roberto Díaz Bilbao brings over three decades of experience with expertise in corporate finance, controllership, hospitality, and service provision. He is also Founder & CEO of Cava Virtual Oficial and Founder & CEO of SATRAÁ Food Services. His diverse background includes roles such as CFO at PINSA and Quest Diagnostics, Country Controller at Shell, and General Manager at Volkos. Díaz holds a bachelor's degree in accounting and finance from ITESM and an MBA from Universidad Iberoamericana.

INTERVIEW

BILATERAL *ties*



AMSOC remains optimistic about the long-term business opportunities for Mexico and the US, despite potential challenges posed by the dual elections in 2024.

Larry Rubin
PRESIDENT,
AMERICAN SOCIETY (AMSOC)

Which sector has the greatest growth potential for Mexico and the US?

It depends on several factors. If we look at the future of investments around the world, I would say energy, since the sector here has not reached its true growth potential because the government does not support investments there. Fortunately, there are a few projects that have gone through and will start to develop in the coming years; however, there are still a great deal of misinformation about what the opening of the energy sector means. It is vital for the political leaders in Mexico to understand the importance of the energy sector—only then will we see investment in this sector booming. That depends heavily on who is elected president in 2024. Right now, there are electricity shortages in large parts of the country, particularly in the Southeast. The state of Yucatán has programmed energy outages every week because the grid is insufficient to accommodate Mexico's growth arising from nearshoring, for example. The industrial sector continues to grow nicely, where the automotive industry remains a key driver of national growth.

What specific advantages does Mexico offer potential investors despite prevailing challenges in the market?

One of the key advantages is Mexico's labor force—not only is it more productive than its US counterpart, but it is also highly competitive when compared to other labor forces around the world, which is great for companies. Other advantages are our proximity to the US, which is why many companies want to establish themselves in the north of Mexico. Another factor is that there is the considerable synergy between the US and Mexico, not only because of the trade agreements, but also culturally. The largest American community outside of the US is in Mexico, and vice versa. The similarities between both markets is notable. In addition,

the time difference—or lack of one—between the US and Mexico is a boon.

2024 looks set to be particularly interesting due to the upcoming elections in both the US and Mexico. What scenarios do you envision, and how could they affect relations?

I expect 2024 to be a difficult year for both countries and bilateral relations. Particularly because the main discussions in the lead up to the elections in the US will have to do with Mexico and drug trafficking, which, if anything, has actually gotten worse. Fentanyl is a significant issue in the US, and Mexico is one of the key sources of this drug. Fentanyl is currently the biggest killer of adult men in the US aged between 18-45. Candidates will certainly highlight this in the lead up to the election. In Mexico, it is popular to attack the US to secure more electoral votes. The uncertainty of not knowing who the next president will be in both countries will drive the negative rhetoric still further.

What exciting projects is AMSOC working on, and what can we expect to see in the coming years?

2024 will be an important year for us, not only because we will host the election night. AMSOC will host Republicans, Democrats, Mexicans, Americans, and everyone from all over the world to watch the election. The last one we did was in 2016, and we had 3,000 people, including Fox, CNN, and everyone else. That will be important for us in 2024. Naturally, the third financial convention will also be important for us, as are all of our monthly events. We will also focus our energy on initiatives concerning NGOs. Currently, we have 67 such initiatives underway, and we will continue to grow that pipeline and positively impact the Mexican community. We will also continue to work with the US Ambassador to Mexico to support Mexican students going to the US for their further studies. ✖

BIO

Larry Rubin is the current President of AMSOC. Along with the US Ambassador to Mexico, he represents the 2 million Americans living in the country, as well as businesses and NGOs. Over the past 20 years, Rubin has held leadership positions in American companies and organizations. He was CEO of AmCham Mexico and vice president of the Association of American Chambers of Commerce in Latin America. While working as general director of American Airlines in Mexico, he was elected first vice president of the National Chamber of Air Transport of Mexico. Rubin served on the board and is currently vice president of CONCAMIN. He holds a bachelor's degree in business administration from Universidad Anáhuac, where he later became a professor. He holds an Executive MBA from the Jones Graduate School of Business at Rice University in Texas, where he received the M.A. Wright Award.



by GIOCHI PREZIOSI

A TOY story

From cheap generic dolls and branded must-haves to priceless collectible figurines, the toy universe is a curious beast. Mexico's toy market is keen to tackle them all.

While the rise of screens and digital gaming has profoundly impacted how children play today, traditional toys still retain their position across the social strata. In fact, the nostalgia market has seen the revival of a once-defunct household name—Toys “R” Us, which is set to open 24 stores in the US, including on cruise ships, this year. What is more, parent company WHP Global joined forces with Mexican retail giant El Puerto de Liverpool last year to launch the brand across Mexico. At the time, El Puerto de Liverpool, which owns department store brands Liverpool and Suburbia, announced it would invest north of USD5.5 million in flagship toy stores nationwide. Yet, while nostalgia informed the marketing strategy, the move was a shrewd play on Mexico’s vast toy market fueled by...

...THE DEMOGRAPHICS

Mexico’s largely urbanized population comprises some 130 million people with an average age of 28.3 years. Given that 46% of the population is aged below 25 and 23.8% are between 0 and 14 years old, the toy and games market is a naturally appetizing prospect for manufacturers. On the other side of the coin, Mexico’s economic disparities counterbalance consumer preference with affordability. UNICEF notes that while half of all children or adolescents live in poverty, close to 53% of those aged between 0 and 17 years suffer the highest incidence of poverty. It follows, then, that “Mexico is a high-volume, low-price market,” according to Ignacio Romero, the Managing Director of Famosa, a toy company that blends its physical products with a digital and mass-media TV presence. This model, he continues, “makes sense considering the purchasing power in Mexico [where] it is more difficult to sell expensive toys, [while] we can sell lower-priced toys at a high volume.”

MANY TOYS, FEW PLAYERS

Moreover, market research outfit NPD puts the Mexican toy and games market as the world’s second fastest-growing, worth USD2.1 billion in 2022. According to NYCE, a Mexican certification body, toy sales

generated revenues of USD4.65 billion at the end of 2022. Amid increasingly adopted digitalization, Mexico’s toy sales on e-commerce platforms are estimated to scale USD406.6 million in 2023, claiming 7.8% of the national hobby & leisure e-commerce market. Market data puts the compound annual growth rate (CAGR) for 2023-2027 at 9.5%, implying a projected market value of USD585.4 million by 2027.

NEARER TO THE ACTION

In the Mexican market, over 70% of toys are imported, though this is likely to change in favor of local production. Mexico is, of course, riding the nearshoring wave. In fact, the Ministry of Finance and Public Credit (SHCP) notes that the chain relocation of foreign companies to Mexico generated over USD13 billion of investments in 2023. The local toy market—the world’s fourth largest—could see annual growth of close to 6% as a direct result. Famosa makes most of its products in Monterrey, “as producing them elsewhere and importing them into Mexico would be expensive,” Romero explains. However, the firm is keen to expand its geographical footprint with the right investors, including manufacturing for foreign companies. “If we can secure this investment, we have plans to enter other markets with our new partners, such as the US.” He is adamant that Mexico can become a leading hub for toy manufacturing, “because [while] the biggest market is North America, and nearly all its toys are produced in China, [...] the distance to the US gives Mexico a major advantage.” Mattel, the global giant behind Barbie and Hot Wheels, among countless other favorites, has committed close to USD600 million to consolidate its Nuevo León manufacturing plant, the largest in any market. In the same locale, Lego has allocated just over USD500 million of investment in what, again, is its biggest manufacturing base.

Overall, the prospects for Mexico’s toymakers are encouraging, with nearshoring presenting an entirely new game (batteries not included). ✖

* Written by Ignacio Romero, Managing Director, Famosa

INTERVIEW

BILATERAL *success*



With over 75 years of experience in Mexico, CCIM has become an important voice of experience for companies looking to succeed in the country.

Lorenzo Vianello
PRESIDENT,
ITALIAN CHAMBER OF COMMERCE IN
MEXICO (CCIM)

75
years in Mexico

45,000
Italians in the
country

BIO

Lorenzo Vianello has been President of CCIM for the past four years, previously serving as its vice president for 12 years. He came in Mexico in 1992 to conduct research for his thesis at the University of Verona in Italy and began his career here in 1993. For the last 30 years, Vianello has been involved in business activities including importing Italian textiles, hosiery, underwear and swimwear brands, and Italian professional and industrial cleaning equipment. Vianello has been a member of Aspen Institute Italia over a decade and was conferred Knight of the Order of the Star of Italy in 2023 by the President of the Italian Republic.

What are Mexico's main obstacles in terms of attracting investment for nearshoring, and what can be done to overcome these challenges?

Nearshoring is extremely important for Mexico, and the Italian Chamber of Commerce in Mexico held two events related to it in 2023, during the Convention of the Italian Chambers in North America. There are nine Italian chambers of Commerce in North America—one in Mexico, three in Canada, and five in the US—and all their presidents and directors came for this event. The event was held in San Miguel de Allende, primarily because it is the heart of where nearshoring is taking place, and there are already Italian companies such as Pirelli, Ferrero, and many others located nearby. The goal of such events is to connect Italian companies with their international counterparts and to encourage an exchange between businesses, investments and industries between Italy and the target countries. Our events have been focused particularly on two main sectors: the automotive and agroindustrial ones. While the Italian automotive sector has been taking full advantage of the benefits of nearshoring, there are still many opportunities which haven't been utilized regarding the agroindustrial sector.

How can CCIM assist investors trying to enter the Mexican market?

I would recommend working closely with the Italian Chamber of Commerce, since we have over 75 years of experience in Mexico. Italian chambers of commerce around the world are associations of business leaders who live in those countries and understand how to do business there. They also have large networks and can help companies in many different ways. Even though the Italian community in Mexico is considered "small," with only 45,000 Italians living here, it has grown quickly and proven to be a productive community. In the industrial sector, for example, many Italian companies have come to Mexico produce here and export the finished products to other countries. In the last few years, the most important companies have decided to set up R&D

centers. Italian companies are also well known for being extremely socially responsible and working with the local communities to develop the area. In Mexico, the Italian Chamber of Commerce continues to strengthen this practice via its event Premio Italia Mexico, which began 14 years ago. This is our biggest event of the year, where we reward and recognize those companies that consistently stimulate economic, productive, and commercial relationships for investment between Italy and Mexico. Two years after the first edition, we also incorporated an additional award recognizing Italian people, companies, or organizations that contribute to and oversee socially enriching activities in Mexico.

What key projects is the Italian Chamber of Commerce focusing on right now?

We have four major projects that are repeated every year, including Premio Italia Mexico. Another is the Italia Ferrari golf tournament, which is specifically designed for networking between Italian, Mexican, and other international entrepreneurs. All our projects at the moment are focused on networking, promoting everything Italian, investment projects, and also our specific services. For example, for Italian companies that want to come to Mexico, we can offer market studies or exploratory missions in B2B with specific targets. We have also connected Mexican companies to trade fairs in Italy so that they can purchase Italian machinery. We also organize the Mexican Pizza Championship, a festival to promote the real Italian pizza, which has helped increase the consumption of Italian flour, cheese, and tomatoes in Mexico in the past few years. In 1Q2024, we will also organize the first Italian fashion and design summit, which will feature industry experts and focus on important topics related to Italian fashion, the future of fashion globally, sustainability in luxury fashion, and communication trends. We will bring in various important Italian personalities for this major event. Another area of focus for us is to bring the Milano-Sanremo cycling race here and organize a major race for cyclists in Mexico. ✖

SOCIAL *listening*

Cecilia Fallabrino
CEO & FOUNDER,
UPAX



UPAX's team of experts help companies interpret consumer sentiments online and offline, connect with younger consumers, and adapt marketing strategies for diverse media platforms.

As a company that deals with investigation and marketing, what have been the principal challenges facing your clients in Mexico?

Consumer behavior was one of the things that changed drastically following the pandemic, namely in terms of how people consume things, where they search for them, the methods they use, and more. This has led to research becoming significantly more important as companies now need to understand how customers' tastes evolve, how they can best promote their products, and how to best connect to them. Technology is also rapidly evolving and affecting how research is done. Where before we used focus groups and telephone surveys, now there are digital options, providing us with vast amounts of data.

What investments are you making in research in order to gather information more efficiently?

We had to invest in doing better social listening since social media is able to tell us a great deal about products, behaviors, consumers, and so on. Our research department has been gathering data for more than 12 years, and in the last two years we decided to use this information to develop massive databases. We also have people working on a technology platform that can connect to consumers and receive answers to questions almost immediately, which means the data we receive is completely up to date. We also pay participants directly through the platform. Technology has enabled us to modernize the research we do; for example, the sessions we conducted today were all done via Zoom. Our objectives are to make things more practical with less travel and a wider scope.

How does UPAX make the most of the data it has available at its disposal?

Consumers might say things they don't mean, and it is important for us to have experts who can read between the lines and connect what is being said online and in person. Here, we have a team led by director general Pablo Levy. Consumers now are also

not that loyal to brands or companies, particularly younger consumers who tend to seek better options. Younger people also often look for more environmentally friendly companies or organizations that are more inclusive. Accordingly, we also help companies connect more with such consumers and conduct research into helping companies develop better marketing strategies. Marketing has also undergone a revolution in recent years, with alternative avenues such as TikTok, YouTube, and so on, and part of our work is to help clients understand how to better connect with different audiences. Every message that is delivered has to be able to be tailored specifically for different mediums and audiences.

What are your biggest projects at the moment?

We are working on many things, specifically on research and technology and entering the US market. We also offer other companies the use of our staff, who are extremely talented and can construct platforms for other companies given the shortage of software engineers capable of designing platforms here. There is a great opportunity for us here, and we work with both companies in Mexico and the US. UPAX has also widened its offerings and recently incorporated one of the biggest publicity agencies into the group. This agency produces the highest number of commercials in Mexico and was nominated as the top company in terms of below-the-line marketing. It is the second-largest home marketing company in Mexico, with over 23,000 screens distributed across the country, enabling extensive coverage for our clients. In November 2023, we launched the biggest advertising screen in Mexico in Periférico, measuring 300sqm. There are other areas of opportunity as well, such as the upcoming elections. In the last few months, we have been helping many potential candidates figure out how to better connect with voters. Before, publicity was directed at the masses, though technology has since allowed us to direct commercials to individuals and tailor specific messages. ✖

Entered US
market in
2023

Acquired
2nd
biggest out-of-
home marketing
company in
Mexico

BIO

Cecilia Fallabrino is a professional with over 28 years of experience, holding a degree in human resources from the University of Buenos Aires. For the past five years, she has served as CEO & Founder of UPAX, the second-largest market research company in Mexico according to AMAI 2021. She is also the creator of a successful collaborative economy app for gathering information and performing tasks, known as UPAXER. Ceci is an expert in building high-performance teams and a leader in projects related to innovation, technological development, customer service, and international business expansion.

VOICES FROM THE SECTOR



Andrés Díaz Bedolla
CO-FOUNDER & CEO,
YUMARI

You helped Alibaba enter Mexico. Can you speak more on why you later decided to set up your own company?

I arrived in Mexico after living in China for 10 years, and at the time, some 70% of the global, cross-border B2B market was through Alibaba.com, mainly because most Chinese suppliers were already on the platform. Which is why I felt it would be a great idea to integrate Latam suppliers so that they can participate in the growth of ecommerce and B2B trade around the world. We decided to create a new cross-border trade platform Yumari that understood the challenges of Latin American exporters. We focused on digital promotion; logistics, which is a problem for many countries in Latam and is a chicken-and-egg problem; and money transfers without the need for middlemen. We work with several start-ups to coordinate the whole process and provide a seamless streamlined experience. This is something I learned at Alibaba: the creation of a collaborative ecosystem of digital platforms.

Enrique Uruñuela
CEO,
GRUPO KMM

What are the biggest opportunities for growth in the Logistik Industrial Park?

We have the biggest industrial park in Latam, the only one with automotive brands in it. We also have about 600ha more land there to develop it further. The infrastructure has already been built, and we have the know-how to develop it quickly. We are currently seeking opportunities in the Middle East and Asia. There are currently companies in our logistics park from China, Japan, and Taiwan that have had a positive experience with us in the park, so they are a great referral for us.

In what ways is the company working to restructure itself?

We aim to use the strengths of the group to successfully complete projects. For example, we have the industrial park with a terminal ready and will build a refrigerated storage room to transport refrigerated products from San Luis Potosí to the US. Our first client in the US will be Carnes Viva.



Pablo Francis
SENIOR PARTNER,
WORLD TALENT ADVISORS

What are the main challenges facing WTA's clients?

The energy sector has been hit badly; many of our clients there have undergone restructuring, closures, mergers, and so on. Real estate has also been struggling and will continue to suffer in the near future, including both residential and industrial. The automotive industry has not yet recovered; however, many sectors have been growing, and we work with them all, from those that are suffering all the way to those that are thriving. There is often a need to restructure businesses in good times and bad, and we help our clients find talent with different skills and profiles.

What are your main priorities this year?

Word of mouth is one of the most powerful tools out there, and we want to grow our portfolio of clients and continue to expand. We do market studies and publish them and send them not only to our clients, but to potential clients to raise awareness of our expertise and demonstrate how we can help them.



Íñigo Pérez-Rasilla
MANAGING DIRECTOR,
SOFAGRO

What projects do you plan to invest in?

Sofagro finances local sugarcane producers. Sugar is an important product in Mexico due to the number of people who consume it and it being grown in poor areas. The financing is through the sugarcane organizations of each mill that groups the sugarcane producers and is the one who distributes the funds among the associates so that they can operate and deliver their product to the sugar mills who retain part of the amount to pay the financiers. This comprises 50% of the projects in which Sofagro invests. The other half of our investments goes into a wide variety of products, and it also follows a similar model, supporting us with retainers and financing their suppliers.

What is the next step for Sofagro?

Sugarcane will continue to be our core business, although we will also continue working in the more technical world, supporting the agricultural sector to develop and advance technologically. In short, we will continue to support agriculture and, at the same time, stimulate the development of new technologies in the industry.



Ingrid Orozco
PRESIDENT,
OWIT

What are your main objectives for OWIT in Mexico?

As president of OWIT, the main objective is to promote women-owned companies in international markets. Internationalizing and investing in women-owned companies has reported a multiplied effect in the creation of prosperity because according to official statistics women reinvest up to 90% of what they make in education, healthcare, infrastructure, and other wellbeing indicators. This is our mission. At the end of the day, we look into internationalization of companies as a fast track to create prosperity. And if it is women-owned companies doing that then the impact is multiplied.

What tools and training do you offer to your members?

We offer a variety of tools and training over time and might depend on the needs of the members and clients. For example, in collaboration with The Ministry of Economy we have supported Mujer Exporta with training on trade promotion, commercial intelligence, and business leads. Through ITC-SheTrades, we help entrepreneurs identify potential export markets, assess competition, and understand market trends.

FORUM
Why Mexico

SPOTLIGHT FEATURE

Image: AGCuesta



MEXICO'S TIME *in the sun*

Major developments in recent years such as the growth of nearshoring post the pandemic and a major focus on infrastructural improvements has once again shone the spotlight on Mexico as an investment destination.

Mexico has become an increasingly attractive destination for investment and business expansion in recent years. In addition to being viewed as the doorway to the US, one of its major advantages remains its extensive trade agreements with different countries around the world. Mexican and local companies are now looking closely at opportunities presented in the country, given its strategic geographic location, large and diverse economy, and ongoing efforts to improve infrastructure and regulatory environments, especially in the southeast.

Alberto de la Fuente
PRESIDENT,
GLOBAL ENTERPRISES
EXECUTIVE COUNCIL
(CEEG)

Jennifer Pierce
PRESIDENT,
TC ENERGY, MEXICO

Ricardo Merino
DEPUTY GENERAL
DIRECTOR OF
BUSINESS,
LIBERTAD SOLUCIONES
DE VIDA

Miguel Santiago Reyes
Hernández
GENERAL DIRECTOR,
CFENERGÍA



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DE VIDA



Miguel Santiago Reyes
Hernández
GENERAL DIRECTOR,
CFENERGÍA

INVESTMENT is flowing in, though as a country, we may not fully maximize our potential to attract companies. While there is significant momentum, the government was not fully prepared even though it had had an FTA with the US for two decades and had experienced considerable export growth during this time. Mexico is indeed an attractive investment destination, mainly due to its strength in manufacturing. Our manufacturing has evolved from simple to intermediate, and the next step involves more high-tech manufacturing. Gaps in our workforce's competencies might necessitate upskilling and reskilling efforts to secure more investments. Additionally, logistics, internet connectivity, and other related aspects face hurdles. Viewing nearshoring as an integrated North American bloc, we consider ways to bolster the region's strength and competitiveness on a global scale. Infrastructure improvements are essential at the national level and in collaboration with the US and Canada. Enhancing customs integration, building more bridges, roads, and railroads, and genuinely integrating value chains across countries are pivotal.

IT IS AN exciting time for energy in Mexico. Amid global tensions, focusing inward becomes crucial. Mexico is uniquely positioned for economic growth, requiring various forms of energy, to attract industries and bridge regional disparities. As a company that provides energy solutions, we aim to assist CFE in electrification and reducing their CO2 emissions by supplying natural gas that will enable them to convert power plants that currently use more carbon intensive fuels. With Mexico's emphasis on new infrastructure, including renewables, there is a substantial opportunity for us to contribute to the country's electrification in a cost-effective, reliable, and sustainable manner. Yucatán's governor aims to bring gas to Mérida to address shedding load and support industrial growth, facilitating exports to the US East Coast. There is significant potential not only for Yucatán, but also for other Gulf coast states such as Tamaulipas, Veracruz, Tabasco, and Campeche. Completing pipelines in the southern states, as well as Hidalgo, Querétaro, Estado de México, and Guanajuato is crucial for nearshoring efforts.

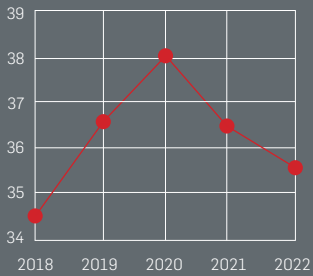
LIBERTAD SOLUCIONES DE VIDA has been in the market for over 60 years, and started as a credit union that was similar to being part of a club, where you became a member, paid a subscription, and then received credit, and where the privileges and rights were exclusively for members. Libertad operated in that manner until 2008. Then, a year later, in 2009, it became the first SOFIPO in the country, and today is the largest one. Today, SOFIPOs are great areas of opportunity and investment being players that can do the same operations as banks. They can get money from the investment group and lend funds. Their system is the same as a bank. There is an active and passive rate and an income on the financial margin; however, the capitalization level and the regulation rate for SOFIPOs are not as high as for banks, so the model is more flexible and has an incipient regulation. Today, there are 38 SOFIPOs and 58 banks in the country.

OUR ALLIANCES include collaborations with two companies specializing in LNG exports. Mexico Pacific Limited, in alliance with major US gas and petroleum producers, is set to become the largest gas plant in Mexico, supplying 40% of gas for export to the Asian market. We are working with the Sonora government to ensure benefits for the community in all of the municipalities this gas pipeline will pass through. It will connect Texas with Puerto Libertad in Mexico, at a total length of over 1,000km. Another collaboration is with New Fortress Energy and involves exporting natural gas to Europe and other markets. Our alliances extend to French company NG for the expansion of the gas pipeline in the Yucatán Peninsula and Carso Energy for the construction of a gas pipeline running from Caborca to Colorado and then to Mexicali. Additionally, an alliance with Essential (formerly Fermaca) involves connecting the marine gas pipeline with Mayacal. We have a pending alliance with Sempra, exploring the potential establishment of a new liquefaction plant.

Mexico City is the heart of the country's finance sector

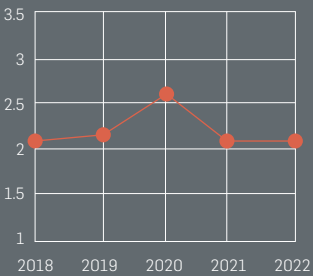
**DOMESTIC CREDIT TO PRIVATE SECTOR
(% OF GDP)**

SOURCE: THE WORLD BANK



BANK NONPERFORMING LOANS TO TOTAL GROSS LOANS (%)

SOURCE: THE WORLD BANK



**INSURANCE AND FINANCIAL SERVICES
(% OF COMMERCIAL SERVICE IMPORTS)**

SOURCE: THE WORLD BANK

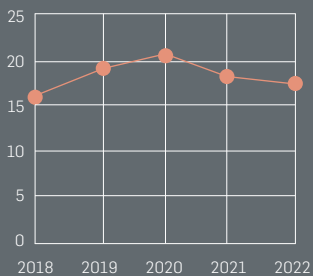


Image: Nelson Antoine

Finance

OVER THE FINANCIAL HORIZON

Mexico's financial landscape is experiencing a paradigm shift, marked by sustainable initiatives, digital transformations, and targeted strategies to bolster the economy. In the pursuit of investment opportunities, key insights from industry leaders offer a comprehensive view of the current scenario and the potential for growth.

Mariuz Calvet, Former Director of Sustainable Finance for Mexico and Latin America at HSBC, applauds the positive strides taken by the financial sector regulator in Mexico. Notably, the launch of the national Mexican sustainable tax in March reflects the country's commitment to aligning financial practices with environmental considerations. A finance committee, spearheading a comprehensive sustainable finance strategy, has garnered support from the private sector, including banks and investors. However, Calvet underscores the imperative to intensify efforts, particularly in integrating small and medium-sized enterprises (SMEs) into sustainable finance initiatives, signaling an area ripe for exploration by savvy investors.

Julio Escandón, CEO of Banco Base, highlights the industry's collective acknowledgment of the pivotal role digital processes play in reshaping financial services, a realization accelerated by the challenges posed by the pandemic. Escandón emphasizes the ongoing transformation in the relationship between traditional banks and fintechs. While historically viewed as competitors, a more symbiotic approach is emerging. Escandón envisions a financial ecosystem where fintechs and banks complement each other, stepping in to address weaknesses and leverage strengths collaboratively.

Rebeca Pizano, Managing Director at Vector Partners, sheds light on Mexico's unique financial landscape. Despite a lower penetration of total debt as a percentage of private sector GDP com-

pared to other Latin American countries, a significant gap exists in catering to around 40,000 medium-sized companies lacking access to permanent financing. Pizano identifies this as a substantial opportunity for investors, as the low participation of bank credit opens avenues for providing targeted financial solutions, including capital injections and customized financing, to fortify the structures of these underserved enterprises.

Julio Escandón further reinforces the investor appeal by highlighting Banco Base's specialized services for foreign companies entering the Mexican market. "One of the big differentiators we offer is that we open bank accounts for foreign companies in two to three days compared to up to six months with most banks in Mexico," Escandón explains. This streamlined process not only expedites market entry but also provides foreign companies with a financial soft landing, a crucial advantage in navigating the intricacies of the Mexican financial system.

As nearshoring becomes increasingly prominent, the importance of offering specialized financial services to international companies entering the Mexican market cannot be overstated. The streamlined processes, digital integration, and strategic support provided by institutions like Banco Base align seamlessly with the needs of companies seeking to establish a nearshore presence, emphasizing the significance of financial institutions in facilitating this transformative business trend.

For investors navigating Mexico's financial landscape, the confluence of sustainability, digitalization, and strategic support presents a compelling tableau. As the nation continues its trajectory toward financial innovation, savvy investors stand poised to unlock opportunities, contribute to sustainable development, and benefit from the unique advantages offered by financial institutions like Banco Base. ✖

INTERVIEW

COMMUNITY *effort*



Karina Ojeda Valle
PRESIDENT,
MUJERES INVIRTIENDO (MI)

MI has developed a professional and cooperative community that has made great strides in pursuing personal and professional success for women in the workplace.

Over
420
members in the
community

Collaborates as
a unified Latin
American bloc

BIO
Karina Ojeda Valle is a financial lawyer committed to promoting the professional growth of women in the private equity industry in Mexico and is one of the founders and current President of Mujeres Invirtiendo. She is also dedicated to structuring financial transactions at Capital Indigo, an investment fund focused on private debt in Mexico. She has worked on structured finance transactions in both the public and private markets in Mexico and the US. Ojeda Valle is a certified compliance officer from the National Banking and Securities Commission. She studied law at Universidad Anáhuac and holds a specialty in banking and securities law from ITAM.

What have been the main achievements of Mujeres Invirtiendo over the past year?

We have grown significantly and increased our exposure since the last time we talked on May 2022. We have increased our presence in the private and venture capital arena, and other parts of the financial sector. That has been our biggest achievement, as many more people now know what we do, which is to get more women involved in key positions in the private and venture capital industry. We now have over 420 female members in our community, Comunidad MI, a large number considering the size of this industry in Mexico. Also, we have grown regionally, with female members from Argentina, Colombia, Chile, Peru, the US, and Venezuela. As well, we attempted to regroup and realized we needed further institutionalization to set us up for the future. We want MI to continue long into the future, as the ultimate goal is a world where women are on an equal footing in terms of rights. We have been establishing foundations to allow us to grow and expand and run like a company in the future. Even though it is an NGO, we take issues like corporate governance and the vision seriously and have a business plan. We have been growing and increasing our visibility. We have set an onboarding process to be part of Comunidad MI, and the only requirement is to be a woman and be a professional in investments, regardless of whether they are in a VC fund, an angel investor, or even a bank. The networking and flow of deals have been useful in launching initiatives, learning more about the professional growth of women in our community, and exchanging best practices in the industry.

What can we expect from the next DMI Decididas Summit?

Recently, we have been forming strategic alliances with different organizations, and this is where the whole idea for DMI Decididas Summit was born. It was a considerable undertaking since a significant amount of work was required to stage the summit.

It is an annual event shared between MI and Decididas, primarily aimed at building connections across different industries. We had 300 in-person attendees over two days, which will remain the same in 2024 due to venue capacity. We believed this number was optimal to foster networking within the community we built. There were over 30 diverse industries represented, a trend that will likely continue, possibly even expanding, and we welcomed participants from 10 countries from Latin America, plus US and Spain, with efforts to involve more countries in 2024. What drew many people to DMI Decididas Summit was the diversity and inclusion showcased across our panels, keynotes, breakout rooms, and workshops, embodying the Summit's spirit of showcasing those transforming society—women and others impacting the entire society. For 2023, the theme was “I want to invest in myself,” playing on words with Mujeres Invirtiendo and Decididas and focusing on self-investment and decision-making. Moving to 2024, the theme will be a logical progression to: “I want to reinvent myself.” Moreover, there will be a live-streaming component with free access to ensure broader reach and inclusion, transcending financial constraints. Additionally, we are introducing a third day featuring outdoor activities open to all, covering areas such as business, investments, the arts and culture, and more. This ambitious project transcends being merely an event; it is a movement spanning Latin America, the US, and Spain. We aim to collaborate as a unified Latin American bloc, particularly given the challenging circumstances faced by many countries in the region. I have been pleasantly surprised to observe the number of companies working internally to be more conscious of women's rights. As well, women are finding their own entrepreneurial ways to earn money. Society as a whole needs to start breaking down stereotypes and paradigms and create a better system. That is the message that MI and DMI Decididas Summit want to put forward. ✖

MAKING *the switch*

Mariuz Calvet
FORMER DIRECTOR OF
SUSTAINABLE FINANCE FOR
MEXICO AND LATIN AMERICA,
HSBC



HSBC always collaborates closely with its clients on the vital issue of sustainability, offering a range of finance products to help clients make the transition.

How well-positioned is Mexico in terms of sustainable finance globally and in Latin America?

The world has been working to transition toward sustainable development in terms of people, organizations, communities, and governments. There is a path set out, namely the UN's Sustainable Development Goals that were launched in 2015, though the major issue is the huge gap of capital and finance for the world to transition to sustainable development. That is what sustainable finance encompasses. The entire region is lagging behind Europe and other countries, though in Mexico, the last three to four years have been essential in growing the sustainable finance ecosystem in the country. The actors are getting together and becoming more organized. Efforts are being aligned to a strategy that is being defined by the regulators from the financial sector in Mexico. There is great momentum, and I believe we will catch up quicker than expected.

What are Mexico's main areas of opportunities to make this a reality from both the public and private sector?

The financial sector regulator is moving in the right direction, having launched a national Mexican sustainable tax in March. There is a Finance Committee that is directing a national sustainable finance strategy from the government. The private sector, including banks and investors, is aligning itself to best practices; however, there is still a great deal of work to do with SMEs. Such enterprises comprise the majority of Mexico's GDP and employ most of the people in Mexico; unfortunately, not much efforts have been made to help those companies fully understand the issue of sustainability and why this topic is relevant to their businesses and is not just a topic on the side related to philanthropy or community activities. There is much work to be done around training and capacity building for SMEs. This remains our biggest challenge in Mexico. ESG and sustainability are business issues related to the existence of the business in the long term—it implies how to

do things better, how to improve operations, how to be more innovative and competitive, and how to be more attractive to investors. I do consider nearshoring a topic around sustainability. Companies that are not focused on these best practices will not be able to compete into this new world coming into Mexico. This is the core issue: making companies understand that sustainability is imperative.

How can HSBC collaborate with these companies, and where do you first start in terms of providing consultancy on this topic?

As a bank, we talk to all our clients. In what we call "wholesale banking," which refers to business and corporate banking, we see many differences in terms of how our clients are prepared in terms of their sustainability strategies. We train our entire frontline of banking executives on the sustainability topics related to the clients in the sector they work for. Not every banker will become a sustainability specialist; however, our bankers have the right information to have a deeper dialogue with clients around their sustainability strategies. That is how as a bank we can accompany our clients in their transitions. We have products that are not only focused on credit or lending of finance; we also have an entire range of products on green trade finance, which means working with them on their supply chains, making them more sustainable, and employing all the instruments and products that have been out there in the markets such as green bonds, social bonds, sustainable bonds, and much more. This is how HSBC can transform its clients. When companies begin to understand that they can link their financial needs to their advancements toward a more sustainable business model, this is when the magic happens between a bank and a client. We do not focus on the transaction with the client; we look at forging a long-term relationship with the client because sustainability strategies are here to stay for the long term. ✖

Access to capital is a crucial factor for global sustainability agenda

Sustainability is more than the environment, also includes gender and social responsibility

BIO

Mariuz Calvet holds a degree in law and international relations, with a master's degree in Latin America. After more than 17 years of work in corporate sustainability, she has specialized in the financial sector, serving as vice president of sustainability at Citibanamex and executive director of sustainability and responsible investment at Grupo Financiero Banorte. She chaired the ESG Committee of the Mexican Stock Exchange and now chairs the new ESG Commission of the Association of Banks of Mexico. Calvet was part of the founding group of the UN Principles for Responsible Banking and Co-Chair of the global working group that created the global nature risk reporting framework, TNFD.



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