



DOING BUSINESS - 2020

PILLAR	GLOBAL		LATAM	
	MX	GT	MX	GT
GLOBAL RANKING	15	96	1	10
Starting a business	86.1	99	14	12
Dealing with construction permits	68.8	118	12	17
Getting electricity	71.1	46	20	3
Registering property	60.2	89	12	10
Getting credit	90	15	2	4
Protecting minority investors	62	153	4	26
Paying taxes	65.8	104	12	10
Trading across borders	82.1	82	4	9
Enforcing contracts	67	176	2	30
Resolving insolvency	70.3	157	3	25

GLOBAL COMPETITIVENESS INDEX - 2019

PILLAR	GLOBAL		LATAM	
	MX	GT	MX	GT
GLOBAL RANKING	48	98	4	11
Institutions	98	121	14	8
Infrastructure	54	102	5	12
ICT adoption	74	110	9	15
Macroeconomic stability	41	81	5	9
Health	60	88	8	19
Skills	89	103	11	15
Product market	53	46	6	3
Labor market	96	122	11	10
Financial system	64	81	7	3
Market Size	11	75	2	10
Business dynamism	41	96	3	6
Innovation capability	52	98	4	9

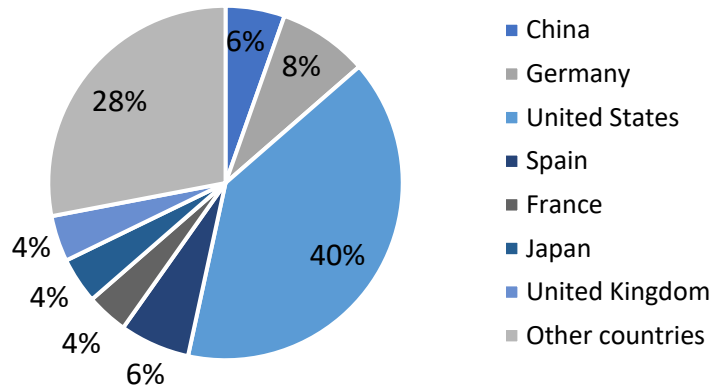
In terms of ease of doing business in Guatemala, this country has an advantage over Mexico in terms of ease in registering property, starting a business, and getting electricity. According to the competitiveness measurement, Guatemala shows an advantage in the performance of its institutions (with improvements in aspects of security, freedom of the press, public sector performance, and property rights), the product market, the labor market, and the soundness of the financial system.



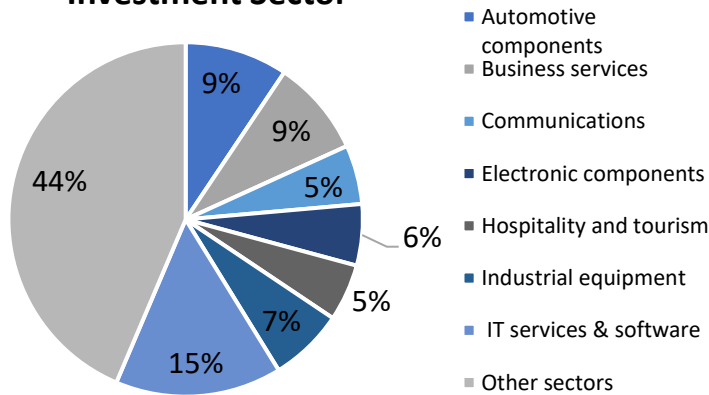
INVESTMENT PROJECTS MEXICO 2019-2021

500 Investment Projects in Mexico
From January 2019 to July 2021

Investment Sources



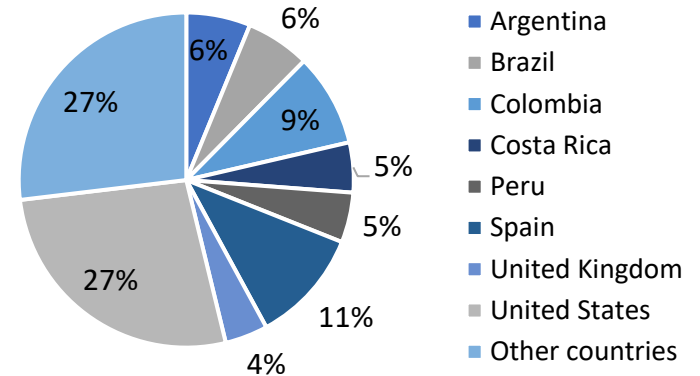
Investment Sector



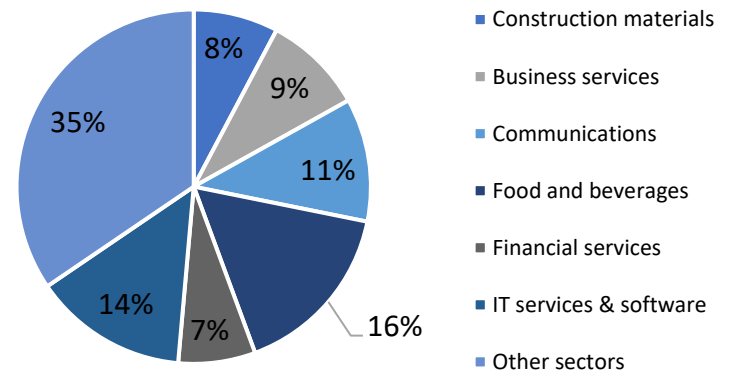
500 investment projects have been registered in Mexico (January 2019 to September 2021). The main source countries are: United States, 40%; Germany, 28%, and Spain, 6%. The main sectors are: IT services and software, 15%; automotive components, 9%, and business services, 9%.

145 Investment Project by Mexico
From January 2019 to July 2021

Investment Destinations



Investment Sector



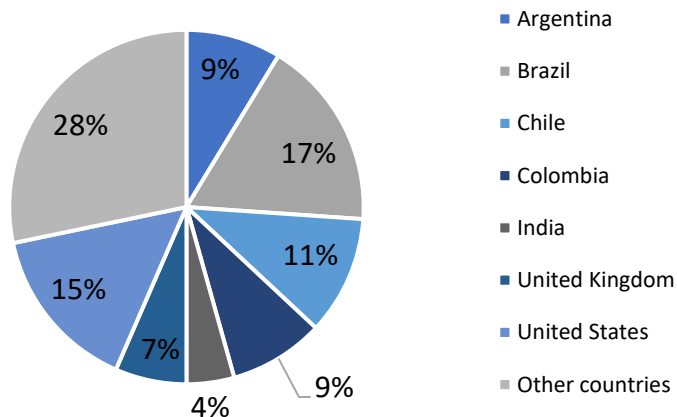
145 investment projects by Mexico have been registered (January 2019 to September 2021). The main countries of destination are: United States, 27%; Spain, 11%, and Colombia, 9%. The main sectors are: Food and beverages, 16%; IT services and software, 14%, and communications 11%.



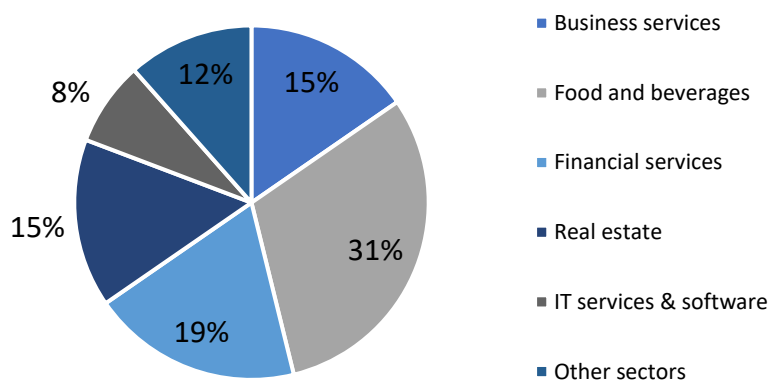
INVESTMENT SIGNS 2021

46 Investment Signs Destined for Mexico
From January 2021 to July 2021

Investment Sources



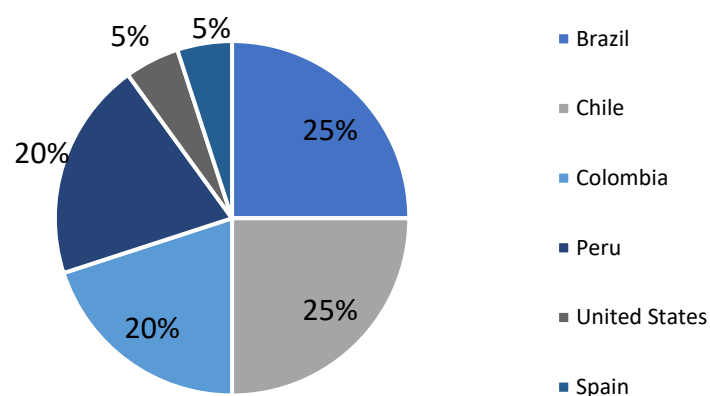
Investment Sector



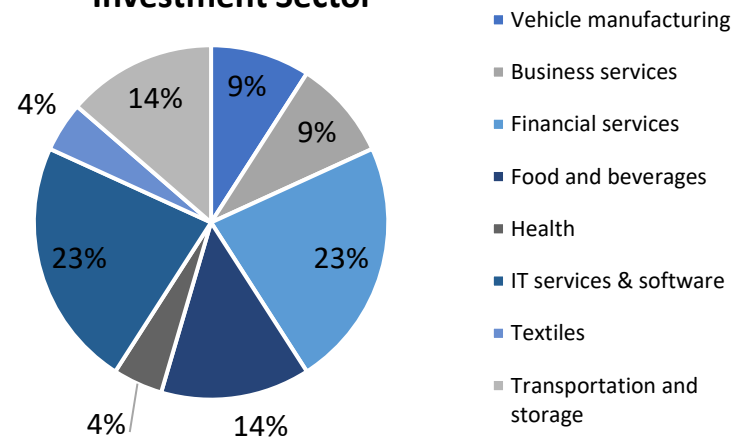
46 investment signs have been registered in Mexico (January 2021 to September 2021). The main countries of origin for these investments are: Brazil, 17%; United States, 15%, and Chile, 11%. The main sectors are: IT services and software, 41%; food and beverages, 13%, and financial services, 13%.

22 Investment Signs Originating in Mexico
January 2021 to July 2021

Investment Destinations



Investment Sector



There have been 22 investment signs from Mexico (January 2021 to September 2021). The main destination countries are: Brazil, 25%; Chile, 25%; Colombia, 20%, and Peru, 20%. The main sectors are: financial services, 23%; IT services and software, 23%; food and beverages, 14%, and transportation and storage, 14%.



COMPETITIVENESS ELEMENTS

The IMMEX Decree has been in force in Mexico since November 2006. It governs the Promotion of the Manufacturing, *Maquila*, and Export-Service Industry, with the purpose of strengthening competitiveness and providing certainty, transparency, and continuity to companies' operations, allowing for the improvement of their logistical and administrative costs. This program benefits 85% of Mexico's manufacturing exports.

IMMEX allows the temporary import of the goods used in industrial or service processes to manufacture, transform or repair foreign merchandise, temporarily imported for export, without paying the General Import Tax, Value Added Tax, and countervailing duties.

The categories of goods to which these benefits apply are as follows:



Raw materials, parts, and components



Trailer containers and boxes



Machinery, equipment, tools, instruments, molds, and parts for production

In order to gain access to these benefits, companies must engage in foreign sales totaling more than USD 500,000 per year, or invoicing exports for at least 10% of its total invoicing volume. The validity of the benefits is subject to compliance with the requirements and obligations established for them.

The terms of permanence vary: If the imports are raw materials, they can be kept in the country for up to twelve months. For raw material used for services, the permanence period is six months.

IMMEX benefits may be granted at the domicile of the plant where the production process or services are being performed.

NEWS

Mexico's Business Environment, according to the U.S.

<https://www.elsoldemexico.com.mx/analisis/el-espectador-el-clima-de-negocios-en-mexico-segun-eu-7050982.html>

According to the US State Department, "Uncertainty about contract enforcement, insecurity, informality, and corruption continue to hamper Mexico's sustained economic growth. Measures such as the reversal of the 2014 energy reforms and the prioritization of energy generated by the state-owned electric company (CFE in Spanish), as well as sudden regulatory changes, increase uncertainty and raise the cost of doing business in Mexico. Mexico's sovereign credit rating has been downgraded by major country risk-rating agencies, and security costs can constitute up to 5 percent of a company's budget.

Mexico's Business Environment Is a Concern for the U.S.

<https://www.eluniversal.com.mx/cartera/clima-de-negocios-de-mexico-inquieta-en-eu>

The reform to the Electricity Industry Law (LIE in Spanish) affects the investment environment and may even affect economic relations due to possible violations to the United States-Mexico-Canada Agreement (USMCA) on labor issues, trade disputes, and energy policies.

Mexico Captures 52% Less Investment in the Second Quarter of 2021

<https://expansion.mx/economia/2021/08/25/mexico-capta-52-menos-inversiones-en-el-segundo-trimestre-del-2021>

Foreign direct investment has faced uncertainty in recent years since the renegotiation of NAFTA –now USMCA–, due to the pandemic, and the economic policies that have changed the rules. This has caused foreign companies to leave the country due to the lack of political and economic certainty and due to insecurity.



NEWS

A Weakening Business Environment Has Undermined Mexico's Ability to Grow Since 2017:IIF

<https://www.economista.com.mx/economia/Debilitamiento-del-clima-de-negocios-mino-la-capacidad-de-Mexico-para-crecer-desde-2017-IIF-20210615-0062.html>

A weakening business environment has undermined the ability of the Mexican economy to grow by at least half a point of its GDP every year since 2017. Business confidence has deteriorated and the institutional environment that guarantees property rights is largely absent, as are the checks and balances needed for competition in key sectors. Increased uncertainty is the main reason for the fall in investments and it is an obstacle to productivity and export flow.

Boom of Large Taxpayers in Free Zones

<https://www.jornada.com.mx/notas/2020/12/21/economia/boom-de-grandes-contribuyentes-en-zonas-francas/>

The number of taxpayers with tax domicile in the Northern Border Free Zone (installed in January 2019 by the federal government) is growing. They point out that some companies move their fiscal domicile, though not their operations, in order to pay less taxes. The benefit, which originally was to last two years, was extended until December 2024. According to the Treasury and Public Credit Department, this generates a tax gap of more than 100 billion pesos.

Mexico: Less Taxes at Borders; Chetumal, a Free Trade Zone

<https://www.latimes.com/espanol/mexico/articulo/2020-11-27/mexico-menos-impuestos-en-fronteras-chetumal-zona-franca>

Mexico is extending fiscal incentives on the northern border of the country to the border with Guatemala. This move will turn the municipality of Chetumal into an import free zone, with the objective of generating more wealth and trade in these areas. Taking advantage of the drop in the price of gasoline, the current bulk traffic from Guatemala can start to be reduced.

Investing in Mexico: Trends and Future Prospects. Infrastructure Spending

<https://ciep.mx/inversion-en-mexico-tendencias-y-perspectivas-a-futuro/>

Public investment has decreased in Mexico, from 5.1% (2015) to 3.3% (2021), which is below the World Bank's recommendation to meet the Sustainable Development Goals (4.5% of the GDP). Public investment spending decreased by 1.8 percentage points of the GDP between 2015 and 2021. Resources allocated to infrastructure decreased by 0.3 percentage points of the GDP. Private investment levels have decreased, which has caused the total gross fixed capital formation in the country to fall 7.9% between 2015 and 2019.

Mexico Is the Ninth Largest Recipient of Foreign Direct Investment in the World: UN

<https://www.forbes.com.mx/mexico-noveno-pais-receptor-inversion-extranjera-directa-onu/>

Mexico consolidated its position as one of the 10 countries in the world and the first in Latin America to receive the most FDI. It moved from 14th place in 2019 to 9th place in 2020. Despite this rise in 2020, it received 14.6% less than in 2019. Mexico ranked above Brazil, Chile, Colombia, and Argentina in Latin America, where investment plummeted 45% in 2020. Mexico consolidated its position as the top trading partner of the United States in the first three months of the year (2021).

Outsourcing Reform: 7 Points to Understand It

<https://www.elfinanciero.com.mx/economia/2021/08/30/reforma-sobre-outsourcing-7-puntos-para-entenderla/>

On September 1 (2021), the outsourcing reform came into effect in Mexico. This reform modifies eight laws, with emphasis on the Labor Law. The purpose of the reform is to prohibit the sub-contracting of personnel, although it allows sub-contracting of specialized services or the execution of specialized works that are not part of the corporate purpose or the main economic activity. There will be harsher penalties for illegal outsourcing, which will be likened to tax fraud.