Measuring nearshoring and the 2026 USMCA "review"

June 2024

de la calle
madrazo
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Alternative nearshoring measures for Mexico
Increasing order of accuracy

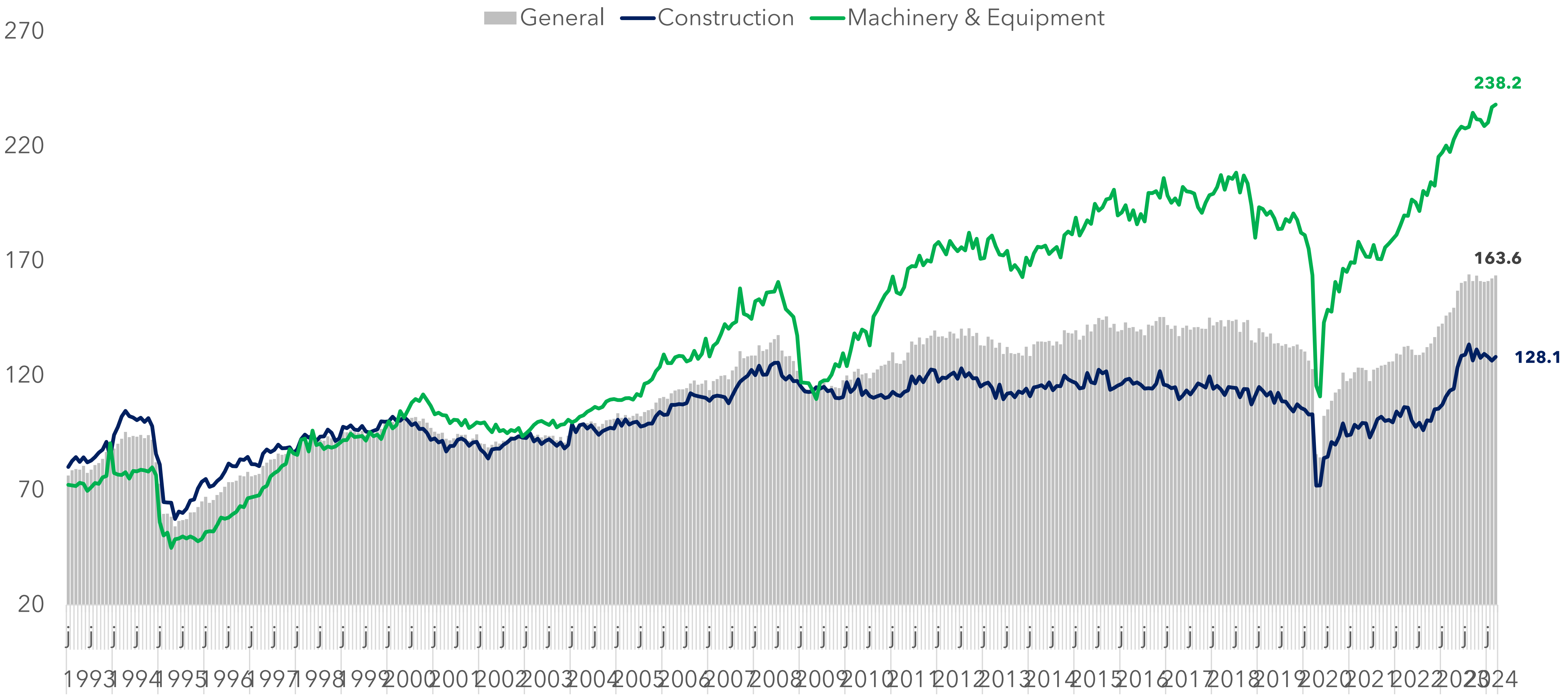
- Investment in Mexico
  - Investment as a percentage of GDP
  - Investment in Machinery and Equipment
  - Imports of capital godos
  - Foreign Direct Investment (FDI)
- Market share of US imports
  - Total
  - Sectorial
  - Benchmark versus other suppliers
- Complexity of export matrix
- US trade deficit by country and market share of US trade deficit by country and sector
- US trade deficit over US exports by country and by sector

Investment in Mexico

- Investment as a percentage of GDP
  - Mexico needs to invest 25% of GDP to become a highly attractive destination
  - Government investment well below: 5% of GDP target
  - Key obstacles include logistics, energy and water supply
- Investment in Machinery and Equipment
- Imports of capital goods
  - Monthly, by sector and country of origin
- FDI, an incomplete, lagged indicator
  - Administrative number based on self declaration, significant and variable lags
  - Investments are recorded in the year they occur, not when declared
  - Refers to the equity component: assets = liabilities + equity
  - Includes divestment
  - Under maquiladora regime (5,200 + plants), investment under "comodato" in "cost centers"; this underestimates actual investment

Gross Fixed Investment

1993-2024, indexed series, 100 = January 2000

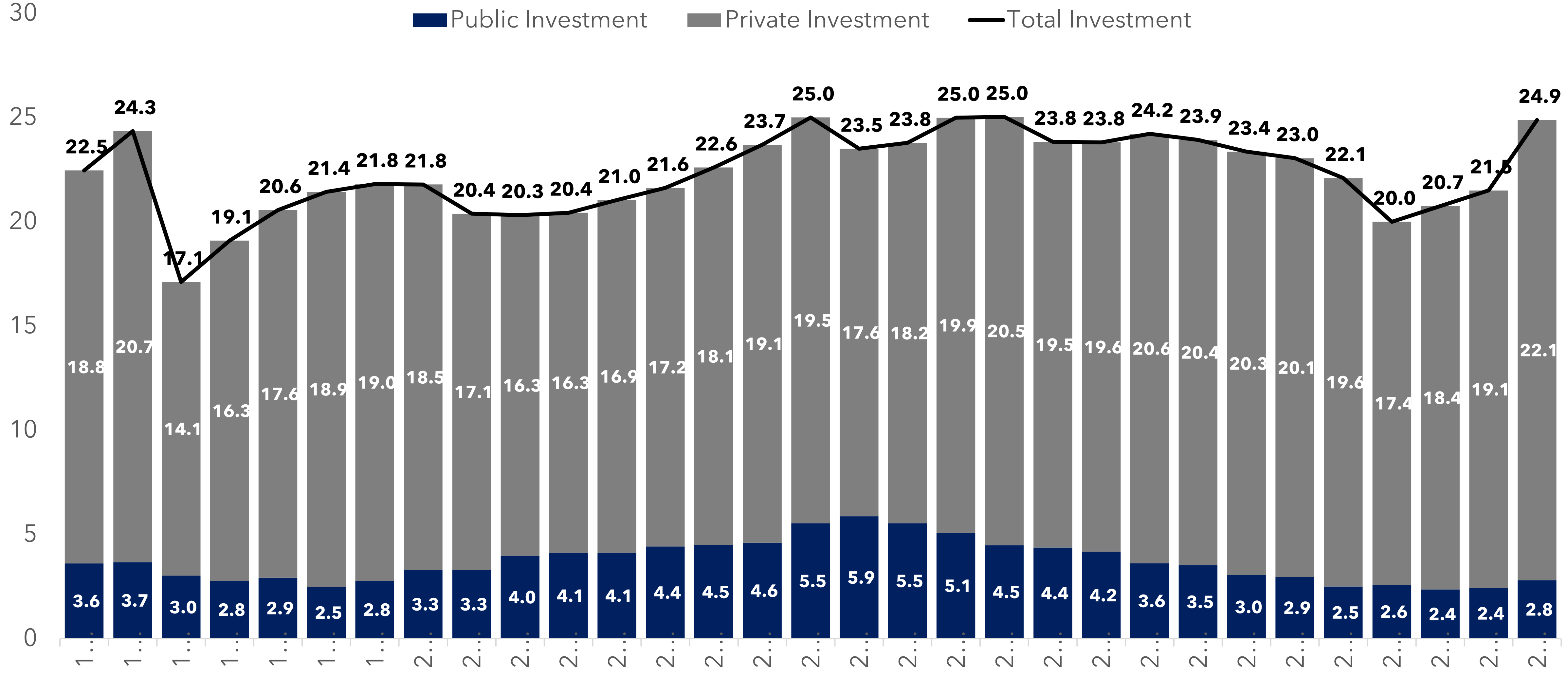


Source: INEGI

February 2024

Gross Fixed Investment (24.9% of 2023 GDP)

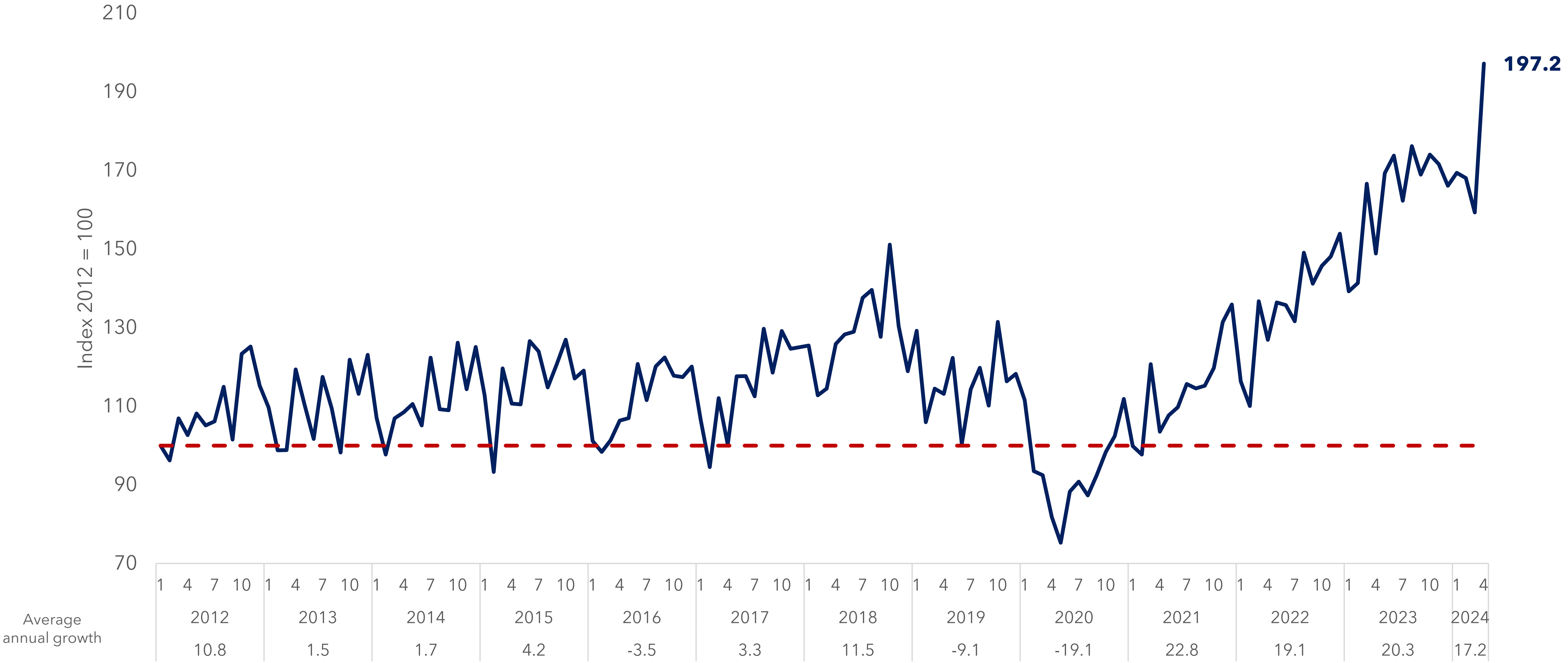
1993-2023, GDP percentage, by type of investment



Source: INEGI

Mexican imports of capital goods

Index 2012=100

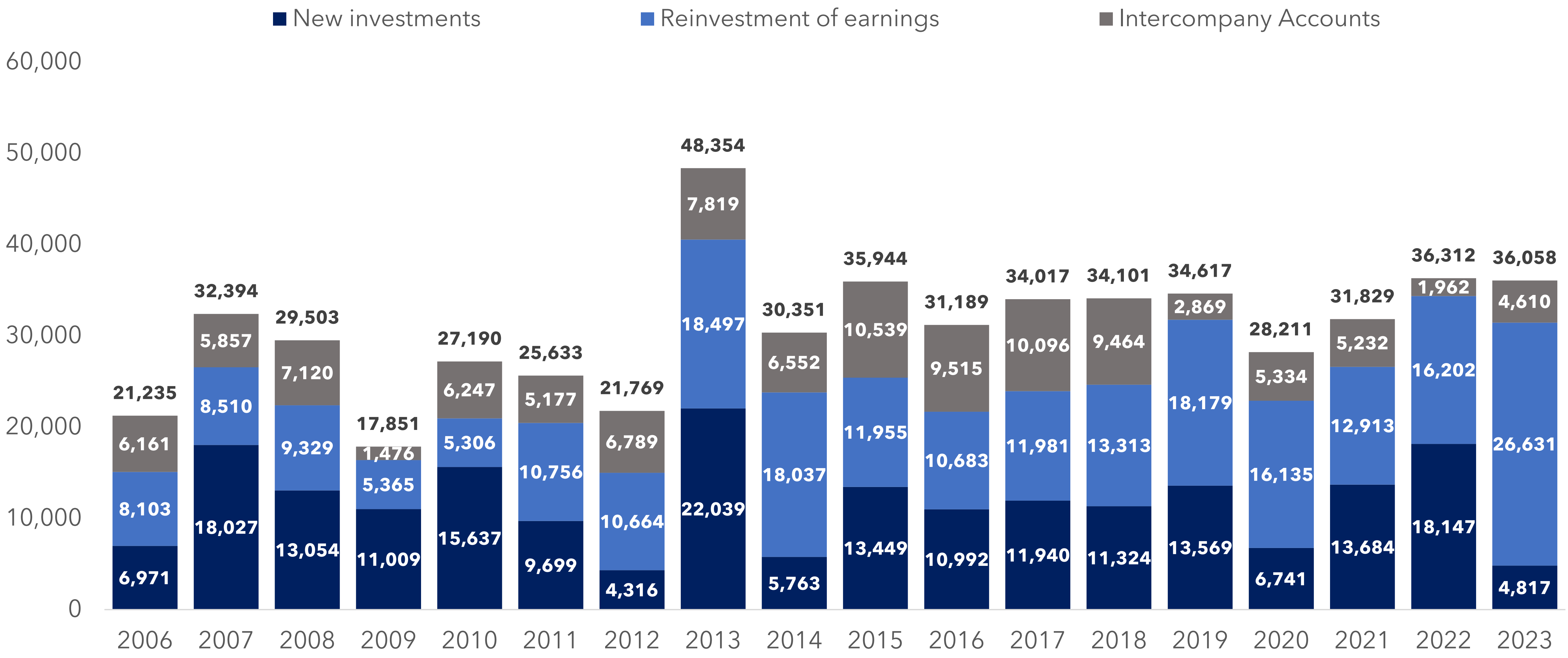


April 2024

Source: Banxico

Mexico's FDI

2006-2023, million of dollars, by component



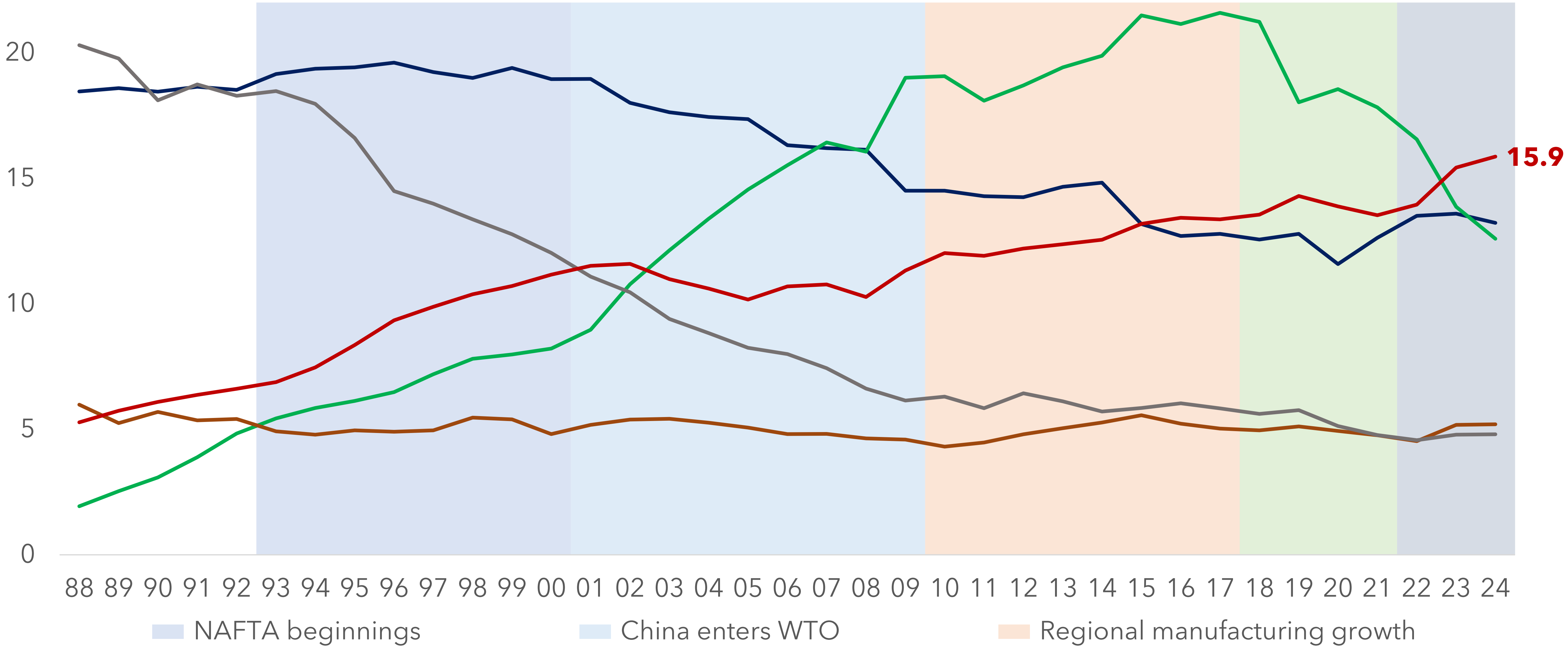
Source: Secretary of Economy

Market share of US imports

- Mexico is now the largest supplier to US
- Trade conflicts between the US and China have benefited Mexico
- Has increased market share across relevant sectors
- Market share is greatly influenced by phases of Chinese economy
- Notable US import decline since late 2022 has not impacted Mexico as much thanks to sharp increase in market share
- Slowdown in Mexican exports tied to slowdown in US industrial production and negative US import growth

Market share of total U.S. imports

Share of imports, top 5 countries
In percentage

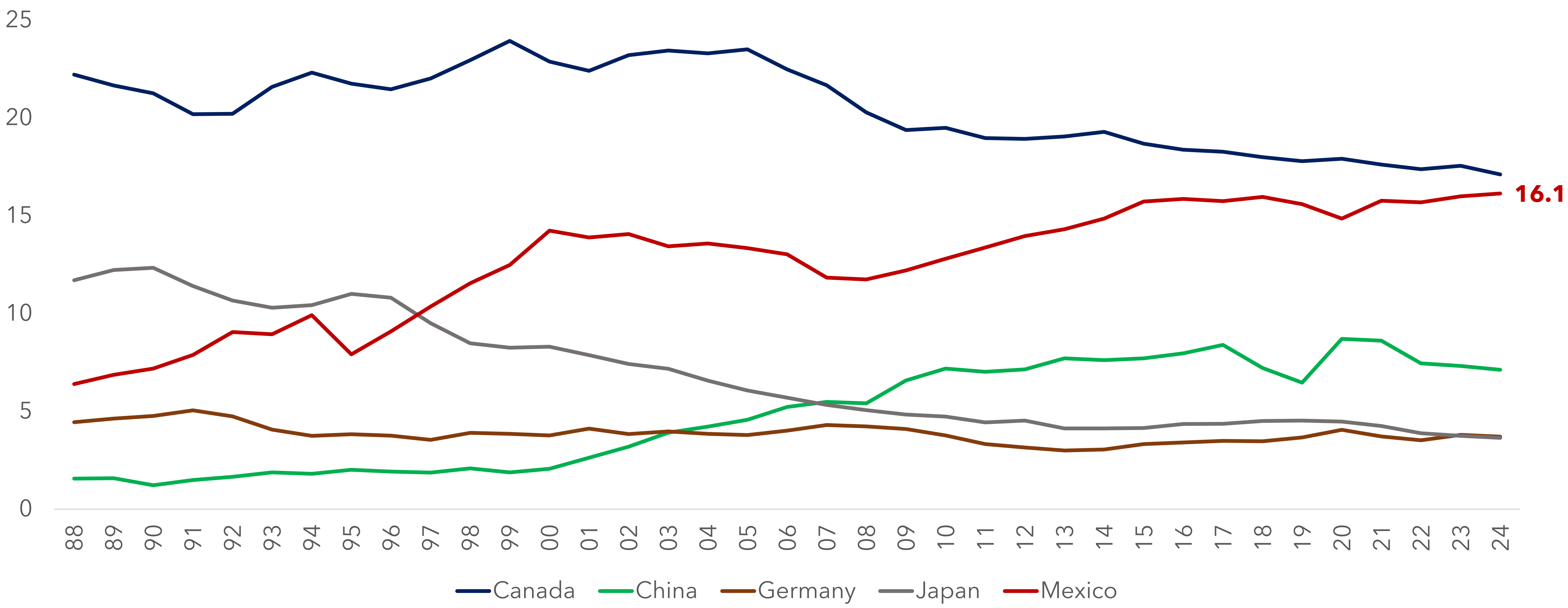


Source: US Census

2024: cumulative through April

Main export destinations of the United States

Participation in exports, top 5 countries
In percentage

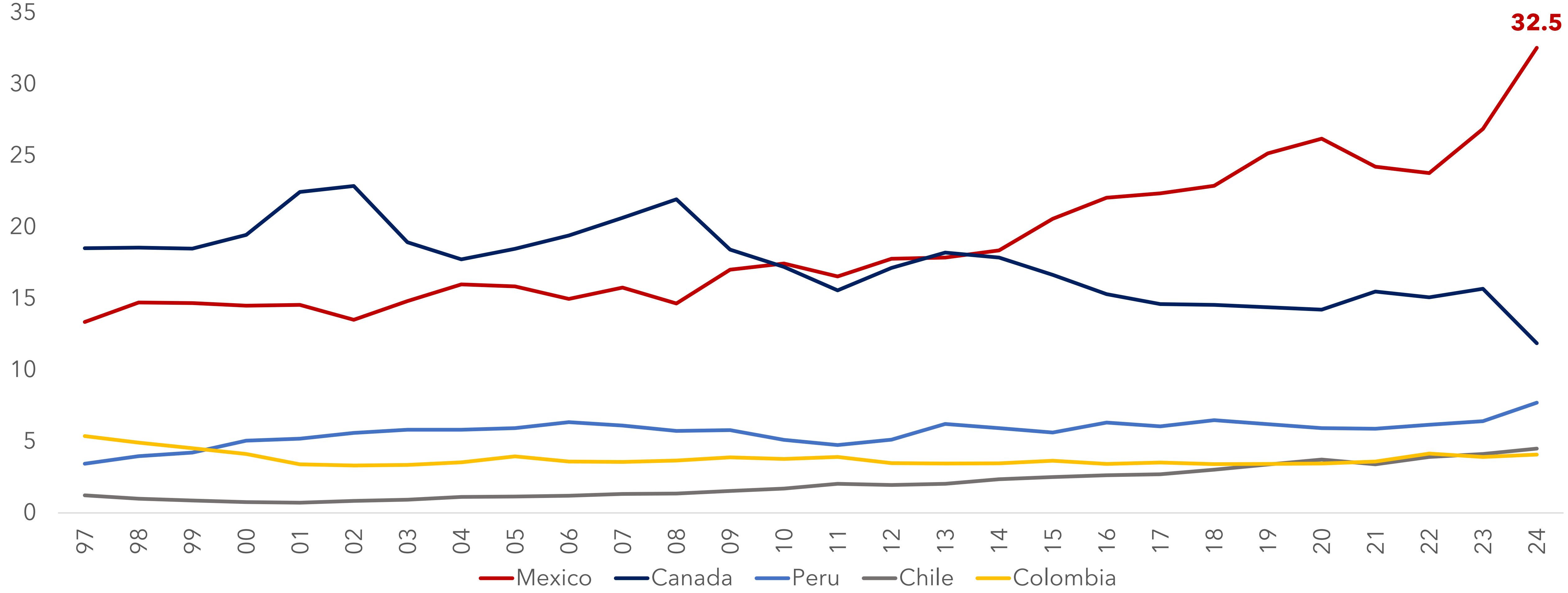


Source: US Census

2024: cumulative through April

Market share of U.S. agricultural imports

Share of imports, top 5 countries
In percentage

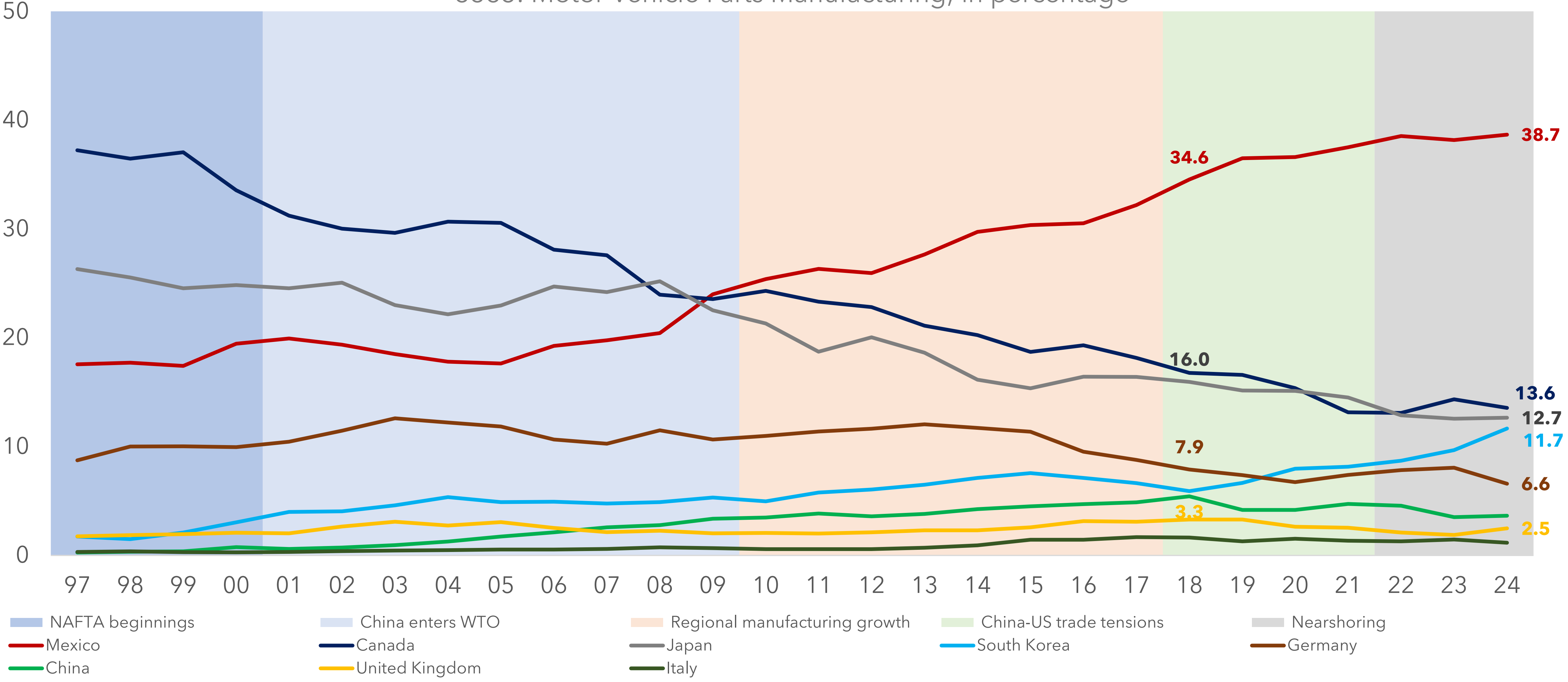


Source: USITC

2024: cumulative through April

Market share of U.S. imports of motor vehicle and auto parts

Share of imports, selected countries, NAICS 3361: Motor Vehicle; 3362: Motor Vehicle Bodies & Trailers; 3363: Motor Vehicle Parts Manufacturing; in percentage

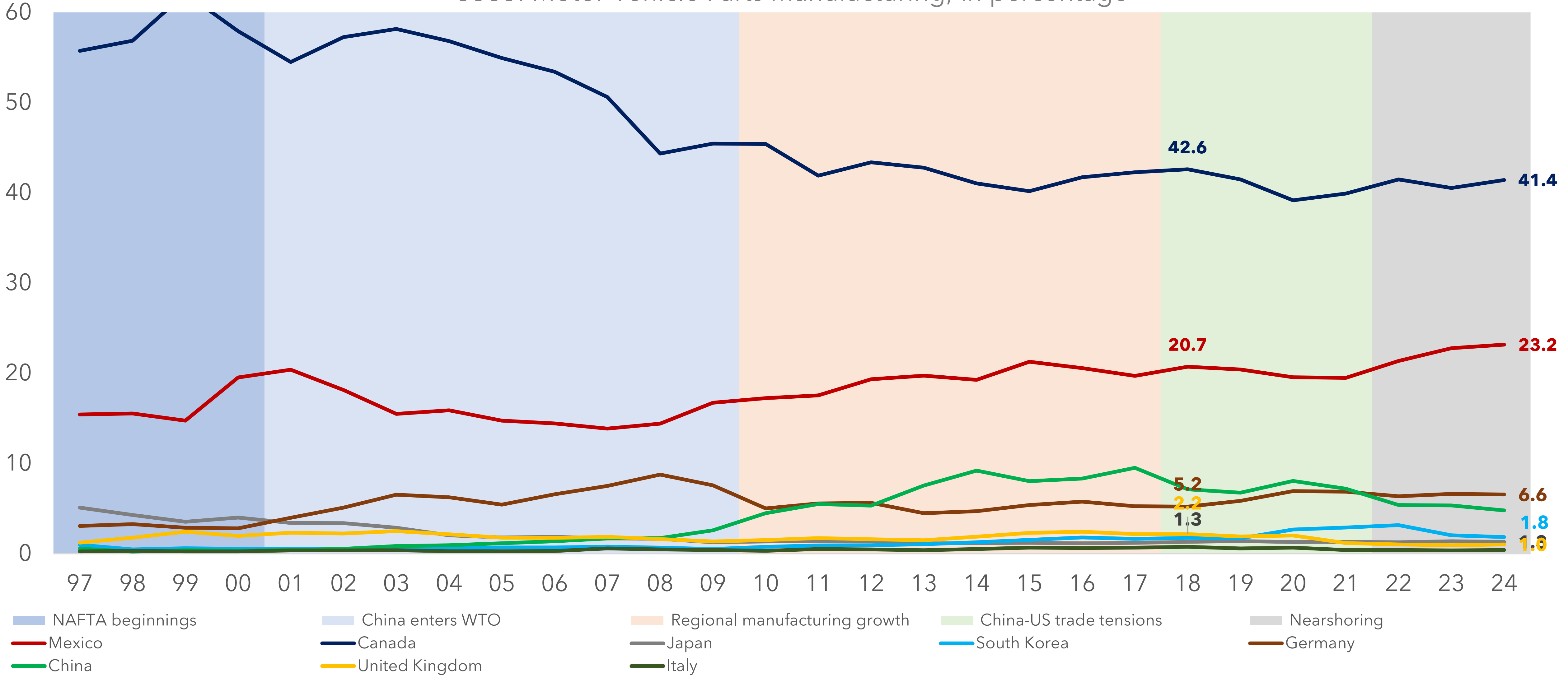


Source: US Census

2024: cumulative through March

Market share of U.S. exports of motor vehicle and auto parts

Share of exports, selected countries, NAICS 3361: Motor Vehicle; 3362: Motor Vehicle Bodies & Trailers; 3363: Motor Vehicle Parts Manufacturing; in percentage

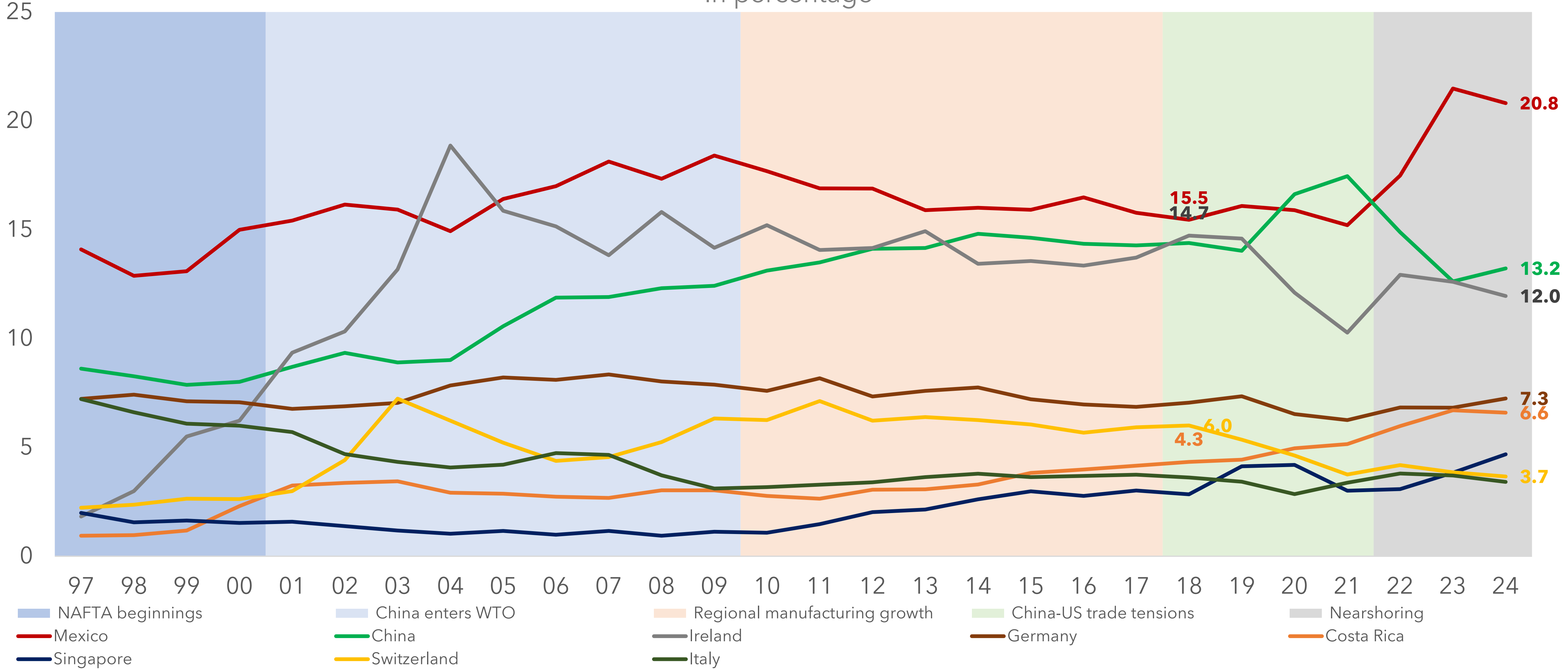


Source: US Census

2024: cumulative through March

Market share of U.S. imports of medical devices

Share of imports, selected countries, NAICS 3391: Medical Equipment & Supplies
In percentage

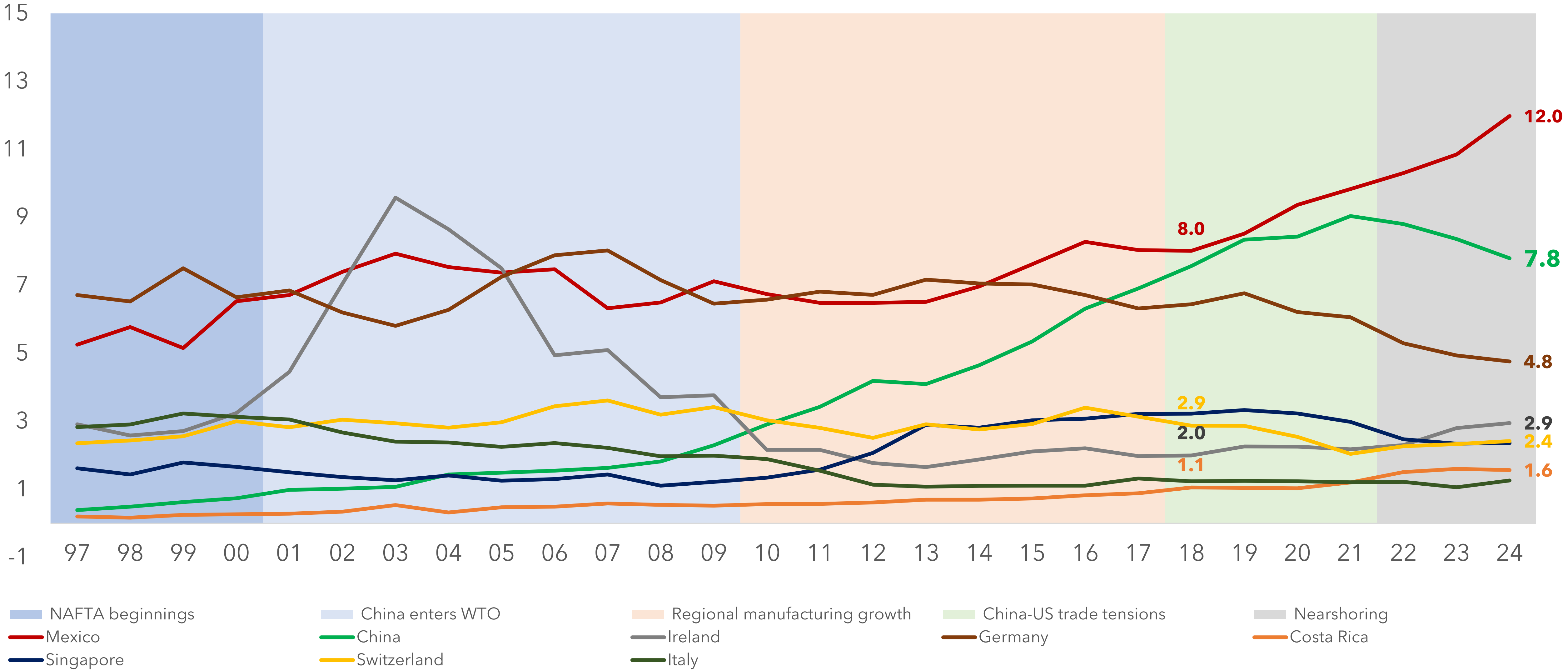


Source: US Census

2024: cumulative through March

Market share of U.S. exports of medical devices

Share of exports, selected countries, NAICS 3391: Medical Equipment & Supplies
In percentage

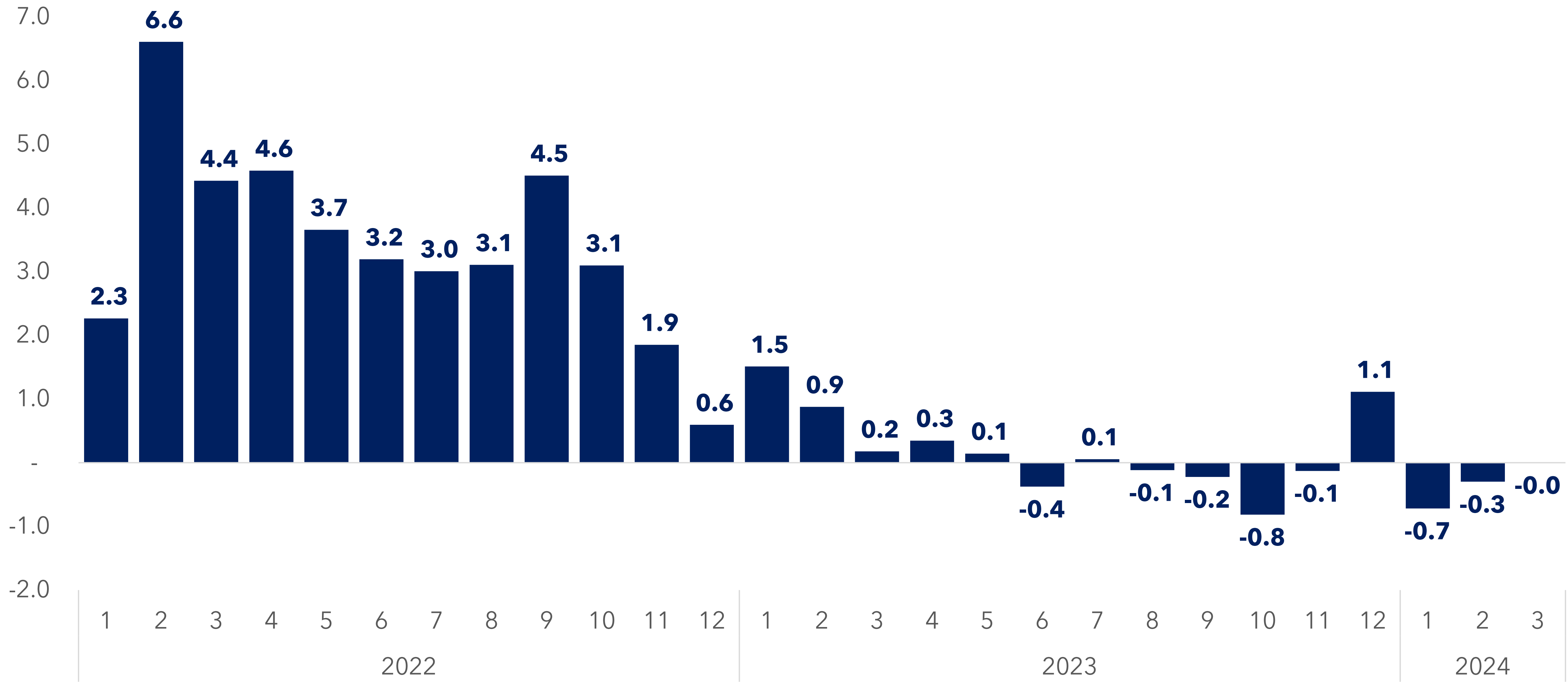


Source: US Census

2024: cumulative through March

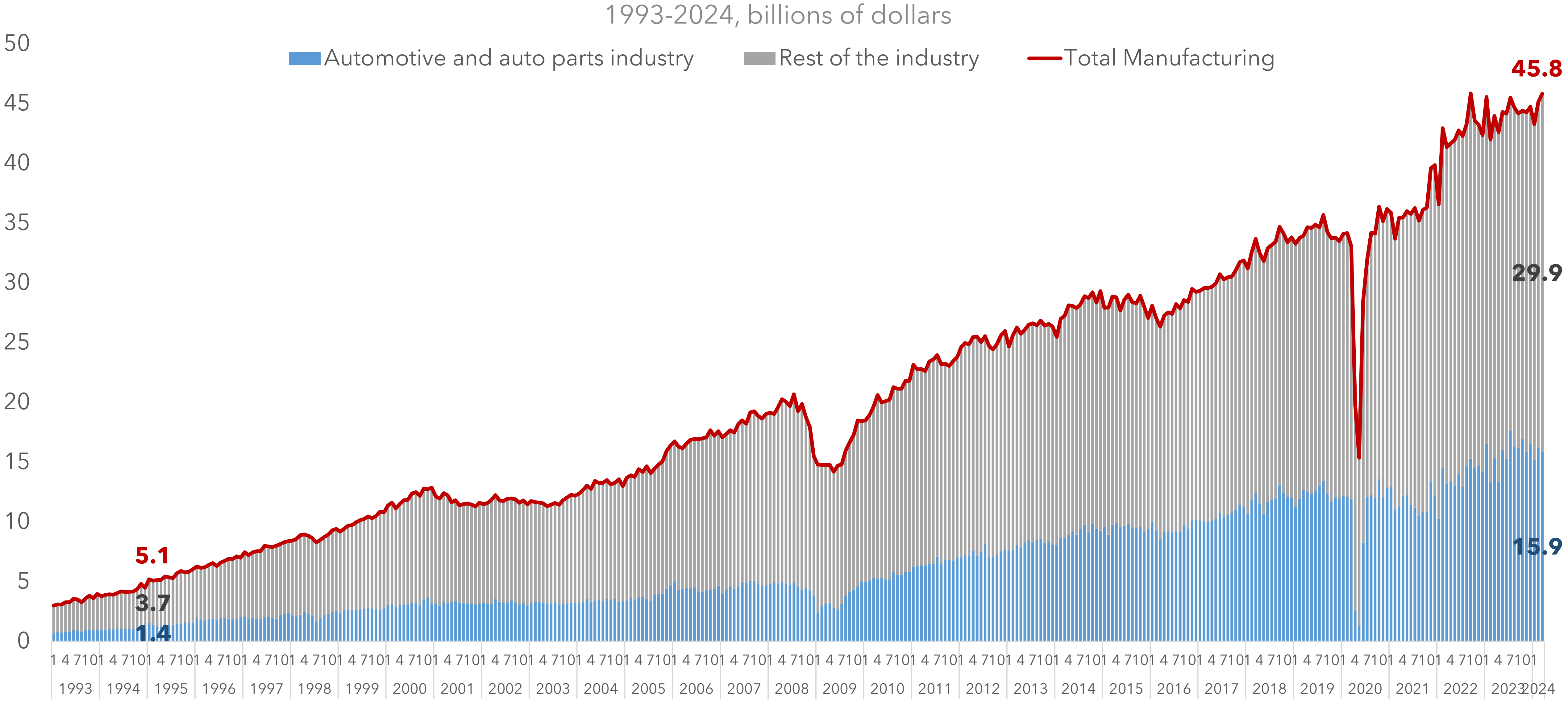
U.S. Industrial production

Annual variation



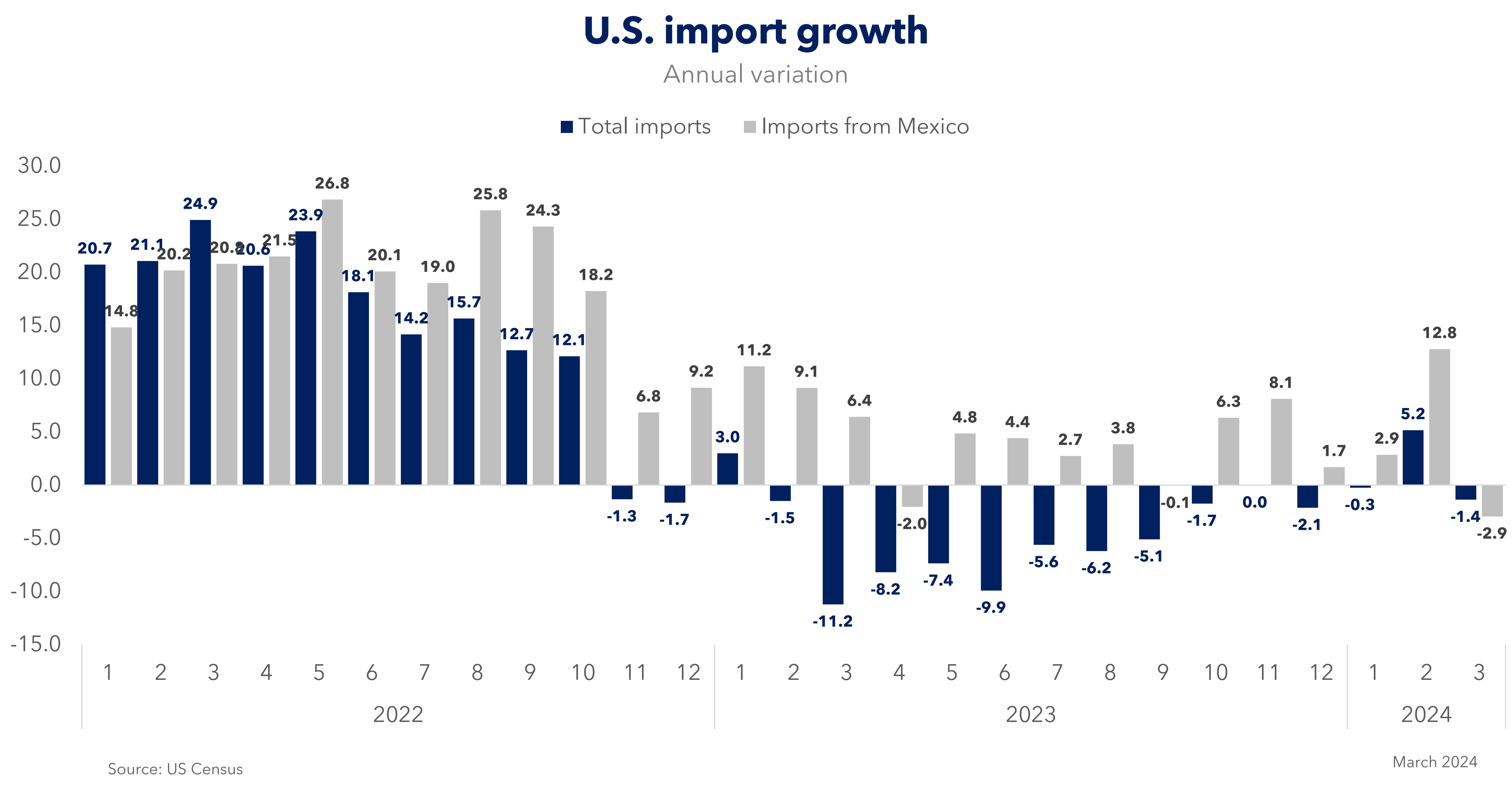
Source: FRED

Mexico's manufacturing exports



Source: INEGI

March 2024



U.S. import growth
Annual variation
Total imports
Imports from Mexico
30.0
25.0
20.0
15.0
10.0
5.0
0.0
-5.0
-10.0
-15.0
20.7
14.8
21.1
20.2
24.9
20.8
20.6
21.5
23.9
26.8
18.1
20.1
14.2
19.0
15.7
25.8
12.7
24.3
12.1
18.2
-1.3
6.8
-1.7
9.2
3.0
11.2
-1.5
9.1
-11.2
6.4
-8.2
-2.0
-7.4
4.8
-9.9
4.4
-5.6
2.7
-6.2
3.8
-5.1
-0.1
-1.7
6.3
0.0
8.1
-2.1
1.7
-0.3
2.9
5.2
12.8
-1.4
-2.9
1 2 3 4 5 6 7 8 9 10 11 12
2022
1 2 3 4 5 6 7 8 9 10 11 12
2023
1 2 3
2024
Source: US Census
March 2024

Nearshoring as a process: complexity of export matrix

- Gain in market share of US imports is generalized across multiple sectors
- Mexico's economic complexity is comparable to that of Asian economies
- Only Latin American economy with large nearshoring potential
- Future growth is expected in:
  - Agricultural diversification towards value-added products
  - Technological sophistication in manufacturing
  - High value-added services sectors

Market share in the US by sector: Mexico and China

HTS 2	Description	Total US imports 2022 (millions)	Mexico 2019	Mexico 2020	Mexico 2021	Mexico 2022	Mexico 2023 (Jan-Dec)	Mexico Trend	China 2019	China 2020	China 2021	China 2022	China 2023 (Jan-Dec)	China Trend	Difference Mexico - China (pp) 2019	Difference Mexico - China (pp) 2020	Difference Mexico - China (pp) 2021	Difference Mexico - China (pp) 2022	Difference Mexico - China (pp) 2023 (Jan-Dec)	Difference Mexico - China (pp) Trend
Total	TOTAL Trade	3,242,530	14.3	13.9	13.5	14.0	15.4		18.0	18.6	17.8	16.5	13.9		-3.7	-4.7	-4.3	-2.5	1.6	
1	Live Animals	3,635	29.5	32.1	23.2	17.8	28.2		1.2	0.1	0.1	0.2	0.3		28.3	32.0	23.1	17.6	27.9	
2	Meat And Edible Meat Offal	12,717	15.9	16.9	17.8	16.7	16.3		0.1	0.1	0.1	0.1	0.1		15.8	16.8	17.7	16.7	16.2	
3	Fish And Crustaceans, Molluscs And Other Aquatic In	23,497	3.3	3.1	2.7	2.7	2.6		8.5	8.3	6.0	6.7	6.3		-5.2	-5.2	-3.3	-4.0	-3.7	
4	Dairy Produce; Birds' Eggs; Natural Honey; Edible Proc	3,651	5.3	6.0	4.2	6.0	5.7		0.4	0.4	0.3	0.2	0.2		4.9	5.6	4.0	5.8	5.5	
5	Products Of Animal Origin, Nesoi	1,301	7.5	7.7	7.2	6.9	6.8		25.0	16.3	18.6	16.9	12.4		-17.5	-8.6	-11.4	-10.0	-5.6	
6	Live Trees And Other Plants; Bulbs, Roots And The Lik	3,321	2.8	2.8	3.1	3.1	2.9		3.2	2.8	3.2	3.5	2.5		-0.3	0.0	-0.1	-0.3	0.4	
7	Edible Vegetables And Certain Roots And Tubers	13,890	63.5	64.0	63.6	62.0	62.7		3.0	2.5	2.4	2.5	2.2		60.6	61.5	61.2	59.5	60.5	
8	Edible Fruit And Nuts; Peel Of Citrus Fruit Or Melons	22,214	45.0	44.3	46.1	45.8	47.1		0.8	0.7	0.7	0.8	0.5		44.3	43.6	45.4	45.0	46.5	
9	Coffee, Tea, Mate And Spices	11,971	3.6	3.9	4.2	4.8	4.9		3.4	2.9	2.5	2.0	2.1		0.1	1.0	1.7	2.7	2.8	
10	Cereals	3,081	0.8	1.0	0.7	0.6	0.5		1.0	1.0	1.2	1.1	1.3		-0.2	-0.1	-0.5	-0.5	-0.9	
11	Milling Industry Products; Malt; Starches; Inulin; Whe	2,738	6.3	8.1	7.6	7.3	9.0		2.3	2.7	2.4	1.3	0.7		4.1	5.4	5.2	6.0	8.3	
12	Oil Seeds And Oleaginous Fruits; Miscellaneous Grain	3,345	4.1	4.5	4.1	4.9	4.1		6.4	6.9	6.4	5.9	5.3		-2.2	-2.4	-2.3	-1.0	-1.2	
13	Lac; Gums; Resins And Other Vegetable Saps And Extr	2,024	4.1	4.0	3.8	3.6	4.7		18.0	19.3	17.8	16.8	17.7		-13.9	-15.3	-14.0	-13.2	-13.0	
14	Vegetable Plaiting Materials And Vegetable Products,	161	33.9	38.3	35.9	36.8	42.1		19.7	14.6	12.9	15.1	11.0		14.3	23.7	23.0	21.8	31.1	
15	Animal Or Vegetable Fats And Oils And Their Cleavag	14,166	3.4	4.1	2.9	2.9	3.4		0.9	0.8	0.6	0.5	5.5		2.6	3.4	2.3	2.5	-2.1	
16	Edible Preparations Of Meat, Fish, Crustaceans, Mollu	7,690	2.0	2.5	2.2	2.4	2.9		7.5	4.5	4.9	4.2	4.0		-5.5	-2.1	-2.7	-1.8	-1.1	
17	Sugars And Sugar Confectionery	6,143	31.3	32.3	31.9	34.1	32.0		2.9	2.0	2.3	2.8	2.8		28.4	30.2	29.6	31.2	29.2	
18	Cocoa And Cocoa Preparations	6,082	11.4	10.9	9.3	10.3	9.9		0.7	0.1	0.3	0.3	0.2		10.7	10.8	8.9	9.9	9.7	
19	Preparations Of Cereals, Flour, Starch Or Milk; Bakers	13,198	17.1	17.7	18.6	18.9	19.5		2.3	2.3	2.0	1.8	1.6		14.7	15.4	16.6	17.1	18.0	
20	Preparations Of Vegetables, Fruit, Nuts, Or Other Part	12,358	17.5	15.6	16.1	15.8	16.2		7.9	9.8	7.3	7.7	5.9		9.6	5.8	8.7	8.1	10.3	
21	Miscellaneous Edible Preparations	12,525	6.7	6.7	6.5	7.5	9.4		5.5	5.9	5.5	5.5	5.4		1.2	0.8	1.0	2.0	4.0	
22	Beverages, Spirits And Vinegar	32,174	23.9	29.5	32.0	35.6	38.9		0.3	0.1	0.1	0.2	0.3		23.6	29.4	31.8	35.4	38.7	
23	Residues And Waste From The Food Industries; Prepa	5,258	1.1	1.3	1.8	2.3	2.4		6.7	7.4	7.3	6.5	4.1		-5.5	-6.1	-5.5	-4.2	-1.6	
24	Tobacco And Manufactured Tobacco Substitutes	2,753	6.9	4.7	4.8	3.4	4.0		1.3	0.5	0.5	5.9	1.6		5.7	4.1	4.4	-2.4	2.3	
25	Salt; Sulfur; Earths And Stone; Plastering Materials, Li	5,540	11.0	11.3	10.6	9.3	9.9		10.6	4.5	6.6	9.1	6.3		0.4	6.8	4.0	0.1	3.6	
26	Ores, Slag And Ash	3,498	7.8	5.3	4.1	3.3	4.6		1.0	1.9	2.1	1.8	1.7		6.8	3.4	2.0	1.5	2.9	
27	Mineral Fuels, Mineral Oils And Products Of Their Dis	309,253	6.5	8.1	7.4	8.4	9.5		0.1	0.1	0.1	0.1	0.1		6.4	8.0	7.3	8.3	9.4	
28	Inorganic Chemicals; Organic Or Inorganic Compound	18,491	5.3	6.0	5.4	5.4	5.6		9.9	9.2	9.3	11.2	10.3		-4.6	-3.2	-3.9	-5.8	-4.7	
29	Organic Chemicals	73,835	1.7	1.2	1.1	0.9	0.9		14.6	13.5	16.1	18.3	12.5		-13.0	-12.2	-15.0	-17.4	-11.6	
30	Pharmaceutical Products	163,689	0.4	0.4	0.4	0.5	0.5		1.2	1.5	2.2	6.3	3.4		-0.8	-1.1	-1.8	-5.8	-2.8	
31	Fertilizers	12,561	1.4	1.6	1.4	1.3	1.6		0.3	0.4	0.2	0.3	0.3		1.0	1.3	1.2	1.0	1.3	
32	Tanning Or Dyeing Extracts; Tannins And Derivatives;	5,638	5.5	6.1	6.4	7.6	9.5		9.2	9.5	8.8	7.5	5.8		-3.6	-3.4	-2.5	0.1	3.7	
33	Essential Oils And Resinoids; Perfumery, Cosmetic Or	18,888	6.8	7.3	6.9	7.4	8.3		8.2	7.0	6.6	5.8	5.5		-1.4	0.3	0.4	1.6	2.9	
34	Soap Etc.; Lubricating Products; Waxes, Polishing Or S	5,674	13.8	14.7	15.6	17.0	18.5		13.4	20.2	12.4	11.5	10.8		0.4	-5.5	3.2	5.5	7.7	
35	Albuminoidal Substances; Modified Starches; Glues; E	4,600	2.0	1.8	3.2	2.6	3.1		11.8	10.8	10.2	10.5	10.1		-9.8	-8.9	-7.1	-7.9	-7.0	
36	Explosives; Pyrotechnic Products; Matches; Pyrophori	1,229	12.4	12.2	9.7	9.2	10.4		37.5	39.8	45.3	50.0	37.8		-25.2	-27.6	-35.6	-40.7	-27.4	
37	Photographic Or Cinematographic Goods	1,598	0.8	0.9	1.4	1.1	0.9		1.0	0.7	0.8	1.8	2.4		-0.2	0.2	0.6	-0.7	-1.5	
38	Miscellaneous Chemical Products	28,440	3.8	4.5	3.7	4.1	4.3		8.8	15.2	10.8	16.9	7.0		-5.0	-10.7	-7.1	-12.9	-2.7	
39	Plastics And Articles Thereof	82,246	9.5	9.2	9.3	10.5	11.4		31.0	34.0	31.3	27.9	26.7		-21.6	-24.8	-22.1	-17.4	-15.3	
40	Rubber And Articles Thereof	36,482	9.6	9.3	8.7	11.0	13.9		9.2	10.4	14.0	9.1	7.5		0.4	-1.1	-5.3	1.9	6.4	
41	Raw Hides And Skins (Other Than Furskins) And Leath	546	12.7	13.9	16.2	14.9	16.9		2.1	2.4	1.6	1.9	0.9		10.6	11.5	14.6	13.1	15.9	
42	Articles Of Leather; Saddlery And Harness; Travel Goo	16,241	1.6	1.9	2.0	2.1	2.7		39.1	28.9	26.9	24.6	23.1		-37.5	-27.0	-24.9	-22.5	-20.4	
43	Furskins And Artificial Fur; Manufactures Thereof	207	0.0	0.0	0.1	0.1	0.1		18.5	12.8	13.5	11.4	9.0		-18.4	-12.8	-13.5	-11.3	-9.0	
44	Wood And Articles Of Wood; Wood Charcoal	33,577	2.2	2.4	2.3	2.5	3.2		16.0	11.5	8.7	8.5	8.7		-13.7	-9.1	-6.4	-6.0	-5.5	
45	Cork And Articles Of Cork	305	0.5	0.6	0.9	1.3	1.0		6.7	5.4	5.3	5.0	4.2		-6.2	-4.8	-4.3	-3.8	-3.1	
46	Manufactures Of Straw, Esparto Or Other Plaiting Ma	751	4.1	4.3	4.3	3.9	6.6		43.2	43.6	40.8	37.6	29.0		-39.1	-39.4	-36.5	-33.7	-22.4	
47	Pulp Of Wood Or Other Fibrous Cellulosic Material; R	4,976	0.1	0.1	0.1	0.1	0.2		0.2	0.1	0.1	0.2	0.1		-0.1	0.0	0.0	-0.1	0.1	
48	Paper And Paperboard; Articles Of Paper Pulp, Paper	20,567	6.9	8.7	7.6	7.6	8.4		17.7	16.0	15.8	15.3	14.6		-10.8	-7.3	-8.3	-7.7	-6.2	
49	Printed Books, Newspapers, Pictures And Other Printe	5,398	5.6	6.2	5.9	6.7	10.8		51.8	48.4	48.3	44.5	38.6		-46.3	-42.2	-42.4	-37.8	-27.8	
50	Silk, Including Yarns And Woven Fabrics Thereof	69	2.8	3.8	4.9	2.8	4.1		17.7	32.0	18.5	24.0	21.0		-15.0	-28.2	-13.6	-21.2	-16.9	

Source : *USITC*

Market share in the US by sector: Mexico and China

			Mexico						China						Difference Mexico - China (pp)					
HTS 2	Description	Total US imports 2022 (millions)	2019	2020	2021	2022	2023 (Jan-Dec)	Trend	2019	2020	2021	2022	2023 (Jan-Dec)	Trend	2019	2020	2021	2022	2023 (Jan-Dec)	Trend
Total	TOTAL Trade	3,242,530	14.3	13.9	13.5	14.0	15.4		18.0	18.6	17.8	16.5	13.9		-3.7	-4.7	-4.3	-2.5	1.6	
51	Wool And Fine Or Coarse Animal Hair, Including Yarn:	271	10.2	11.1	10.0	11.5	11.5		3.4	2.6	3.0	2.1	1.4		6.9	8.5	7.0	9.3	10.1	
52	Cotton, Including Yarns And Woven Fabrics Thereof	954	5.1	3.4	6.7	5.8	6.8		17.9	16.9	8.5	7.0	6.0		-12.8	-13.5	-1.9	-1.2	0.8	
53	Vegetable Textile Fibers Nesoi; Yarns And Woven Fab	291	0.2	0.2	0.3	0.1	0.3		12.1	8.5	7.7	8.5	6.9		-12.0	-8.3	-7.4	-8.4	-6.7	
54	Manmade Filaments, Including Yarns And Woven Fab	2,503	6.4	6.7	6.9	6.4	6.9		18.1	15.8	15.2	13.2	12.3		-11.8	-9.1	-8.3	-6.7	-5.4	
55	Manmade Staple Fibers, Including Yarns And Woven I	1,932	3.2	2.8	2.9	3.6	4.1		17.4	15.4	12.7	10.2	8.0		-14.2	-12.6	-9.9	-6.6	-3.9	
56	Wadding, Felt And Nonwovens; Special Yarns; Twine,	2,994	6.3	5.1	5.9	7.4	7.6		23.4	31.1	25.8	20.8	19.5		-17.1	-26.0	-19.9	-13.4	-11.9	
57	Carpets And Other Textile Floor Coverings	3,583	2.3	2.2	1.7	3.5	5.4		16.7	12.8	11.8	11.8	11.9		-14.4	-10.6	-10.1	-8.4	-6.5	
58	Special Woven Fabrics; Tufted Textile Fabrics; Lace; Ta	889	4.7	5.3	5.4	5.9	8.4		35.2	36.0	33.9	31.9	27.9		-30.5	-30.7	-28.5	-26.0	-19.5	
59	Impregnated, Coated, Covered Or Laminated Textile F	3,092	11.7	13.4	12.5	12.6	14.9		16.1	14.8	14.5	13.9	11.5		-4.4	-1.4	-2.0	-1.3	3.4	
60	Knitted Or Crocheted Fabrics	1,161	2.4	2.4	2.5	2.8	5.0		34.2	31.7	28.0	23.5	24.3		-31.8	-29.3	-25.5	-20.7	-19.3	
61	Articles Of Apparel And Clothing Accessories, Knitted	57,770	2.4	2.2	2.1	2.0	2.4		29.4	24.2	24.5	21.9	21.7		-27.0	-22.0	-22.4	-19.9	-19.3	
62	Articles Of Apparel And Clothing Accessories, Not Kni	42,492	5.6	5.0	5.8	5.0	5.4		30.9	30.7	25.0	22.2	21.1		-25.2	-25.7	-19.3	-17.1	-15.7	
63	Made-Up Textile Articles Nesoi; Needlecraft Sets; Wo	19,094	6.0	4.0	6.0	6.4	7.9		55.8	71.7	54.0	53.0	50.5		-49.8	-67.7	-48.1	-46.6	-42.5	
64	Footwear, Gaiters And The Like; Parts Of Such Articles	35,894	1.6	1.6	2.1	2.3	3.0		49.3	40.9	41.8	38.4	37.0		-47.6	-39.3	-39.6	-36.2	-34.0	
65	Headgear And Parts Thereof	3,804	11.2	11.8	10.7	9.3	13.2		54.4	48.4	47.1	44.6	38.6		-43.2	-36.6	-36.4	-35.3	-25.5	
66	Umbrellas, Sun Umbrellas, Walking-Sticks, Seat-Sticks,	808	0.6	0.4	0.4	0.5	0.6		92.6	92.7	92.7	91.4	91.1		-92.0	-92.3	-92.3	-90.9	-90.5	
67	Prepared Feathers And Down And Articles Thereof; A	3,330	0.2	0.2	0.1	0.2	0.2		79.1	76.7	78.8	77.6	74.4		-78.9	-76.5	-78.6	-77.5	-74.2	
68	Articles Of Stone, Plaster, Cement, Asbestos, Mica Or	9,952	9.3	9.6	9.3	10.8	12.1		13.7	12.3	12.3	11.8	10.0		-4.4	-2.7	-3.0	-0.9	2.1	
69	Ceramic Products	8,304	16.5	17.2	16.1	15.1	18.5		38.8	32.5	34.4	34.1	28.5		-22.2	-15.3	-18.3	-18.9	-10.0	
70	Glass And Glassware	9,541	18.6	20.0	19.8	20.4	22.0		35.9	32.9	33.5	31.4	27.2		-17.3	-12.9	-13.7	-11.1	-5.2	
71	Natural Or Cultured Pearls, Precious Or Semiprecious	95,918	9.1	5.3	6.2	5.4	6.2		4.6	1.2	1.9	2.0	1.9		4.5	4.1	4.3	3.4	4.3	
72	Iron And Steel	42,571	8.7	10.3	12.1	12.7	11.3		2.1	1.7	1.4	2.3	1.8		6.6	8.6	10.7	10.4	9.5	
73	Articles Of Iron Or Steel	56,244	13.2	14.0	14.5	14.5	15.4		28.1	31.3	30.8	25.6	21.3		-15.0	-17.3	-16.3	-11.2	-5.9	
74	Copper And Articles Thereof	15,260	10.8	11.4	9.3	9.8	6.4		4.9	4.1	3.4	4.5	3.1		5.9	7.3	5.9	5.3	3.3	
75	Nickel And Articles Thereof	4,454	4.1	3.9	3.4	3.0	4.3		1.4	1.3	1.0	1.7	1.6		2.7	2.6	2.5	1.4	2.7	
76	Aluminum And Articles Thereof	35,054	4.7	6.7	6.5	6.4	7.1		10.9	12.9	11.9	10.4	9.4		-6.2	-6.2	-5.5	-3.9	-2.3	
78	Lead And Articles Thereof	1,524	16.2	15.2	11.4	11.4	9.7		0.7	1.4	3.8	10.6	1.3		15.5	13.8	7.5	0.8	8.4	
79	Zinc And Articles Thereof	3,073	15.5	13.4	14.5	12.7	11.8		5.4	4.8	5.9	4.5	4.5		10.1	8.6	8.6	8.2	7.3	
80	Tin And Articles Thereof	1,287	2.3	2.5	3.0	2.9	5.4		6.4	2.8	5.8	1.5	1.4		-4.1	-0.3	-2.8	1.5	4.0	
81	Base Metals Nesoi; Cermets; Articles Thereof	3,876	2.2	2.4	2.1	1.6	2.2		16.0	16.2	17.8	17.4	16.9		-13.9	-13.8	-15.7	-15.8	-14.8	
82	Tools, Implements, Cutlery, Spoons And Forks, Of Bas	12,076	4.9	4.6	5.5	5.0	5.9		37.0	38.2	34.9	32.1	28.1		-32.1	-33.6	-29.5	-27.1	-22.2	
83	Miscellaneous Articles Of Base Metal	16,292	17.7	17.8	16.3	16.5	19.7		40.8	40.5	40.4	38.3	32.6		-23.1	-22.7	-24.1	-21.8	-12.9	
84	Nuclear Reactors, Boilers, Machinery And Mechanical	461,206	17.8	17.5	17.0	18.7	18.1		24.7	27.4	26.6	23.4	18.5		-6.9	-9.9	-9.6	-4.7	-0.4	
85	Electrical Machinery And Equipment And Parts There	465,769	18.3	17.5	17.2	17.0	18.7		36.3	33.0	32.1	30.3	27.2		-18.0	-15.4	-14.9	-13.3	-8.5	
86	Railway Or Tramway Locomotives, Rolling Stock, Track	3,033	15.1	15.6	7.5	8.9	11.7		29.2	28.6	40.1	46.0	30.4		-14.0	-13.0	-32.6	-37.1	-18.7	
87	Vehicles, Other Than Railway Or Tramway Rolling Stoc	322,208	33.3	33.1	33.8	34.5	34.5		4.4	4.9	5.6	5.5	4.1		28.9	28.2	28.2	29.0	30.3	
88	Aircraft, Spacecraft, And Parts Thereof	26,817	4.1	3.2	3.3	3.9	4.4		1.6	0.9	0.8	2.1	1.9		2.5	2.3	2.5	1.8	2.6	
89	Ships, Boats And Floating Structures	4,114	23.5	18.9	20.9	21.7	19.6		3.9	5.2	4.9	4.1	3.0		19.6	13.7	16.1	17.6	16.7	
90	Optical, Photographic, Cinematographic, Measuring, (	112,631	16.7	16.4	16.2	16.6	19.1		11.8	13.3	12.9	11.9	9.8		4.9	3.1	3.4	4.7	9.3	
91	Clocks And Watches And Parts Thereof	6,636	1.1	0.9	0.6	0.6	0.6		11.7	10.7	9.2	9.3	5.9		-10.6	-9.8	-8.5	-8.7	-5.4	
92	Musical Instruments; Parts And Accessories Thereof	1,871	6.6	6.5	8.3	7.2	6.9		41.1	42.9	40.5	37.9	33.5		-34.6	-36.4	-32.2	-30.6	-26.6	
93	Arms And Ammunition; Parts And Accessories Thereo	4,644	2.0	2.3	1.7	1.8	2.0		5.3	5.0	5.6	4.9	3.8		-3.2	-2.7	-3.9	-3.1	-1.8	
94	Furniture; Bedding, Cushions Etc.; Lamps And Lighting	76,878	17.1	15.7	15.5	17.0	20.8		42.5	37.8	37.4	32.9	28.3		-25.3	-22.1	-21.9	-15.9	-7.5	
95	Toys, Games And Sports Equipment; Parts And Access	51,302	2.9	2.5	2.5	2.8	3.6		78.1	76.1	77.5	77.0	74.7		-75.2	-73.6	-75.0	-74.3	-71.0	
96	Miscellaneous Manufactured Articles	8,478	9.8	8.6	9.4	10.0	10.3		52.2	52.0	52.2	54.0	52.9		-42.4	-43.3	-42.8	-44.0	-42.6	
97	Works Of Art, Collectors' Pieces And Antiques	10,297	1.6	1.5	0.9	1.5	1.0		2.7	2.5	1.7	0.9	1.1		-1.1	-1.0	-0.8	0.6	-0.1	
98	Special Classification Provisions, Nesoi	94,495	6.7	7.1	6.6	8.1	7.9		5.0	6.9	5.4	5.5	5.2		1.7	0.2	1.2	2.6	2.7	
99	Special Import Reporting Provisions, Nesoi	21,670	13.8	14.0	13.7	13.1	12.6		20.5	21.9	22.1	20.7	20.0		-6.7	-7.9	-8.3	-7.6	-7.4	

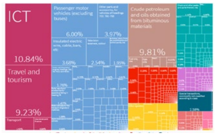
Source : *USITC*

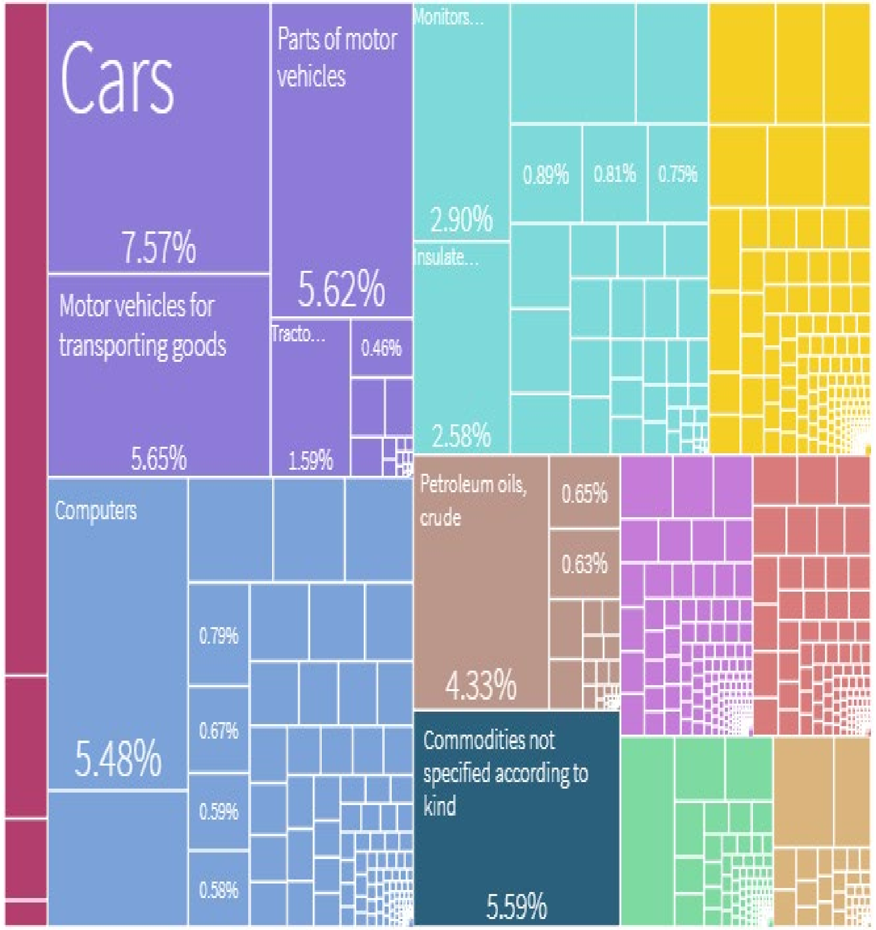
Mexico is more complex than what is believed…

Total exports, in billions of dollars

Exports 1982
$ 28.3 B

Exports 1993
$ 66.9 B
2.4 larger than 1982



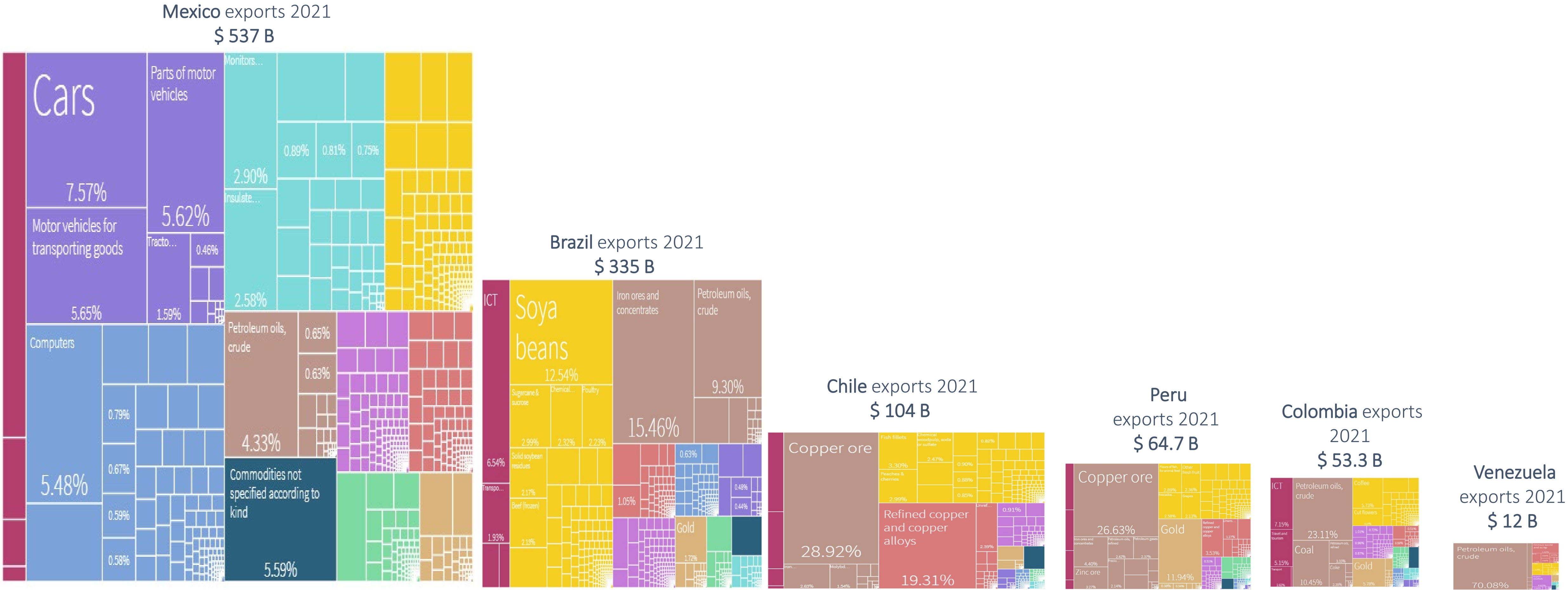


Exports 2021
$ 537 B
20.2 larger than 1982

Source: *Atlas of Economic Complexity*, Harvard University

More complex than its Latin American peers…

Total exports, in billions of dollars

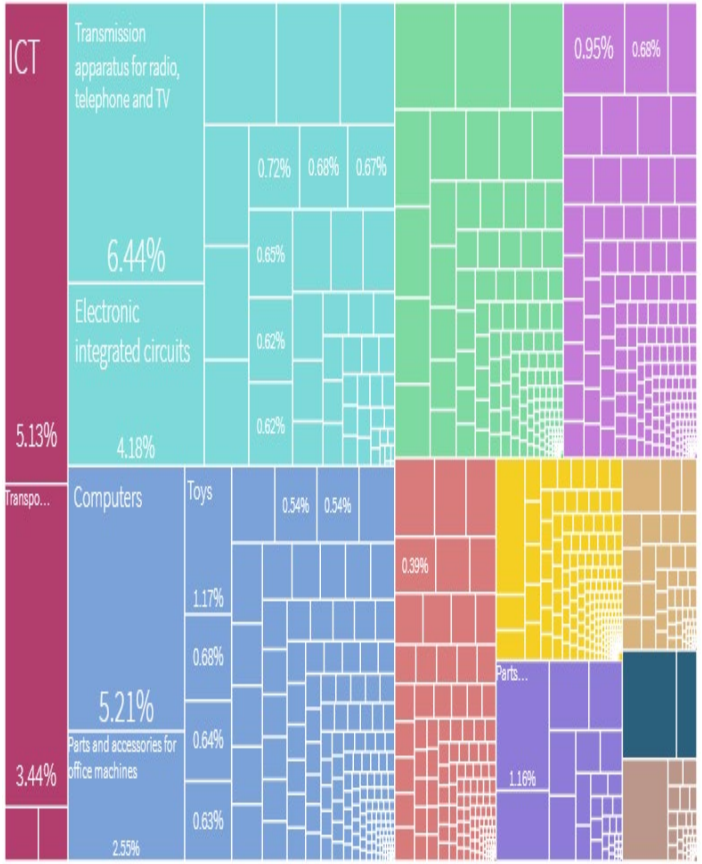


Source: *Atlas of Economic Complexity,* Harvard University

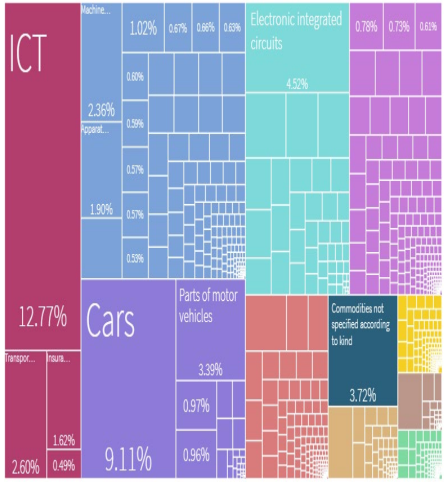
… comparable with Asian export economies …

Total exports, in billions of dollars

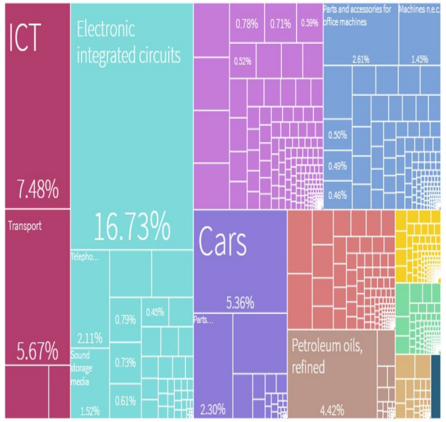
China exports 2021
$ 3,700 B



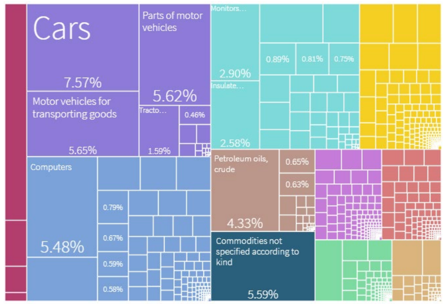
Japan exports 2021
$ 973 B



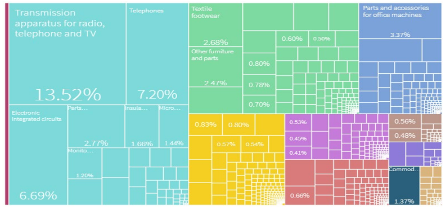
South Korea exports 2021
$ 803 B



Mexico exports 2021
$ 537 B



Vietnam exports 2021
$ 391 B

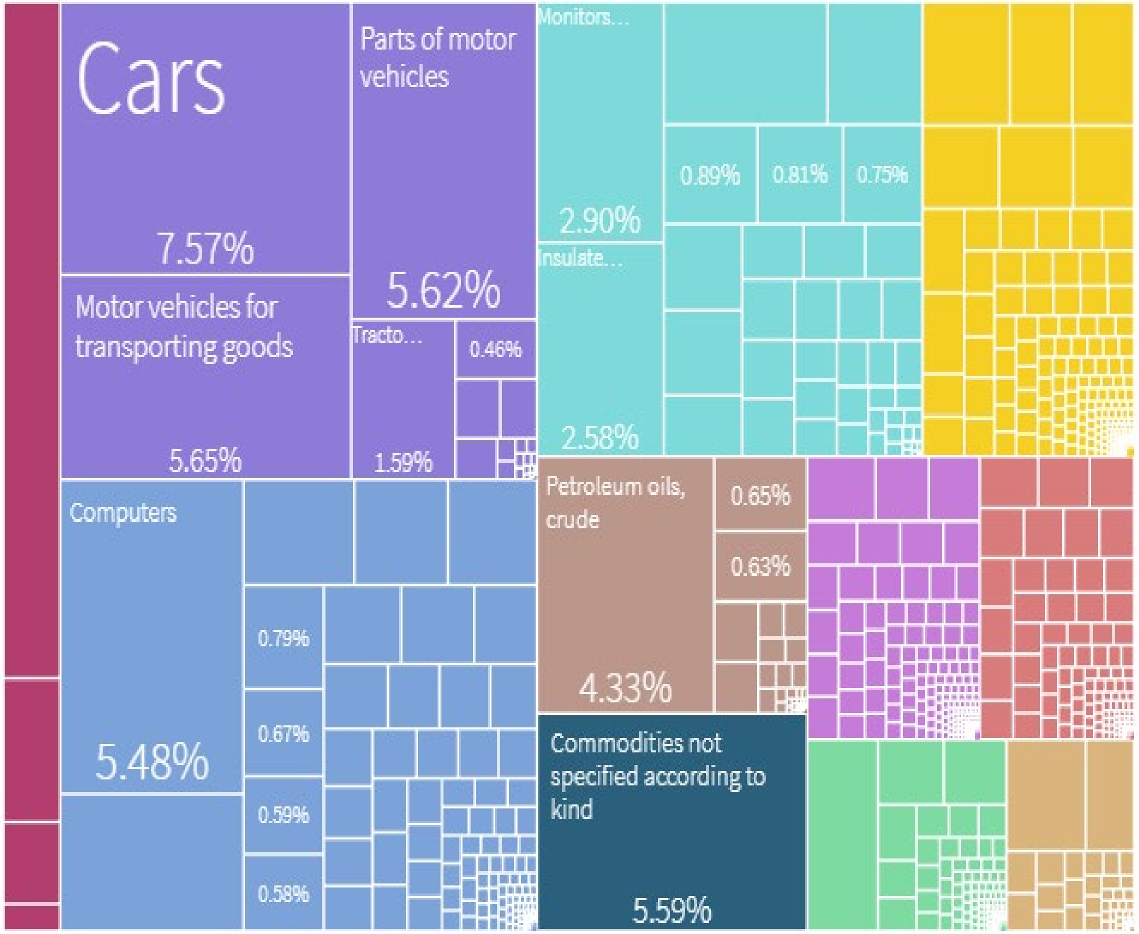


Source: *Atlas of Economic Complexity*, Harvard University

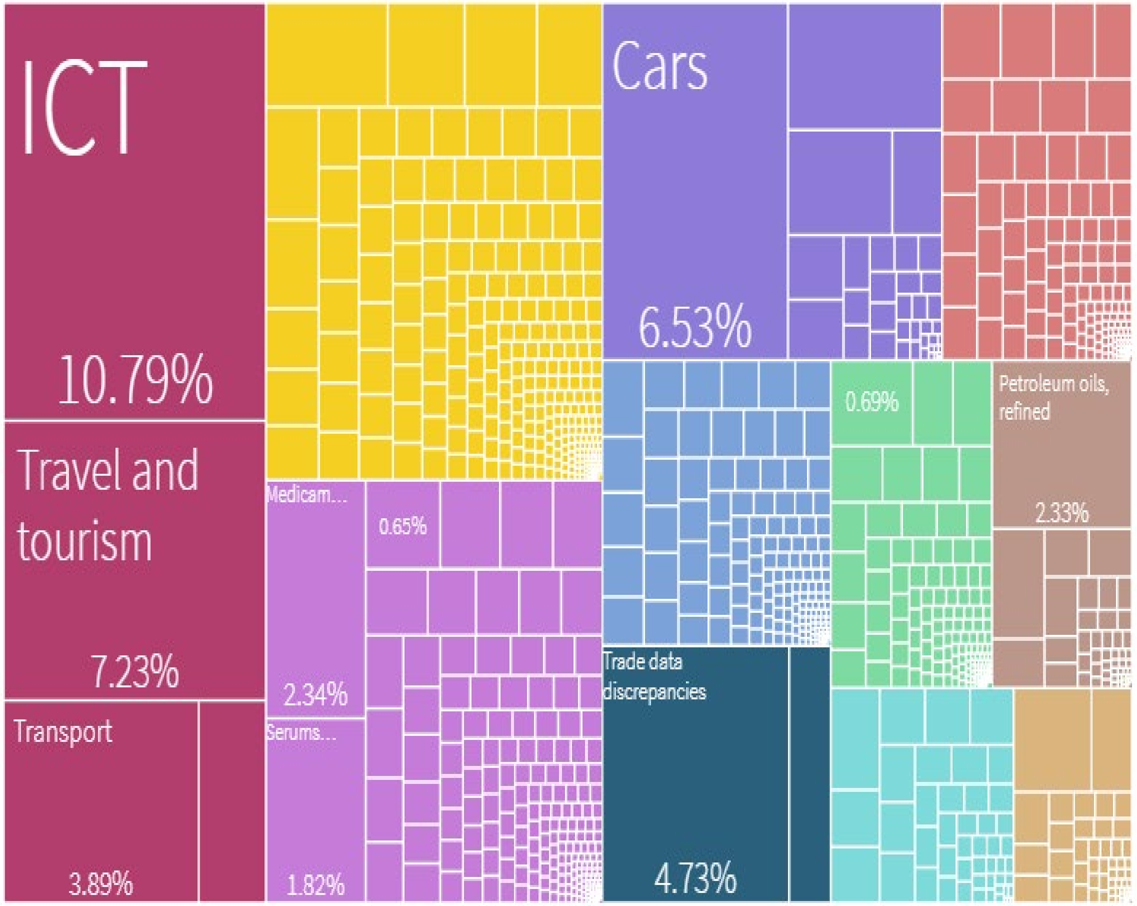
… and as complex as Spain

Total exports, in billions of dollars

Mexico exports 2021
$ 537 B



Spain exports 2021
$ 510 B



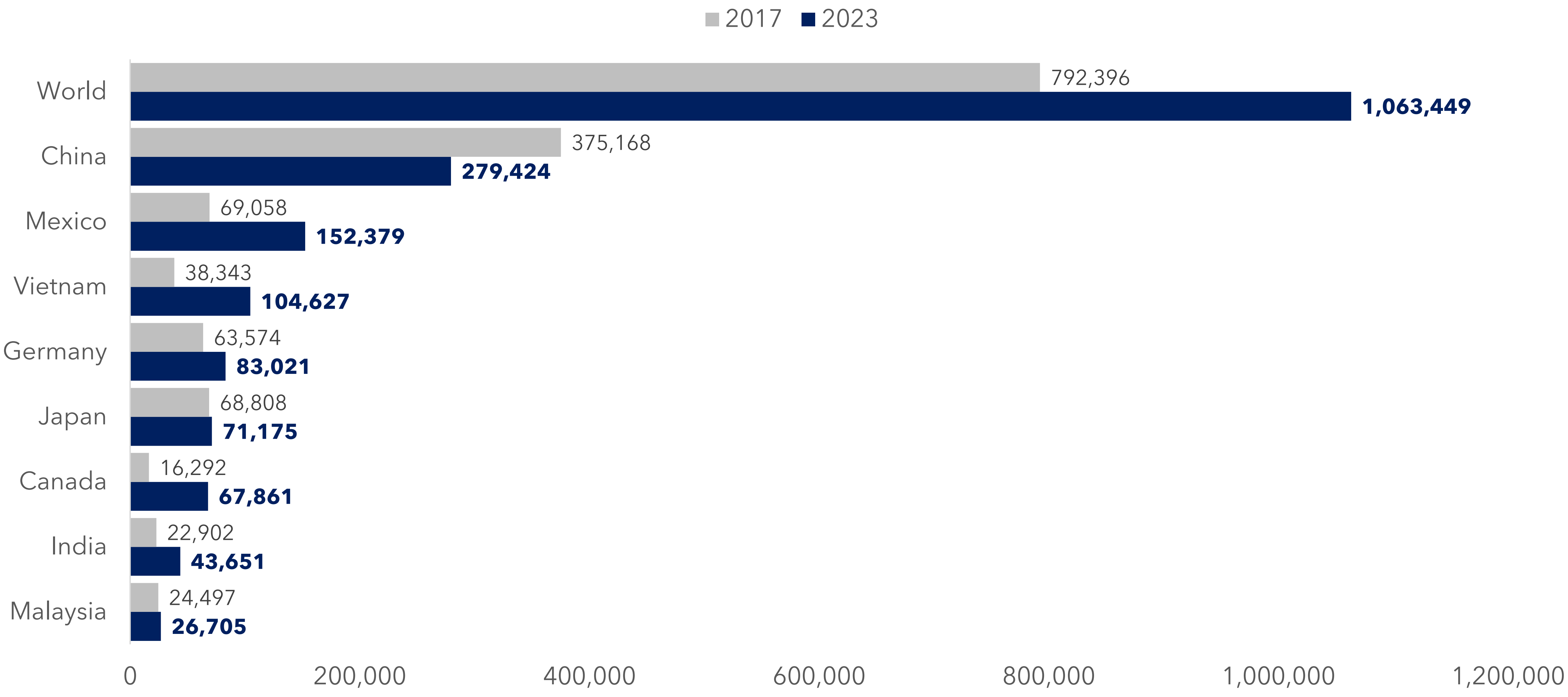
Source: *Atlas of Economic Complexity*, Harvard University

US trade deficit by country and sector

- The more nearshoring, the larger the US trade deficit with nearby countries
- A manufacturing investment in one of the US's 50 states, generates a trade deficit for the other 49
- The same investment in Mexico would generate a US deficit with Mexico
- If the investment is from Japan or Germany, say, Mexico (or Texas, or Alabama) will run a trade deficit with Japan or Germany but a trade surplus with the US
- Slowdown in Mexican exports tied to slowdown in US industrial production and negative US import growth
- Changes in market share of the US trade deficit, total and/or by sector, measure nearshoring penetration

U.S. Trade deficit by country

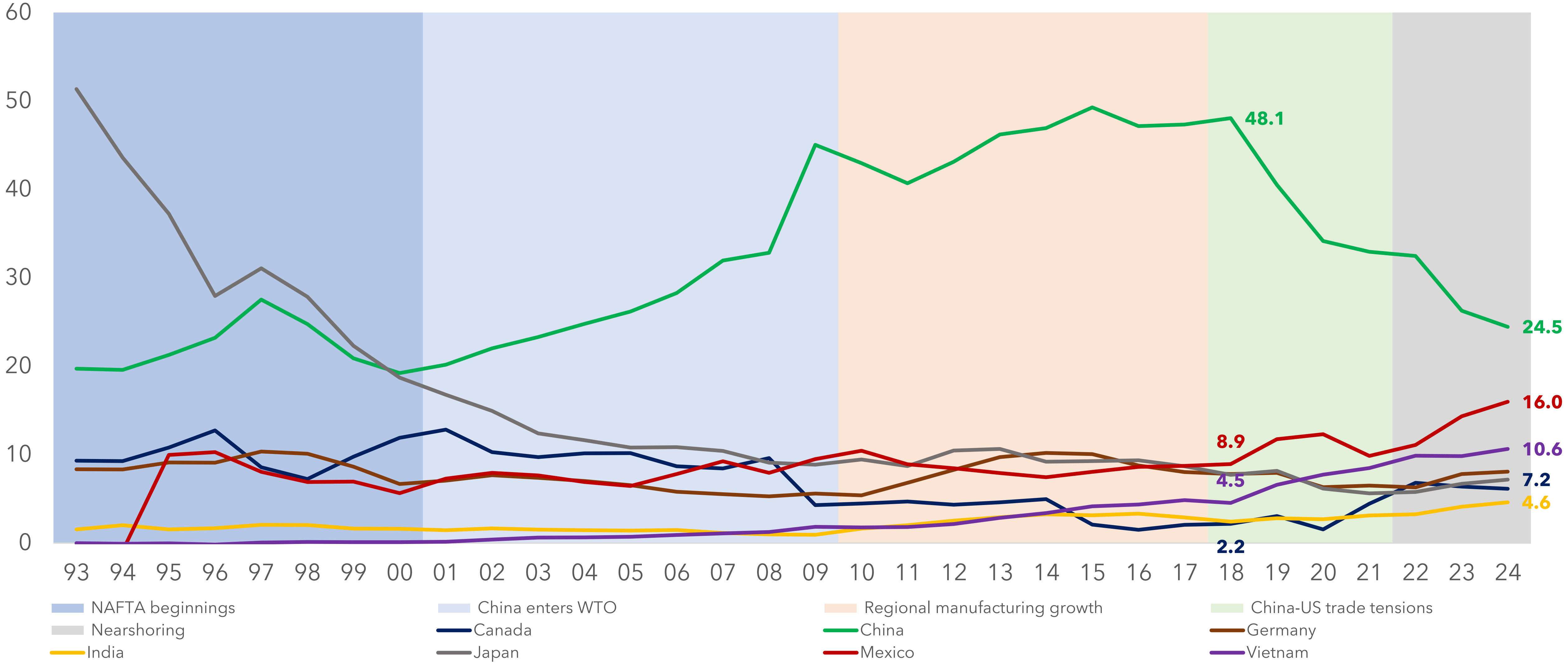
2017, 2023; thousand of dollars, selected countries



Source: USITC

Market share of U.S. trade deficit

Selected countries
In percentage

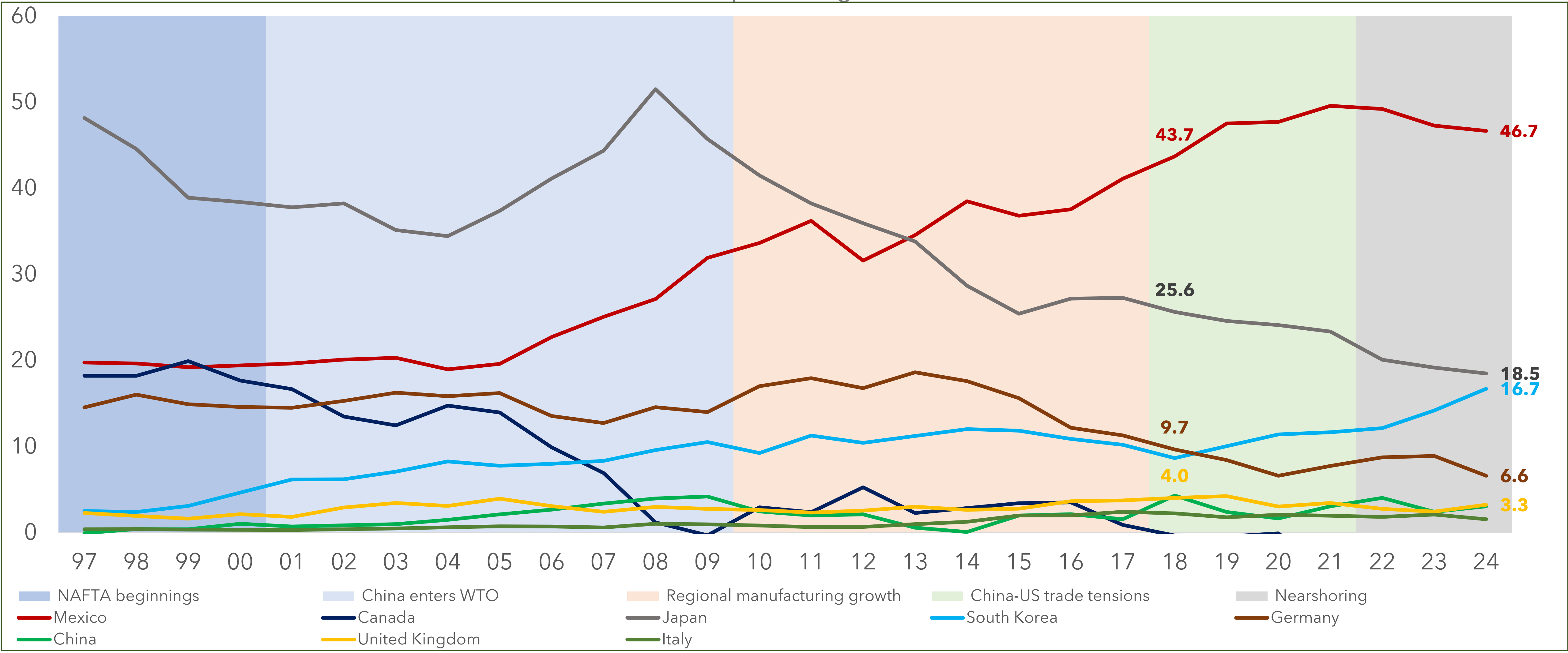


Source: USITC

2024 cumulative through March

Market share of U.S. trade deficit in motor vehicle and auto parts

Selected countries, NAICS 3361: Motor Vehicle; 3362: Motor Vehicle Bodies & Trailers; 3363: Motor Vehicle Parts Manufacturing
In percentage

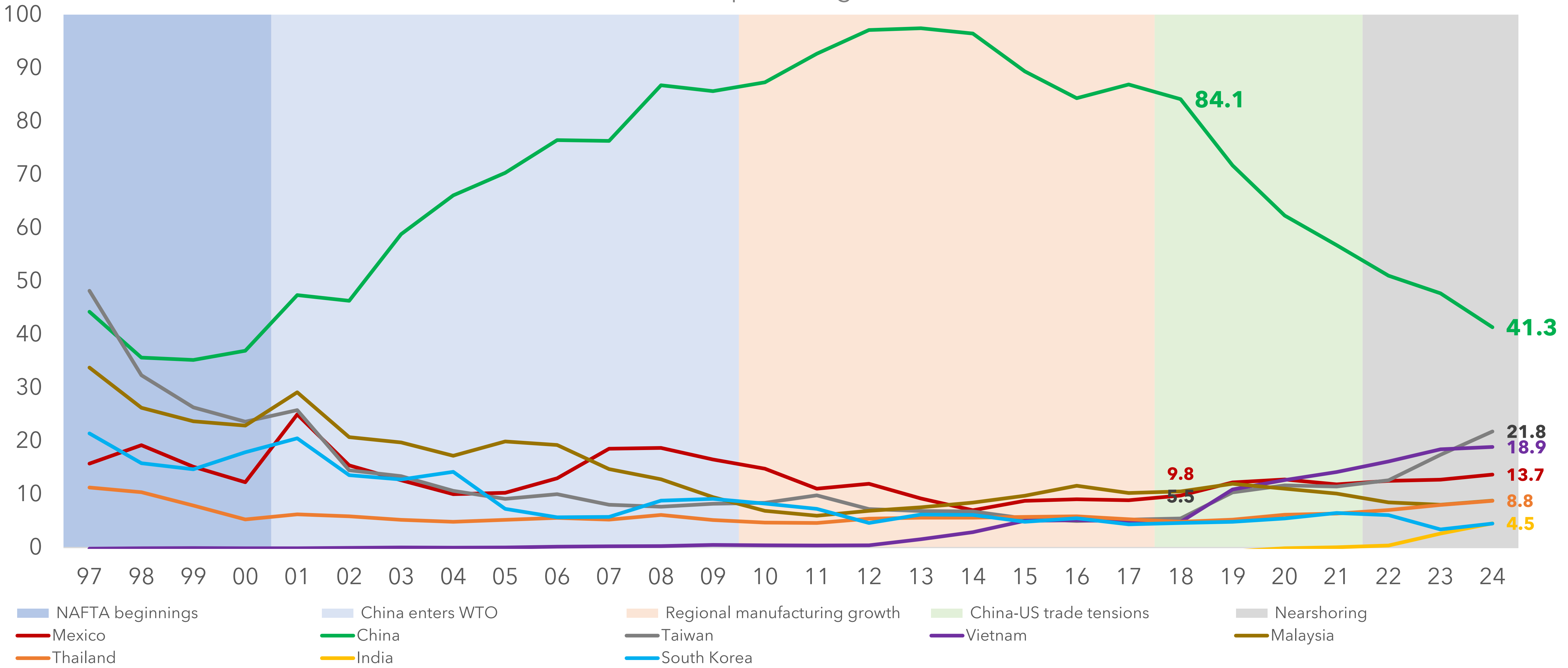


Source: USITC

2024 cumulative through March

Market share of U.S. trade deficit in computer and electronics

Selected countries, NAICS 334: Computer and Electronic Product Manufacturing
In percentage

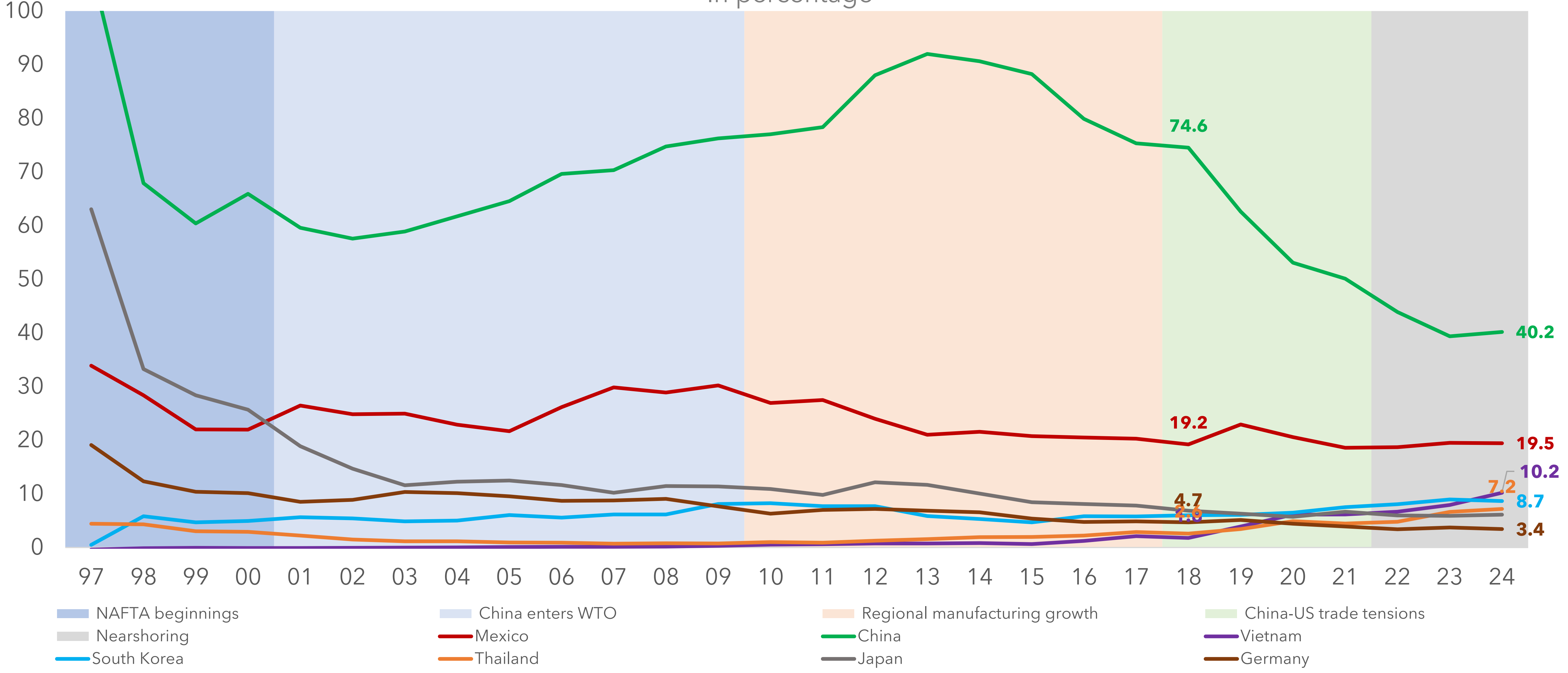


Source: USITC

2024 cumulative through March

Market share of U.S. trade deficit in electrical equipment

Selected countries, NAICS 335: Electrical Equipment, Appliance, and Component Manufacturing
In percentage

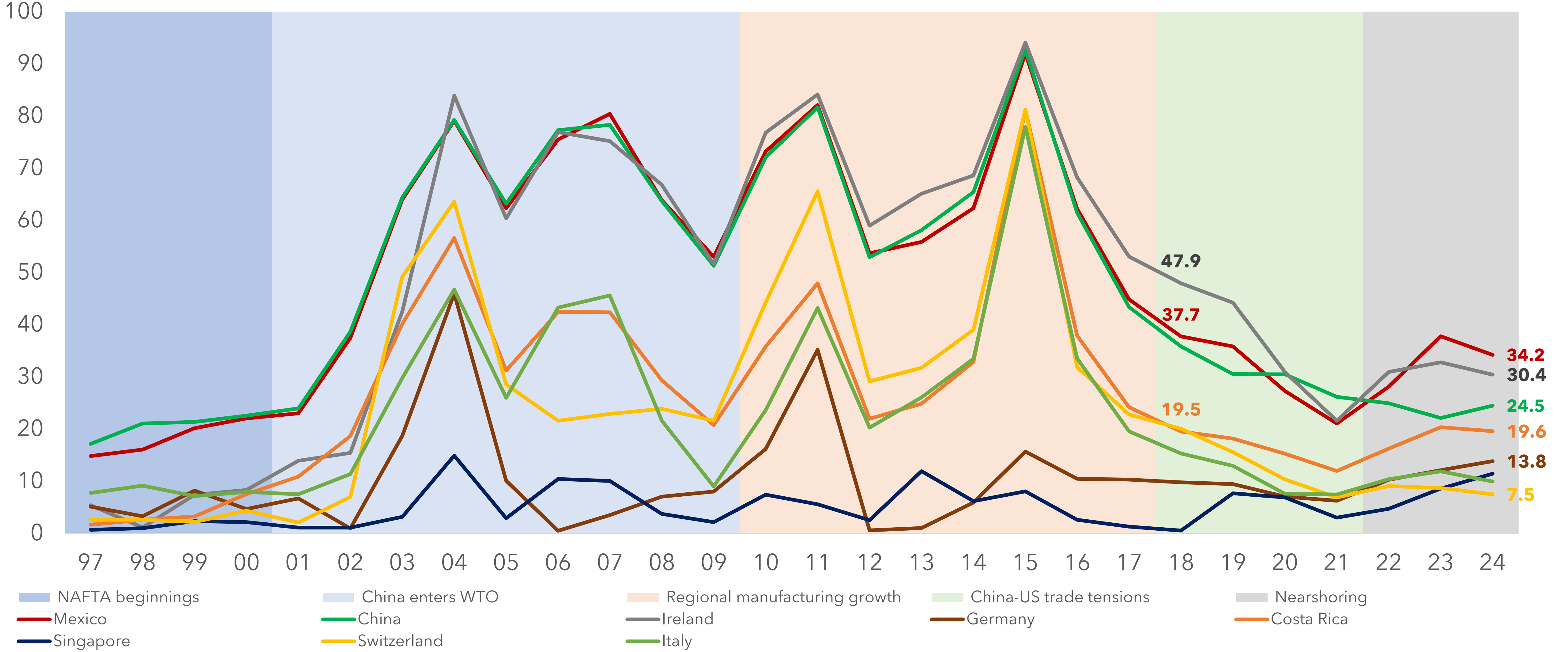


Source: USITC

2024 cumulative through March

Market share of U.S. trade deficit in medical devices

Selected countries, NAICS 3391: Medical Equipment & Supplies
In percentage



Source: USITC

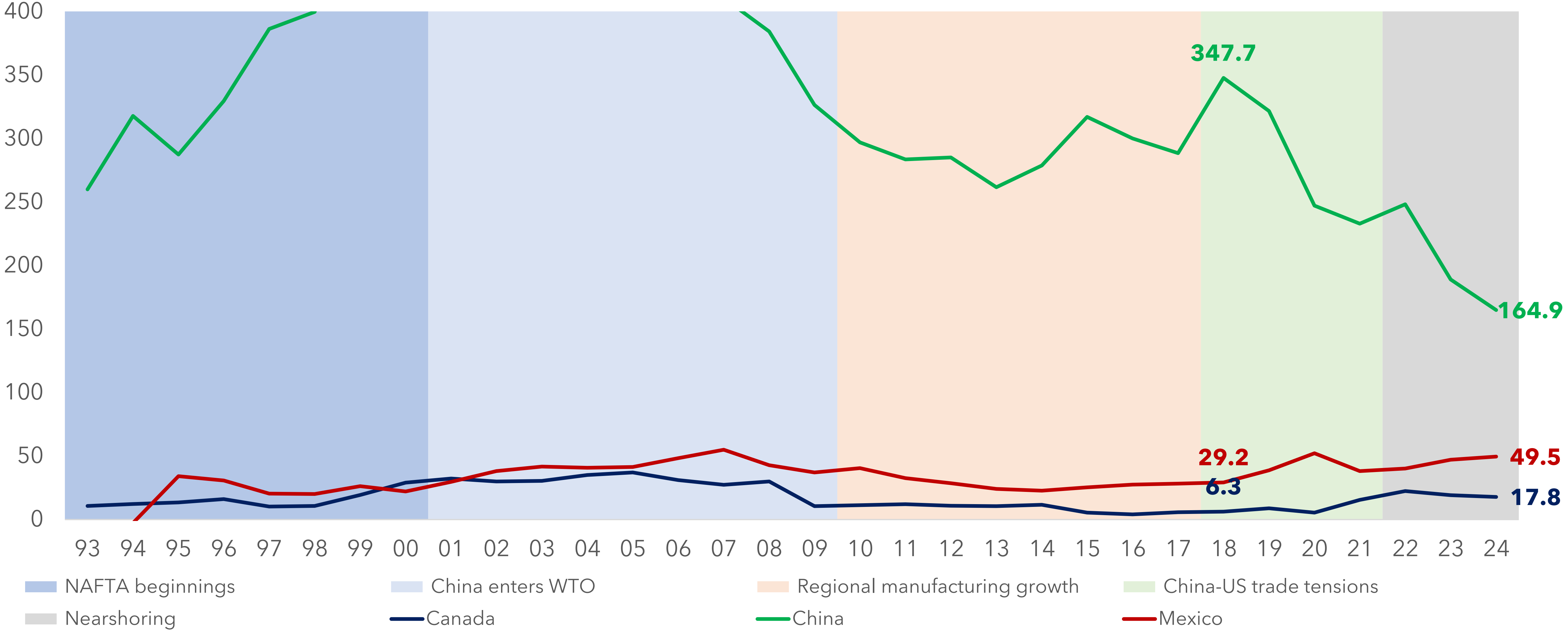
2024 cumulative through March

US trade deficit by country and sector as a proportion of US exports

- Trade deficits do not capture fully the nature of nearshoring, as they only partially account for the US's role in global supply chains
- Trade deficit over US exports by country and sector is a more precise measure of nearshoring and its economic effects
- US’s trade deficits reflect the US as a market
- US’s trade deficit over US export by country and sector better reflect US’s role in supply chains

Total U.S. trade deficit as a proportion of U.S. exports to each country

Selected countries
In percentage



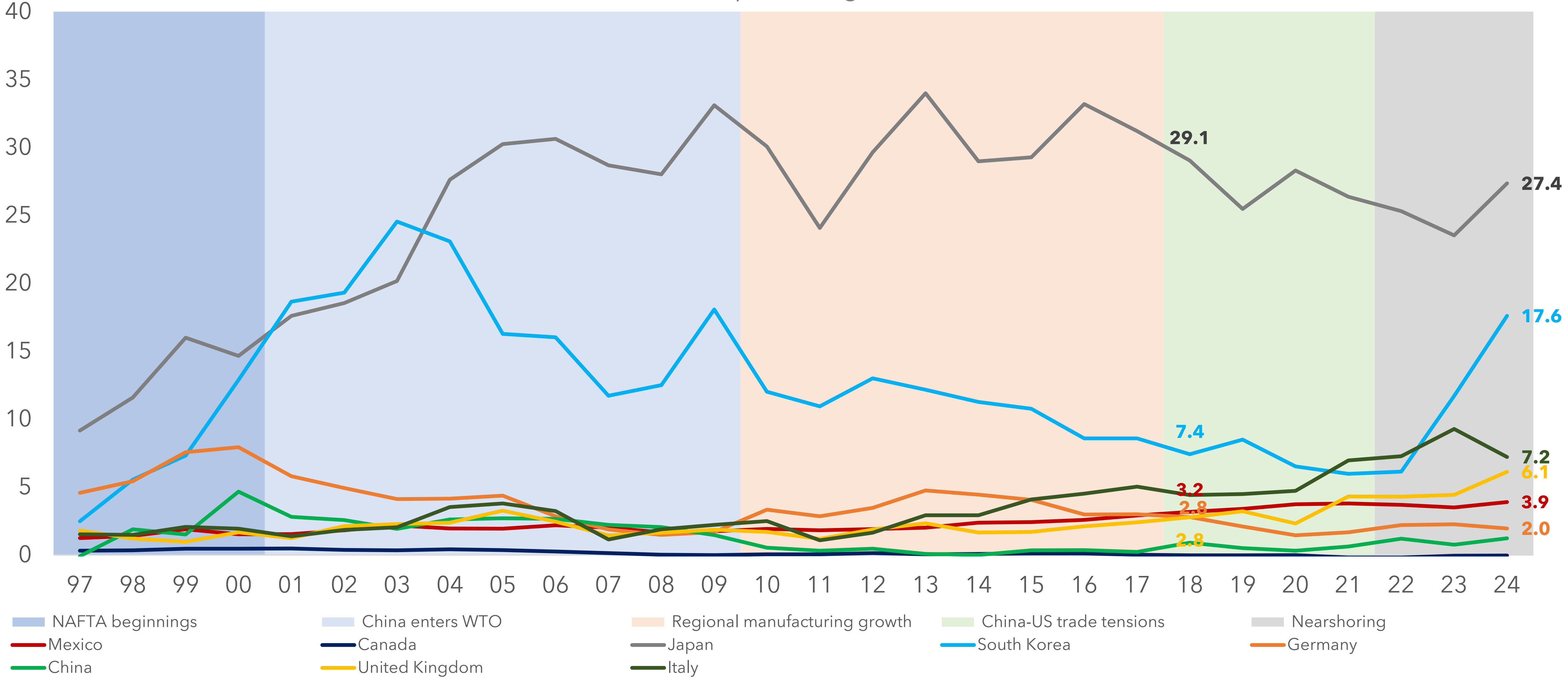
Source: USITC

2024 cumulative through March

U.S. trade deficit as a proportion of U.S. exports to each country of motor vehicle and auto parts

Selected countries, NAICS 3361: Motor Vehicle; 3362: Motor Vehicle Bodies & Trailers; 3363: Motor Vehicle Parts Manufacturing

In percentages

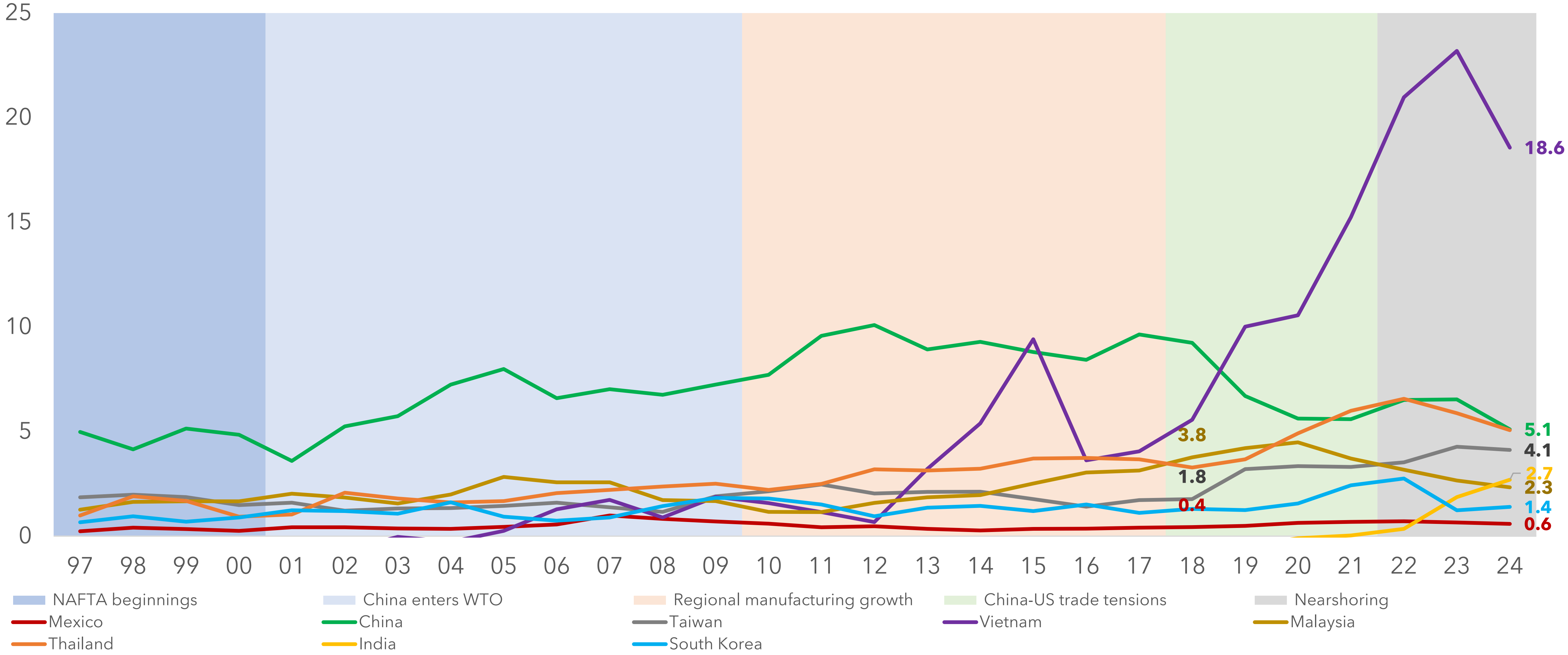


Source: USITC

2024 cumulative through March

U.S. trade deficit as a proportion of U.S. exports to each country of computer and electronics

Selected countries, NAICS 334: Computer and Electronic Product Manufacturing
In percentages

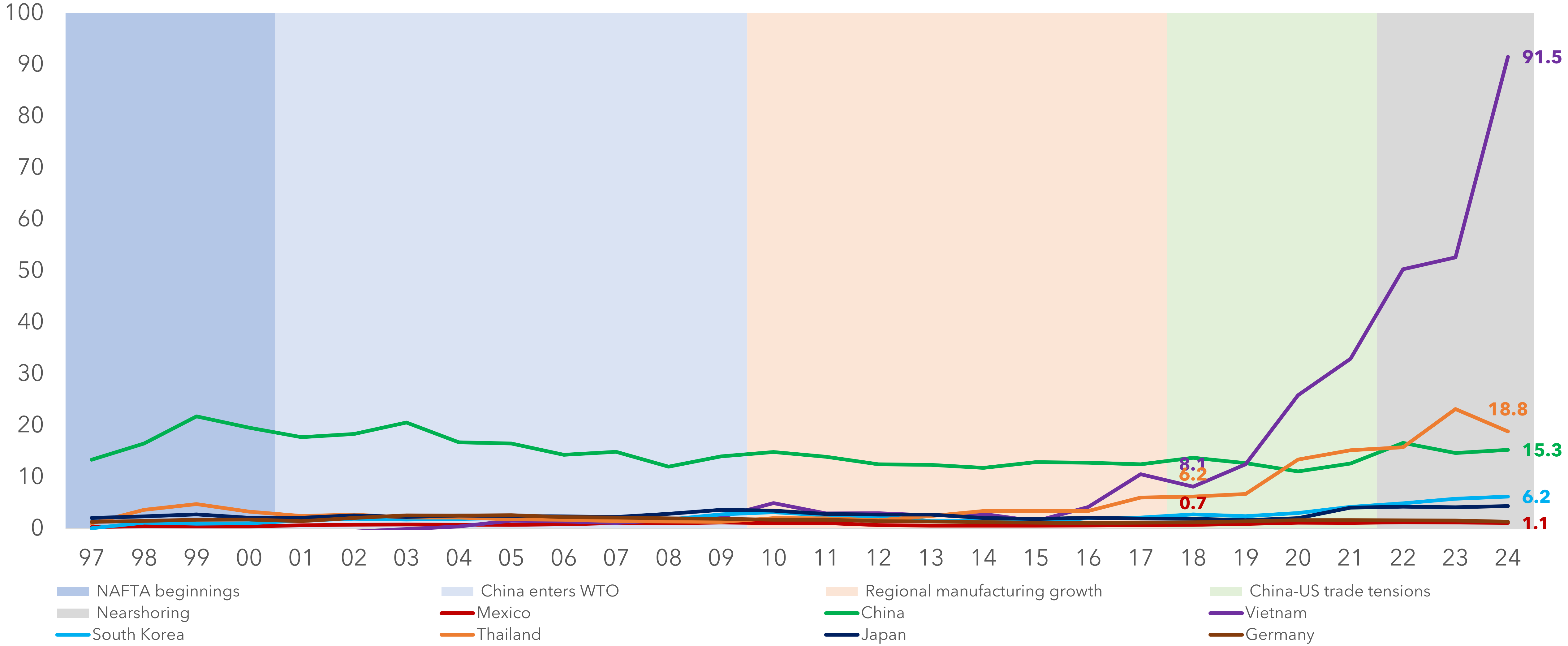


Source: USITC

2024 cumulative through March

U.S. trade deficit as a proportion of U.S. exports to each country of electrical equipment

Selected countries, NAICS 335: Electrical Equipment, Appliance, and Component Manufacturing
In percentages

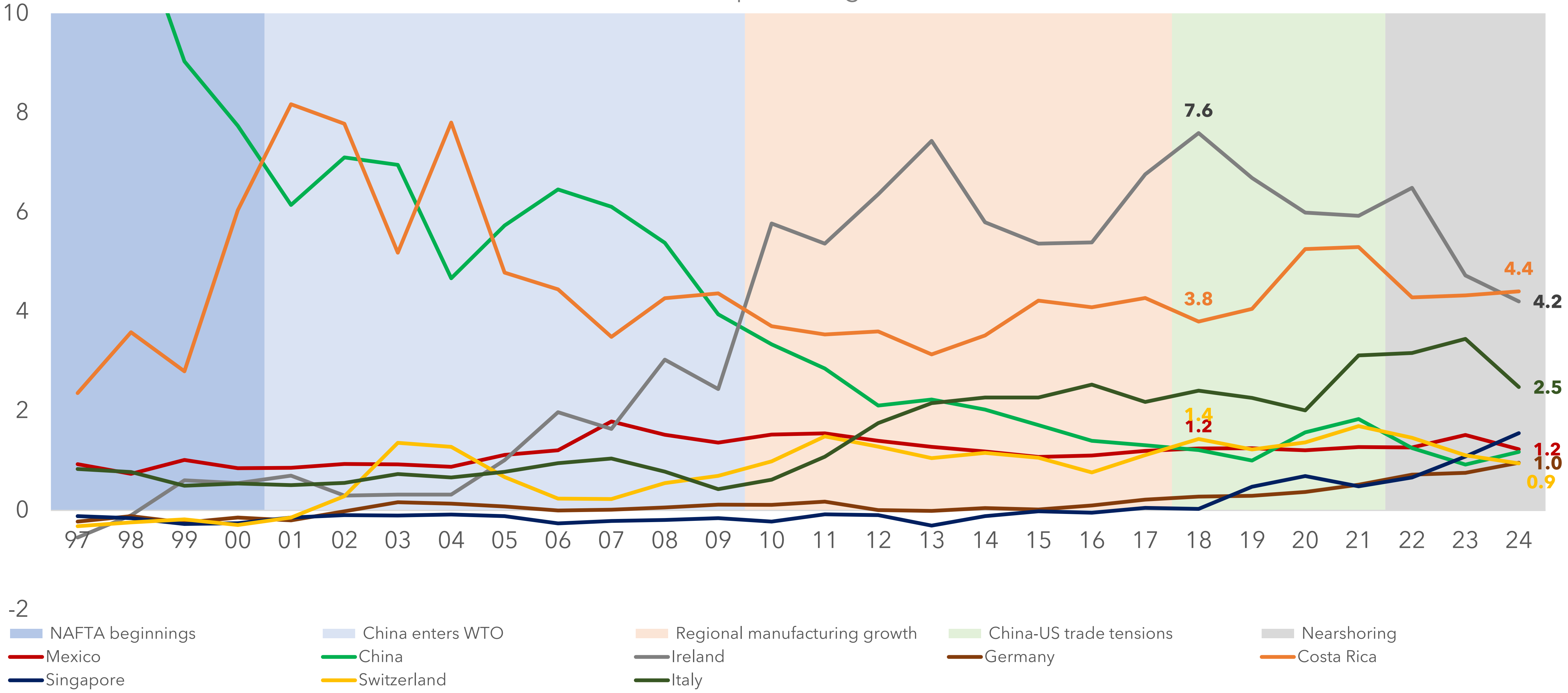


Source: USITC

2024 cumulative through March

U.S. trade deficit as a proportion of U.S. exports to each country of medical devices

Selected countries, NAICS 3391: Medical Equipment & Supplies
In percentages

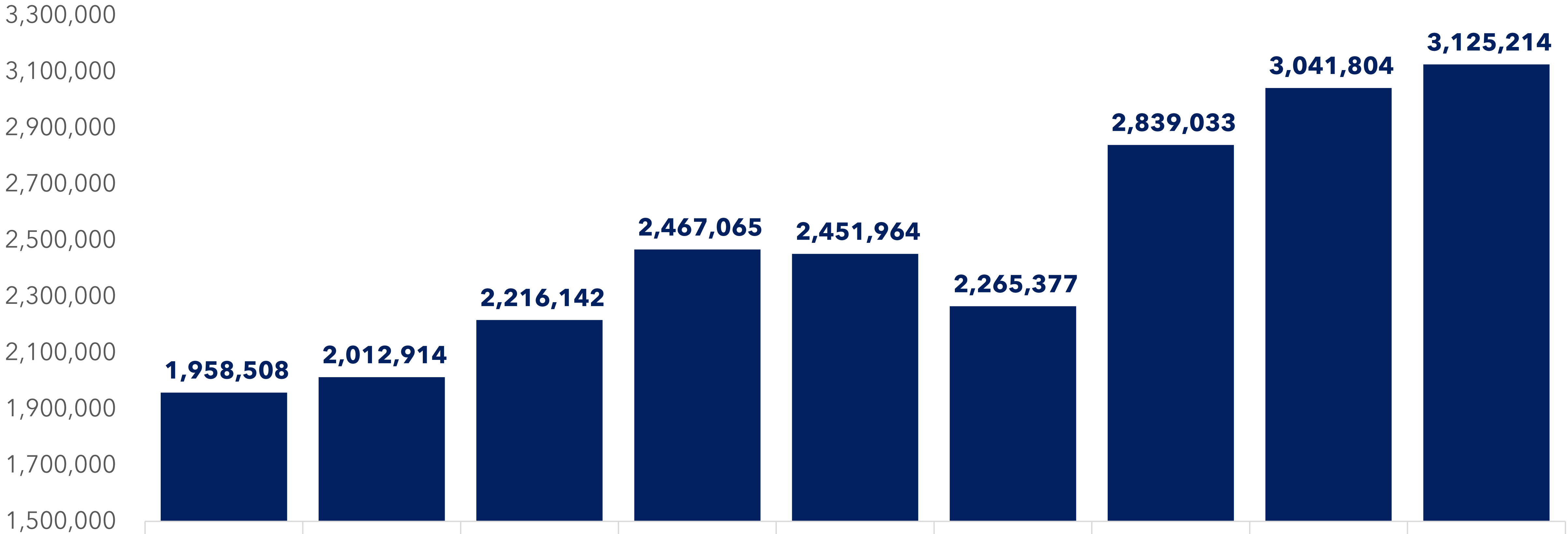


Source: USITC

2024 cumulative through March

Maritime import containers of Mexico in the Pacific region

2015-2023, TEUs
Share of total maritime import containers, in percentage
Annual growth, in percentage

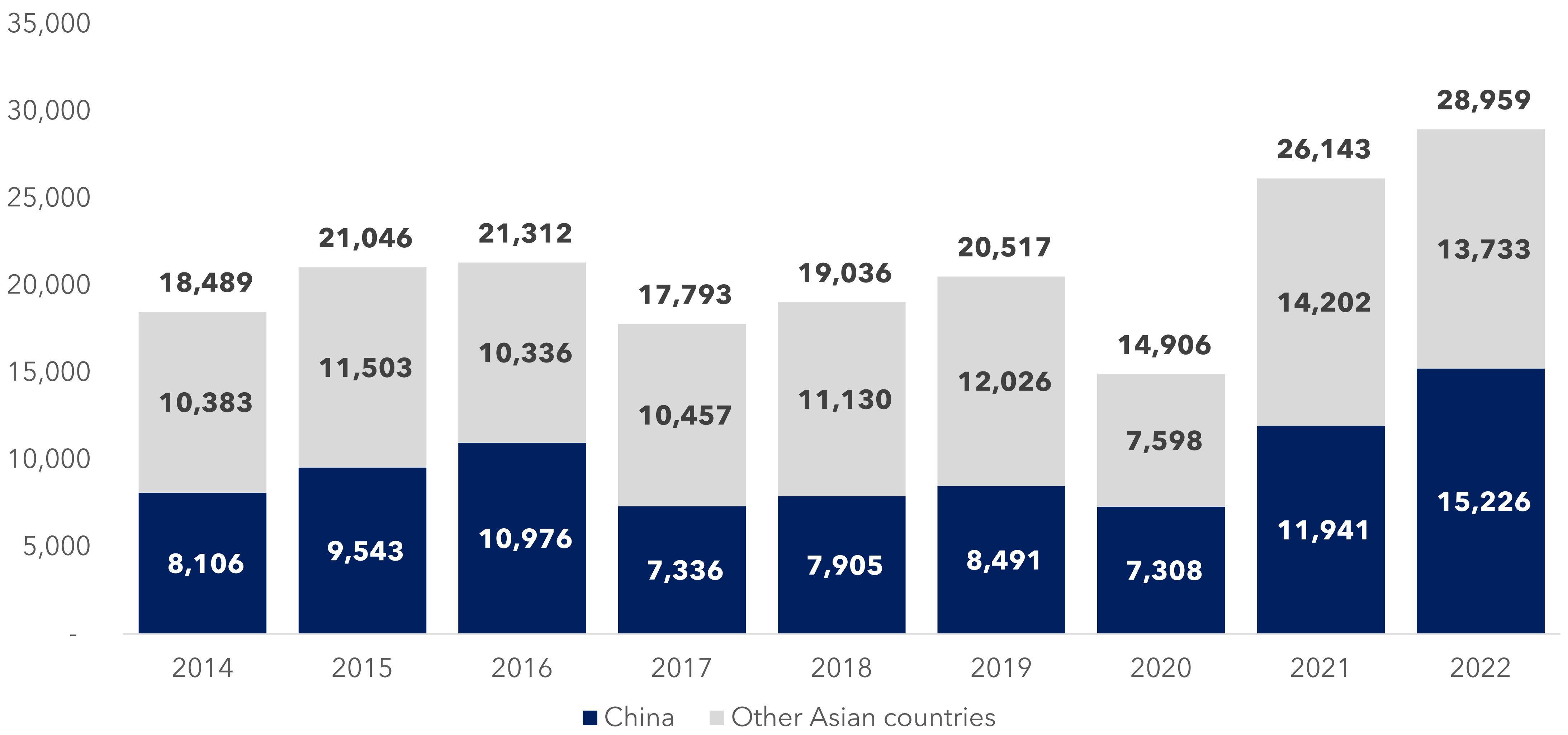


	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share	71.0	70.4	69.2	69.9	69.3	70.2	71.4	73.0	74.2
Annual growth		2.8	10.1	11.3	-0.6	-7.6	25.3	7.1	2.7

Source: SCT

Maritime imports of Mexico from Asia

2015-2022, thousands of tons



Source: SCT

Nearshoring
Key takeaways

Nearshoring Opportunities

- Mexico stands at a critical juncture with the potential to become a global leader in nearshoring. Leveraging its strategic location, skilled workforce, and favorable business climate, Mexico can attract international investment and drive economic growth. To capitalize on this opportunity, Mexico must address obstacles and create an environment that fosters innovation, productivity, and competitiveness.
- By investing in infrastructure, streamlining regulations, and promoting public-private partnerships, Mexico can become the preferred destination for companies optimizing their supply chains and tapping into the growing consumer market in the Americas. The surge in investment activity, evidenced by the growth in capital goods imports and investment announcements, highlights the confidence global businesses have in Mexico's potential. This analysis explores the compelling case for nearshoring in Mexico, emphasizing its potential as a leading destination for international investment and a driving force in global trade reconfiguration.

Transforming the Investment Landscape

- In 2023, Mexico's investment landscape underwent significant transformation, with investment contributing 24.9% to GDP, the highest in a decade. This surge underscores Mexico's growing attractiveness as a nearshoring destination. The increase in Gross Fixed Investment, highlighted by recent data, reflects the growing confidence of investors in Mexico's economic prospects.

Capital Goods Imports and Investment Trends

- The extraordinary surge in capital goods imports, exceeding 20% in 2023 and continuing into 2024, indicates a fundamental shift in the global manufacturing landscape. This growth signifies that companies are investing in expanding their production capabilities in Mexico, laying the foundation for long-term growth and competitiveness.

Global Investment Partners

- The United States was the dominant investor, accounting for 52% of total FDI, followed by Germany (9%) and Canada (8%). Japan, Argentina, Switzerland, South Korea, the Netherlands, and Spain also contributed, showcasing Mexico's diverse range of international investors.

Nearshoring
Key takeaways

Investment Announcements

- Between 2023 and Q1-2024, investment announcements in Mexico totaled $138.666 billion across various sectors, including utilities, logistics, retail, automotive, and industrial park development. These commitments reflect growing confidence in Mexico's economic future and its role in international trade.

Challenges and Opportunities

- While the increase in FDI is encouraging, FDI alone is an incomplete indicator of Mexico's investment landscape. It's essential to consider domestic investment, reinvestment, and contributions from the maquiladora sector. Policymakers and investors must take a holistic view to foster sustainable economic growth.

Mexico's Rising Prominence in U.S. Trade

- Mexico has emerged as the largest supplier to the United States, benefiting from global trade dynamics and geopolitical uncertainties. This shift is driven by companies seeking to mitigate risks and diversify their supply chains. Despite recent slowdowns in U.S. industrial production and negative import growth, Mexico has increased its market share, highlighting its role as a reliable trading partner.

Sectoral Diversity and Future Growth

- Mexico's gain in U.S. market share spans multiple industries, reflecting the complexity and diversity of its export matrix. The country is well-positioned to capitalize on nearshoring, with a sophisticated manufacturing sector and proximity to the U.S. market. Future growth is expected in agriculture, value-added manufacturing, and services sectors like information technology and financial services.

Trade Deficits and Nearshoring Penetration

- Changes in U.S. trade deficits with Mexico indicate nearshoring trends. As companies relocate production to Mexico, the U.S. trade deficit with Mexico is likely to increase, reflecting the importance of nearshoring in bilateral trade.

USMCA Sunset Clause and 2026 review

- Unlike other trade agreements, USMCA has a termination date:
- The Agreement "shall terminate 16 years after the date of its entry into force, unless each Party confirms it wishes to continue this Agreement for a new 16-year term" according to some procedures (Article 34.7: Review and Term Extension)
- Procedures for **joint review** and extension in 2026:
    - "On the sixth anniversary of the entry into force of this Agreement, the [Free Trade] Commission shall meet to conduct a **joint review** of the operation of this Agreement, review any recommendations for action submitted by a Party, and decide on any appropriate actions."
    - "Each Party shall confirm, in writing, through its head of government, if it wishes to extend the term of this Agreement for another 16-year period… …The Commission shall conduct a **joint review** and consider extension of this Agreement term no later than at the end of the next six-year period."
    - "If, as part of a six-year review, a Party does not confirm its wish to extend the term of this Agreement for another 16-year period, the Commission shall meet to conduct a **joint review** every year for the remainder of the term of this Agreement. If one or more Parties did not confirm their desire to extend this Agreement for another 16-year term at the conclusion of a given **joint review**, at any time between the conclusion of that review and expiry of this Agreement, the Parties may automatically extend the term of this Agreement for another 16 years by confirming in writing, through their respective head of government, their wish to extend this Agreement for another 16-year period."

USMCA Sunset Clause and 2026 review

- A **joint review** does not lead to a renegotiation, unless the three Parties agreed to such an action (Article 34.3: Amendments).
- The **joint review** refers to a survey, critical evaluation or a report on the operation of the USMCA. The review by itself is not a renegotiation.
- In the Spanish language "*revision*" can be either review or revise in the sense of to examine to amend something, to improve it or to update it. This has created confusion as the use of "*revisión*" is sometimes interpreted as implying reopening and renegotiation. **Lost in translation**.
- Any renegotiation of the USMCA would only occur -if at all- if the Parties agree to do it at any time, regardless of the **joint review**.