

# Mexico

## An overview on economy and business environment



Mexico is located in Central America, bordering the Caribbean Sea and the Gulf of Mexico, between Belize and the United States and bordering the North Pacific Ocean, between Guatemala and the United States. It is divided into 31 states, with Mexico City as the capital. Mexico has a free market economy and is the 11th largest economy. In the last 30 years, it has become increasingly oriented toward manufacturing with highly diversified and modern industries. Recent administrations have expanded competition in seaports, railroads, telecommunications, electricity generation, natural gas distribution, and airports, among others. Trade with the United States and Canada has nearly tripled since the implementation of the North American Free Trade Agreement (NAFTA) in 1994, renegotiated in 2018 and 2019 (being ratified by local Congresses).



Mexico has free trade agreements with over 50 countries, including the European Union (EU), Japan, and many other countries around the world, placing more than 90% of trade under free trade agreements. Mexico has been on a reform path for a number of years, privatizing, deregulating, and cutting back the role of government. Strengthening the rule of law, facilitating cross-border trade, opening most sectors to private investment, and enhancing intellectual property rights protection are good examples of the measures taken by Mexico to support its economic growth and development.

Mexico's current government has emphasized economic reforms, passing and implementing sweeping energy, financial, fiscal, and telecommunications reform legislation, among others, with the long-term aim to improve competitiveness and economic growth across the Mexican economy. Since 2015, Mexico has held public auctions of oil and gas exploration and development rights and for long-term electric power generation contracts.

Mexico has also issued permits for private sector import, distribution, and retail sales of refined petroleum products in an effort to attract private investment into the energy sector and boost production.

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The economic scenario, however, like many other countries has been strongly affected by the Covid-19 pandemic and the economy is set to suffer a deep recession this year. Between March and May 2020, more than one million jobs were lost across the country, according to official numbers.

The automotive sector, which forms the backbone of the country's manufacturing industry, collapsed by 99% in April as plants shut down operations. In addition to that, the impact of the measures, however, is thought to be much worse as Mexico has high numbers of people in the informal economy.

Mexico's unemployment rate remains steady at 3.3% and is expected to increase to 5.3% in 2020, due to the negative economic impact of the COVID-19 pandemic. Key challenges include also high dependence on the U.S. economy, high and rising criminality rates and income inequality.

Generally speaking, Mexico's economy is diversified, including hi-tech industries, oil production, mineral exploitation, and manufacturing. Agriculture accounts for 3.4% of Mexico's GDP and employs over 13% of the country's active population (World Bank, 2019). Mexico ranks among the world's largest producers of coffee, sugar, corn, oranges, avocados and limes. Cattle farming and fishing are also important activities in the food industry. Mexico is also the world's fifth largest producer of beer and its largest exporter.



The industry employs 26% of the workforce and represents nearly 30.9% of GDP, according to the World Bank. Mexico is among the world's leading producers of many minerals, including silver, fluorite, zinc and mercury. Moreover, oil and gas reserves are one of the country's most precious possessions. Mexico is a large producer of oil and the Mexican oil company PEMEX announced the discovery of a giant deposit equivalent to 500 million barrels of crude oil in December 2019. The aerospace sector has grown sharply, thanks to the development of a cluster in Queretaro and the presence of nearly 190 companies. Mexico is also one of the world's ten largest car producers. Due to significant real estate investments, the construction sector is dynamic.

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The service sector constitutes 60.1% of GDP and employs 61% of the workforce. The hi-tech, information and software development sectors are experiencing a real momentum, driven by the quality of the workforce, clusters and low operating costs that favors the creation of call centers. Specifically, medical services and tourism grow due to lower service costs than in other Western countries (in 2018, Mexico welcomed a record number of visitors, estimated at 41.4 million by the Secretariat of Tourism).

Mexico is highly dependent on foreign trade, which represented 77.6% of its GDP in 2018 (World Bank, latest available data).

Regarding export, the top exports of Mexico are Cars, Vehicle Parts, Computers, Delivery Trucks, and Telephones. The top imports of Mexico are Refined Petroleum, Vehicle Parts, Office Machine Parts, Cars and Computers. The top export destinations are United States, Canada, Germany, China and Japan while the top imports countries are United States, China, Germany, Japan, and South Korea.

Despite the current world crisis due to the Covid-19 pandemic, Mexico is still one of the world biggest economies and one of the main important business partners for most countries.

In order to establish profitable and long lasting relationship with Mexican companies, especially in the current world crisis situation, it is important to get business information from the most accurate and reliable sources.

Thanks to SkyMinder, it is possible to receive the most complete and updated credit reports on all Mexican companies thanks to the expertise of the local providers.



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It is important to know that Mexican companies are not required to file financial accounts with the company registry and they can be only collected through phone interviews with the company. In addition to this, in Mexico there is no national registry database, there are 32 States in Mexico with each State has their own databases and searching policies.

On SkyMinder, all reports on Mexico are freshly investigated and local provider analysts can access all States registries and are expert in collecting information through interviews.

That's why with the support of SkyMinder it is possible to get a better insight into business partners thanks also to the credit rating and credit opinion allowing you to prevent credit risk by carefully selecting your customers or suppliers.

All SkyMinder reports include the following information (if available at local sources):

- Complete company identification details: correct company name, address(es), contact details such as phone, fax, email, webs, etc.
- Company registration details: our local providers try to access local registries and to get registration number, company id, fiscal code, and any information that can be retrieved at the local registry
- Directors and company structure: board of directors, shareholders and related companies
- Financials: balance sheet and profit and loss (if companies is willing to disclose them during the interview).
- Credit rating and suggested credit limit
- Number of employees and activity details: sector and industry of the company, when possible also information on import and export activities.
- Negative information on the company
- Banks information

SkyMinder offers also the fastest delivery times, by ensuring the most accurate and updated credit report in a few working days. The reports are complete, updated and easy to read. Thanks to SkyMinder credit reports and the expertise of local providers, it is possible to establish safe and profitable business partnership with any Mexican company.

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