

# NEARSHORING:

## THE IMPACT ON FDI IN MEXICO



## Executive summary

*Nearshoring*—a strategy focusing on the relocation of essential production chains to nearby countries—is a trend that has grown in relevance over the last years as a proposal for supply and production chains to become more resilient globally. Given the geographic and trade partnership proximities with the United States and Canada, the trend offers a never-before-seen opportunity for Mexico to receive more foreign investment. However, two years into the rise of the production chain relocation tide, there is no clear pathway to measure its outcomes.

Estimating the impact made by the relocation of production chains through economic variables is difficult since this trend can be confused with other phenomena like economic recovery or global demand conditions. To address the issue, the *Instituto Mexicano para la Competitividad* (Mexican Institute for Competitiveness, IMCO), in collaboration with the Friedrich Naumann Foundation, analyzed the most recent Foreign Direct Investment (FDI) figures in Mexico and, based on more disaggregated data, identified changes that may be associated to the production chain relocation trend.

To achieve the above, several approaches were considered, including the geographic origin of FDI destined to Mexico, as well as information about the type of investment—new investments, reinvestments, or intercompany accounting.

In an effort to identify the changes produced by *nearshoring* more accurately, IMCO looked into information about FDI distribution across several economic industries in Mexico. Setting economic activities most closely linked to *nearshoring* aside from the rest allowed for a more realistic analysis of the impact made by this trend on the country's FDI inflow.

With that in mind, **57 industrial activities** were selected, which show changes in foreign investment inflow likely associated to relocation, given that these are the most deeply integrated activities in global production chains or hold potential to integrate these chains in the near future.

At the national level, research findings indicated that, over the first 9 months of 2023, foreign investment destined to the sectors related to *nearshoring* performed significantly better than in the rest of the economic sectors. Similar results can be observed at the local level in Aguascalientes, Mexico City and Nuevo León.

However, the analysis also highlighted disparities in the capacities of each state to join the production chain relocation trend and attract higher levels of investment. Veracruz and Oaxaca,

for instance, receive low FDI amounts and have seen declines in the inflow of resources related to relocation.<sup>1</sup>

Even when the production chain relocation trend is bolstering foreign investment in Mexico, regional gaps in the availability of economic opportunities persist. The results of this research underline that the boost brought about by *nearshoring* in Mexico is not generalized but is concentrated in states with more suitable conditions to attract investment—or that already receive a high proportion of the country's FDI flows.

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<sup>1</sup> The terms “*nearshoring*” and “relocation of production chains” are used interchangeably in this document.

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## 1. Nearshoring: A response to the international context

In recent years, several events at the international level have led transnational companies to rethink their global production strategies. The crisis resulting from the COVID-19 pandemic disrupted supply chains, as did the invasion of Ukraine by Russia and its impact on agriculture and energetic goods prices, and the commercial and political tensions between China and the United States, all of which encouraged *nearshoring*. This trend refers to a localization strategy consisting of the transfer of essential production chains, or part of them, to countries geographically nearby and with strong partnerships to bring closer the various stages of the production process and become more resilient under adverse and uncertain circumstances.<sup>2</sup>

Since Mexico is so geographically close to the United States and Canada, and so closely linked to them in terms of trade, production and labor under the USMCA legal framework, *nearshoring* offers a never-before-seen opportunity to receive higher foreign investment amounts attracted by the localization advantages that said proximity offers to companies. However, two years into the rise of the production chain relocation tide as a proposal to create more resilient value chains, there is no clear method to gauge the outcomes observed in Mexico.

## 2. Effects of nearshoring in Mexico

The efforts to measure changes in investment motivated by *nearshoring* face the challenge of differentiating the effects of this trend from other aspects such as economic activity recovery, the reestablishment of global value chain operations following negative impact since the pandemic, and global demand conditions, as well as FDI flows deriving only from organic trade growth.<sup>3</sup> An alternative to come closer to such measurement is to analyze Foreign Direct Investment (FDI) inflow data.

However, effects relating to changes so far induced by this trend in the Mexican economy are also reflected in indicators other than FDI inflow amounts or composition, such as new plans from transnational companies to invest in the country, or Mexico's growing importance as a goods provider to the United States.

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<sup>2</sup> Peter Enderwick & Peter J. Buckley, *Rising regionalization: will the post-COVID-19 world see a retreat from globalization?* Transnational Corporations Journal 27, No. 2 (2020).

<sup>3</sup> Banco de México (Banxico), *Opinión empresarial sobre el impacto de la relocalización de junio de 2022 a junio de 2023*, Reporte sobre las Economías Regionales Abril - Junio 2023. (Mexico, 2023).

## 2.1 Investment notifications

Interest in investing in Mexico has been increasing since 2021. Such interest has translated into an increase in the number of investment projects notifications—according to notification monitoring efforts carried out by Deloitte, more than a hundred new projects have been notified over the past 3 years, corresponding to approximately 33 million dollars. These notifications have been made by companies specifying that the upscaling of their operations in Mexico or their investment in the country, is intended to take advantage of *nearshoring*.<sup>4</sup>

According to the consulting firm, although most of those projects are still at the notification stage (44%), one third is already underway, while another 24% are under construction. These figures indicate that, if the projects materialize, the greatest investment disbursements ever witnessed by Mexico will occur in the next few years. The increase in the number of notifications is mainly due to U.S. companies already operating in Mexico and planning to scale up their capacities, as well as to Asian companies looking to make their way into value chains and access the benefits enjoyed by Mexico thanks to the Trade Agreements in which it participates.

One of the most significant investment notifications in terms of resource amounts to be invested was that made in early 2023 by Tesla, which announced the construction of its first electric vehicle production plant in Latin America in the state of Nuevo León. Although the project has not yet materialized,<sup>5</sup> the investment is estimated to possibly reach 15 million dollars<sup>6</sup> over its first 2 years of operation. Among the main reasons to select Nuevo León to establish the new Tesla plant is its proximity to the United States—its main market—, and Texas in particular, where it will restock on lithium batteries.

In addition to U.S. companies, major investment projects have been notified by Chinese companies like Asiaway Automotive, which in mid-2023 announced the construction of a new plant to produce motor vehicle components in San Luis Potosí.<sup>7</sup> The first phase of that plant—which involved a 41.4 million dollar investment in 2023—is already underway, and a second phase is intended to take place in the next few years.<sup>8</sup>

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<sup>4</sup> Deloitte, *Nearshoring in Mexico. A path to consolidate* (Mexico, 2023).

<sup>5</sup> El Financiero, Tesla aún no irá a 'toda velocidad' con planta en México: Musk (18 October 2023).

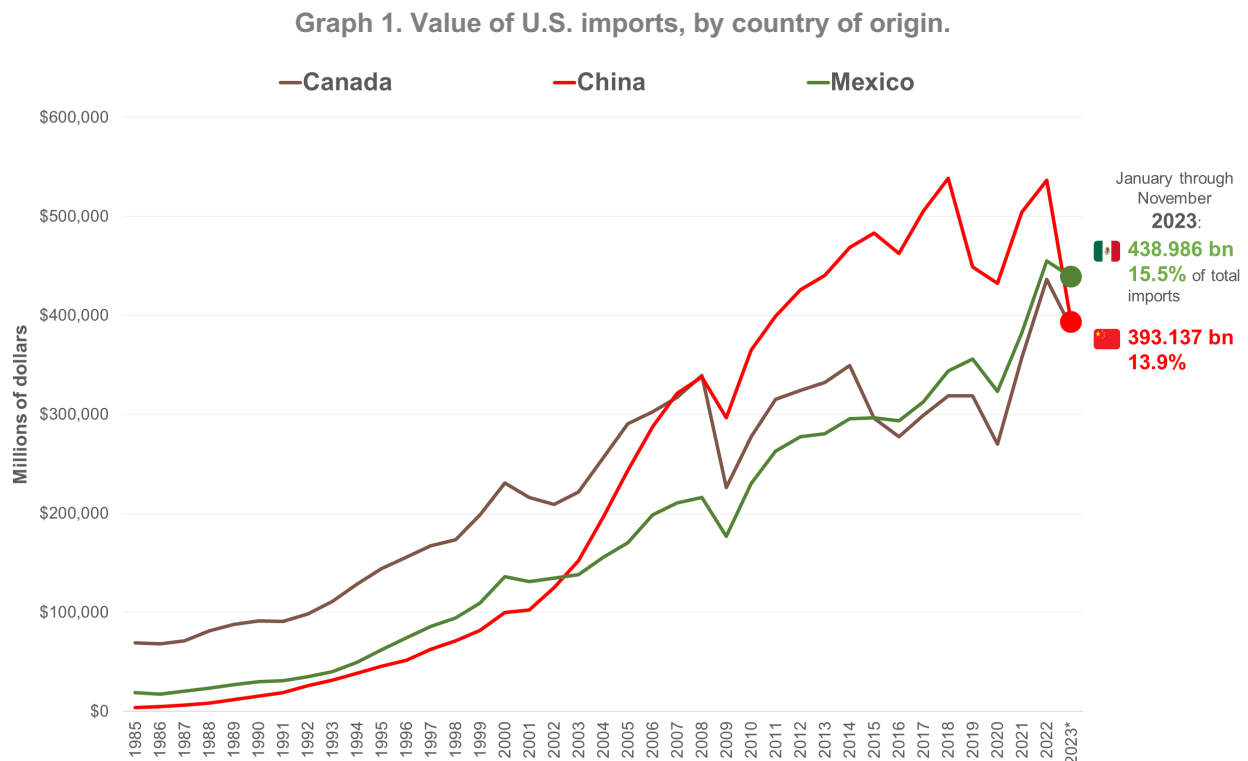
<sup>6</sup> Banorte, "Principales indicadores Económicos del *Nearshoring*" (retrieved 18 January 2024).

<sup>7</sup> Luis Miguel González "*Nearshoring: el misterio de la inversión china en México, ¿hay subregistro?*", *El Economista* (21 November 2023).

<sup>8</sup> Cluster Industrial, Asiaway inaugura su planta en San Luis Potosí y anuncia expansión por 372.6 MDD (21 June 2023).

## 2.2 Increase in the supply of Mexican products to the United States

Another element related to *nearshoring* is the increase in trading activities between Mexico and the United States and, in particular, in Mexico’s relevance as its main trade partner supplier. Between January and November 2023, Mexico became the United States’ main import supplier for the first time in almost 40 years. In that period, 15.5% of U.S. imports came from Mexico, surpassing the participation of China (13.9%), which had been the United States’ main supplier since 2009.<sup>9</sup>



Source: Made by IMCO based on data from the U.S. Census.

In light of intensifying commercial tensions between China and the United States, Mexican products have gained participation in the U.S. market; given that *nearshoring* is related to the motivation held by several companies to transfer manufacturing operations to Mexico in recent years—including Chinese companies—the participation increase also relates to the trend.

Although the variables mentioned are useful to identify initial *nearshoring* effects, it may be too soon to observe this trend’s overall effect on the Mexican economy. In that sense, Kearney

<sup>9</sup> Own computations based on data from the [United States Census Bureau](https://www.census.gov).



pointed out in his report “Annual Reshoring Index 2022” that a “first wave” in *nearshoring* is currently taking place, where existing manufacturing foundations are being used to increase production levels.<sup>10</sup>

### **2.3 Increasing demand in the construction sector**

Possible benefits from *nearshoring* in Mexico go beyond greater FDI attraction or the increase in exports sent to the United States. Some economic sectors may benefit indirectly through an increase in the demand for goods and services coming from U.S. based companies, foreign companies that transferred their operations to Mexico, or Mexican companies benefiting from these dynamics.<sup>11</sup>

A remarkable increase in demand has been observed in the construction sector, for instance, partly motivated by new industrial park development projects in states like Nuevo León, aimed at relocating Asian company suppliers to U.S. and Canadian companies. Over the first 10 months of 2023, the gross fixed investment indicator for non-residential construction grew at an average annual rate of 39% each month—the fastest pace in record over a similar period since 1996.<sup>12</sup>

## **3. Foreign Direct Investment as a tool to measure the impact of *nearshoring***

Although other economic variables linked to the relocation of production chains like the ones mentioned above exist, disaggregated FDI data in Mexico (whether by region, by sector, or by type) allows for the identification—at least partially—of changes that may be associated to that trend.

Among the various FDI types, new investments are most closely linked to *nearshoring*, since they consist mainly of initial investments made by companies upon their establishment in Mexico—including fixed assets and working capital investments<sup>13</sup>—which can be a result from the transfer of production plants from nearby countries to the region. From 2018 to 2020, new investments were the second largest component in FDI inflow to Mexico and became the largest component in 2021 and 2022 by accounting for 47% of the total foreign investment in the past 2 years.

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<sup>10</sup> Kearney. *America is ready for reshoring. Are you?* Annual Reshoring Index (2022).

<sup>11</sup> Banxico, *Opinión Empresarial sobre la Relocalización de las Empresas hacia México* (Mexico, 2022).

<sup>12</sup> Own figures based on gross fixed investment data published by National Institute of Statistics and Geography (INEGI).

<sup>13</sup> CNIE, *Informe estadístico sobre el comportamiento de la Inversión Extranjera Directa en México (enero-diciembre de 2022)*. (Mexico, n.d.)

However, this type of investment accounted for only 9% of FDI inflow over the first 9 months of 2023.

On the other hand, another type of FDI possibly related to relocation—although more indirectly—is utility reinvestment. This investment consists of utilities used to increase capital owned by foreign investors.<sup>14</sup> In that sense, utility reinvestment may be related to the increase in the production of foreign companies located in Mexico by making use of previously installed capacities, to enhance their participation in North American end markets.<sup>15</sup> Almost one half (46%) of FDI inflow to Mexico from 2018 to 2022 was related to utility reinvestment, while its figure over the first 3 trimesters of 2023 was 76%.

The third FDI type reported by the Secretariat of Economy is intercompany accounting. Investment under this label comprises transactions originated by debts between companies established in Mexico and other linked companies based abroad, that is, belonging to a same corporate group. Intercompany accounting was the smallest component between 2018 and 2022, accounting for 15% of the total FDI, whereas it was the second largest component over the first 9 months of 2023 by reaching 16%.

Although approaching FDI by types of investment allows for the identification of various sources corresponding to the economic resources that Mexico receives from foreign investors, that information includes amounts at the aggregate level. Figures divided by new investments, utility reinvestment or intercompany accounting do not include data breakdowns enabling the identification of sectors to which each type of investment is destined, so evaluating the impact of *nearshoring* through their analysis has its limits.

However, information about FDI in Mexico provided by the Secretariat of Economy includes two types of disaggregation that enable the recognition of possible changes in trends due to *nearshoring*—by country of origin and by state. In the first case, the information at hand enables the access to information about investment types by country, as well as data on the resources destined to economic sectors at the aggregation level.<sup>16</sup> In the second case, in addition to including information about investment types in states, it is also possible to make a more granular

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<sup>14</sup> CNIE, *Informe estadístico*, 8.

<sup>15</sup> Banco de México (Banxico), *Opinión Empresarial sobre la Relocalización de las Empresas hacia México*, Reporte sobre las Economías Regionales Abril - Junio 2022. (Mexico, 2022).

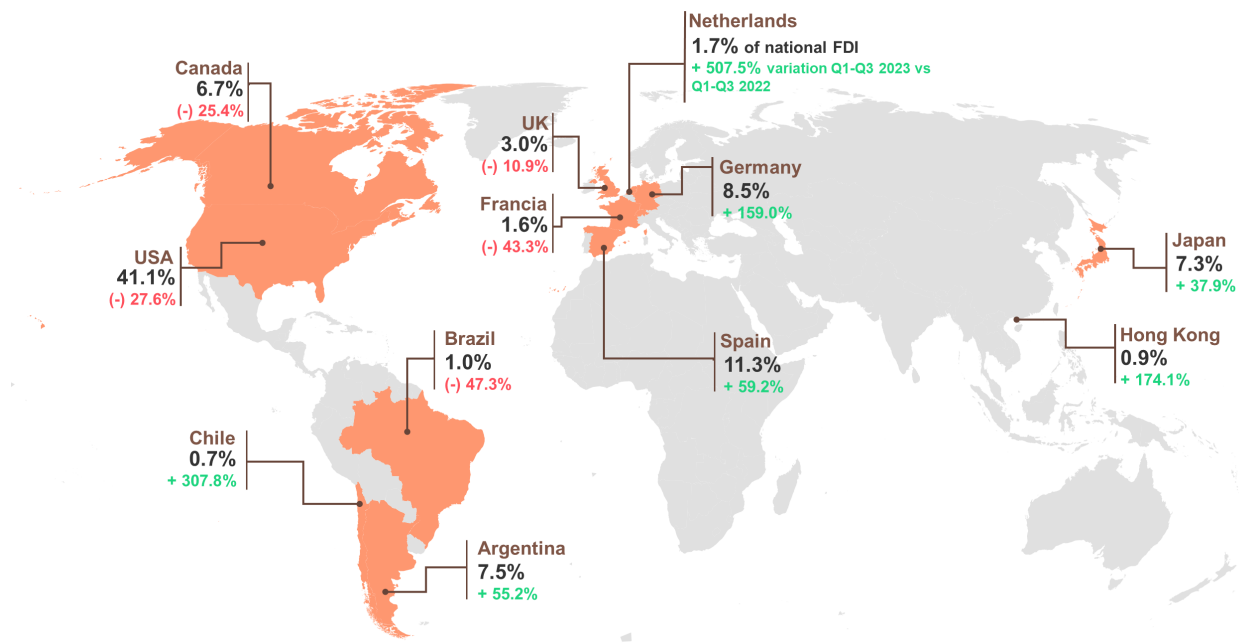
<sup>16</sup> Although figures from the Secretariat of Economy include four-digit disaggregated information about economic activities based on the North American Industry Classification System (NAICS), figures are often classified as Confidential, which is why it is necessary to use information at the aggregation level (2 or 3 digits).

distinction of resource destination, which allows for the identification of data corresponding to the sectors linked to the relocation of production chains and for a more precise analysis of their performance.

#### 4. The shift in FDI directed to Mexico

Investment transfer to countries geographically closer to target end markets is an important *nearshoring* element, which makes Mexico an attractive destination given its proximity to the United States. In that sense, taking into account FDI outflow countries over the period of interest and identifying those with greater recent growth also helps contextualize FDI changes produced by relocation.

**Map 1. Main foreign investors in Mexico.**  
Total FDI weight and annual growth rate over the first 9 months of 2023.



Source: Made by IMCO based on data from the Secretariat of Economy.

While the United States remains the main investor in Mexico, participation from other countries like Japan, Chile and Hong Kong has grown faster in recent years than that of the United States.

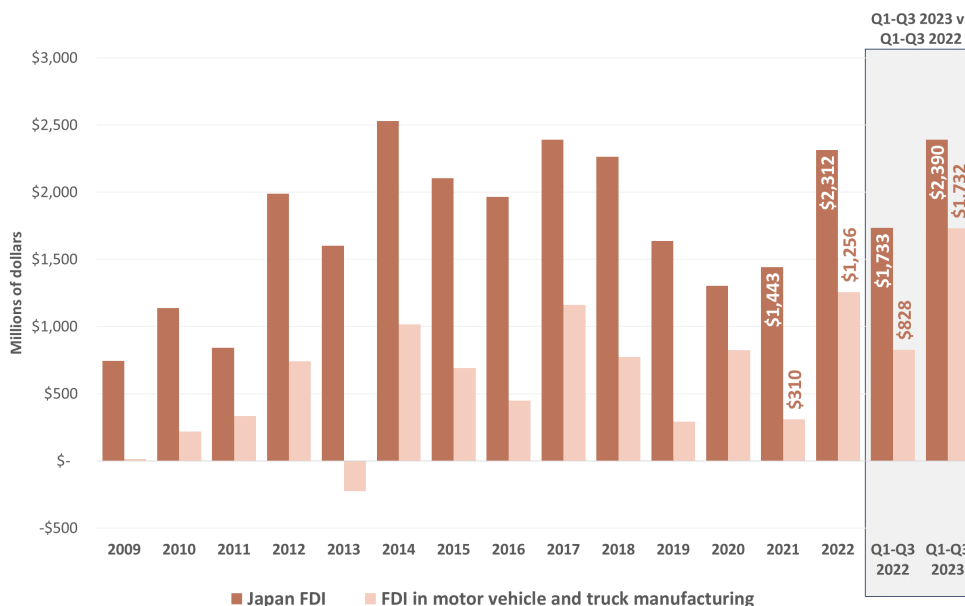
### 4.1 Japan

During the 5 years prior to the beginning of the pandemic, FDI from Japan decreased at an annual average rate of (-)7%. However, positive annual growth rates of up to 60% have been registered since 2021.

In the first 9 months of 2023, Japanese FDI in Mexico rose to 2.389 billion dollars, a sum 38% higher than the sum registered over the same period in 2022. Given this growing dynamism, Japan has gained importance as investor in the country, accounting for nearly 7% of FDI inflow nationwide over the first 9 months of 2023, in contrast with 5% in 2019.

Japanese FDI performance has been boosted by resources destined to motor vehicle and truck manufacturing in Mexico, which accounted for 72% of the performance over the first 9 months of 2023; in that period, that sum doubled when compared to the same period in 2022.<sup>17</sup> Another sector of less weight in Japanese FDI, but that also saw a high increase in investment over the first 3 trimesters of 2023, was household appliance manufacturing, with an annual 207% increase.

**Graph 2. FDI performance from Japan.**  
Million dollars. Updated figures.



Source: Made by IMCO based on data from the Secretariat of Economy.

<sup>17</sup> The body of this text always shows the most updated figures as of the third semester of 2023, since those figures allow for the analysis of details at the country of origin, State and sector levels. The annual growth rate between that accumulated over the first 9 months of 2023 and that of 2022 is calculated by comparing preliminary data from 2023 with updated data from 2022, owing to data availability.

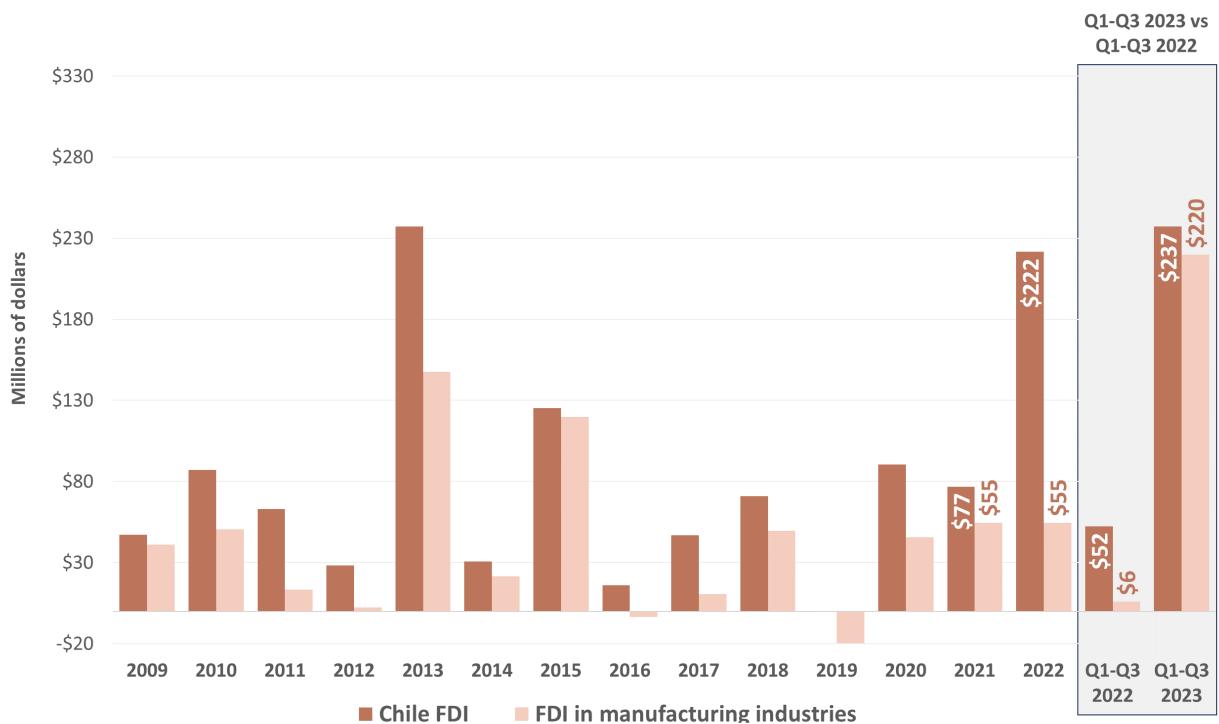
Regarding the composition of Japanese FDI in 2023, 58% is made up of intercompany accounting, 40% of utility reinvestment, and only 2% of new investments.

### 4.2 Chile

Chile’s participation as an investor in Mexico has also considerably increased, even though the weight proportion of Chilean FDI in the country’s total FDI remains low (less than 1% in 2023). From January through September 2023, Mexico received 237 million dollars from Chile—almost 5 times higher than the 52 million dollars captured that same period in 2022. Such increase in Chilean FDI was mainly motivated by resources destined to wholesale trading and manufacturing industries.

FDI coming from Chile is mainly made up of intercompany accounting—which accounted for 58% of the total in the first 9 months of 2023—and utility reinvestment (40%), while new investments registered the lowest participation (2%).

**Graph 3. FDI performance from Chile.**  
Million dollars. Updated figures.



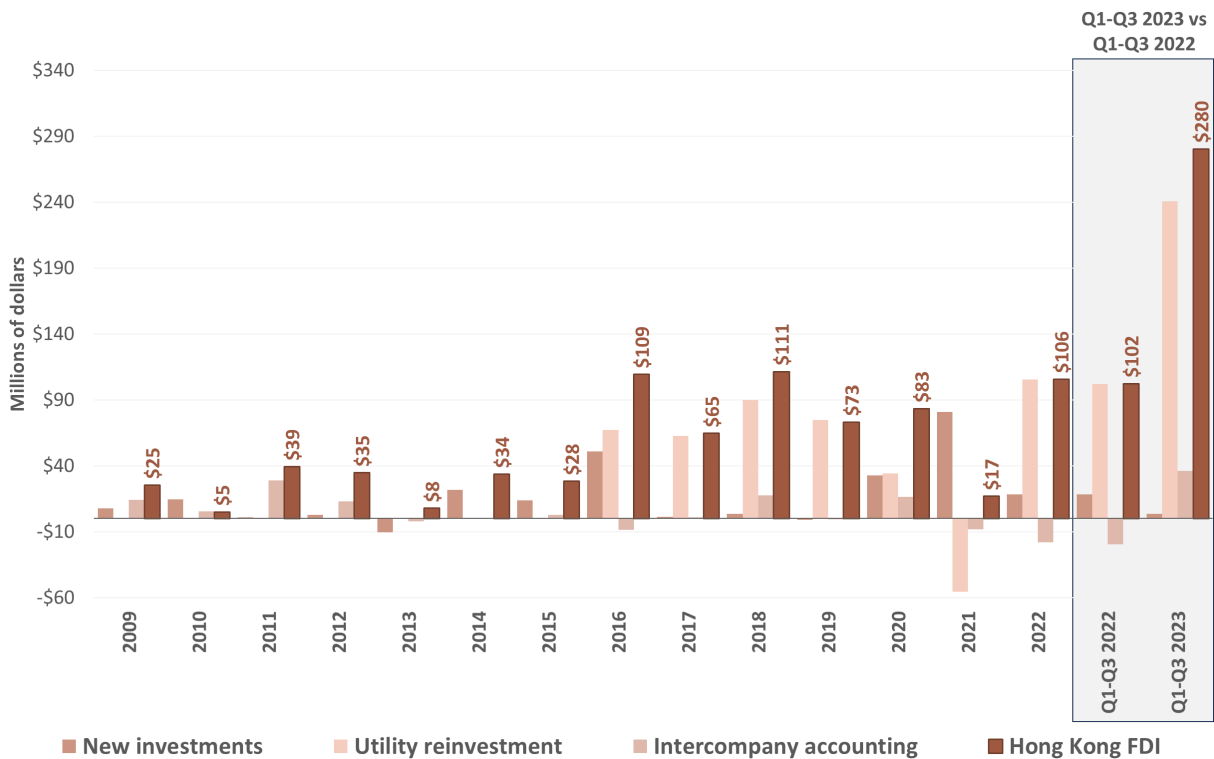
Source: Made by IMCO based on data from the Secretariat of Economy.

### 4.3 Hong Kong

Hong Kong is another country whose investors have increased their presence in Mexico in the past few years—it went from accounting for 0.2% of FDI inflow to Mexico in 2019, to nearly 1% in 2023.

Most of the investment activity made by Hong Kong in Mexico is destined to transportation related services. As for the type of investment, this is mainly utility reinvestment, accounting for 86% of the total in the first 3 trimesters of 2023; 13% is related to intercompany accounting and only 1% to new investments.

**Graph 4. FDI performance from Hong Kong.**  
Million dollars. Updated figures.



Source: Made by IMCO based on data from the Secretariat of Economy.

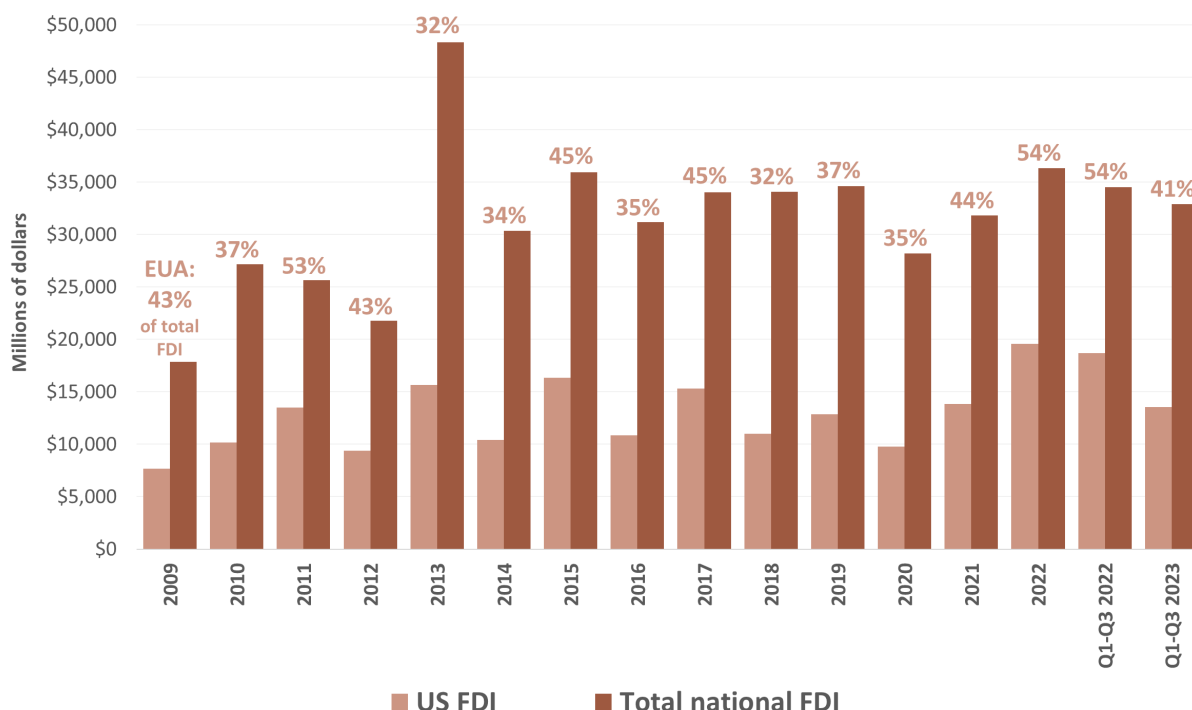
### 4.4 United States

Finally, resources coming from U.S. investors remain the main source of FDI at the national level—they accounted for 41% of the total over the first 9 months of 2023. However, U.S. FDI fell by (-)28% annually by the third trimester of 2023, indicating reduced participation compared to the same period in 2022, when it accounted for 54% of the total.

Despite its recent slowdown, investment from the United States has considerably increased in certain sectors, such as commercial bank services and motor vehicle and truck manufacturing. In the former, investment went from 1.439 billion dollars over the first 9 months of 2022, to 3.087 billion dollars over the same period in 2023; in the latter, investment went from 1.475 billion dollars to 2.152 billion dollars in that period.

**Graph 5. FDI performance from the United States.**

Million dollars. Updated figures.



Source: Made by IMCO based on data from the Secretariat of Economy.

### 5. FDI performance from nearshoring

Although breaking data down by type of investment does not display information by sector, national and state FDI figures contain information on the type of economic activity to which each investment is destined. Given the extent to which certain Mexican economic sectors have integrated global production chains (mainly with the United States),<sup>18</sup> evaluating FDI changes in each sector is useful to identify changes deriving from the relocation of production chains. Setting

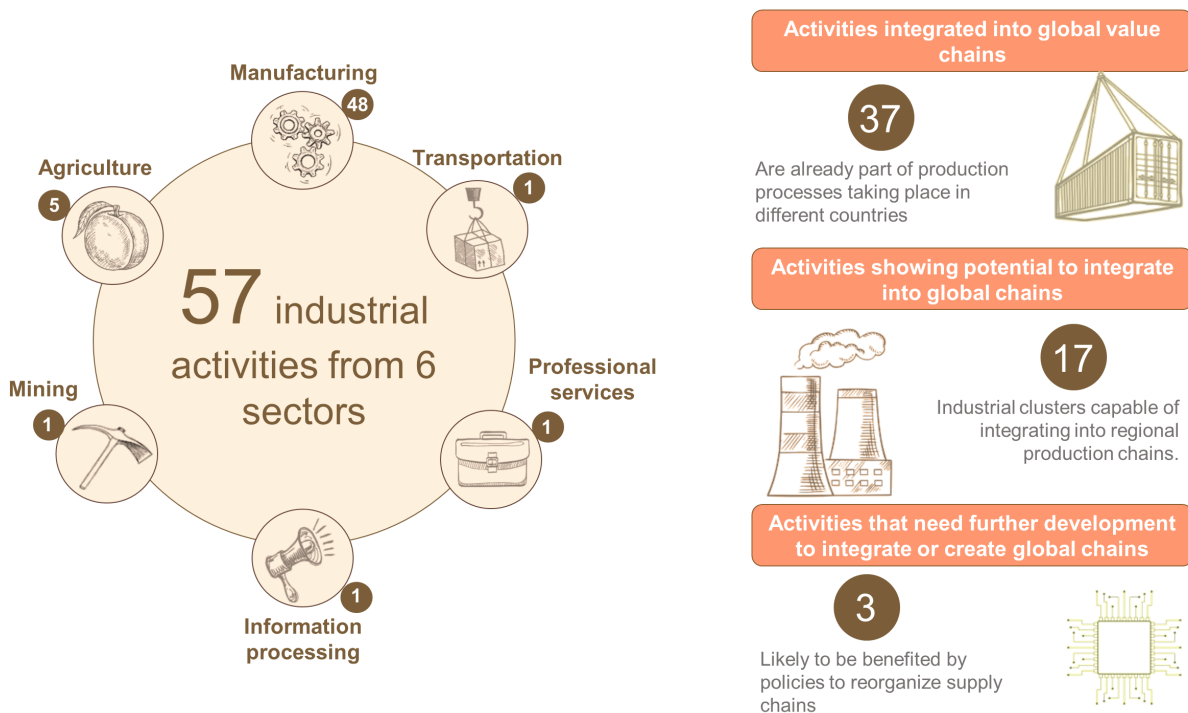
<sup>18</sup> Banco de México (Banxico), *La Importancia de las Cadenas Globales de Valor en México y Estados Unidos*, Reporte sobre las Economías Regionales Octubre - Diciembre 2016. (Mexico, 2017).

those sectors most closely linked to *nearshoring* aside from the rest allows for a more realistic analysis that allows us to gauge the impact made by this trend on the country’s FDI inflow.

### 5.1 Selecting those economic activities most closely linked to nearshoring

In this study, a set of 57 industrial activities were selected based on the possible association of their changes in the reception of foreign investment with *nearshoring*, whether because those activities are most closely linked to global production chains, because they integrated those chains, or because of their potential to integrate them in the future.<sup>19</sup> Together, these activities accounted for 14% of the national GDP in 2021 and captured 23% of FDI inflow in 2022.<sup>20</sup>

Figure 1. Selected economic activities associated with *nearshoring*.



Source: Made by IMCO.

Based on this selection of industrial activities, an analysis of FDI inflow between 2022 and the first 9 months of 2023 was carried out, comparing it with the trend observed in years previous to

<sup>19</sup> Industrial activities correspond to four-digit disaggregation according to the North American Industry Classification System (NAICS). This is the highest disaggregation level under which the Secretariat of Economy presents FDI data.

<sup>20</sup> Table 1 in this document’s methodological annex displays the detailed list of industrial activities selected for this research.



the beginning of the pandemic.<sup>21</sup> This process allowed for the identification of the investment change that may be associated with *nearshoring*, both nationwide and in major FDI receptor States.

### 5.1.1 Sectors integrated into global value chains

Most industrial activities included in this study are in sectors which have integrated global value chains, where production is part of a set of related activities carried out in different countries and, as a result, is exported. In total, these activities account for 37 of the 57 activities associated with *nearshoring*.<sup>22</sup>

The criterion used in this research to determine whether an industrial activity was integrated into global chains was based on the value added in exports generated by each activity as a proportion of its manufacturing production—all activities where the value added in exports accounted for more than 11% of the total production (the average for all manufacturing activities) were considered as having integrated into global value chains.<sup>23</sup> Most of these activities are part of the manufacturing industry, relating to machinery and equipment manufacturing; computer equipment and electronic product manufacturing; electrical appliance manufacturing; and transportation equipment manufacturing.

### 5.1.2 Sectors showing potential to join nearshoring

On the other hand, other industrial activities joined the list of sectors linked to *nearshoring* based on information from *Banco de México* (Bank of Mexico) and the *Consejo de Empresas Globales* (Executive Board of Global Companies; CEEG) about sectors showing potential to join the relocation trend and toward a better integration of production chains.

According to the *Encuesta Mensual de Actividad Económica Regional* (Regional Economic Activity Monthly Survey; EMAER) carried out by Banxico, 9.3% of companies with more than 100 employees nationwide benefited from *nearshoring* between June 2022 and June 2023 thanks to FDI reception or to greater demand of its goods and services. The proportion of companies that

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<sup>21</sup> The set of 57 industrial activities only included those having enough FDI inflow information over the same period of study, whether at the national level or for each federate State analyzed.

<sup>22</sup> This research considered an industrial activity having integrated global value chains if it registered a value added in global manufacturing exports as a proportion of its total manufacturing production higher than 10% in 2021, based on data from INEGI (the average for all manufacturing activities was 10.1%).

<sup>23</sup> This criterion was determined based on the study by Banxico, “Opinión Empresarial sobre la Relocalización de las Empresas hacia México”, Reporte sobre las Economías Regionales Abril - Junio 2022. This research used figures from INEGI’s Value Added in Global Manufacturing Export for 2021.

benefited from FDI in the global chain integrated sector was 18.1%, a higher proportion than in the rest of the manufacturing (4.2%) and non-manufacturing (8%) sectors.<sup>24</sup> These figures show greater potential for the relocation of production chains in sectors that have so far shown an inclination toward productive fragmentation.

Besides those activities that have already integrated global value chains, there are other activities showing potential to integrate them, especially in North America. The CEEG has identified industrial clusters or groups of companies and institutions in Mexico, the United States and Canada that have opportunities to complement each other in the region. In the case of Mexico, the Center pinpointed activities related to the manufacturing of household appliances, forging and stamping, medical equipment and supplies, CNC machinery, audio and video equipment, metallic mineral extraction, leather and hide tanning and finishing, computer manufacturing, and communications equipment.<sup>25</sup>

On the other hand, the CEEG identified some sectors increasingly in demand over the past years, where development will be essential to framing a strategy aiming at deepening economic integration and increasing regional competitiveness. Such sectors include information and communications technology, renewable energy, food and beverages and biotechnology and health, as well as advanced manufacturing (especially that related to semiconductors).

The observations made by Banco de México and the CEEG were taken into consideration to add 17 activities linked to *nearshoring*, related to agriculture, mining, the food industry, the beverage and tobacco industry, the chemical industry and metallic products and household appliance manufacturing, among others.

### **5.1.3 Sectors showing potential to benefit from public policy and stimuli**

Lastly, the analysis included economic sectors considered priorities in the North America region, especially within the production chain strengthening and relocation context. To that end, the study took into account the recent implementation in the United States of public policies directed toward the reorganization of certain global supply chains through the increase of production capacities in sectors considered strategic, and a reduction in supplies coming from other countries, like China.

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<sup>24</sup> Banco de México (Banxico), *Opinión empresarial sobre el impacto de la relocalización de junio de 2022 a junio de 2023, Reporte sobre las Economías Regionales Abril - Junio 2022*. (Mexico, 2023).

<sup>25</sup> Consejo de Empresas Globales (CEEG) "Cómo aprovechar esta oportunidad única e histórica para México y la región" *Hacia una estrategia efectiva de relocalización de nuevas industrias en Norteamérica* (Mexico, n.d.)

In that context, *reshoring* has emerged in the United States as a business strategy consisting of bringing back the production of goods which had previously moved to Asian countries with lower production costs to the country.<sup>26</sup> The Executive Order signed in February 2021 in the United States on its supply chains, for instance, dictates that priority will be given to the manufacturing of semiconductors, advanced packaging tools, high-capacity batteries—such as those for electric vehicles—, minerals and critical materials, and active pharmaceutical ingredients, among others.<sup>27</sup>

*Nearshoring* has come along as a similar trend, focused on the North America region and not only on the United States. *Nearshoring* may be a viable alternative for companies to get established in places close to that country, but where they face lower production costs, affordable transportation costs and access to suppliers.<sup>28</sup>

Furthermore, during the High-Level Economic Dialogue which took place in September 2021, a bilateral agreement between Mexico and the United States was reached with a goal similar to the strengthening of production chains. One of the pillars of this agreement is “Building back together”, and sets “strengthening existing and new supply chains” in the region as a priority. The agreement puts forward the coordination of actions leading to the mitigation of disturbances in critical industry supply chains, as well as to matching supply chain needs in both countries and attracting investment.<sup>29</sup>

Owing to the economic integration between Mexico and the United States, such actions are expected to bolster investment attraction toward certain sectors that have not yet integrated global value chains or still lack potential to do so, but that will benefit from stimuli implemented in the region. For those reasons, this study added to its list 3 more industrial activities, related to chemical product manufacturing, warehousing and storage services, and specialized design.

In that way, the set of 57 industrial activities used in this research was selected based on their relation to global supply chains and, in that sense, their higher probability to receive more foreign investment through *nearshoring*.

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<sup>26</sup> Kearney. *America is ready for reshoring. Are you?* Annual Reshoring Index (2022).

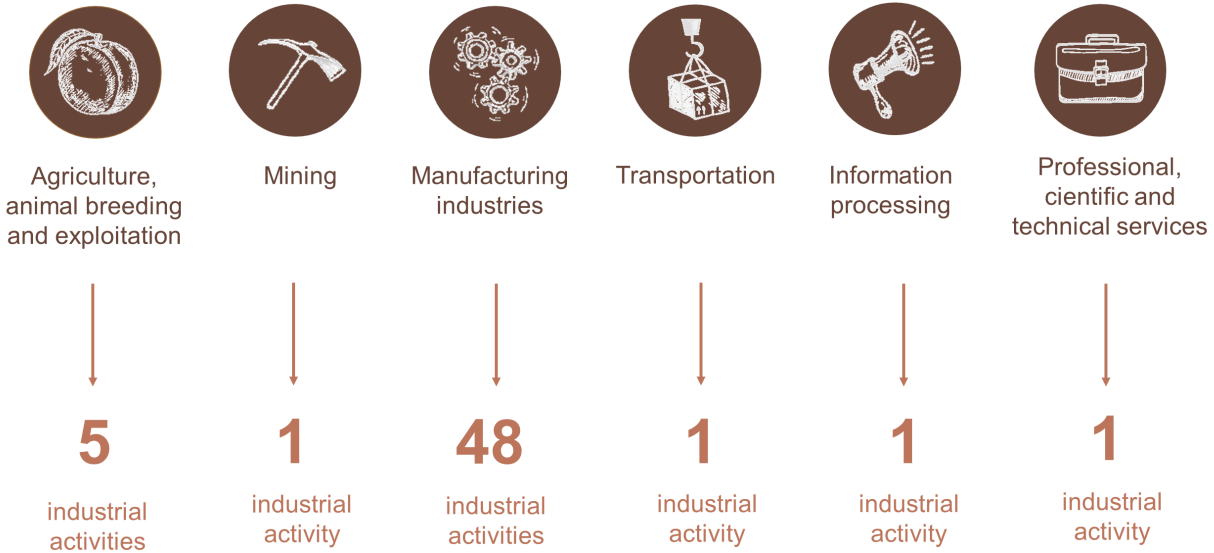
<sup>27</sup> The White House, *Executive Order on America's Supply Chains* (USA, 2021).

<sup>28</sup> WEF, *Qué es offshoring, nearshoring y reshoring - y cómo se beneficia un estado en México*. (2023).

<sup>29</sup> Celso Garrido, *México en la fábrica de América del Norte y el nearshoring* (Mexico City: ECLAC, 2022)

**Figure 2. Industries associated with *nearshoring*, by economic sector.**

Those activities most closely linked to *nearshoring* are part of **6 industrial sectors**:



Source: Made by IMCO

### 5.1.4 Sectors not related to nearshoring

There are other economic sectors that have attracted considerable FDI sums over the past years, such as financial and insurance services; information in mass communication media; transportation; temporary housing services; and electric energy, water and gas generation and distribution. Together, these sectors captured about 40% of FDI inflow to Mexico between 2018 and 2022.

Although these sectors may receive some boost from relocation, foreign investment growth dynamics targeting them in recent years are less directly associated with *nearshoring* because these activities are less linked to global value chains and have not been included in governmental strategies to create new chains. For those reasons, the sample used in this study did not include activities from these sectors.

### 5.2 National level performance

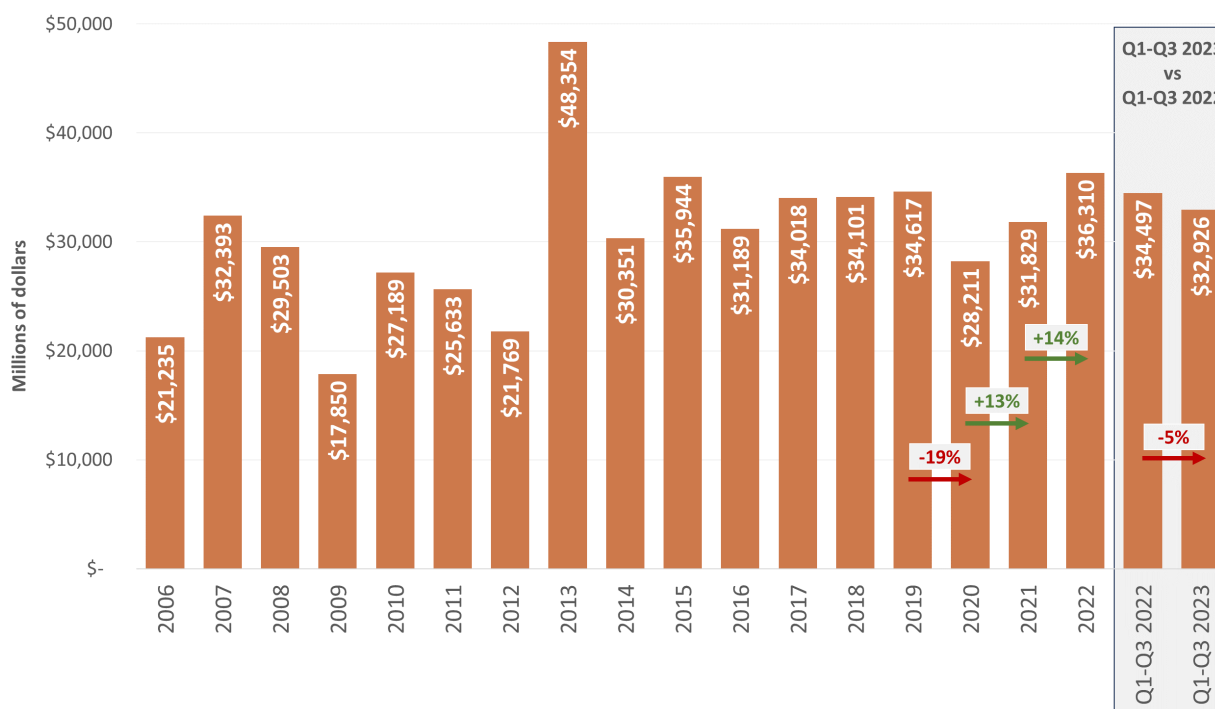
Once the list of sectors most closely linked to the relocation of production chains was established, the analysis to determine their FDI contribution was carried out. To examine their impact, it is necessary to look into FDI performance over 3 periods: the decade prior to the economic and

health crisis (2010-2019), the crisis’s initial impact (2020) and the recovery and post-pandemic period (2021-2023).

Comparing FDI growth rates observed between 2010 and 2019 with those observed in the post-pandemic period allows for the identification of possible change inceptions in the total FDI and in the sectors related to *nearshoring*. In particular, FDI performance in 2022 and the first 9 months of 2023 is relevant, since it represents foreign investment inflow in the years following the production chain relocation growing trend.

Prior to the period impacted by the pandemic, FDI inflow increased at an average annual 13% (between 2010 and 2019). Years of outstanding performance included the 2010 annual increase —52%—and that observed in 2013—122%. In 2013, the investment flow destined to the beverage industry grew 24 times compared to the investment observed in 2012 and accounted for one third of the total FDI that year, resulting in the highest annual sum ever recorded in the historic FDI series.

**Graph 6. FDI performance at the national level.**  
 Million dollars. Updated figures.



Source: Made by IMCO based on data from the Secretariat of Economy.

Afterward, FDI registered an annual increase above 9% in 2015 and 2017, and more moderate rates below 2% in 2018 and 2019. In 2020, the change in investment patterns at the global level

prompted by the pandemic impacted FDI inflow to Mexico; the inflow dropped down to 6.406 billion dollars compared with 2019, and was 19% lower than the inflow observed that year.

Recovery started in 2021, when the reactivation of the economy led to an annual 13% growth, a figure not high enough to compensate for the fall registered the previous year. By 2022, FDI grew at an annual 14%, thereby surpassing the level registered in 2019, prior to the pandemic.

The uptrend observed in 2021 and 2022 has not yet surfaced in the first 9 months of 2023—when comparing figures from 2023 and 2022, a (-)5% annual decrease can be observed.

However, performance varies among the country's different FDI receptor sectors. Between January and September 2023, the sectors related to *nearshoring* at the national level registered an annual 47% FDI increase—15 billion dollars in FDI were directed toward those sectors, whereas the sum received in 2022 that same period was 10.5 billion dollars.<sup>30</sup> Performance over the first 9 months of 2023 occurred after a fall in FDI received by *nearshoring* sectors in 2022, when the annual rate was (-)33% vis-à-vis the sum received in 2021. Regarding the 2010-2019 decade, the FDI annual growth average rate in those sectors was 22%, so the performance level observed over the first 9 months of 2023 surpasses it as well.

By contrast, FDI received by sectors not linked to *nearshoring* saw a decrease over the first 3 trimesters of 2023. Such sectors include 219 activities, including financial services, telecommunications, construction and trade, among others.<sup>31</sup> Between January and September 2023, FDI in those sectors was (-)27% less than the sum observed in 2022 during that same period, registering slightly over 17 billion dollars.

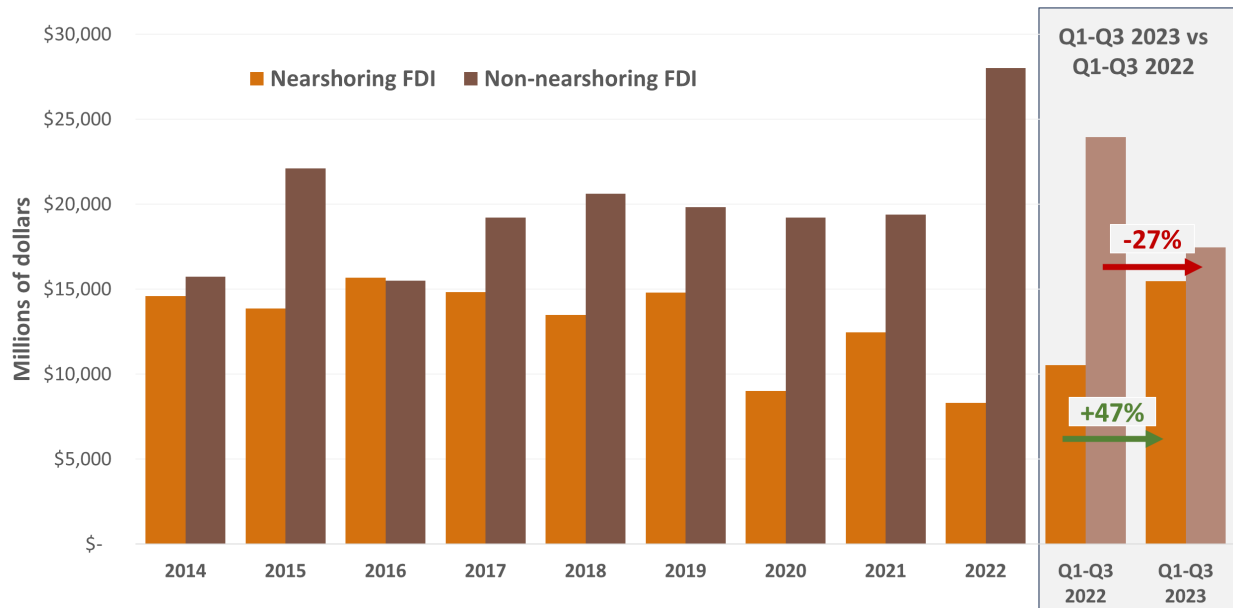
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<sup>30</sup> Of the 57 activities considered to be associated with *nearshoring*, 17 lack sufficient information at the national level, which is why this analysis focused on the remaining 40 industries. The methodological annex provides more information about the selection of the activities used in computations at the national and State levels.

<sup>31</sup> The information retrieved to calculate the figures for those sectors not related to *nearshoring* disregards the sums reported for the 57 activities associated with *nearshoring*.

Graph 7. FDI performance linked to *nearshoring* at the national level.

Million dollars. Updated figures.



Source: Made by IMCO based on data from the Secretariat of Economy.

The data shows that, while in 2022 FDI related to *nearshoring* fell and performed at a lower level than in those sectors not aligned with the trend, FDI moved in the opposite direction in 2023, showing an increasing flow of resources destined to activities linked to the trend, whereas flows destined to the least linked sectors has dropped. While figures available for 2023 are insufficient to assert the existence of a clear trend, they do reflect a possible spur in investments linked to *nearshoring* at the national level for the most recent periods.

### 5.3 FDI changes caused by nearshoring at the state level

The impact of *nearshoring* on FDI has not been even in all states because of two main aspects. On the one hand, investment growth, especially in economic sectors related to *nearshoring*, has been stronger in certain states with more proper conditions to attract investment. On the other hand, FDI is concentrated in a few states, especially those located in the center and north of Mexico.

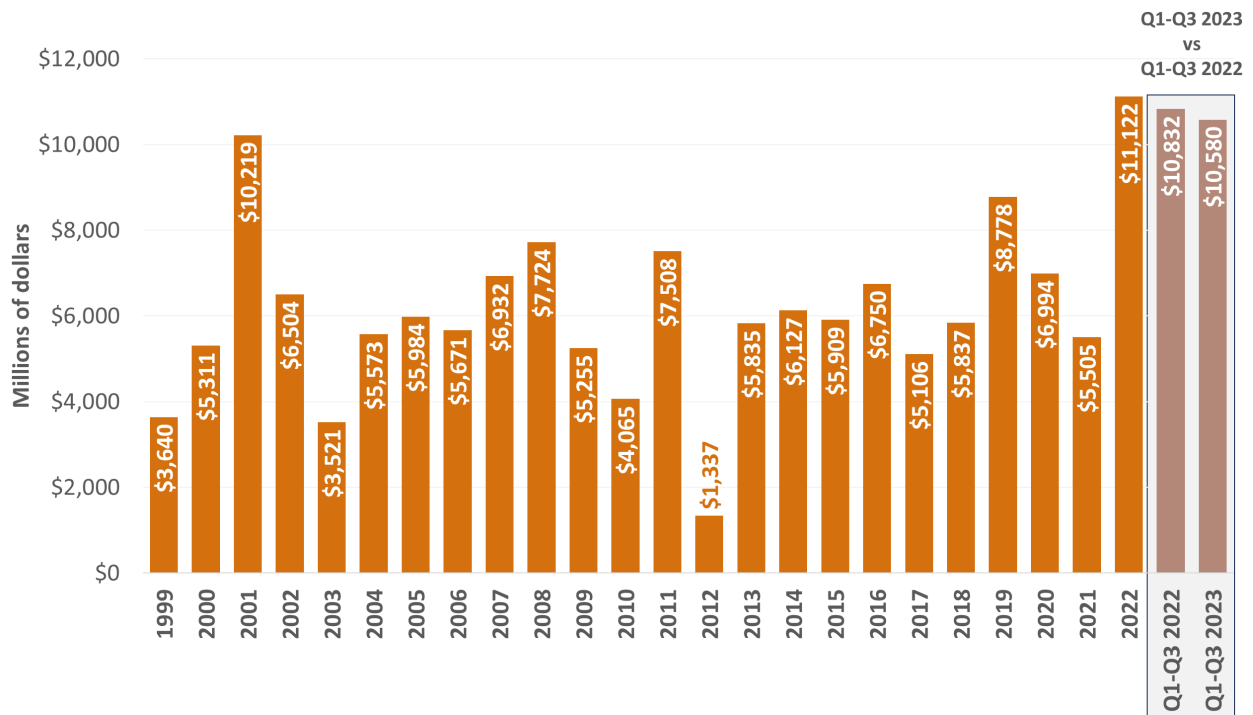
#### 5.3.1 Mexico City: The entity with the highest foreign investment

Mexico City has been leading foreign investment reception in Mexico since the variable began to be recorded (1998), except for two occasions: in 2010, when it ranked second below Nuevo León, and in 2012, when it ranked third below the State of Mexico and Jalisco. Over the first 9 months

of 2023, the country’s capital city attracted 32% of the total FDI received that year, or 10.580 billion dollars—a figure almost 4 times higher than the one recorded in Nuevo León, the second state with highest foreign investment over the same period. High FDI flows in this entity reflect resources destined to financial services—which accounted for 51% of the total FDI in Mexico City over that period—, the manufacturing industry and construction.

In 2020, FDI in Mexico City fell by (-)20% vis-à-vis 2010, similarly to the (-)19% setback observed that same year at the national level. Foreign investment in this entity kept on decreasing the following year, registering a negative (-)21% variation in 2021.

**Graph 8. FDI performance in Mexico City.**  
Million dollars. Updated figures.



Source: Made by IMCO based on data from the Secretariat of Economy.

However, the state levelled up on its foreign investment in 2022 by growing at an annual 102%. Not only did that sum surpass investment levels observed before the pandemic, but it was also higher than the last spike, which was registered in 2001.

In addition to being one of the entities receiving more FDI at the state level, Mexico City is characterized by its economic diversity. The city receives investment in all 57 industrial activities

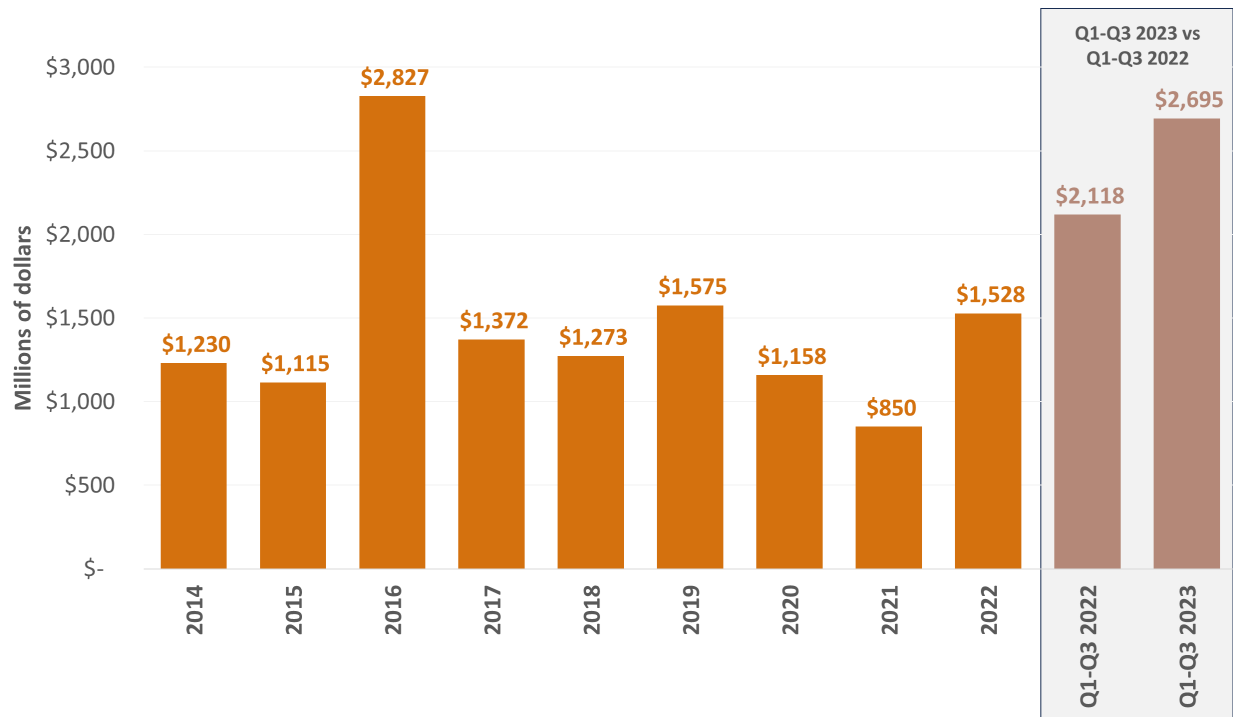


linked to *nearshoring*, which accounted for 14% of the city’s total FDI in 2022, and 26% in the first 9 months of 2023.<sup>32</sup>

Despite not growing annually until the third trimester of 2023—with a (-)2% growth rate vis-à-vis the first 9 months of 2022—, FDI in Mexico City has been more dynamic in the industrial activities linked to *nearshoring*, registering an annual 27% increase. Further, it grew 80% between 2021 and 2022.

**Graph 9. Performance of FDI linked to *nearshoring* in Mexico City.**

Million dollars. Updated figures.



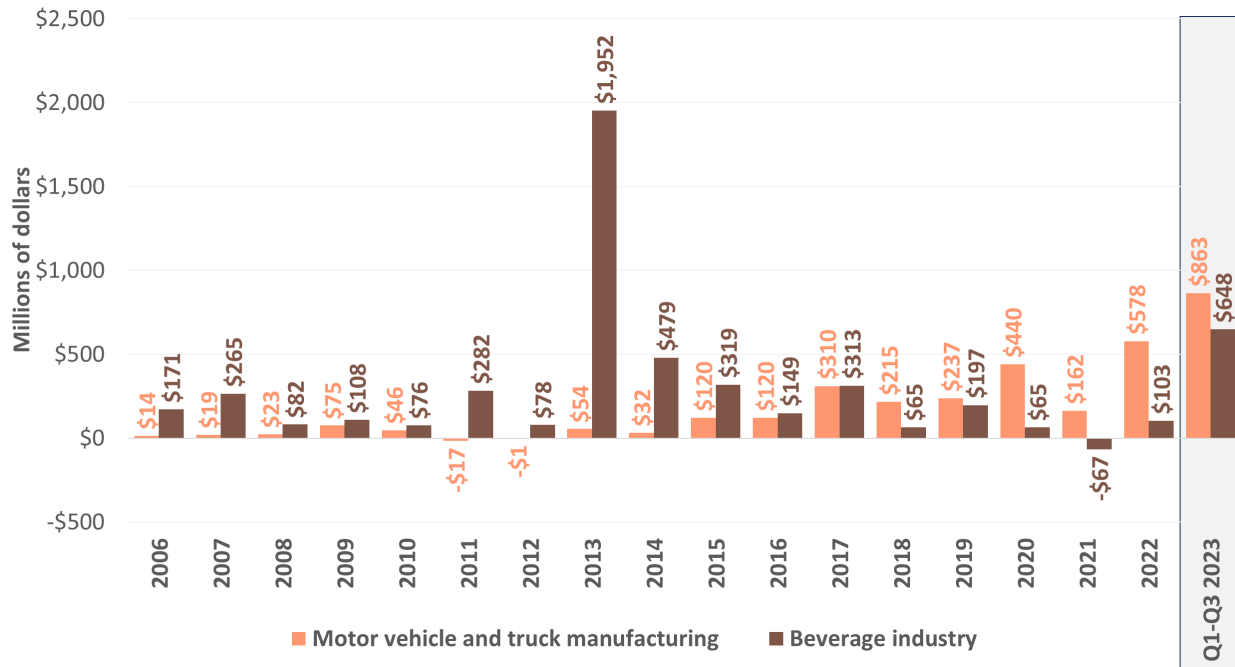
Source: Made by IMCO based on data from the Secretariat of Economy.

The faster FDI inflow pace in these industries is explained specifically by 6 activities with significant sum increases in investment reception; together, they captured 7 out of every 10 dollars from FDI linked to *nearshoring* in Mexico City. They include motor vehicle and truck manufacturing and the beverage industry—their development is essential to deepen production integration in North America.

<sup>32</sup> Figures from the Secretariat of Economy for 2022. Information on Mexico City includes enough information to compare across time 18 activities, which account for 98% of the total *nearshoring* related FDI in the State. More information is included in the statistical annex.

Over the first 9 months of 2023, FDI levels recorded in Mexico City regarding motor vehicle and truck manufacturing captured a sum 49% higher than the sum received all throughout 2022, thereby also setting a record high in FDI destined to that industry in this entity. In 2022, FDI in this sector registered an annual 256% increase.

**Graph 10. FDI performance in the major *nearshoring* sectors in Mexico City.**  
Million dollars. Updated figures.



Source: Made by IMCO based on data from the Secretariat of Economy.

Meanwhile, FDI in the beverage industry in Mexico City has been fluctuating. While investment in that activity was relatively low between 2020 and 2022—registering sums below 105 million dollars—, data between January and September 2023 show a rebound, rising to 648 million dollars—a value 5 times higher than the value registered in 2022 over the same period. Even though this sector is not part of the priority list included in governmental actions seeking the integration of strategic supply chains, it is deemed fundamental to strengthen North America’s economic integration.<sup>33</sup> Some investment notifications linked to Mexico’s integration to global chains have been made in the beverage industry.<sup>34</sup>

<sup>33</sup> According to some remarks made by the Consejo de Empresas Globales on economic sectors showing potential integrate new chains, the food and beverage sector falls in that category thanks to the increase in demand witnessed over the past years.

<sup>34</sup> El Financiero, *Heineken anuncia construcción de planta en Kanasin* (14 September 2023).

**Table 1. Recent FDI growth in Mexico City.**

Period	Total FDI		Nearshoring-related FDI	
	Value (million USD)	Annual variation	Value (million USD)	Annual variation
2019	\$ 8,778		\$7,202	
2020	\$ 6,994	-20%	\$5,836	-26%
2021	\$ 5,505	-21%	\$4,655	-27%
2022	\$11,122	102%	\$9,594	80%
Q1-Q3 2022	\$10,832		\$8,714	
Q1-Q3 2023	\$10,580	-2%	\$7,885	27%

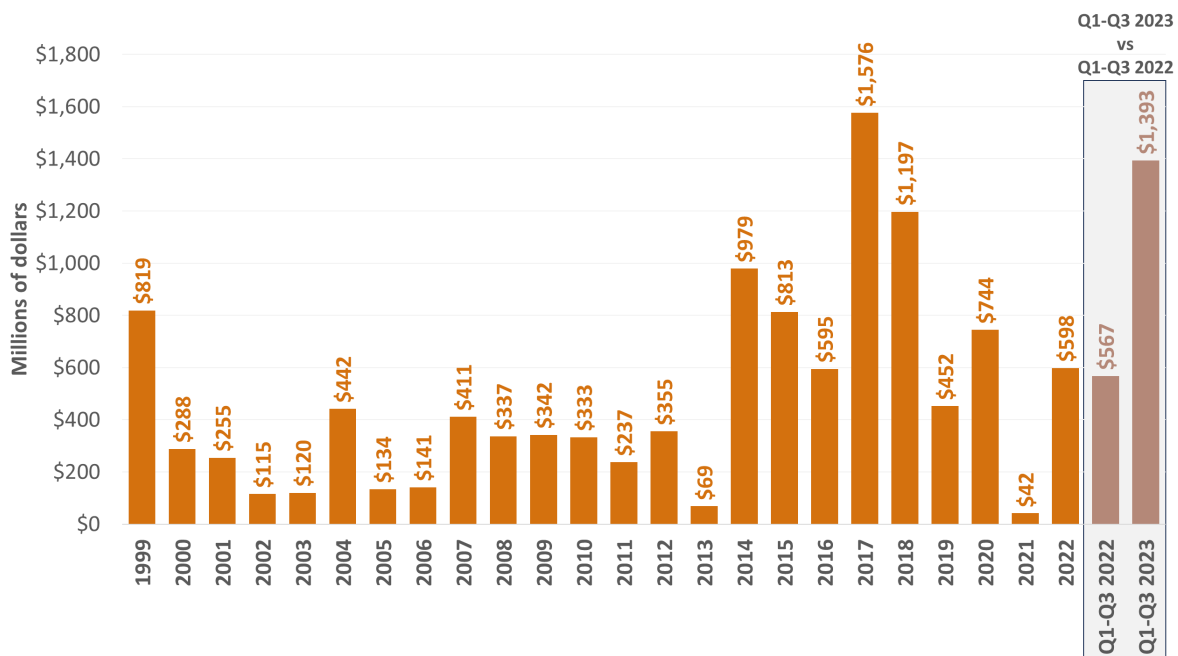
Source: Made by IMCO based on data from the Secretariat of Economy.

In that way, data for Mexico City shows a better performance in sectors linked to *nearshoring* than in the rest of its economic activities over the first 9 months of 2023.

### 5.3.2 Aguascalientes: The most dynamic state for nearshoring

Although it accounts for only 4% of the overall foreign investment in the country, Aguascalientes has been the most dynamic state in the last decade—between 2013 and 2022, its FDI grew at an average annual rate of over 200%. The state has FDI records in 39 out of the 57 activities related to *nearshoring*, mainly in manufacturing; the motor vehicle sector includes the most significant activities—motor vehicle parts manufacturing and motor vehicle and truck manufacturing.<sup>35</sup> Together, these two accounted for 61% of the state’s total FDI in 2022.

**Graph 11. FDI performance in Aguascalientes.**  
Million dollars. Updated figures.



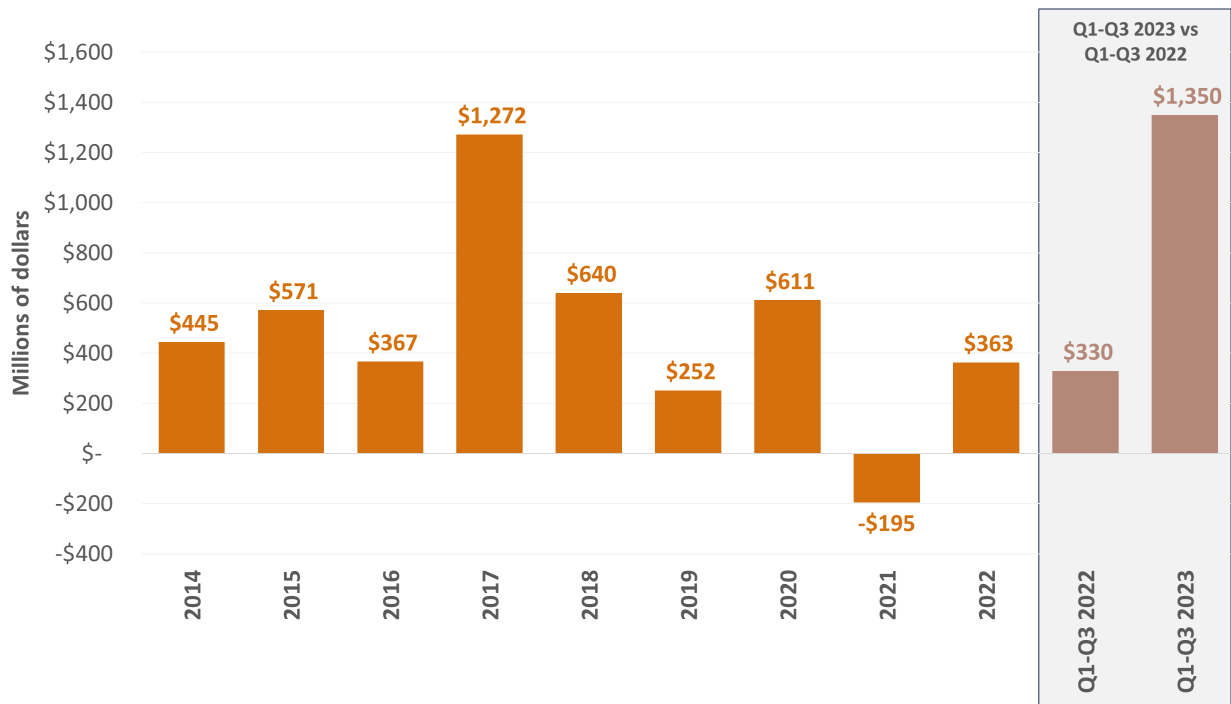
Source: Made by IMCO based on data from the Secretariat of Economy.

<sup>35</sup> Eight activities with sufficient information were considered to analyze FDI from *nearshoring* in Aguascalientes. More detailed information can be found in the methodological annex.

Contrary to national FDI trends, Aguascalientes registered a 64% increase in foreign investment in 2019 when compared to 2020. Industries linked to *nearshoring* bolstered its performance by registering an annual growth rate of 143% and by accounting for 8 out of every 10 dollars received. However, FDI levels were far from reaching the historically high records observed between 2017 and 2018, when the state received foreign investment destined to motor vehicle manufacturing in Japanese and German companies.<sup>36</sup>

After the growth witnessed in 2020, the state’s FDI fell in 2021 due to disinvestment in industrial activities linked to *nearshoring*, especially motor vehicle and truck manufacturing. In this sector, investment exits that year exceeded 200 million dollars. Nonetheless, Aguascalientes recovered in 2022 after receiving 209 million dollars from investment.

**Graph 12. Performance of FDI linked to *nearshoring* in Aguascalientes.**  
Million dollars. Updated figures.



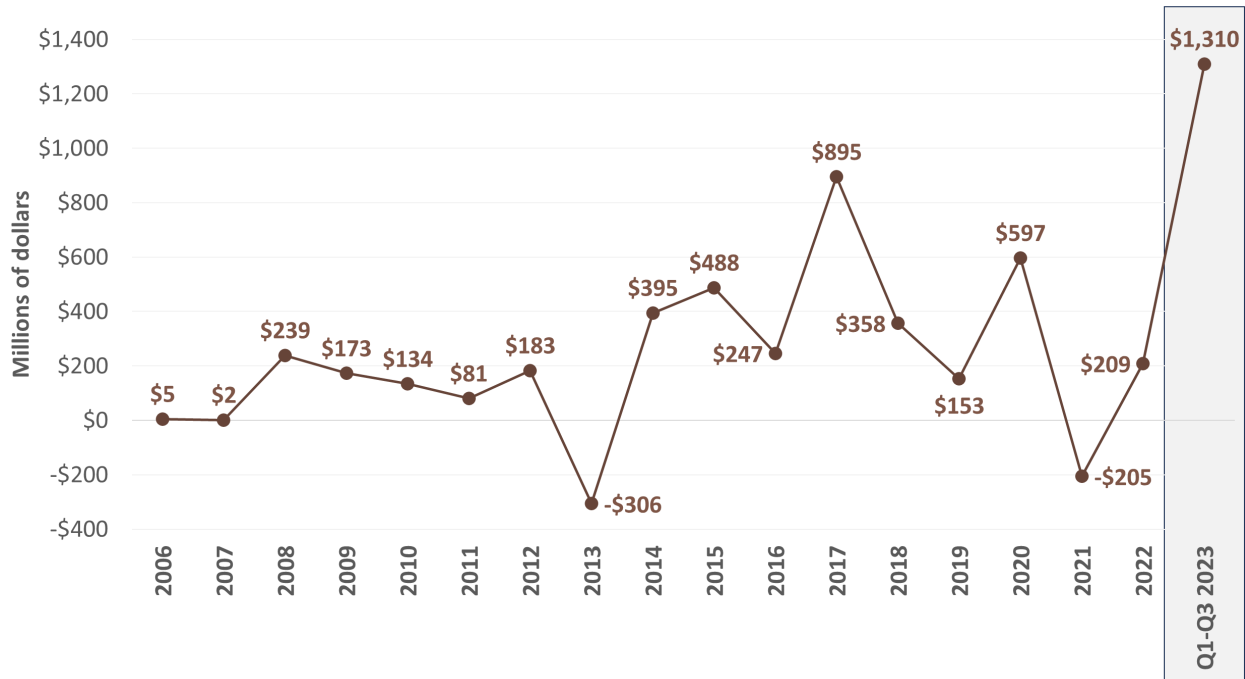
Source: Made by IMCO based on data from the Secretariat of Economy.

The dynamic observed in 2022 intensified over the first 9 months of 2023—FDI in the motor vehicle and truck manufacturing sector rose to 310 million dollars—a sum 5 times bigger than the one observed the previous year over the same period of time, and 6 times higher than the sum received all throughout 2022. Over the first 3 months of the year, FDI in that sector accounted for 9 out of every 10 dollars of the state’s FDI inflow. In line with that trend, project notifications to enlarge motor vehicle plants in the state have taken place.<sup>37</sup>

<sup>36</sup> Expansión. *Aguascalientes capta 800 mdd de inversiones automotrices*. 11 August 2016.

<sup>37</sup> El Economista. *Tere Jiménez y Murata Spring, empresa japonesa, anuncian expansión en Aguascalientes*. 28 July 2023.

**Graph 13. FDI in the motor vehicle manufacturing sector in Aguascalientes.**  
Million dollars. Updated figures.



Source: Made by IMCO based on data from the Secretariat of Economy.

Conversely, FDI destined to motor vehicle parts manufacturing decreased in the first part of 2023. After multiplying between 2021 and 2022, FDI in that sector decreased by (-)56% between the first 9 months of 2022 and the corresponding period in 2023.

Performance in both sectors in 2022 and 2023 resulted in a high increase in FDI related to *nearshoring* in both periods—in 2022, it increased by 287%, while the increase in the first 9 months of 2023 was an annual 310%.

**Table 2. Recent FDI growth in Aguascalientes.**

Period	Total FDI		Nearshoring-related FDI	
	Value (million USD)	Annual variation	Value (million USD)	Annual variation
2019	\$ 452		\$ 252	
2020	\$ 744	64%	\$ 611	143%
2021	\$ 42	-94%	-\$ 195	-132%
2022	\$ 598	1319%	\$ 363	287%
Q1-Q3 2022	\$ 567		\$ 330	
Q1-Q3 2023	\$ 1,393	146%	\$1,350	310%

Source: Made by IMCO based on data from the Secretariat of Economy.

The boost caused by *nearshoring* in the state in 2023 seems to be clear—9.7 out of every 10 dollars invested were destined to the sectors linked to that trend. The state’s performance reflects

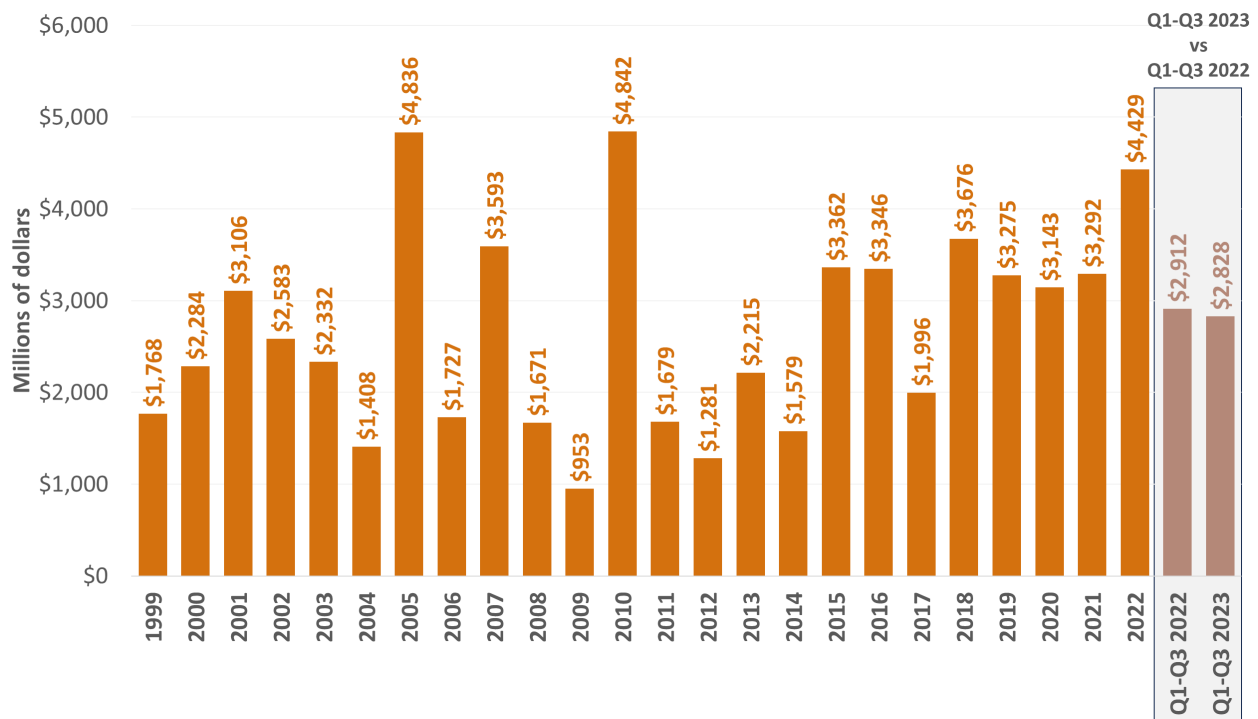
its work, basic input infrastructure, and regulatory quality structural conditions, which make Aguascalientes an attractive investment destination.<sup>38</sup>

### 5.3.3 Nuevo León: Pending recovery in motor vehicle industry investments

Since 2017, Nuevo León has been ranking second among all federate states in terms of FDI reception, capturing 1 of every 10 dollars invested in Mexico over the first 9 months of 2023. The state has investment records in 53 out of the 57 industrial activities linked to *nearshoring*, which include industries destined to motor vehicle parts and motor vehicle manufacturing, as well as to electric generation and distribution equipment manufacturing and the beverage industry—considered to be an area with potential to increase production chain integration by the Consejo de Empresas Globales.<sup>39 40</sup>

Graph 14. FDI performance in Nuevo León.

Million dollars. Updated figures.



Source: Made by IMCO based on data from the Secretariat of Economy.

<sup>38</sup> IMCO. *Nearshoring: oportunidad que desafía a las entidades mexicanas*. May 2023.

<sup>39</sup> Consejo de Empresas Globales (CEEG) “*Cómo aprovechar esta oportunidad única e histórica para México y la región*” *Hacia una estrategia efectiva de relocalización de nuevas industrias en Norteamérica* (Mexico, n.d.)

<sup>40</sup> Sixteen activities with sufficient information were considered to analyze FDI from *nearshoring* in Nuevo León. More detailed information can be found in the methodological annex.

In 2020, the impact of the crisis on investments in Nuevo León was less than the impact observed at the national level—while the country saw a (-)19% fall, Nuevo León registered a (-)4% decrease. Afterward, FDI displayed annual increases both in 2021 and in 2022—increases of 5% and 35%, respectively.

However, industries linked to *nearshoring* moved opposite from Nuevo León’s recovery in total investment, since negative growth rates were registered between 2020 and 2022, namely (-)53% and (-)90%, respectively. In that context, sectors related to relocation went from accounting for 5 out of every 10 dollars of the state’s FDI in 2019, to less than 1 dollar in 2022.

**Table 3. Recent FDI growth in Nuevo León.**

Period	Total FDI		Nearshoring-related FDI	
	Value (million USD)	Annual variation	Value (million USD)	Annual variation
2019	\$ 3,275		\$1,708	
2020	\$ 3,143	-4%	\$1,508	-12%
2021	\$ 3,292	5%	\$ 708	-53%
2022	\$ 4,429	35%	\$ 72	-90%
Q1-Q3 2022	\$ 2,912		\$ 149	
Q1-Q3 2023	\$ 2,828	-3%	\$ 543	265%

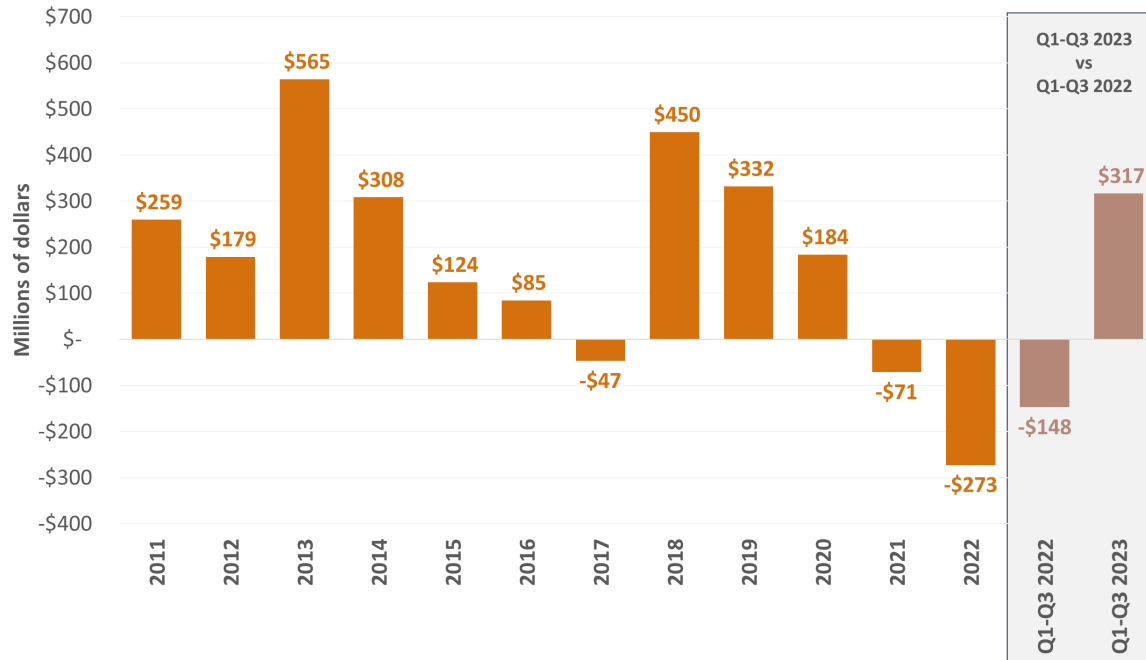
Source: Made by IMCO based on data from the Secretariat of Economy.

The fall in participation from activities linked to *nearshoring* in the state’s FDI between 2019 and 2022 was a result of an investment decrease in 3 industries: motor vehicle parts manufacturing, motor vehicle and truck manufacturing, and the beverage industry. In 2022, the two latter industries registered disinvestment, whereas motor vehicle parts manufacturing registered 236 million dollars (60% less than the sum observed in 2019).

In the first 9 months of 2023, FDI related to *nearshoring* showed some recovery, mainly thanks to an increase in the beverage industry, as well as by an increase in investments directed toward communications equipment manufacturing—which tripled between January and September 2022, and 2023—and other electric equipment and component manufacturing—which doubled. In that period, FDI geared toward activities considered part of *nearshoring* grew 265%.

**Graph 15. FDI performance in Nuevo León’s beverage industry.**

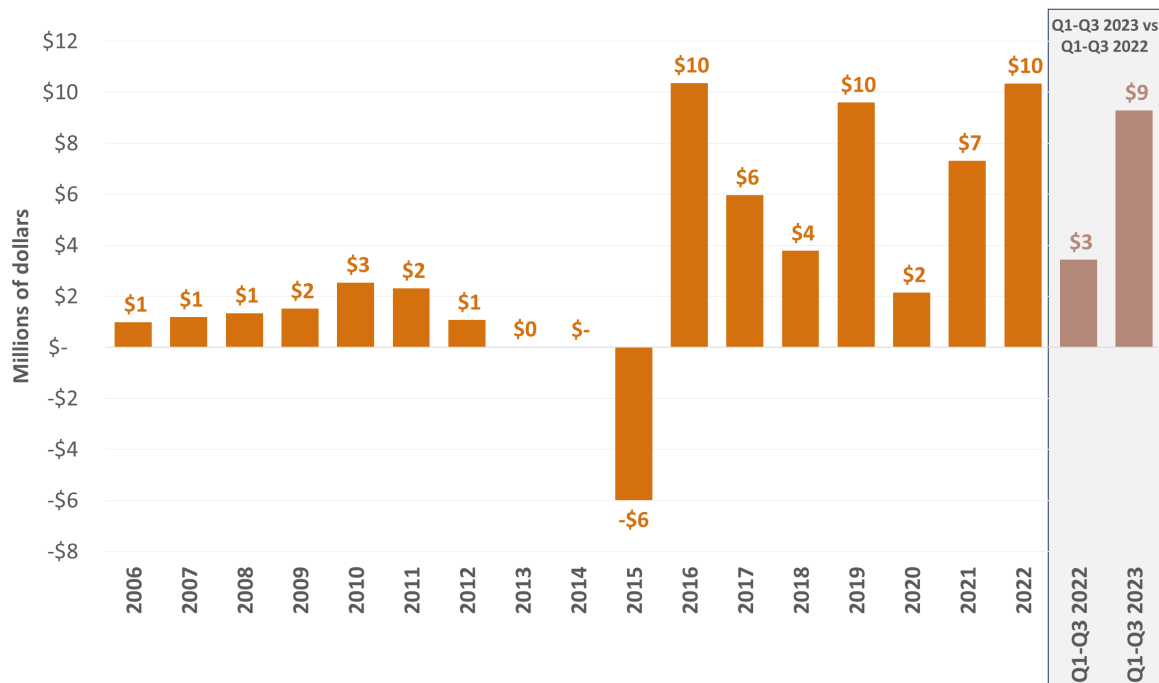
Million dollars. Updated figures.



Source: Made by IMCO based on data from the Secretariat of Economy.

**Graph 16. FDI performance in communications equipment manufacturing in Nuevo León.**

Million dollars. Updated figures.



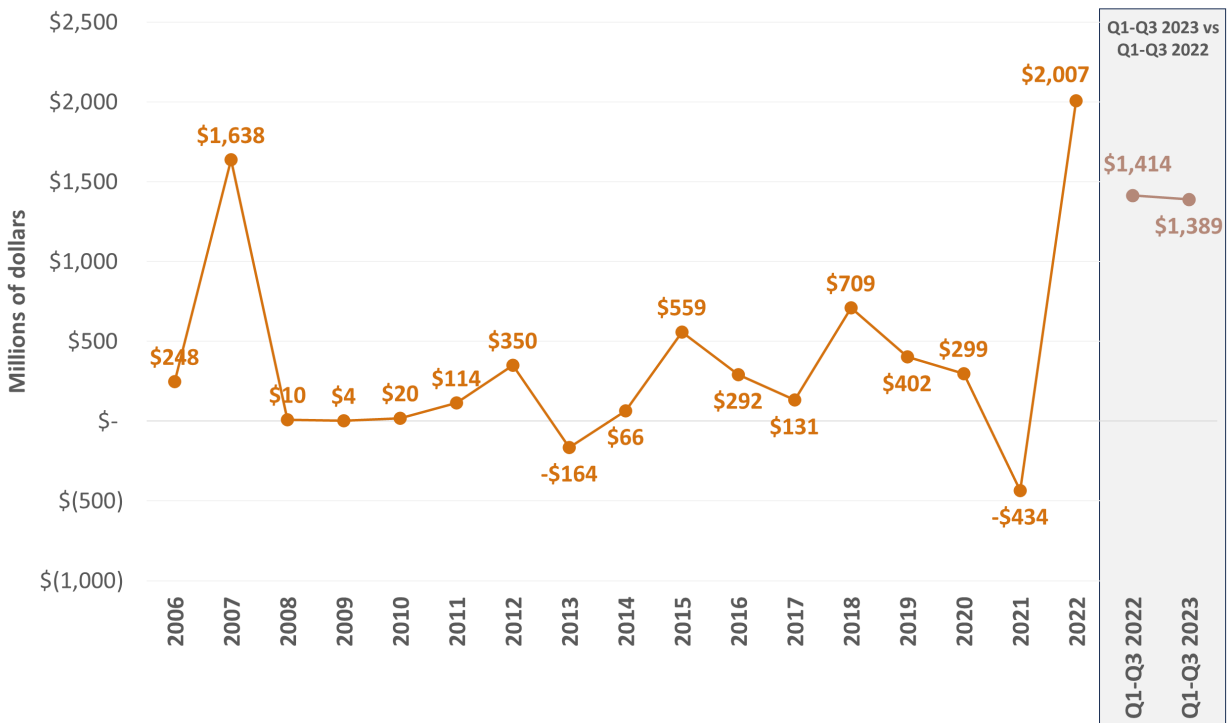
Source: Made by IMCO based on data from the Secretariat of Economy.



On the other hand, the case of Nuevo León features an additional component—the iron and steel industry. Even though this industry was not considered to be associated with *nearshoring* at the national level—because the participation of its value added in manufacturing production exports is lower than the national average—,<sup>41</sup> some investments in that sector are explicitly related to relocation in this state.<sup>42</sup>

In this context, foreign investment sums destined to the steel sector have shown substantial increases between 2022 and 2023—in 2022, foreign investment was 5 times higher than in 2019. By the end of September 2023, foreign investment showed a slight decrease compared to the same period in 2022, registering an annual (-)2% decrease. However, the sum received by the sector over the first 3 trimesters of the year was already 4 times higher than the total investment registered in 2019. In this context, the industry’s weight in FDI increased—whereas 12% of FDI was directed toward this sector in 2019, that proportion equaled 45% in 2022.

**Graph 17. FDI performance in the iron and steel industry in Nuevo León.**  
Million dollars. Updated figures.



Source: Made by IMCO based on data from the Secretariat of Economy.

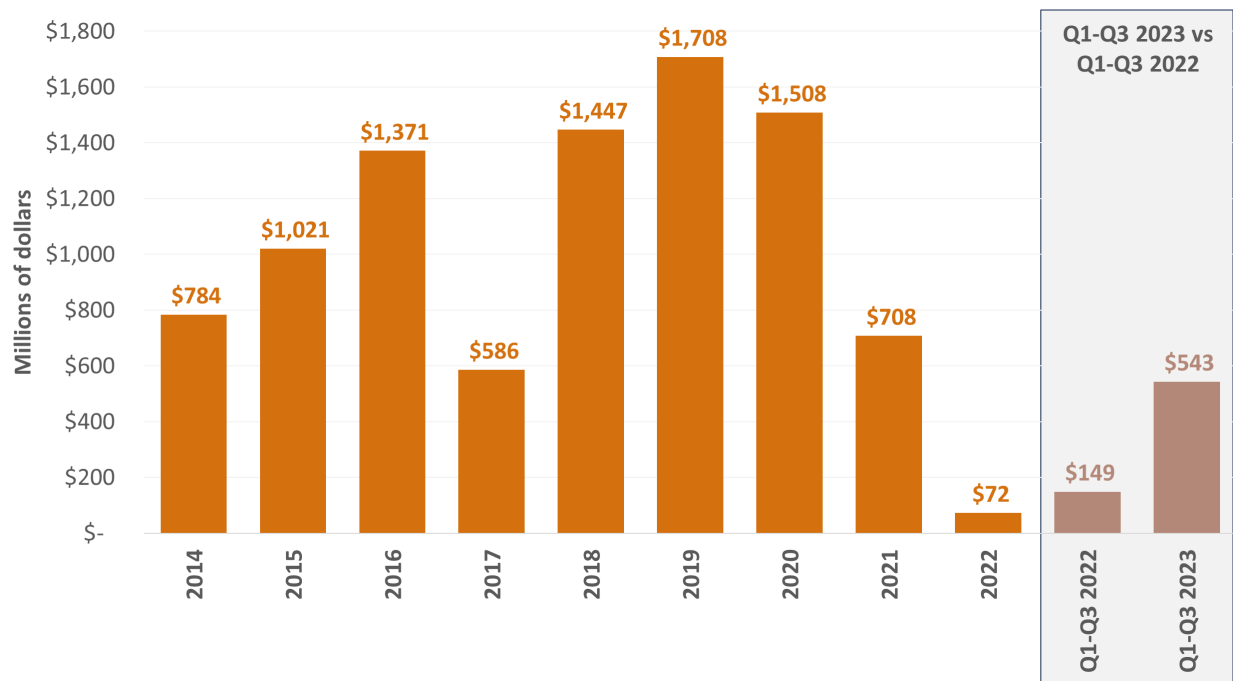
<sup>41</sup> The basic iron and steel industry was not included in the group of industrial activities integrated into global value chains since the value added participation of global manufacturing exports in the manufacturing production for this activity (8.8%) was inferior than the average of all manufacturing industries in 2021 (11.4%).

<sup>42</sup> El Financiero. *Ternium confirma inversión acerera de 3 mil 200 millones de dólares en Nuevo León*. 20 June 2023.

While performance in sectors like the beverage industry, the iron and steel industry, and communications equipment and electric component manufacturing reflect the existence of proper conditions for company localization in the state—i.e., qualified workforce available and access to basic inputs like electricity—, FDI recovery in the sectors linked to *nearshoring* remains incomplete in Nuevo León, in particular in the motor vehicle industry, where notifications related to foreign investment have been made recently.<sup>43</sup>

**Graph 18. Performance of FDI linked to *nearshoring* in Nuevo León.**

Million dollars. Updated figures.



Source: Made by IMCO based on data from the Secretariat of Economy.

### 5.3.4 Jalisco: The beverage industry as a foreign investment catalyst

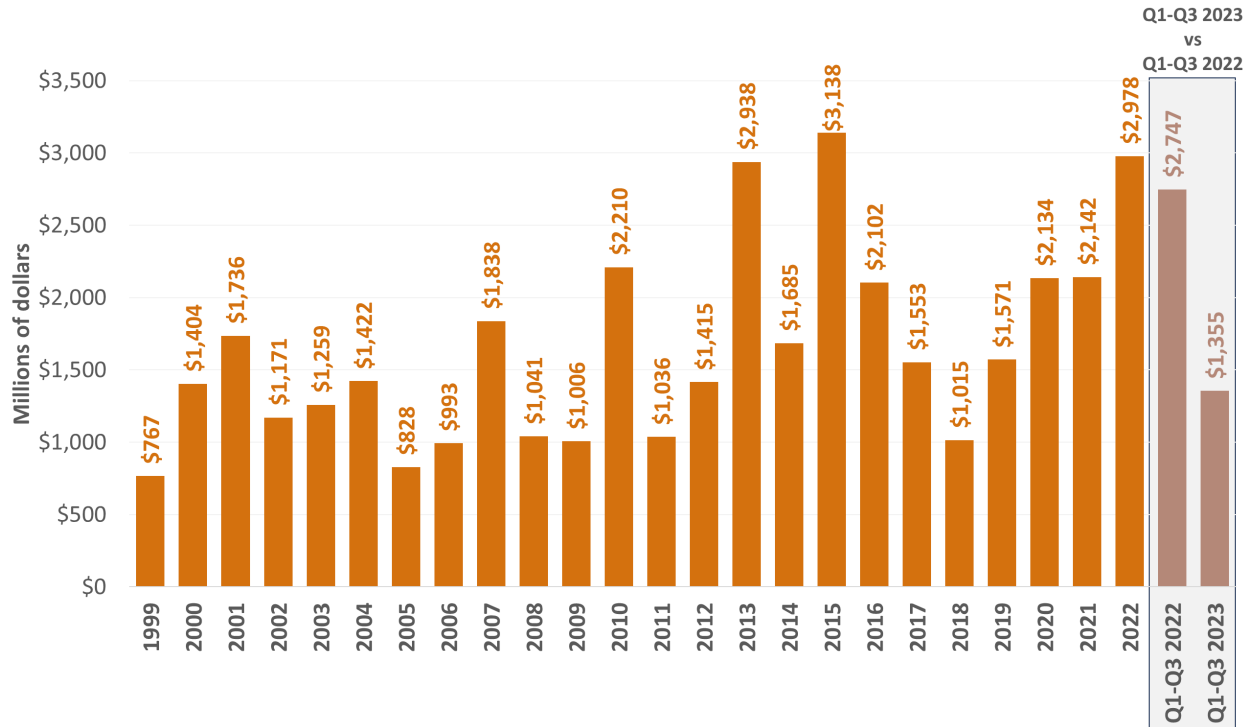
Jalisco has been ranking among the 10 states with highest foreign investment reception since 1998, except for 2018 (when it ranked 12<sup>th</sup>). It ranked third in 2022, capturing 8% of the total FDI inflow to Mexico.

Jalisco has FDI records in 53 out of the 57 industrial activities linked to *nearshoring*. Among these, the beverage industry, motor vehicle parts manufacturing, and electric component manufacturing

<sup>43</sup> El País. *Tesla en Nuevo León: una inversión de 4.500 millones de dólares y hasta un millón de autos eléctricos al año*. 28 February 2023.

receive the highest investment sums.<sup>44</sup> In the first 9 months of 2023, 49% of the state’s total foreign investment was made to those industries.

**Graph 19. FDI performance in Jalisco.**  
Million dollars. Updated figures.



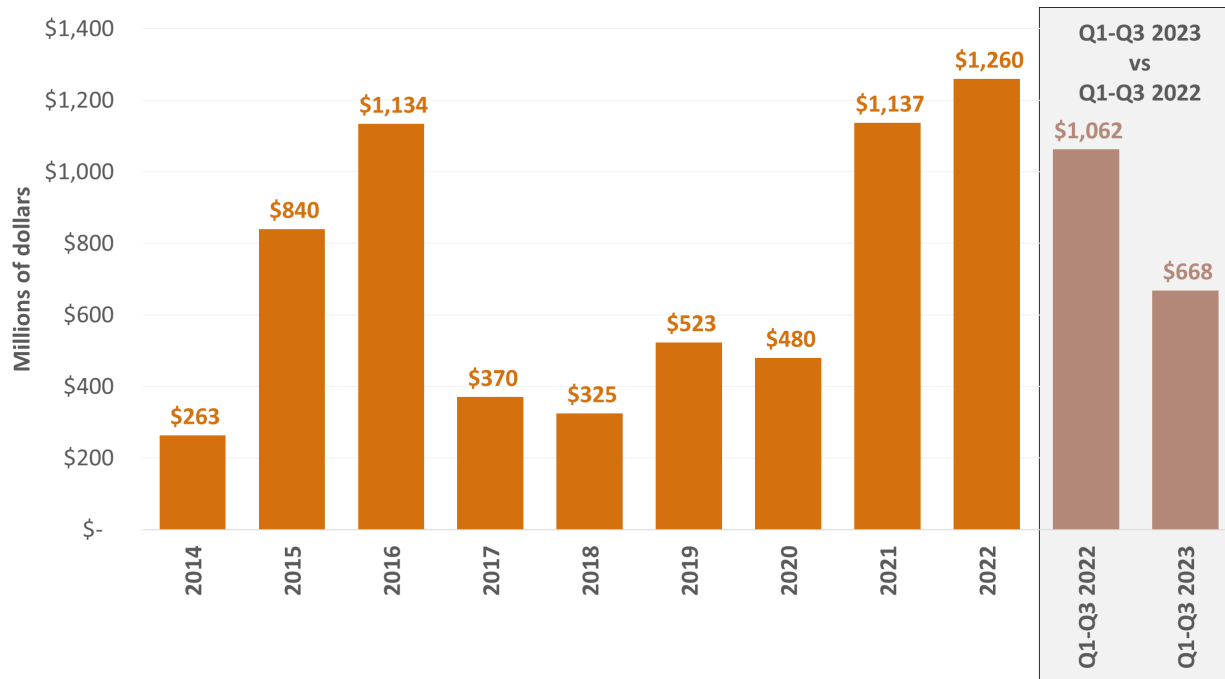
Source: Made by IMCO based on data from the Secretariat of Economy.

Unlike most of the country, FDI in Jalisco did not decrease in 2020, but grew at a 36% annual rate. It remained stable in 2021, and another 39% increase was observed in 2022. Performance varied among the set of industrial activities linked to *nearshoring*: after a (-)8% fall in 2020, a 137% increase was registered in 2021, and another 11% increase in 2022.

However, over the first 3 months of 2023, both the total direct investment and investment related to *nearshoring* registered annual drops in this state, almost (-)51% and (-)37%, respectively.

<sup>44</sup> Sixteen activities with sufficient information were considered to analyze FDI from *nearshoring* in Jalisco. More detailed information can be found in the methodological annex.

**Graph 20. Performance of FDI linked to *nearshoring* in Jalisco.**  
 Million dollars. Updated figures.



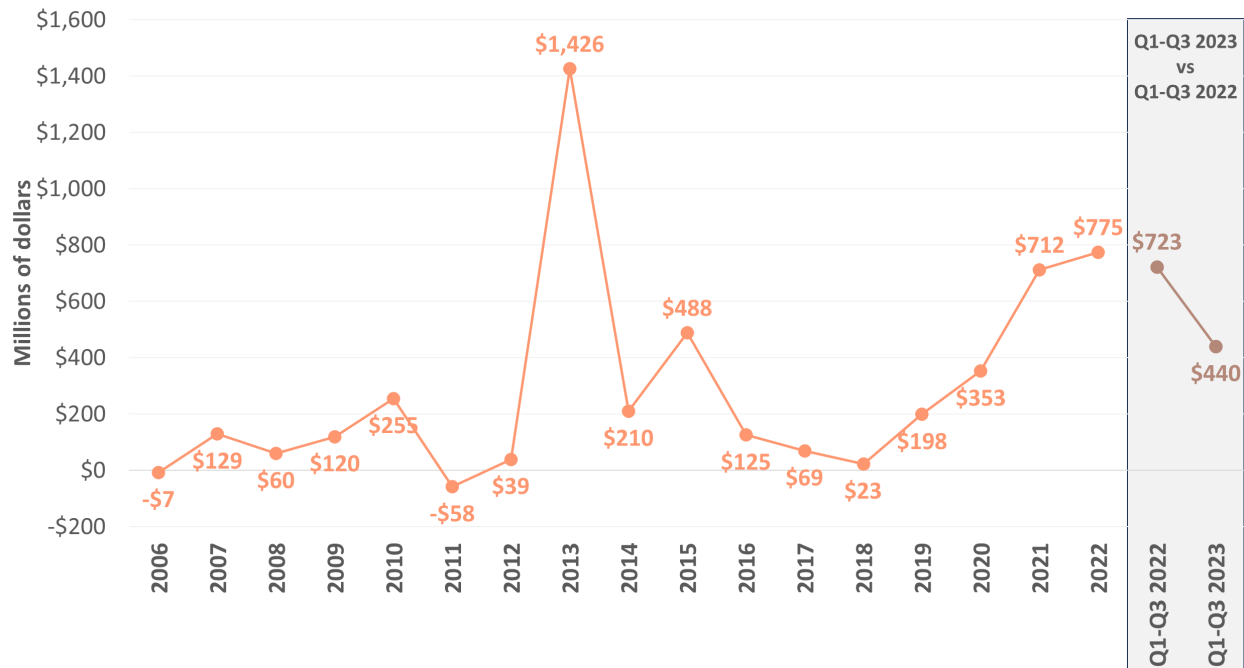
Source: Made by IMCO based on data from the Secretariat of Economy.

The FDI increase observed in 2021 was caused by performance in the beverage industry, which doubled in comparison with 2020, and accounted for 62% of the total FDI linked to *nearshoring* for that period. In 2022, investment in the beverage industry registered a moderate, annual 9% increase. However, over the first 9 months of 2023, investment in the sector decreased by an annual (-)39%.

Besides investment destined to motor vehicle parts manufacturing—which accounted for 10% of the state’s total FDI over the first part of 2023—, the beverage industry is the main foreign investment driver in Jalisco, both for the set of activities linked to *nearshoring* and for the State’s total FDI. In the first 9 months of 2023, it accounted for 32% of the state’s FDI.

**Graph 21. FDI performance in the beverage industry in Jalisco.**

Million dollars. Updated figures.



Source: Made by IMCO based on data from the Secretariat of Economy.

For those reasons, the fall observed in that period translated into a decrease not only in the sectors linked to *nearshoring*, but also in the state’s total FDI. The increase in investments destined to motor vehicle parts was incapable of counteracting the performance observed in the beverage industry, which is why FDI linked to *nearshoring* decreased by (-)37%. In aggregate, the impact caused by annual decreases on the beverage, construction, wholesale, and information industries translated into a (-)51% decrease in the state’s FDI.

**Table 4. Recent FDI growth in Jalisco.**

Period	Total FDI		Nearshoring-related FDI	
	Value (million USD)	Annual variation	Value (million USD)	Annual variation
2019	\$ 1,571		\$1,047	
2020	\$ 2,134	36%	\$1,654	-8%
2021	\$ 2,142	0.4%	\$1,004	137%
2022	\$ 2,978	39%	\$1,718	11%
Q1-Q3 2022	\$ 2,747		\$1,685	
Q1-Q3 2023	\$ 1,355	-51%	\$ 687	-37%

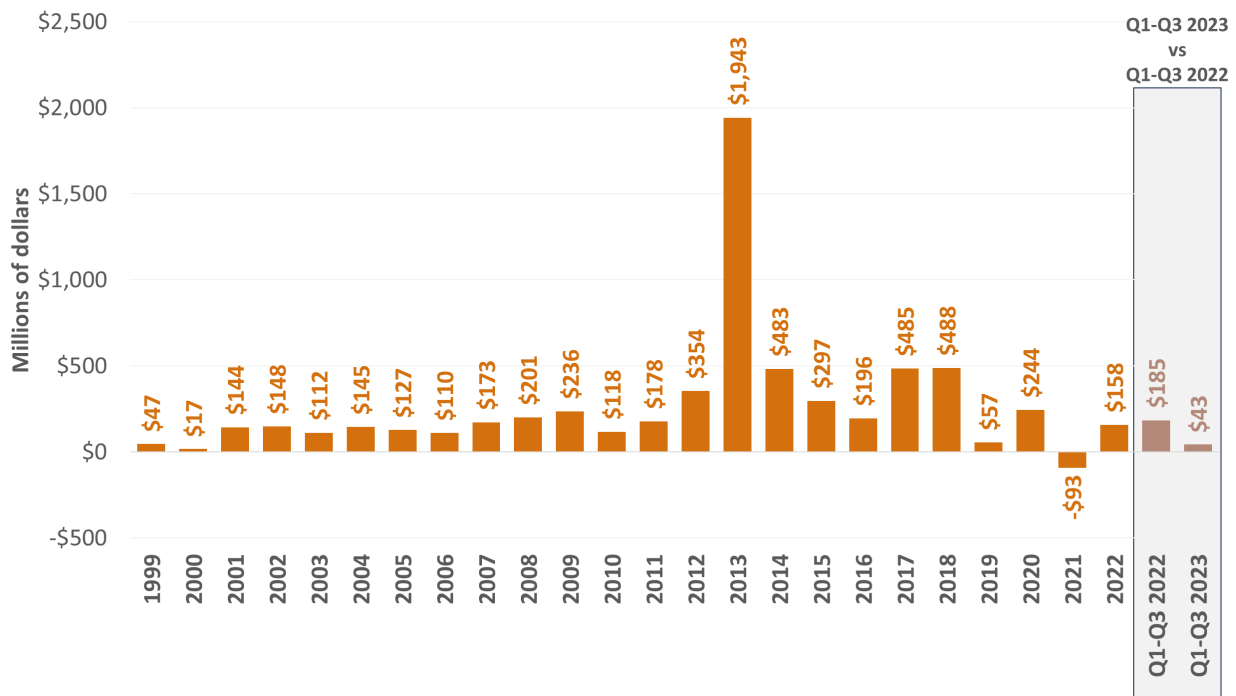
Source: Made by IMCO based on data from the Secretariat of Economy.

In Jalisco, rather than boosting investment, performance of those activities showing potential to benefit from *nearshoring* in 2023 has contributed to a decrease in the state’s total foreign investment inflow.

### 5.3.5 Oaxaca: Low FDI destined to the beverage and pharmaceutical industries

Over the past decades, Oaxaca has not stood out as an FDI destination in Mexico. Since 2019, it has received, on average, 0.3% of the country’s total foreign investment. Within the state, the sectors receiving the largest resource sums are housing services and civil engineering construction—together, these sectors captured 59% of the state’s FDI in 2022, which corresponds to 92 million dollars. In light of the Trans-isthmian Corridor Project construction and the Federal Government’s intentions to incentivize investments in the south of the country,<sup>45</sup> Oaxaca has come out as a potential *nearshoring* beneficiary.<sup>46</sup>

**Graph 22. FDI performance in Oaxaca.**  
Million dollars. Updated figures.



Source: Made by IMCO based on data from the Secretariat of Economy.

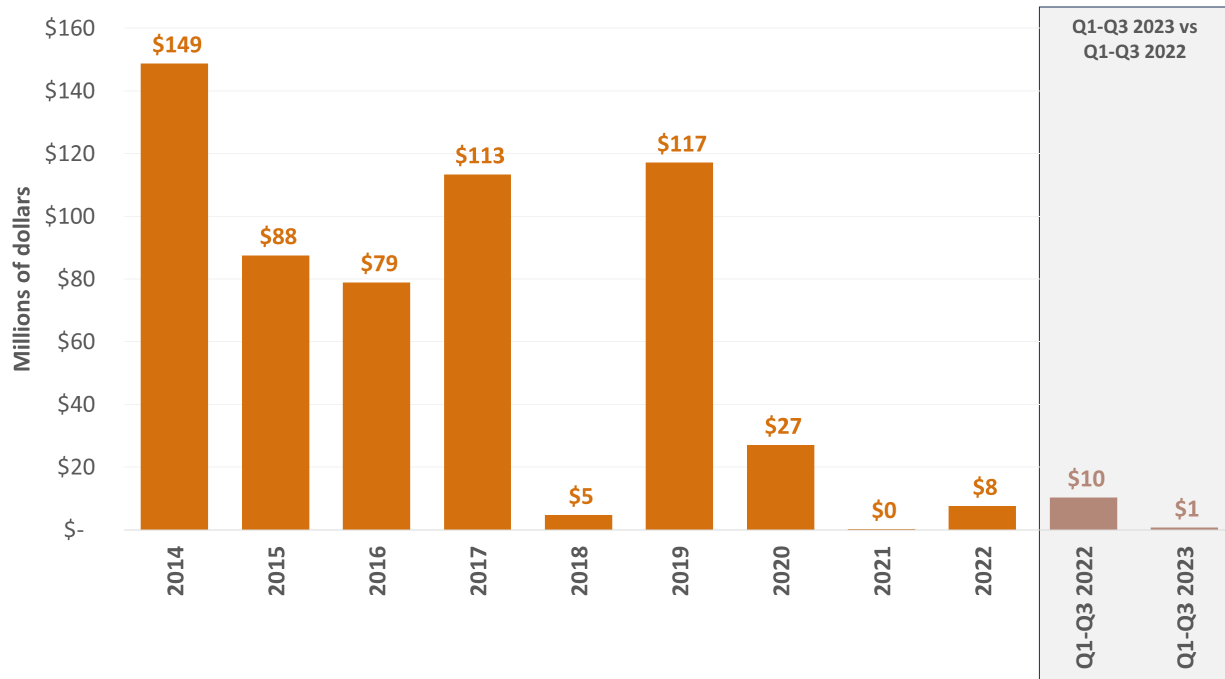
The state has FDI records in 26 of the 57 sectors linked to the relocation of production chains. However, two activities secured all foreign investment linked to *nearshoring* in the state in 2022—the beverage industry and pharmaceutical manufacturing. The remaining 24 sectors did not

<sup>45</sup> Expansión. *AMLO anuncia beneficios fiscales para incentivar inversiones en el sur*. 23 February 2023.

<sup>46</sup> SDP Noticias. *Tren Transístmico y el Corredor Interoceánico beneficiarán a México por nearshoring*: Salomón Jara. 17 September 2023.

record resource inflow in that period. Together, the sectors linked to *nearshoring* accounted for 4.8% of the total FDI inflow to Oaxaca in 2022.<sup>47</sup>

**Graph 23. Performance of FDI linked to *nearshoring* in Oaxaca.**  
Million dollars. Updated figures.



Source: Made by IMCO based on data from the Secretariat of Economy.

In the years following the relocation proposal, investment in sectors linked to *nearshoring* has been volatile in Oaxaca—after decreases were observed in 2020 (when the state’s FDI increased) and 2021 (when the state’s total decreased), sums increased more than 30 times between 2021 and 2022.

Performance over the first 3 trimesters of 2023 displayed a (-)93% fall in those resources destined to activities linked to relocation; in particular, investment directed toward the beverage industry went from 9.7 million dollars that period in 2022, to 0 over that period in 2023. By the same token, FDI in the state also decreased between January and September 2023, although to a lesser extent.

<sup>47</sup> Eleven activities with sufficient information were considered to analyze FDI from *nearshoring* in Oaxaca. More detailed information can be found in the methodological annex.

**Table 5. Recent FDI growth in Oaxaca.**

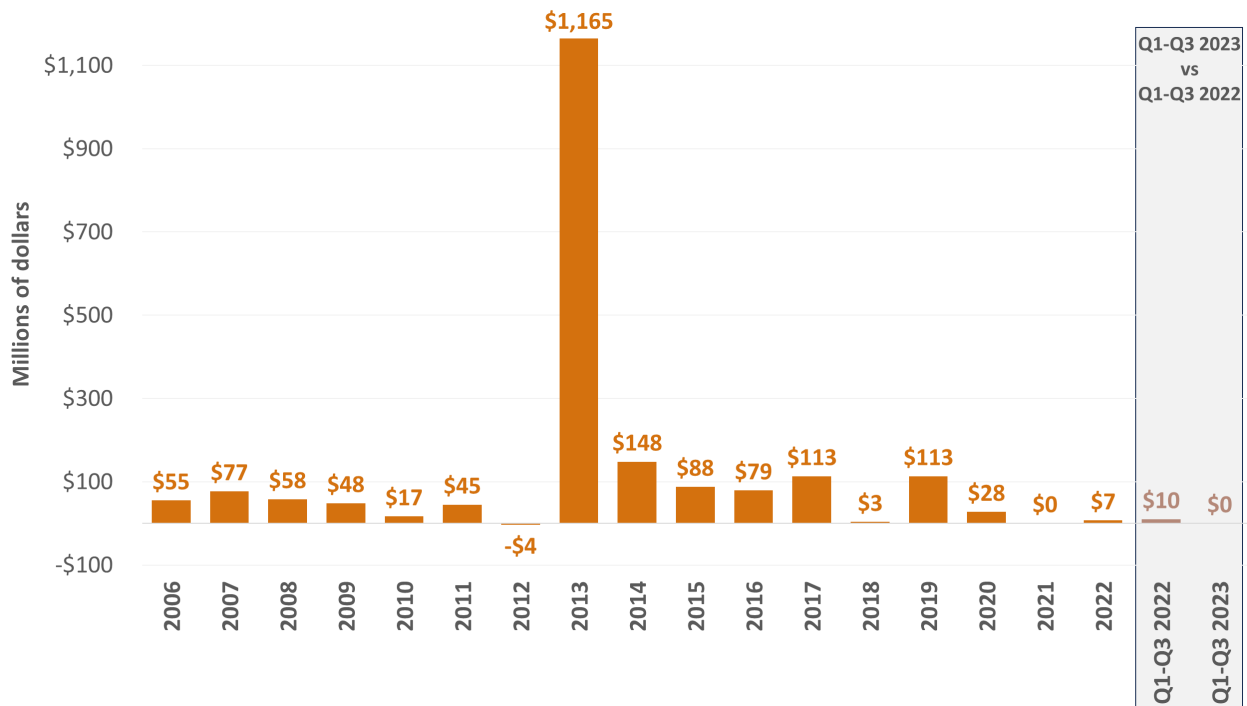
Period	Total FDI		Nearshoring-related FDI	
	Value (million USD)	Annual variation	Value (million USD)	Annual variation
2019	\$ 57		\$ 117	
2020	\$ 244	332%	\$ 27	-77%
2021	-\$ 93	-137.9%	\$ 0.2	-99%
2022	\$ 158	270%	\$ 8	3547%
Q1-Q3 2022	\$ 185		\$ 10	
Q1-Q3 2023	\$ 43	-77%	\$ 1	-93%

Source: Made by IMCO based on data from the Secretariat of Economy.

In addition to registering a decrease in FDI inflow over the first 9 months of 2023, investment in the beverage industry shows lower levels than the ones observed in previous years. Between 2010 and 2019, the average level of FDI directed toward that sector was 177 million dollars per year. In 2022, the corresponding sum was (-)97% less than that average.

**Graph 24. FDI performance in the beverage industry in Oaxaca.**

Million dollars. Updated figures.



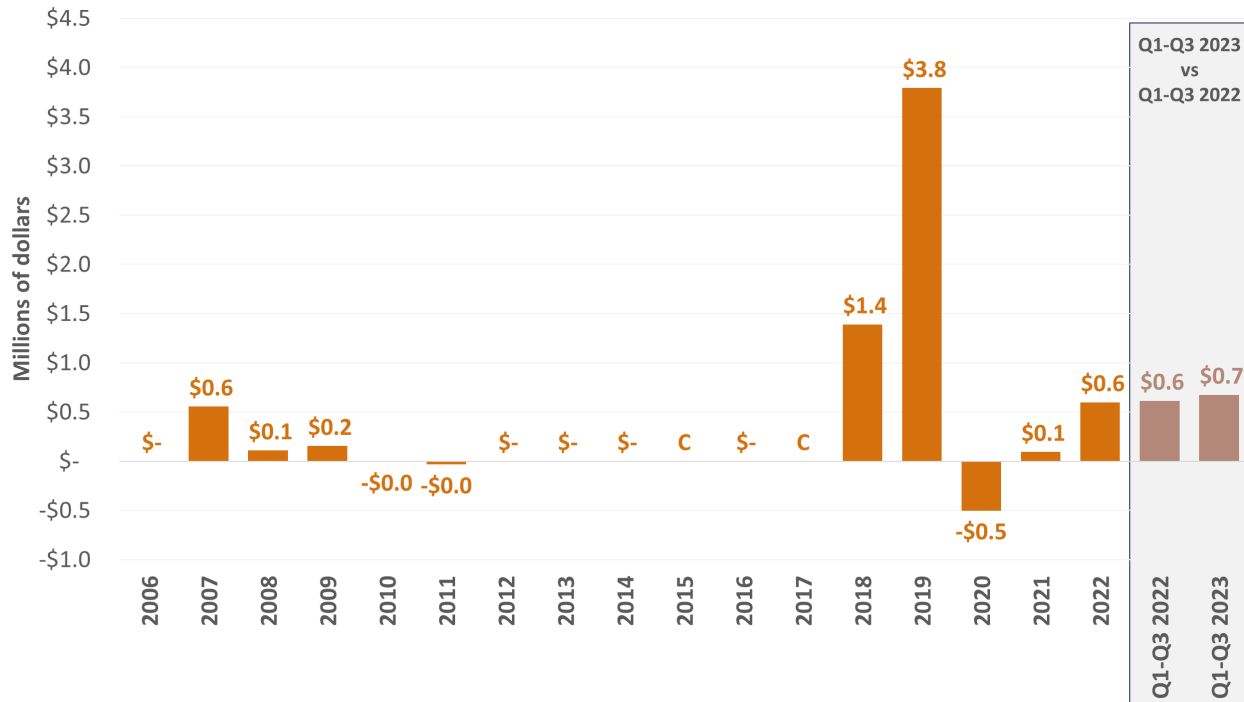
Source: Made by IMCO based on data from the Secretariat of Economy.

A similar trend can be observed in the pharmaceutical manufacturing sector. Despite a slight increase between the first 9 months of 2022 and those of 2023, investment amounts over the past 3 years have been lower than in 2018 and in 2019. In those periods, captured FDI corresponded to 1.4 and 3.8 million dollars; this marked a change in investment in the pharmaceutical manufacturing industry, which between 2010 and 2016 had been practically null.



**Graph 25. FDI performance in pharmaceutical manufacturing in Oaxaca.**

Million dollars. Updated figures.



Source: Made by IMCO based on data from the Secretariat of Economy.

Oaxaca is faced not only with the low presence of sectors linked to global production chains in the region, but also with structural characteristics that create few incentives to attract investment and talent. In particular, the number of higher education institutions in the state, as well as their infrastructure levels in terms of basic input such as electric energy, are obstacles to better seize opportunities like *nearshoring*.<sup>48</sup>

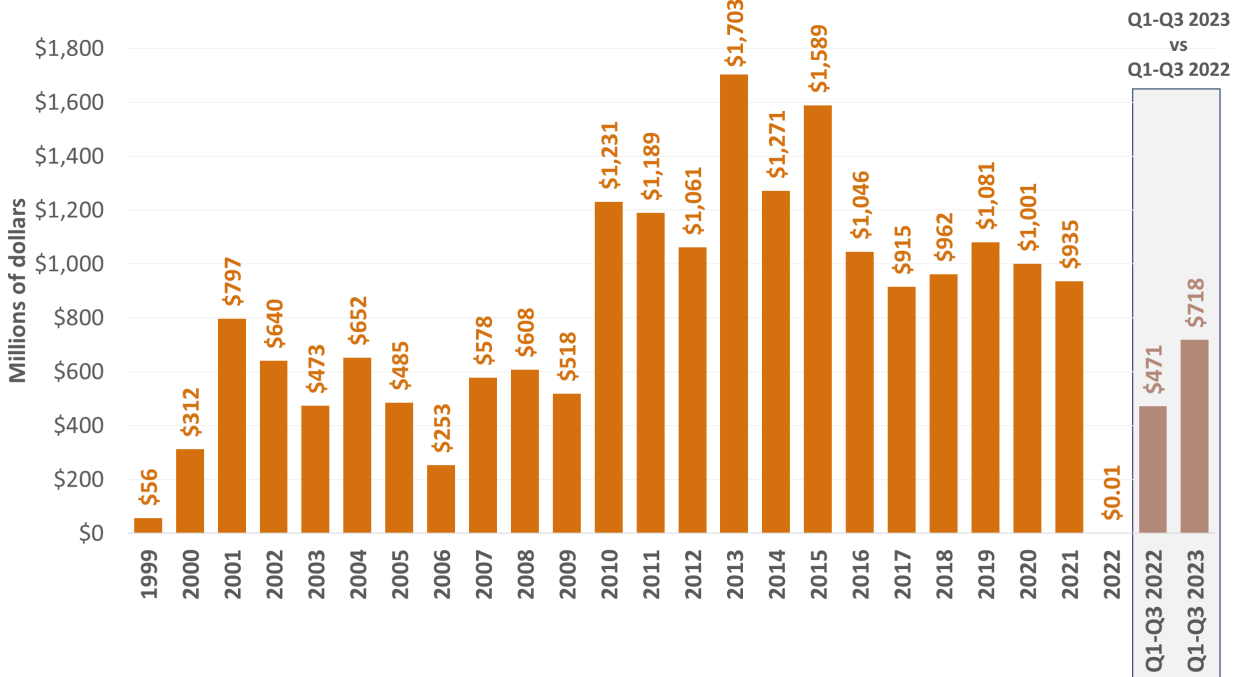
### 5.3.6 Veracruz: Low investment in chemical and pharmaceutical production

In recent years, approximately 3% of FDI inflow in Mexico was to Veracruz. Over the first 9 months of 2023, Veracruz ranked 14th among the states with the highest foreign investment levels in the country. In the last decade, the sectors receiving the highest FDI sums have been basic chemical product manufacturing, the basic iron and steel industry, oil and gas extraction, and commercial banking; together, these sectors accounted for 52% of FDI inflow between 2014 and 2023. In previous years, between 2010 and 2013, FDI in the beverage industry also accounted for significant amounts of up to 66% of the total FDI.

<sup>48</sup> IMCO. *Nearshoring: oportunidad que desafía a las entidades mexicanas*. May 2023.

**Graph 26. FDI performance in Veracruz.**

Million dollars. Updated figures



Source: Made by IMCO based on data from the Secretariat of Economy.

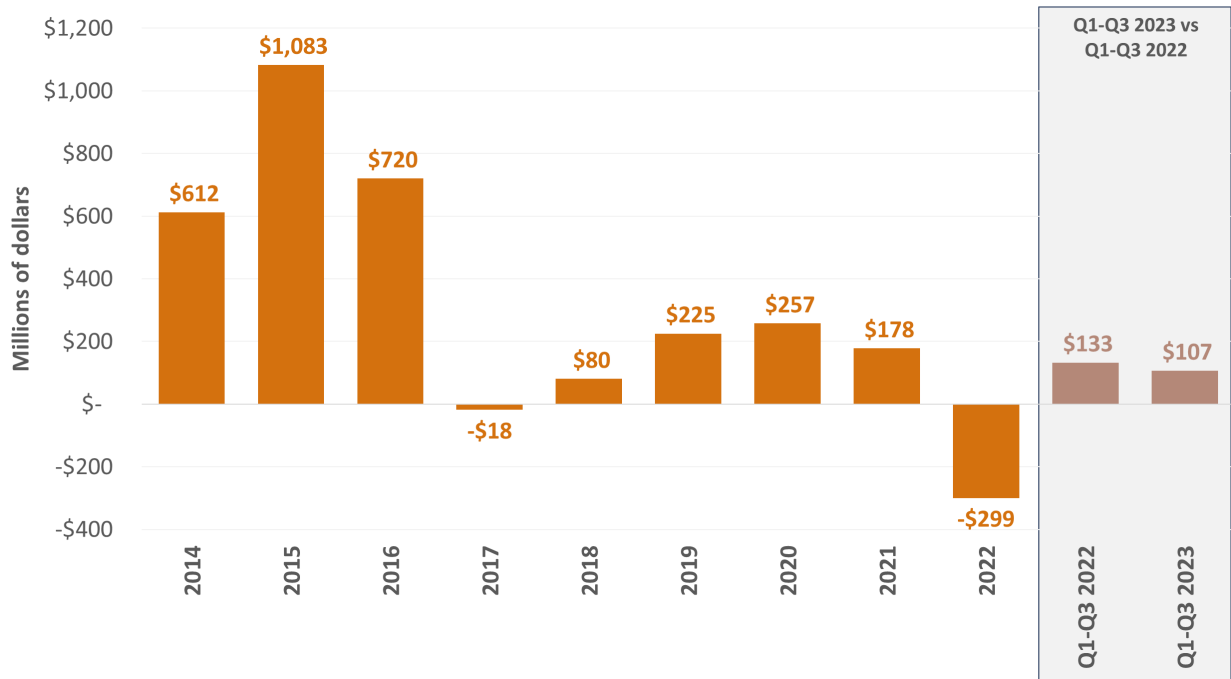
Just like in Oaxaca, local authorities have mentioned the possible *nearshoring* boost that Veracruz may receive thanks to the construction of the Trans-Isthmic Corridor project.<sup>49</sup> FDI in the state registered data in 39 out of the 57 sectors linked to this trend, among which only two received FDI over the first 9 months of 2023—the beverage industry and pharmaceutical manufacturing.<sup>50</sup> Together, these sectors accounted for 15% of the state’s FDI over the first 9 months of 2023.

FDI linked to the chain relocation trend in Veracruz was less dynamic than the state’s FDI in recent periods. In 2022, the total FDI was nonexistent, while FDI linked to *nearshoring* witnessed a (-)269% drop, since it registered disinvestment equal to (-)299 million dollars that year. Over the first 9 months of 2023, the state’s FDI saw a 52% increase when compared to the same period the previous year, but FDI in *nearshoring* sectors was (-)20% lower.

<sup>49</sup> La Silla Rota. Tren Transístmico y Corredor Interoceánico, beneficios del *nearshoring*: gobernador de Oaxaca. 17 September 2023.

<sup>50</sup> Fourteen activities with sufficient information were considered to analyze FDI from *nearshoring* in Veracruz. More detailed information can be found in the methodological annex.

**Graph 27. Performance of FDI linked to *nearshoring* in Veracruz.**  
 Million dollars. Updated figures.



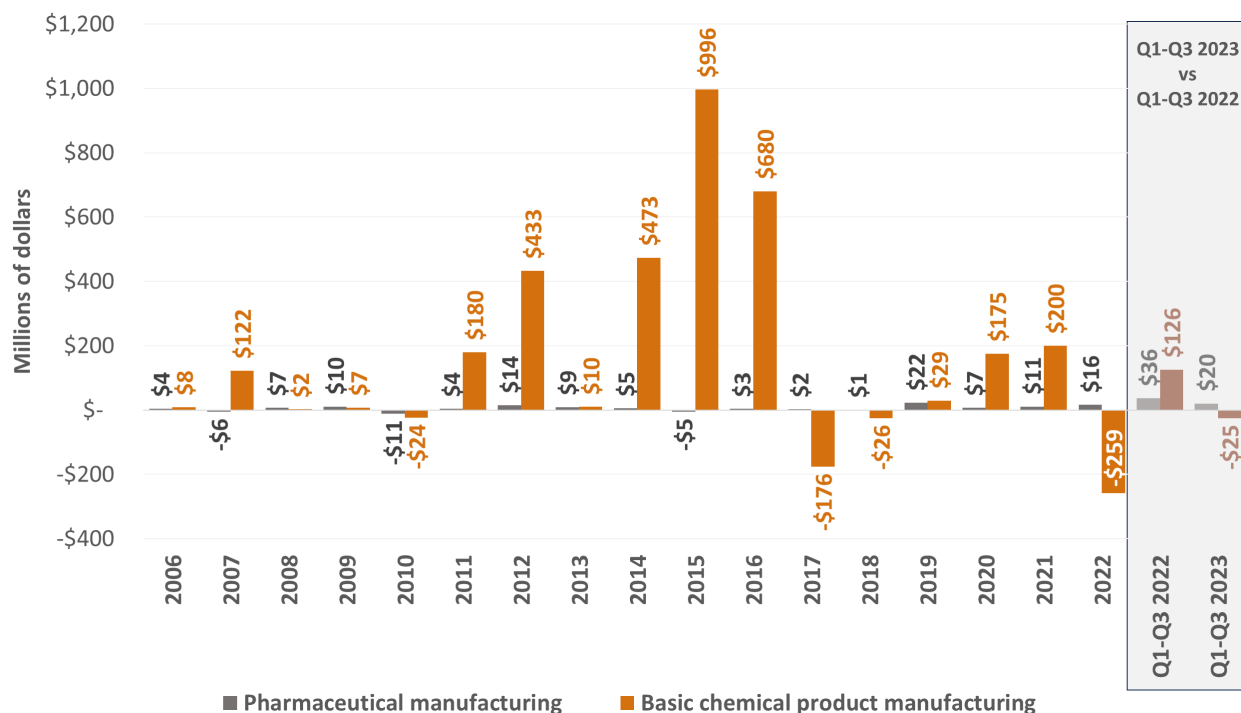
Source: Made by IMCO based on data from the Secretariat of Economy.

The performance of FDI related to the relocation of production chains mainly reflects what happened in the basic chemical product manufacturing sector. Since 2022, FDI directed toward that sector has been decreasing compared to previous years—whereas resources exceeded 175 million dollars in 2020 and 2021, 2022 registered disinvestment in the amount of (-)259 million dollars, a sum above the total observed in 2021. In the first 9 months of 2023, further disinvestment was registered in the sector, equal to (-)25.4 million dollars.

Meanwhile, whereas foreign investment directed toward the pharmaceutical manufacturing sector increased in 2021 and in 2022, performance over the first 9 months of 2023 was negative, registering a (-)44% annual decrease.

**Graph 28. FDI performance in Veracruz's key sectors.**

Million dollars. Updated figures.



Source: Made by IMCO based on data from the Secretariat of Economy.

Even though investment in those sectors linked to *nearshoring* in Veracruz holds more weight than that observed in other states (Oaxaca, for example), it accounts for a low proportion of the state's total FDI. The limited presence of *nearshoring* in Veracruz is reflected in the lack of dynamism observed in the foreign resources destined to the state.

**Table 6. Recent FDI growth in Veracruz.**

Period	Total FDI		Nearshoring-related FDI	
	Value (million USD)	Annual variation	Value (million USD)	Annual variation
2019	\$ 1,081		\$ 225	
2020	\$ 1,001	-7%	\$ 257	14%
2021	\$ 935	-6.5%	\$ 178	-31%
2022	\$ 0.01	-100%	-\$ 299	-269%
Q1-Q3 2022	\$ 471		\$ 133	
Q1-Q3 2023	\$ 718	52%	\$ 107	-20%

Source: Made by IMCO based on data from the Secretariat of Economy.

In addition, the lack of infrastructure to attract investment creates yet another obstacle for the arrival of resources and *nearshoring* motivated projects.<sup>51</sup> To take advantage of the opportunities created by that trend and use public projects like the Trans-Isthmic Corridor to encourage

<sup>51</sup> IMCO. *Nearshoring: oportunidad que desafía a las entidades mexicanas*. May 2023.

investment in the state, industrial and public investment policies must be implemented to create the proper structural conditions to boost competitiveness in the region.

## 6. Mexico, Foreign Direct Investment, and *nearshoring*

### 6.1 *The boost to FDI in Mexico through nearshoring*

The figures evaluated in this study display some changes in Foreign Direct Investment inflow patterns in the country, which may be linked to the use of opportunities created by *nearshoring*. Although efforts to measure the concrete impact of *nearshoring* on the Mexican economy face several challenges, the results of this research reveal certain effects such as the substantial increase in FDI inflow from countries like Japan, Chile and Hong Kong, where investors may be utilizing Mexico's integration into North American supply chains to get closer to other end markets.







More concretely, the methodology used in this study to evaluate changes in investment directed toward those industrial activities most closely linked to *nearshoring* enables the identification of a possible boost to national FDI coming that trend. In particular, although FDI showed an annual (-)5% decrease over the first 9 months of 2023, foreign investment directed toward those sectors linked to *nearshoring* shows a 47% increase over that same period. While that performance is not enough to affirm the existence of a clear trend, it is useful as a tool to get closer to measuring the impact of *nearshoring*.

However, the boost observed at the national level due to FDI linked to *nearshoring* has not been even in all states, but rather outstanding in states where FDI is already concentrated—like Mexico City and Nuevo León—, or those with proper structural conditions to attract investment—like Aguascalientes.<sup>52</sup>

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<sup>52</sup> In the research paper *Nearshoring: oportunidad que desafía a las entidades mexicanas*, IMCO defined 15 indicators that determine how well prepared States are to make use of the opportunities that *nearshoring* creates; these include variables related to the labor market, the availability of basic input, and infrastructure in each State. In that research, Aguascalientes ranked as one of the most highly prepared and competitive States in light of *nearshoring*.

Figure 3. States evaluated and their boost to FDI from *nearshoring*.

✓ States that have received a boost from <i>nearshoring</i>					
<b>Mexico City</b>  Sector boosting <i>nearshoring</i> : Motor vehicle and truck manufacturing	Total FDI (annual variation 2023 vs 2022*) -2%  Nearshoring FDI (annual variation 2023 vs 2022*) +27%	<b>Aguascalientes</b>  Sector boosting <i>nearshoring</i> : Motor vehicle and truck manufacturing	Total FDI (annual variation 2023 vs 2022*) +146%  Nearshoring FDI (annual variation 2023 vs 2022*) +310%	<b>Nuevo León</b>  Sector boosting <i>nearshoring</i> : Beverage industry	Total FDI (annual variation 2023 vs 2022*) -3%  Nearshoring FDI (annual variation 2023 vs 2022*) +265%
✗ States that have not received a boost from <i>nearshoring</i>					
<b>Jalisco</b>  Largest <i>nearshoring</i> sector: Beverage industry	Total FDI (annual variation 2023 vs 2022*) -51%  Nearshoring FDI (annual variation 2023 vs 2022*) -37%	<b>Oaxaca</b>  Largest <i>nearshoring</i> sector: Pharmaceutical manufacturing	Total FDI (annual variation 2023 vs 2022*) -77%  Nearshoring FDI (annual variation 2023 vs 2022*) -93%	<b>Veracruz</b>  Largest <i>nearshoring</i> sector: Beverage industry	Total FDI (annual variation 2023 vs 2022*) +52%  Nearshoring FDI (annual variation 2023 vs 2022*) -20%

Source: Made by IMCO based on data from the Secretariat of Economy. \*Comparisons between 2022 and 2023 include the first 9 months of each year.

By contrast, those states where FDI as a proportion of the national total is low—such as Veracruz and Oaxaca—have not been boosted by investment directed toward sectors linked to the relocation trend. Along with low reception of foreign resources, both states feature structural conditions that reduce their overall competitiveness and create obstacles to attract investment and projects linked to *nearshoring*.<sup>53</sup>

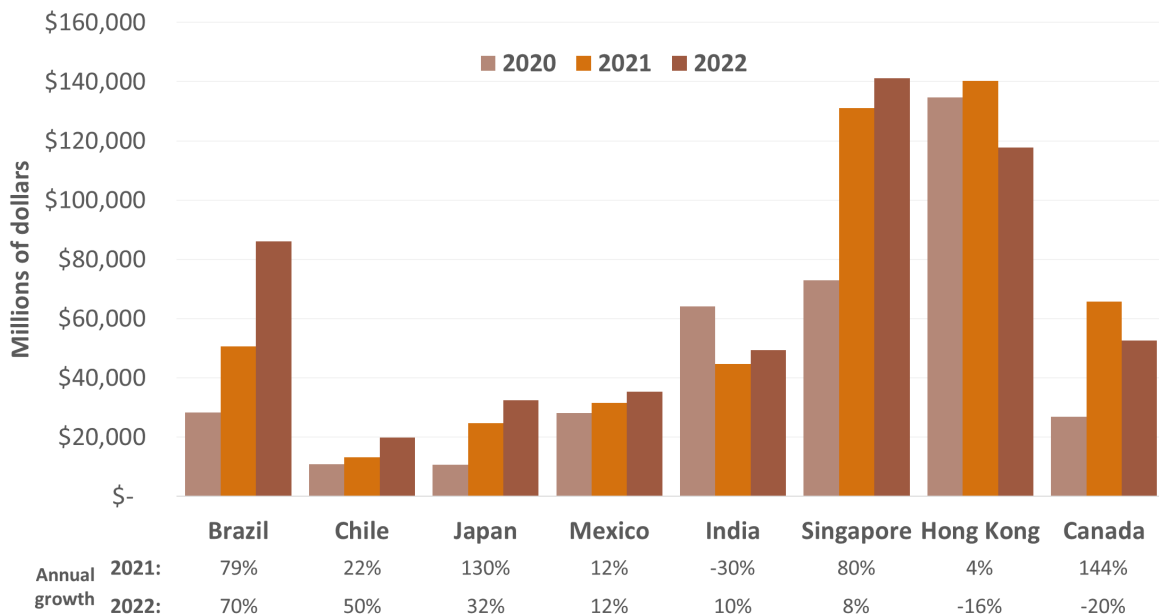
## 6.2 The global context

Aside from the regional disparities in FDI performance observed within Mexico, it is worth analyzing the country’s position in the global foreign investment flow landscape. In 2022, according to the United Nations Conference on Trade and Development (UNCTAD), Mexico ranked 11<sup>th</sup> in the list of largest FDI receptors worldwide—the same rank was recorded in 2021. Mexico ranked above countries like Japan, Korea and Chile, but below Singapore, Brazil and India.

<sup>53</sup> In the same study, both Oaxaca and Veracruz ranked among the least prepared States in structural terms in relation to *nearshoring*.

Despite being among the countries receiving the highest foreign investment sums, the latest figures show that Mexico is not among those countries with the highest FDI inflow growth. Whereas some countries showed substantial FDI increases between 2021 and 2022, like Brazil (+70%), Japan (+32%) or Chile (+50%), Mexico registered a 12% increase over the same period. Similar performances were observed between 2020 and 2021, when Mexico registered a rate similar to 2022, while Brazil (+79%), Japan (+130%) and Chile (+22%) exceeded that rate.

Graph 29. FDI inflow in some of the world's main receptors.



Source: Made by IMCO based on data from UNCTAD.

The figures provided by UNCTAD prove that, despite having displayed increases in FDI inflow, Mexico's performance lags behind the performance of other main FDI receptor countries in the world. This fact points to the need of making efforts in terms of the country's infrastructure and competitiveness to maximize the use of the window of opportunity created by the production chain relocation trend.

### 6.3 Final remarks

This research's findings are an effort to get closer to measuring the impacts of *nearshoring* on the economy and national investment observed so far, based on geographic and sectorial variables. Although figures point to an increase in investment linked to the relocation of chains at the national level, they also highlight existing disparities among states, making it clear that not all regions in the country have been able to join the trend.

In that sense, and in a context where *nearshoring* has come out as an opportunity to bolster regions that lag behind economically, these results may be a starting point not only to identify those states with positive results over the last periods, but also to emphasize the need to make planning efforts to improve state infrastructure.

## 7. IMCO Proposals

*Nearshoring* is an opportunity to attract FDI toward those economic areas linked to global value chains, or that show potential to integrate them. However, it also offers opportunities beyond investment. Mexico must take advantage of the production chain relocation trend to boost its growth, starting with greater integration with the United States and Canada, framed by the implementation of the USMCA.

To achieve the above, depending on the country's current features to attract investment from transnational companies is not enough; instead, Mexico must be proactive and implement public policies to increase competitiveness and become a more attractive country to investors seeking to relocate production chains.

To create the proper conditions to attract investment and make use of the opportunities that *nearshoring* offers, IMCO suggests:

- **Public investment in infrastructure to close regional gaps.** The great disparities among states in terms of their economic and social conditions affect their capacity to attract more investment and talent—whether directly or indirectly linked to *nearshoring*. For that reason, the structural needs of each state must be identified. Such needs will include pending issues in the maintenance, modernization and spread of the necessary networks and infrastructure to supply basic inputs like water and electricity. Other structural elements that must be addressed are the construction of adequate housing for workers and the creation of public transportation routes to improve connection between work locations.
- **At-work training to participate in high value added activities.** The extent to which Mexican states manage to attract investment partially depends on the extent to which states can produce, attract and retain human talent. Having available workers with the necessary education skills to fill the positions created by new investments and able to adapt to changes in production and technology processes (not only four-year college programs, but also two-year vocational or training programs and professional



certifications), is essential to participate in high value added industries and produce higher income.

- **Adoption of technologies to modernize the manufacturing industry.** To better integrate into the North America region and participate in more production chains, Mexico must adapt to advanced and automated manufacturing, which requires the incorporation of new technology such as digital tools, to transform national production systems based on innovation and technological development.
- **Ensuring rule of law.** In addition to physical and human resources, it is imperative to create a more suitable environment for business in the country. Law enforcement and a judiciary system that can provide certainty are also decisive aspects for both national and international investors, since they support their operation and reduce costs. Simplifying regulations to carry out production activities, as well as allocating adequate resource to governmental justice units, are important related areas in need of improvement.

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## 9. Methodological annex

Measuring changes in investment motivated by *nearshoring*, or the relocation of production chains, is a difficult task due to the intricacies to differentiate the impact of that trend from other aspects, such as economic recovery activity and global demand conditions. However, an alternative to get closer to that measurement is analyzing Foreign Direct Investment (FDI) inflow data by economic sector and try to identify the changes that may be associated with *nearshoring*.

In this study, a set of 57 industrial activities were selected based on the possible association of their changes in foreign investment reception with *nearshoring*, because those activities are most closely linked to global production chains, whether because they have integrated those chains, or because of their potential to integrate them in the future.

Table 1 of this annex shows a detailed list of such activities, classified at the four-digit level according to the North American Industry Classification System (NAICS), used in the 2019 Economic Census published by INEGI. Such a level of disaggregation was used because it is the highest level available to break down FDI data, published by the Secretariat of Economy.

Thirty-seven out of the 57 industrial activities in this study are in sectors integrated into global value chains, that is, they are part of a set of related activities carried out in different countries and that are necessary to produce a certain good or service, which is why a good portion of their production is exported.

To the ends of this study, an industrial activity was considered to have integrated global value chains if it registered a value added in global manufacturing exports as a proportion of its total manufacturing production higher than 10% in 2021, since the average of all manufacturing activities was 10.1%. The data used for calculation were published by INEGI. Most of these activities are part of the manufacturing industry, related to machinery and equipment manufacturing; computer equipment and electronic product manufacturing; electrical appliance manufacturing; and transportation equipment manufacturing.

In addition to the activities that have already integrated global value chains, this study considered another 17 industries related to activities showing potential to integrate new production chains, in particular in North America, according to findings by the *Consejo de Empresas Globales* (Executive Board of Global Companies; CEEG). These industrial activities are in sectors such as agriculture, mining, the food industry, the beverage and tobacco industry, leather and hide

tanning, the chemical industry, metallic product and household appliance manufacturing, as well as electronic information processing.

Another aspect considered in this study was the recent implementation of public policies in North America, mainly in the United States, to reorganize certain global supply chains through an increase in the production capabilities of those sectors considered strategic, as well as the substitution of supplies coming from other countries, like China. Due to the ongoing economic integration between Mexico and the United States, these actions can be expected to lead to changes in investment toward certain sectors which, while not integrated into global value chains or lacking the potential to do so, may be bolstered by the stimuli recently implemented in the region. For that reason, another 3 industrial activities were added to the list of activities in this study, related to chemical product manufacturing, warehousing and storage services, and specialized design.

**Table 1.** Selection of those activities most closely linked to *nearshoring*.

Group	NAICS code	Activity	Name
<b>Activities integrated into global production chains</b>	3131	Fiber, yarn, and thread mills	
	3133	Textile and Fabric Finishing and Fabric Coating Mills	
	3152	Cut and Sew Apparel Manufacturing	
	3169	Other Leather and Allied Product Manufacturing	
	3259	Other Chemical Product and Preparation Manufacturing	
	3262	Rubber Product Manufacturing	
	3271	Clay Product and Refractory Manufacturing	
	3272	Glass and Glass Product Manufacturing	
	3279	Other Nonmetallic Mineral Product Manufacturing	
	3314	Nonferrous Metal (except Aluminum) Production and Processing	
	3325	Hardware Manufacturing	
	3326	Spring and Wire Production Manufacturing	
	3329	Other Fabricated Metal Product Manufacturing	
	3331	Agriculture, Construction, and Mining Machinery Manufacturing	
	3332	Industrial Machinery Manufacturing	
	3333	Commercial and Service Industry Manufacturing	
	3336	Engine, Turbine, and Power Transmission Equipment Manufacturing	
	3339	Other Chemical Product and Preparation Manufacturing	
	3341	Computer and Peripheral Equipment Manufacturing	
	3342	Communications Equipment Manufacturing	
	3343	Audio and Video Equipment Manufacturing	
	3344	Semiconductor and Other Electronic Component Manufacturing	
	3345	Navigational, Measuring, Electromedical, and Control Instruments Manufacturing	
	3346	Manufacturing and Reproducing Magnetic and Optical Media	
	3351	Electric Lighting Equipment Manufacturing	
	3353	Electrical Equipment Manufacturing	
	3359	Other Electrical Equipment and Component Manufacturing	
	3361	Motor Vehicle Manufacturing	
	3362	Motor Vehicle Body and Trailer Manufacturing	
	3363	Motor Vehicle Parts Manufacturing	
	3364	Aerospace Product and Parts Manufacturing	
	3366	Ship and Boat Building	
	3369	Other Transportation Equipment Manufacturing	
3372	Office Furniture (including Fixtures) Manufacturing		
3379	Other Furniture Related Product Manufacturing		
3391	Medical Equipment and Supplies Manufacturing		
3399	Other Miscellaneous Manufacturing		
<b>Activities showing potential for regional integration</b>	1111	Oilseed and Grain Farming	
	1112	Vegetable and Melon Farming	
	1113	Fruit and Tree Nut Farming	
	1114	Greenhouse, Nursery, and Floriculture Production	
	1119	Other Crop Farming	
	2122	Metal Ore Mining	
	3111	Animal Food Manufacturing	
	3112	Grain and Oilseed Milling	
	3115	Dairy Product Manufacturing	
	3116	Animal Slaughtering and Processing	
	3121	Beverage Manufacturing	
	3161	Leather and Hide Tanning and Finishing	
	3254	Pharmaceutical and Medicine Manufacturing	
	3321	Forging and Stamping	
	3352	Household Appliance Manufacturing	
	3365	Railroad Rolling Stock Manufacturing	
	5182	Computing Infrastructure Providers, Data Processing, Web Hosting, and Related Services	
<b>Activities that need further development to integrate production chains</b>	3251	Basic Chemical Manufacturing	
	4931	Warehousing and Storage	
	5414	Specialized Design Services	

Source: Made by IMCO.

Based on this selection of industrial activities, the dynamic of FDI inflows received in 2022 and 2023 was analyzed, comparing it with the trend shown in the 10 years prior to the pandemic (2009 to 2019). Such analysis identified the change in investments that may be associated with *nearshoring* in Mexico and its major FDI receptor states.

It is worth noticing, however, that the set of 57 industrial activities only included those with enough available information on FDI inflows over the period of study, both at the national level and for each state and entity analyzed. On some occasions, the figure corresponding to foreign investment was confidential for certain industrial activities since the information received by the *Registro Nacional de Inversiones Extranjeras* (National Foreign Investment Registry, RNIE) is not disclosed when it refers to individual businesses, in agreement with the *Ley Federal de Transparencia y Acceso a la Información Pública Gubernamental* (Federal Law on Transparency and Access to Governmental Public Information).

**Table 2.** Selection of those activities most closely linked to *nearshoring* at the national level.

NAICS code	Industrial activity Name	Participation in GDP, Participation in FDI,	
		2021	2022
1112	Vegetable and Melon Farming	0.36%	0.02%
1113	Fruit and Tree Nut Farming	0.51%	
1119	Other Crop Farming	0.40%	
2122	Metal Ore Mining	0.73%	2.01%
3112	Grain and Oilseed Milling	0.35%	0.17%
3121	Beverage Manufacturing	0.86%	1.45%
3131	Fiber, yarn, and thread mills	0.02%	0.01%
3133	Textile and Fabric Finishing and Fabric Coating Mills	0.02%	0.00%
3152	Cut and Sew Apparel Manufacturing	0.23%	0.11%
3251	Basic Chemical Manufacturing	0.46%	
3254	Pharmaceutical and Medicine Manufacturing	0.25%	1.42%
3259	Other Electrical Equipment and Component Manufacturing	0.10%	0.33%
3262	Rubber Product Manufacturing	0.12%	1.06%
3271	Clay Product and Refractory Manufacturing	0.10%	
3272	Glass and Glass Product Manufacturing	0.14%	0.22%
3279	Other Nonmetallic Mineral Product Manufacturing	0.04%	0.02%
3325	Hardware Manufacturing	0.03%	0.06%
3326	Spring and Wire Production Manufacturing	0.04%	0.04%
3329	Other Fabricated Metal Product Manufacturing	0.11%	0.08%
3331	Agriculture, Construction, and Mining Machinery Manufacturing	0.07%	0.13%
3332	Industrial Machinery Manufacturing	0.04%	
3333	Commercial and Service Industry Manufacturing	0.01%	0.05%
3336	Engine, Turbine, and Power Transmission Equipment Manufacturing	0.21%	0.30%
3339	Other General Purpose Machinery Manufacturing	0.14%	0.03%
3341	Computer and Peripheral Equipment Manufacturing	0.46%	0.20%
3342	Communications Equipment Manufacturing	0.19%	0.65%
3343	Audio and Video Equipment Manufacturing	0.22%	0.43%
3344	Semiconductor and Other Electronic Component Manufacturing	0.36%	1.20%
3345	Navigational, Measuring, Electromedical, and Control Instruments Manufacturing	0.10%	0.39%
3351	Electric Lighting Equipment Manufacturing	0.02%	0.03%
3352	Household Appliance Manufacturing	0.11%	0.00%
3353	Electrical Equipment Manufacturing	0.24%	1.02%
3359	Other Electrical Equipment and Component Manufacturing	0.20%	0.52%
3361	Motor Vehicle Manufacturing	1.40%	8.20%
3363	Motor Vehicle Parts Manufacturing	1.32%	3.52%
3364	Aerospace Product and Parts Manufacturing	0.08%	0.61%
3369	Other Transportation Equipment Manufacturing	0.08%	0.02%
3391	Medical Equipment and Supplies Manufacturing	0.19%	0.17%
3399	Other Miscellaneous Manufacturing	0.19%	0.08%
5414	Specialized Design Services	0.01%	
	<b>Overall participation of the activities linked to nearshoring</b>	<b>10.50%</b>	<b>22.90%</b>

Source: Made by IMCO.

Note: The blank cells in GDP participation column indicate that it was not possible to calculate for the proportion due to data confidentiality. The participation in FDI column only reports positive value proportions, so the blank cells correspond to those industrial activities that reported negative investment amounts (disinvestment) and, for that reason, the sum of all individual proportions does not match the net total. Source: Made by IMCO based on data from INEGI and the Secretariat of Economy.

Due to the restrictions imposed by the absence of data, and adding to the nonexistence of some of the 57 industrial activities selected in this study in certain states and districts, it was not possible

to calculate for FDI flow growth in the concerned periods, which is why the sample was reduced to those industrial branches with enough information available, both nationally and for each state analyzed.

Table 2 of this annex displays the final list of activities at the national level. These 40 industrial activities accounted for 11% of the GDP in 2021 and captured 23% of the FDI inflow in 2022, according to data from INEGI and the Secretariat of Economy.

The case of Mexico City included 18 industrial activities considered most closely related to *nearshoring*, displayed in Table 3. Those activities accounted for 4% of the FDI inflow in this city, according to data from INEGI's 2019 Economic Census and the Secretariat of Economy.

**Table 3.** Selection of those activities most closely linked to *nearshoring* in Mexico City.

NAICS code	Industrial activity Name	Participation in the state's TGP, Participation in the state's FDI,	
		2018	2022
2122	Metal Ore Mining	0.00%	0.57%
3121	Beverage Manufacturing	0.33%	0.93%
3161	Leather and Hide Tanning and Finishing	0.00%	0.00%
3251	Basic Chemical Manufacturing	0.17%	
3254	Pharmaceutical and Medicine Manufacturing	1.58%	3.60%
3259	Other Chemical Product and Preparation Manufacturing	0.17%	0.32%
3339	Other Chemical Product and Preparation Manufacturing	0.09%	
3341	Computer and Peripheral Equipment Manufacturing		0.40%
3343	Audio and Video Equipment Manufacturing	0.01%	0.18%
3344	Semiconductor and Other Electronic Component Manufacturing	0.03%	0.73%
3345	Navigational, Measuring, Electromedical, and Control Instruments Manufacturing	0.01%	0.09%
3352	Household Appliance Manufacturing	0.04%	
3353	Electrical Equipment Manufacturing	0.19%	0.87%
3359	Other Electrical Equipment and Component Manufacturing	0.17%	0.08%
3361	Motor Vehicle Manufacturing	0.54%	5.19%
3363	Motor Vehicle Parts Manufacturing	0.22%	2.24%
3364	Aerospace Product and Parts Manufacturing		0.22%
3399	Other Miscellaneous Manufacturing	0.15%	
	<b>Overall participation of the activities linked to nearshoring</b>	<b>3.70%</b>	<b>13.70%</b>

**Note:** The blank cells in the TGP participation column indicate that it was not possible to calculate for the proportion due to data confidentiality. The participation in FDI column only reports positive value proportions, so the blank cells correspond to those industrial activities that reported negative investment amounts (disinvestment) and, for that reason, the sum of all individual proportions does not match the net total. **Source:** Made by IMCO based on data from INEGI and the Secretariat of Economy.

The case of Nuevo León included the 16 industrial activities displayed in Table 4, which accounted for 22% of the state's TGP in 2018 and captured slightly over 19% of the state's FDI inflow over the first 9 months of 2023.



**Table 4.** Selection of those activities most closely linked to *nearshoring* in Nuevo León.

NAICS code	Industrial activity Name	Participation in the state's TGP, Participation in the state's FDI,	
		2018	2022
1112	Vegetable and Melon Farming		0.00%
3121	Beverage Manufacturing		11.19%
3131	Fiber, yarn, and thread mills	0.02%	0.00%
3251	Basic Chemical Manufacturing	1.42%	0.82%
3254	Pharmaceutical and Medicine Manufacturing	0.05%	0.25%
3331	Agriculture, Construction, and Mining Machinery Manufacturing	1.36%	
3332	Industrial Machinery Manufacturing	0.13%	0.14%
3339	Other General Purpose Machinery Manufacturing	0.47%	0.26%
3341	Computer and Peripheral Equipment Manufacturing		0.96%
3342	Communications Equipment Manufacturing		0.33%
3353	Electrical Equipment Manufacturing	0.97%	1.57%
3359	Other Electrical Equipment and Component Manufacturing	1.39%	1.20%
3361	Motor Vehicle Manufacturing	8.16%	
3363	Motor Vehicle Parts Manufacturing	7.15%	6.45%
3399	Other Miscellaneous Manufacturing	0.54%	1.23%
4931	Warehousing and Storage	0.05%	0.00%
	<b>Overall participation of the activities linked to nearshoring</b>	<b>21.70%</b>	<b>19.20%</b>

**Note:** For Nuevo León, FDI in 2023 was taken as a reference since that year registered greater investment flows than 2022, which enabled the more accurate calculation of the participation of those sectors most closely linked to *nearshoring*. The participation in FDI column only reports positive value proportions, so the blank cells correspond to those industrial activities that reported negative investment amounts (disinvestment) and, for that reason, the sum of all individual proportions does not match the net total. **Source:** Made by IMCO based on data from INEGI and the Secretariat of Economy.

The case of Jalisco considered 16 industrial activities from within the group of activities most closely linked to *nearshoring*, which accounted for 21% of the state's TGP in 2018, as Table 5 shows. These activities accounted for 42% of the state's FDI inflow in 2022, when the beverage industry stood out as the highest investment receptor activity, accounting for 26% of the total FDI.

**Table 5.** Selection of those activities most closely linked to *nearshoring* in Jalisco.

NAICS code	Industrial activity Name	Participation in the state's TGP, Participation in the state's FDI,	
		2018	2022
3112	Grain and Oilseed Milling	4.20%	0.87%
3121	Beverage industry	5.18%	26.03%
3161	Leather and Hide Tanning and Finishing	0.02%	0.00%
3251	Basic Chemical Manufacturing		
3254	Pharmaceutical and Medicine Manufacturing	2.31%	1.87%
3271	Clay Product and Refractory Manufacturing	0.08%	0.00%
3279	Other Nonmetallic Mineral Product Manufacturing	0.18%	0.00%
3341	Computer and Peripheral Equipment Manufacturing	1.09%	
3343	Audio and Video Equipment Manufacturing	0.06%	
3344	Semiconductor and Other Electronic Component Manufacturing	1.72%	5.87%
3359	Other Electrical Equipment and Component Manufacturing	0.42%	0.41%
3362	Motor Vehicle Body and Trailer Manufacturing	0.10%	0.00%
3363	Motor Vehicle Parts Manufacturing	5.36%	9.29%
3364	Aerospace Product and Parts Manufacturing		0.00%
3366	Ship and Boat Building		0.00%
3399	Other Miscellaneous Manufacturing	0.39%	0.21%
	<b>Overall participation of the activities linked to nearshoring</b>	<b>21.10%</b>	<b>42.30%</b>

**Note:** The blank cells in the TGP participation column indicate that it was not possible to calculate the proportion due to data confidentiality. The participation in FDI column only reports positive value proportions, so the blank cells correspond to

those industrial activities that reported negative investment amounts (disinvestment) and, for that reason, the sum of all individual proportions does not match the net total. Source: Made by IMCO based on data from INEGI and the Secretariat of Economy.

In Aguascalientes, the group of activities most closely linked to *nearshoring* narrowed to 8. However, such activities accounted for 60% of the state’s TGP in 2018, and captured 61% of the FDI inflow to that state, which is displayed in Table 7. Both the production and the reception of foreign investment in this group of activities are concentrated almost entirely in motor vehicle and motor vehicle parts manufacturing

**Table 6.** Selection of those activities most closely linked to *nearshoring* in Aguascalientes.

NAICS code	Name	Industrial activity	Participation in the state's TGP, Participation in the state's FDI,	
			2018	2022
3116	Animal Slaughtering and Processing		1.25%	0.00%
3251	Basic Chemical Manufacturing		0.00%	
3326	Spring and Wire Production Manufacturing		0.18%	0.00%
3343	Audio and Video Equipment Manufacturing			0.00%
3353	Electrical Equipment Manufacturing			0.00%
3361	Motor Vehicle Manufacturing		36.20%	35.02%
3363	Motor Vehicle Parts Manufacturing		22.34%	25.73%
3354	Aerospace Product and Parts Manufacturing		0.00%	0.00%
<b>Overall participation of the activities linked to nearshoring</b>			<b>60.00%</b>	<b>60.70%</b>

Note: The blank cells in the TGP participation column indicate that it was not possible to calculate the proportion due to data confidentiality. The participation in FDI column only reports positive value proportions, so the blank cells correspond to those industrial activities that reported negative investment amounts (disinvestment) and, for that reason, the sum of all individual proportions does not match the net total. Source: Made by IMCO based on data from INEGI and the Secretariat of Economy.

In the case of Oaxaca, the 11 industrial activities that were considered in this study accounted for slightly more than 3% of the state’s TGP in 2018, and less than 5% of the FDI inflow in 2022. In particular, the beverage industry gathered 4.4% of the state’s FDI inflow, as shown in Table 7.

**Table 7.** Selection of those activities most closely linked to *nearshoring* in Oaxaca.

NAICS code	Name	Industrial activity	Participation in the state's TGP, Participation in the state's FDI,	
			2018	2022
3121	Beverage industry		3.10%	4.40%
3152	Cut and Sew Apparel Manufacturing		10.00%	0.00%
3254	Pharmaceutical and Medicine Manufacturing		0.00%	0.40%
3259	Other Chemical Product and Preparation Manufacturing		0.00%	0.00%
3262	Rubber Product Manufacturing		0.00%	0.00%
3336	Engine, Turbine, and Power Transmission Equipment Manufacturing		0.00%	0.00%
3343	Audio and Video Equipment Manufacturing			0.00%
3353	Electrical Equipment Manufacturing			0.00%
3359	Other Electrical Equipment and Component Manufacturing			
3391	Medical Equipment and Supplies Manufacturing			0.00%
4931	Warehousing and Storage		0.00%	0.00%
<b>Overall participation of the activities linked to nearshoring</b>			<b>3.20%</b>	<b>4.80%</b>

Note: The blank cells in the TGP participation column indicate that it was not possible to calculate for the proportion due to data confidentiality. The participation in FDI column only reports positive value proportions, so the blank cells correspond to those industrial activities that reported negative investment amounts (disinvestment) and, for that reason, the sum of all individual proportions does not match the net total. Source: Made by IMCO based on data from INEGI and the Secretariat of Economy.

Finally, the 14 industrial activities considered for the case of Veracruz accounted for 14% of the state's TGP in 2018, and nearly 15% of the state's FDI inflow in the first 9 months of 2023, mainly found in the beverage industry, as shown in Table 8.

**Table 8.** Selection of those activities most closely linked to *nearshoring* in Veracruz.

NAICS code	Name	Industrial activity	Participation in the state's TGP, Participation in the state's FDI,	
			2018	2022
1112	Oilseed and Grain Farming			0.00%
1113	Vegetable and Melon Farming			0.00%
1114	Fruit and Tree Nut Farming		0.00%	0.00%
3111	Greenhouse, Nursery, and Floriculture Production		1.50%	0.00%
3121	Beverage Manufacturing		2.40%	15.60%
3251	Basic Chemical Manufacturing		9.60%	
3254	Pharmaceutical and Medicine Manufacturing		0.70%	2.80%
3262	Rubber Product Manufacturing		0.10%	0.00%
3271	Clay Product and Refractory Manufacturing		0.00%	0.00%
3325	Hardware Manufacturing			0.00%
3353	Electrical Equipment Manufacturing			0.00%
3379	Other Furniture Related Product Manufacturing			0.00%
3391	Medical Equipment and Supplies Manufacturing			0.00%
5414	Specialized Design Services		0.00%	0.00%
<b>Overall participation of the activities linked to nearshoring</b>			<b>14.30%</b>	<b>14.80%</b>

Note: In the case of Veracruz, FDI in 2023 was taken as a reference since the state's FDI amount reported in 2022 was zero; that year, investment relating to new investments and utility reinvestment was captured (645 million dollars), but disinvestment in accounts between companies in the same amount was registered. The participation in FDI column only reports positive value proportions, so the blank cells correspond to those industrial activities that reported negative investment amounts (disinvestment) and, for that reason, the sum of all individual proportions does not match the net total. Source: Made by IMCO based on data from INEGI and the Secretariat of Economy.