

AN OVERVIEW / 13 JULY 2026

Mexico

The economy, politics and its relationship with the United States

The guide I wanted when I started looking.

US\$1.83tn

2025 GDP

132m+

population

US\$665bn

2025 goods exports

0.5-0.6%

2025 real growth

PHOTO / "Vista aérea del Estadio Azteca - 2026 - 18" by ProtoplasmaKid, via Wikimedia Commons, CC BY 4.0; cropped and darkened.

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Mexico in 2026

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Executive summary

The main conclusions before the detail

Mexico is a US\$1.83 trillion economy with about 132 million people. It is one of the world's largest exporters of manufactured goods, and the United States buys more than 80% of those exports. Mexico also grew by only about 0.6% in 2025, more than half of its workers are informal, and real output per person is only 7% higher than it was in 2000. The result is an economy that succeeds at trade without producing much growth for the average person. ^{[1][2][3]}

The country has built an industrial base that would be difficult to reproduce: car plants, electronics factories, medical-device manufacturers, engineers, suppliers, rail lines and border crossings. The benefits are concentrated in the north, the Bajío and a few large cities. Much of the rest of the economy consists of small firms with little credit, limited technology and no reliable route into the export supply chain. Exports can therefore set records while national growth remains weak.

The current economy is slow, although the main macroeconomic institutions are functioning. Inflation was 3.37% in June 2026, core inflation was 4.03%, the banking system was well capitalized, and the peso traded near 17.5 per US dollar. Public debt is moderate compared with many large economies, but pensions, interest payments and support for Pemex leave less money for electricity, water, security and health. The same budget is supposed to fund the services required for more investment to become operating factories rather than announcements. ^{[4][5][6]}

Politically, Morena is the dominant party and Claudia Sheinbaum has a much stronger legislative position than recent presidents. The judiciary is being rebuilt around elected judges, which changes how legal experience, independence and political accountability work. The results will show up in how long cases take, whether rulings are enforced, and whether companies and citizens believe they will receive the same treatment. ^{[7][8]}

Mexico in 2026

Measure	Latest reading	How to read it
Population	About 132m	A large domestic market and labor force.
GDP	US\$1.83tn in 2025	Total production, not household income.
Real GDP growth	About 0.6% in 2025	Very little growth after population is considered.
Goods exports	About US\$665bn in 2025	Manufacturing and US demand are central to the economy.
Inflation	3.37% in June 2026	Inside Banxico's 3% target plus or minus one point.
Core inflation	4.03% in June 2026	Underlying price pressure remained higher.
Unemployment	2.8% in May 2026	Few people were actively looking for work without finding any.
Informal employment	55.2% in May 2026	Most employment still lacks full legal and social protection.
Multidimensional poverty	29.6% in 2024	38.5m people had low income and at least one social deprivation.

The dates differ because each series follows its own release schedule. Sources: [World Bank](#), [Banco de Mexico](#), [INEGI inflation](#), [INEGI labor](#) and [INEGI poverty](#).

The conclusions I would keep in mind

Five questions that organize the report

Question	My answer
Why has Mexico not grown faster?	The export sector is productive, but it has weak links to millions of small firms. Low investment, limited credit, informality, uneven infrastructure and insecurity keep productivity low outside the strongest clusters.
Is the strong peso good?	It lowers the peso cost of imports and helps control inflation. It reduces the pesos received for each export or remittance dollar. The cause of the move matters more than the level by itself.
Why does informality matter so much?	It connects the labor market, productivity, taxes and public services. Informal work keeps unemployment low, but it also limits benefits, firm scale and the revenue available to the state.
What would make nearshoring real?	More machinery, private construction, grid connections, formal hiring and purchases from Mexican suppliers. A record FDI headline dominated by reinvested profits is not enough.
What is the largest near-term risk?	A long period of USMCA uncertainty that leaves existing trade intact but delays new factories, combined with weak domestic investment and limited public money for infrastructure.

The answers in this table are my analysis. The following sections show the data and reasoning behind them.

My base case (opinion)

I expect USMCA to remain in force through 2027 while the three governments continue negotiating. Existing factories should keep producing and exporting, but some new projects will wait for clearer rules. Mexico should return to modest growth as inflation falls and interest rates come down, although I do not expect a broad investment boom without more electricity, water, security and legal predictability. The outlook section lists what would change this view.

PART I

How the country works

PART I / SECTION 02

Country context

Geography, political history and the regional economy

Mexico has 31 states and Mexico City. About four in five people live in urban areas. The border with the United States runs for almost 3,200 kilometers, but access to that border is only one part of the economic geography. Monterrey, the Bajío, Mexico City, Guadalajara and the northern border cities have accumulated roads, suppliers, universities, power connections and formal employers over many years. Once those networks exist, each new factory has another reason to choose the same area. [12][13]

EXHIBIT 01 /

Production and poverty vary widely across Mexico



REGIONAL OUTPUT + WELFARE / 2024

2.0x

north versus south
GDP per resident

NORTH

MXN 352k

25.7% GDP • 18.6% people
13.4% in multidimensional poverty

NORTH-CENTRAL

MXN 245k

20.5% GDP • 21.2% people
24.0% in multidimensional poverty

CENTER

MXN 257k

37.9% GDP • 37.5% people
29.9% in multidimensional poverty

SOUTH

MXN 177k

15.9% GDP • 22.7% people
47.2% in multidimensional poverty

Banxico regions are analytical, not constitutional.

State color is 2024 GDP per resident. Regional poverty rates combine INEGI's state estimates using the population in the same survey. GDP per resident measures where production occurs, not household income. Sources: [INEGI state GDP](#), [INEGI poverty](#), [CONAPO population](#) and [Banco de Mexico regions](#).

In 2024 the north contained 18.6% of Mexico's population and produced 25.7% of GDP. GDP per resident was about MX\$352,000 in the north and MX\$177,000 in the south. The poverty estimates point in the same direction: 13.4% in the north and 47.2% in the south using the regional groupings in the map. These averages need care. Oil raises measured output in Campeche and Tabasco, and tourism does the same in Quintana Roo, without telling us how income is distributed among households.

The regional gap affects national policy. A program that works for an established auto supplier in Nuevo Leon may do little for a small business in Chiapas. Moving a factory south also requires reliable power, water, roads, trained workers and a city where employees can live. The plant is only one part of the investment.

How Mexico arrived here

The PRI and its predecessor parties controlled the presidency from 1929 to 2000. Economic policy changed considerably during that period. Mexico first developed behind trade barriers and a large state-owned sector. The 1982 debt crisis then forced spending cuts, privatization and a gradual opening to foreign trade. Mexico joined the GATT in 1986 and NAFTA began in 1994. The North American export model was therefore created under PRI governments, before an opposition party won the presidency. ^[17]

Political competition changed more slowly. Electoral reforms added proportional seats, created an independent election authority and made the voter registry more credible. The PRI lost its lower-house majority in 1997, and Vicente Fox of the PAN won the presidency in 2000. That election ended seven decades of one-party presidential rule, although it did not replace the trade and manufacturing strategy already in place. ^[18]

PAN governed from 2000 to 2012. The PRI returned under Enrique Pena Nieto, whose government passed reforms in energy, education, finance and politics. Persistent violence, corruption and slow growth weakened both parties. Andres Manuel Lopez Obrador won in 2018 with 53.19% of the vote, and Claudia Sheinbaum increased Morena's presidential vote share in 2024. Morena kept North American trade integration while raising minimum wages and transfers, building large public works and giving state energy companies a larger role. ^{[19][20][21]}

Four governing periods

Period	What changed	What carried into the next period
PRI and predecessors, 1929-2000	Mexico moved from state-led industrialization to privatization, GATT and NAFTA. Electoral rules gradually became more competitive.	A strong presidency, centralized institutions and the North American export model.
PAN, 2000-2012	An opposition party won the presidency and democratic alternation became normal.	Trade integration continued, while security and productivity remained difficult.
PRI, 2012-2018	Cross-party reforms changed energy, education, finance and political rules.	Moderate growth, violence and distrust of established parties.
Morena, 2018-present	Transfers and minimum wages rose, the state took a larger role in energy and infrastructure, and constitutional institutions changed quickly.	USMCA, manufacturing and dependence on the US market.

This is a compressed history. Sources: CRS, INE and official election results.

My read

Mexican voters changed the governing party three times without changing the country's basic economic relationship with the United States. The political argument has centered on the distribution of the gains, the role of the state and the quality of public institutions. That helps explain why a country with record exports could still produce a strong vote against the parties most closely associated with the earlier economic reforms.

PART I / SECTION 03

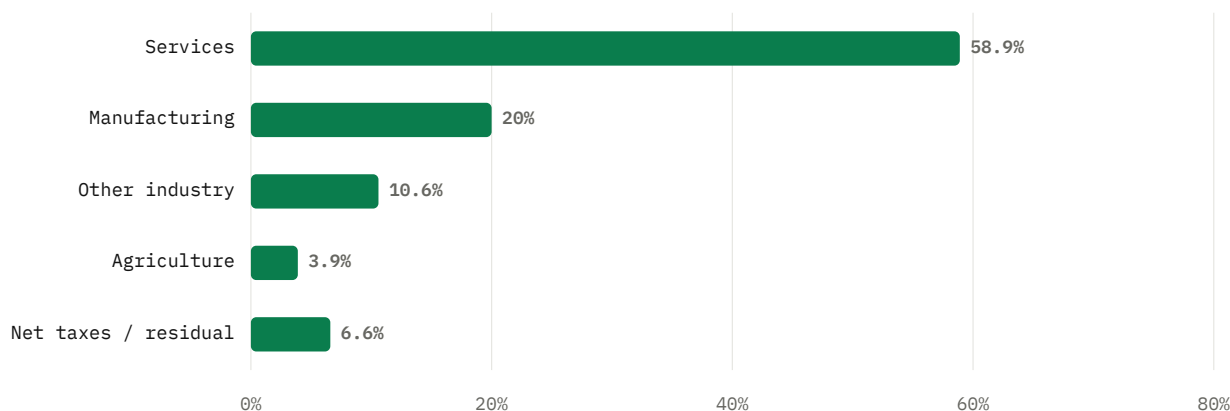
The economy and why growth has been slow

What Mexico produces, how the parts connect and where activity stands now

Services produced 58.9% of GDP in 2025. Manufacturing produced 20.0%, and other industry another 10.6%. Manufacturing receives more attention because its products cross the border and appear in trade statistics. The services around a factory also create value: transport, finance, software, maintenance, retail, construction and real estate.

EXHIBIT 02 /

Services produce most of Mexico's GDP



Share of GDP, 2025. Other industry excludes manufacturing. Sources: [World Bank services](#), [industry](#), [manufacturing](#) and [agriculture](#).

Mexico contains three overlapping economies

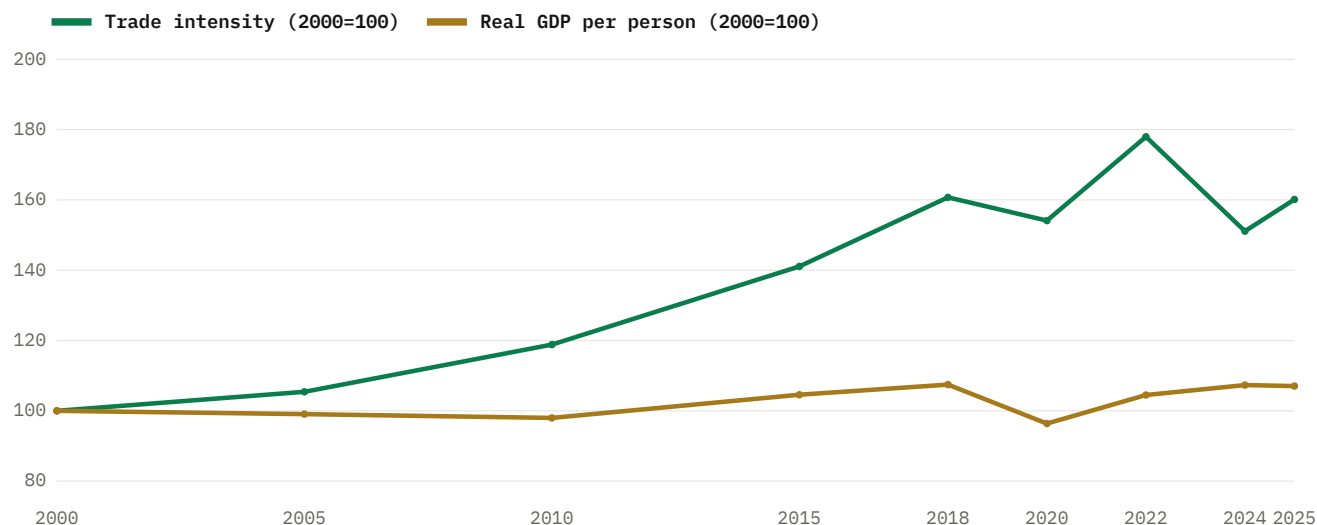
A useful way to organize the economy

Part of the economy	Examples	Main advantage	Main constraint
North American production	Autos, electronics, appliances, aerospace, medical devices and logistics	Scale, engineering, supplier networks and access to the US market	Power, water, security, skills and changing trade rules
Large formal domestic economy	Banks, telecom, retail, food, construction, tourism and business services	A 132m-person market and established national companies	Uneven purchasing power, limited competition in some markets and expensive credit
Small and informal economy	Micro-retail, personal services, workshops, agriculture and self-employment	It provides work and household income when formal jobs are unavailable	Little capital, weak social protection and difficulty growing beyond a small local market

These are my categories, not official statistical groups. A household or company can participate in more than one.

The weak links between these parts help explain Mexico's growth record. A global car plant can be highly productive while a nearby small firm lacks the certification, financing or technology needed to become its supplier. The car is exported, but much of the sophisticated input may still be imported. Gross exports rise faster than the income retained in Mexico.

EXHIBIT 03 /

Trade expanded much faster than real output per person

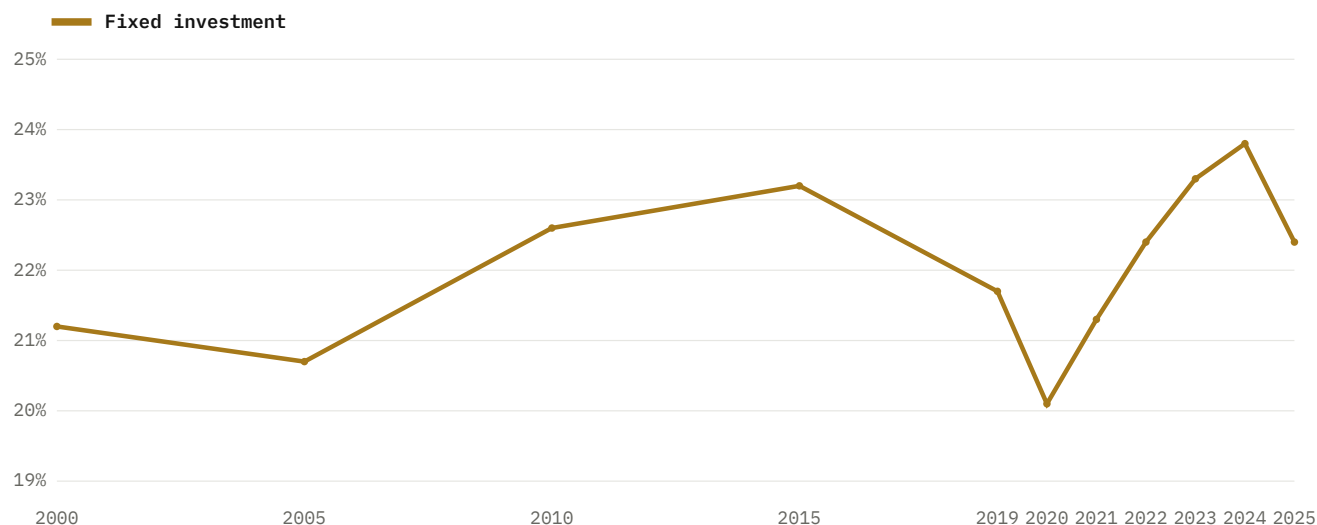
Index, 2000=100. Trade is exports plus imports as a share of GDP. Real GDP per person uses constant 2015 US dollars. The comparison does not claim trade caused slow growth. Sources: [World Bank trade](#) and [World Bank GDP per person](#).

Trade rose from about 50% of GDP in 2000 to about 80% in 2025. Real GDP per person increased by about 7% over the same period. Access to the US market clearly created production and jobs, but it did not fix low investment, poor local infrastructure, limited credit, insecurity or the small scale of many Mexican firms. Those domestic conditions determine how much of the export sector's productivity reaches the rest of the country. ^{[28][29]}

The current slowdown

Real GDP grew about 0.6% in 2025. Banco de Mexico forecast 1.1% growth for 2026 in its first-quarter report. Household spending and manufacturing exports have held up better than private investment. Fixed investment fell from 23.8% of GDP in 2024 to 22.4% in 2025. One year does not establish a permanent trend, but the decline is poorly timed for a country trying to add industrial capacity. ^[30]

EXHIBIT 04 /

Fixed investment fell in 2025 after a post-pandemic recovery

Gross fixed investment as a share of GDP. It includes construction and equipment. Source: [World Bank](#).

Mexico will receive less help from population growth in the future because fertility has fallen and the labor force will age. Faster long-run growth will therefore require more output from each worker. That usually means better equipment, larger firms, more formal employment, stronger competition, useful infrastructure and skills that match the work being added. It is a less exciting answer than a factory announcement, but it is the part that compounds.

The peso, inflation and interest rates

What 17.5 means, why the currency has been stable and who gains from a move

An exchange rate of 17.5 MXN per US dollar means one dollar buys 17.5 pesos. When that number falls from 19 to 17.5, the peso has strengthened. Mexican buyers need fewer pesos for a dollar of imported machinery, software or travel. A Mexican exporter or a family receiving remittances receives fewer pesos for each dollar earned abroad. This is why the same exchange rate can help one part of the economy and hurt another. ^[32]

Who is affected by a stronger peso

Group	What becomes easier	What becomes harder
Household buying imported goods	Imported products and foreign travel require fewer pesos.	There is no direct disadvantage unless household income comes from dollars.
Remittance recipient	Imported goods are cheaper.	Each dollar sent home converts into fewer pesos.
Manufacturer importing parts	Dollar-priced machinery and inputs cost fewer pesos.	Dollar export revenue also converts into fewer pesos.
Exporter with mostly Mexican costs	Imported equipment may be cheaper.	Peso wages and local costs become more expensive when measured in dollars.
Government and Pemex	Foreign-currency debt requires fewer pesos to service.	Dollar-linked oil revenue converts into fewer pesos.

The net effect depends on the currencies used for revenue, costs and debt. This is an analytical guide, not an accounting rule.

Why the peso has held up

Several forces have supported the peso: high Mexican interest rates relative to US rates, large export and remittance flows, a credible central bank, moderate foreign-currency government debt and confidence that trade with the United States will continue. None of these fixes the exchange rate at one level. They make investors and businesses more willing to hold pesos unless the expected return or political risk changes. ^[5]

Inflation was 3.37% in June 2026, while core inflation was 4.03%. Core inflation removes the most volatile items and was still above Banxico's target. Banxico's policy rate was 6.50%, leaving Mexican short-term rates well above inflation and above comparable US rates. High rates support the peso and slow price growth, but they also make mortgages, business loans and investment more expensive. ^{[4][33]}

The monetary picture in July 2026

Reading	Level	Meaning
Headline inflation	3.37%	Average consumer prices rose 3.37% from a year earlier.
Core inflation	4.03%	Underlying price pressure remained above headline inflation.
Banxico policy rate	6.50%	The central bank was still keeping borrowing conditions restrictive.
Approximate real policy rate	About 2.5% above core inflation	Borrowing remained expensive even after adjusting for underlying inflation.
Peso	Near 17.5 per US dollar	The currency remained strong relative to much of the previous decade.

Inflation is from INEGI. The policy rate and FIX exchange rate are from Banco de Mexico. The real-rate comparison is a simple subtraction, not Banxico's estimate of the neutral rate.

My read

The peso's stability is useful because it lowers imported inflation and the cost of foreign equipment. It is not proof that the economy is growing quickly. If Banxico continues cutting rates while the Federal Reserve does not, the interest advantage of holding pesos will narrow and some weakening would be normal. I would worry more about a peso decline caused by wider tariffs, cancelled projects or fiscal stress than about a gradual adjustment caused by lower inflation and rates.

PART II / SECTION 05

Public finances, Pemex and infrastructure

Why a manageable debt ratio still leaves difficult choices

Mexico's broad public debt rose from 52.0% of GDP in 2024 to 53.2% in 2025. Hacienda projects 54.7% in 2026 and 55.0% in 2027. The annual public-sector borrowing requirement is projected to fall from 5.8% of GDP in 2024 to 4.1% in 2026 and 3.5% in 2027. The deficit can fall while the debt ratio continues rising because debt also depends on interest, economic growth and exchange-rate changes. [6][34]

The fiscal path

Year	Broad public debt	Annual borrowing requirement
2024	52.0% of GDP	5.8% of GDP
2025	53.2% of GDP	4.9% of GDP
2026	54.7% of GDP	4.1% of GDP
2027	55.0% of GDP	3.5% of GDP

2026 and 2027 are official projections, not completed results. Sources: Hacienda debt and borrowing requirement.

The debt level is not the main reason public finances feel tight. Mexico collects relatively little tax for the number of services and investments expected from the state. Informality narrows income and payroll taxes, local property taxes are small, and oil revenue is lower and less dependable than it was decades ago. Pensions and interest payments are growing, while health, security, electricity and water require recurring spending. [28][35]

Pemex affects the federal budget

Pemex is not financially separate from the government in the way an ordinary private company would be. Federal support, tax relief and sovereign-backed refinancing use public capacity. Unpaid supplier bills affect private companies. Pemex's production and refining decisions affect fuel imports, energy security and emissions. The company reported that debt fell 13% in 2025, but the important question is whether operations can fund investment and suppliers without repeated federal support. ^[36]

This connects Pemex to nearshoring. Money used to support the company cannot also build transmission lines, water systems, courts or police capacity. Those services determine whether an industrial project can open on time. The fiscal cost is therefore larger than an accounting transfer when it displaces investment elsewhere.

Electricity and water are operating constraints

Mexico has strong solar and wind resources and direct access to US natural gas. Industrial demand is already present. The difficulty is delivering reliable power at a specific site, with a connection date a company can plan around. Water is similarly local. A national availability number says little about an industrial park in a dry municipality with competing household and agricultural demand. ^{[37][38]}

My read

A credible fiscal improvement would reduce the deficit while protecting electricity, water, maintenance, security and health. Cutting those areas may improve one year's accounts and reduce the growth needed to stabilize debt later. The composition of spending matters as much as the headline deficit.

PART III

People and institutions

PART III / SECTION 06

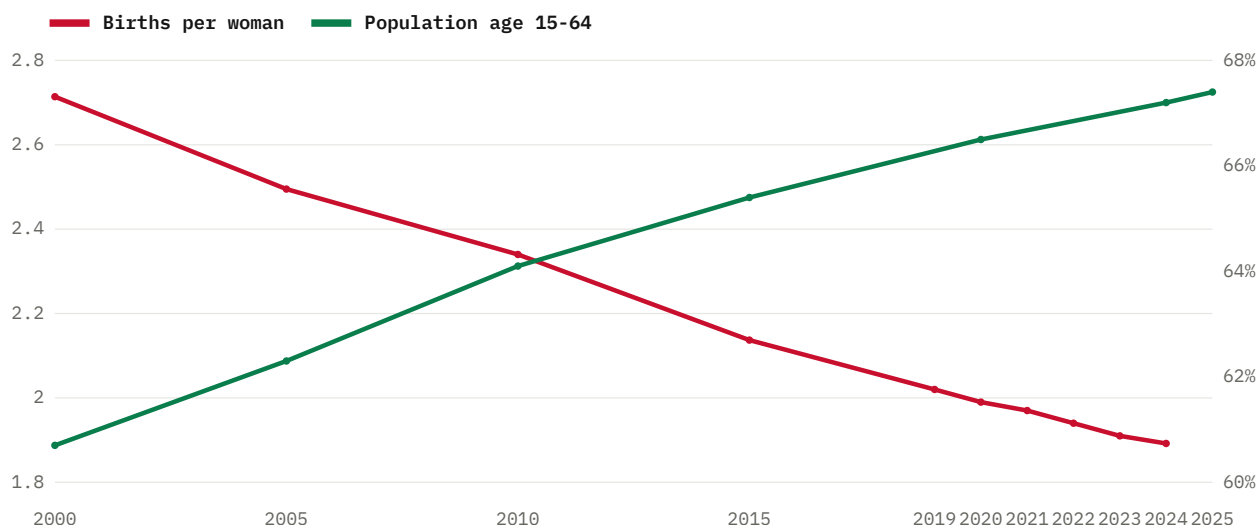
People, work and living standards

Demographics, employment, wages, poverty and migration

Mexico still has a large working-age population, but fertility fell from 2.7 births per woman in 2000 to 1.89 in 2024. The share of people aged 15 to 64 continued rising because large generations were already moving into working age. Over time, smaller younger generations will replace them. Growth will depend less on adding workers and more on what each worker can produce. ^{[39][40]}

EXHIBIT 05 /

Fertility fell while the working-age share continued rising



Fertility is on the left axis. The working-age share is on the right. Sources: [World Bank fertility](#) and [working-age population](#).

Why 2.8% unemployment does not describe the labor market

INEGI counted 60.4 million employed people in May 2026 and an unemployment rate of 2.8%. The unemployment rate answers a narrow question: among people working or actively looking for work, how many did not have a job? It does not tell us whether the available work pays enough, provides benefits or uses a worker's skills. ^[10]

For those questions, informality is more useful. INEGI counted 33.4 million informal workers, equal to 55.2% of employment. Some were self-employed, and others worked inside businesses without full legal or social-security protection. Mexico has no broad unemployment-insurance system that allows most people to search for work for many months. People often accept lower-paid or informal work because the alternative is no income. Low unemployment and high informality can therefore exist at the same time.

How to read the labor market

Measure	May 2026	What it tells us
Unemployment	2.8%	People actively seeking work who did not have a job.
Informal employment	55.2%	Work without full legal, tax or social-security protection.
Underemployment	7.0%	Employed people who wanted and were available for more hours.
Critical employment conditions	38.7%	Very low hours and income, or long hours with low pay under INEGI's definition.
Informal workers	33.4m	The number of employed people counted as informal.

Source: [INEGI labor release](#). The measures answer different questions and should not be added together.

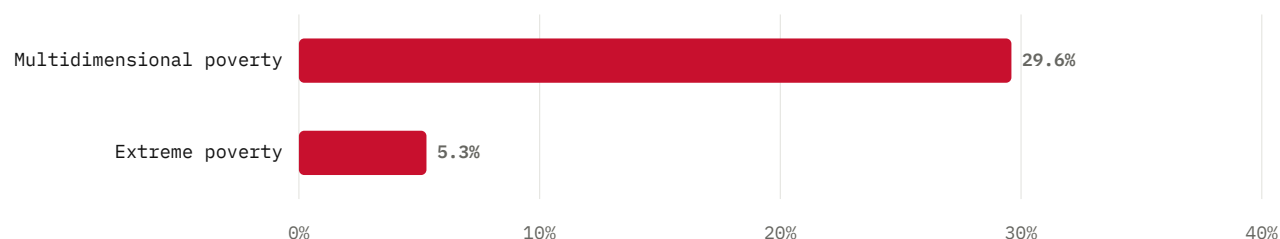
Informality also reaches beyond employment. Small firms outside the full tax and social-security system have less access to credit, government procurement, training and larger customers. The government collects less revenue, which limits public services. Weak services make formal taxes and contributions feel less worthwhile to workers and firms. This is one of the loops that keeps productivity and tax collection low. ^[41]

Wages and poverty

Mexico's real minimum wage rose roughly 68% from January 2021 to early 2026 in the OECD's measure. The increase began from a low level and did not produce the mass loss of formal jobs that some forecasts expected. Higher labor income and public transfers contributed to lower poverty. Future increases will be harder to absorb if pay rises faster than output per worker, especially for small formal firms. ^{[41][42]}

EXHIBIT 06 /

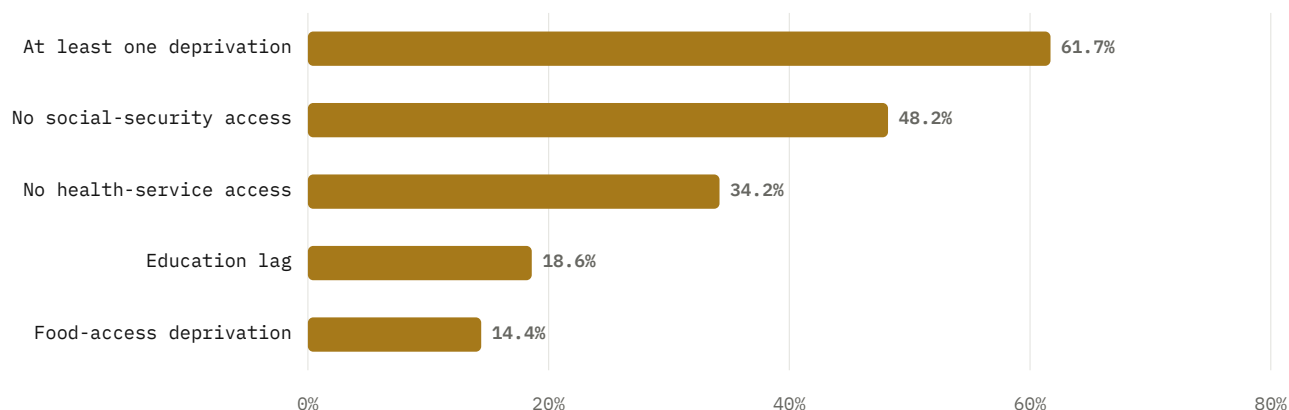
INEGI counted 29.6% of the population in multidimensional poverty in 2024



Share of the population. Extreme poverty is included within multidimensional poverty. Source: [INEGI](#).

The number of people in multidimensional poverty fell from 46.8 million in 2022 to 38.5 million in 2024. The measure requires low income plus at least one deprivation such as health, education, housing, food or social security. It is possible for a person to move above the poverty line and still lack several public services. In 2024, 61.7% of the population had at least one social deprivation, 48.2% lacked social-security access and 34.2% lacked health-service access. ^[11]

EXHIBIT 07 /

Access to social security and health remains limited

Share of the population, 2024. The categories overlap. Source: INEGI.

The improvement in poverty is meaningful, and the gaps are still large. Both belong in the same account. The next test is whether higher wages and transfers continue to raise income during a slow economy, and whether access to health and social security catches up.

Migration and remittances

Mexico is a country of emigration, return, immigration and transit. INEGI estimated about 1.2 million departures between August 2018 and September 2023, most for work and mostly to the United States. The same period included about 276,000 returns. These are five-year survey flows, not annual border counts. ^[43]

Remittances are measured more frequently. Mexico received US\$62.47 billion in 2025. The money supports food, housing, education and local spending, and it cushions families when the Mexican economy is weak. It does not automatically add productive capacity. The peso matters here as well: a stronger peso reduces the local currency received for each dollar. ^[44]

PART III / SECTION 07

Politics, institutions and security

How power is organized and where to look for the practical effects

Mexico is a presidential federal republic. The president serves one six-year term and cannot run again. The Chamber of Deputies has 500 seats and the Senate 128. Constitutional amendments require two-thirds support in Congress and approval from a majority of state legislatures. A coalition that controls those votes can change national institutions much faster than a US president can. ^[12]

Claudia Sheinbaum became president on 1 October 2024 after winning 59.76% of the vote. Morena and its allies obtained the votes needed for major constitutional changes. Coalition partners still matter, as shown when an electoral-reform proposal failed to receive their support in 2026. The government is powerful, although it cannot assume every allied vote on every issue. ^{[20][7]}

The judicial reform

The 2024 reform replaced appointment-based selection for much of the federal judiciary with elections. The first national judicial election took place in June 2025 with turnout near 13%. The new Supreme Court took office in September. Supporters argue that elections can open a closed institution and remove entrenched networks. Critics expect low-information voting, more party influence and the loss of experienced judges. ^{[8][45]}

The practical measures are case duration, consistency, enforcement and independence when the government or a powerful local interest is involved. Companies also care about ordinary commercial disputes, permits and contracts. A court system can be formally independent and still discourage investment if cases take years or judgments are not enforced.

Security requires more than one series

The federal government reported that daily intentional homicides had fallen 46% from September 2024 by May 2026. The direction is encouraging, but the figure comes from preliminary prosecutor data. Final death certificates arrive later, and state-level changes can differ sharply from the national average. ^[46]

INEGI's victimization survey estimated 33.5 million crimes in 2024. Only 9.6% were reported, and 93.2% were neither reported nor investigated. Extortion, cargo theft, disappearances and control of local markets affect households and businesses even when homicide falls. A large company can pay for guards, insurance and alternate routes. A small store or transporter may close, pay an extortion demand or remain informal. ^{[47][48]}

My read

I would treat the homicide decline as an important early result, not a complete security verdict. I would become more confident if final death-certificate data confirm it and if extortion, disappearances and business victimization also fall. For economic growth, the experience of smaller firms matters because they are least able to purchase private security.

PART IV

North America

PART IV / SECTION 08

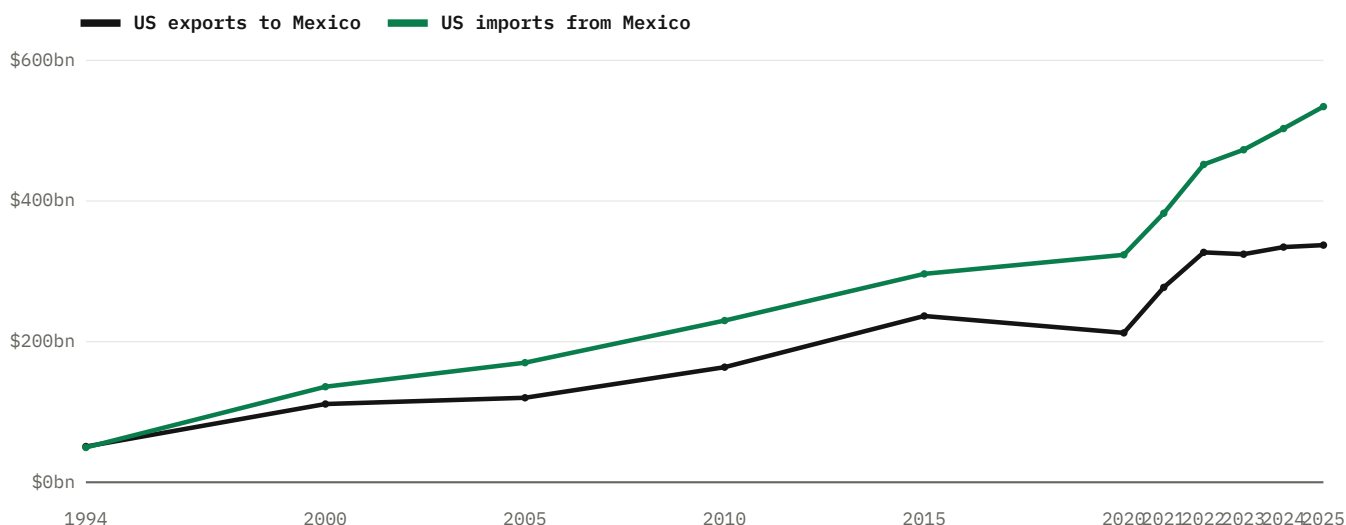
Trade, foreign investment and nearshoring

The production system that already exists and the evidence that would show it is expanding

Mexico exported about US\$665 billion of goods in 2025. Vehicles and parts, electronics, machinery and medical equipment made up much of the total. The United States bought more than four out of every five export dollars. Nearshoring is therefore an expansion of a large production system, not the creation of one from zero. ^{[9][49]}

EXHIBIT 08 /

US-Mexico goods trade reached US\$872bn in 2025



Billions of current US dollars. Gross trade counts a product each time it crosses the border and does not measure how much value each country added. Source: [US Census](#).

Imports are part of the production system

Mexico imports components and machinery, adds labor and other inputs, and exports a finished product. A larger import bill can therefore accompany stronger manufacturing. Machinery imports may indicate new capacity, while consumer imports tell us more about household demand. The category matters.

Largest goods partners in 2024

Partner	Mexican exports	Mexican imports
United States	US\$503.4bn	US\$262.7bn
China	US\$9.1bn	US\$129.5bn
Canada	US\$18.6bn	US\$13.0bn
Germany	US\$7.1bn	US\$21.4bn
Japan	US\$4.3bn	US\$19.2bn
South Korea	US\$4.1bn	US\$23.0bn
Brazil	US\$4.7bn	US\$11.7bn

Current US dollars. Bilateral totals can differ across agencies because of timing, valuation and partner assignment. Source: [UN Comtrade](#).

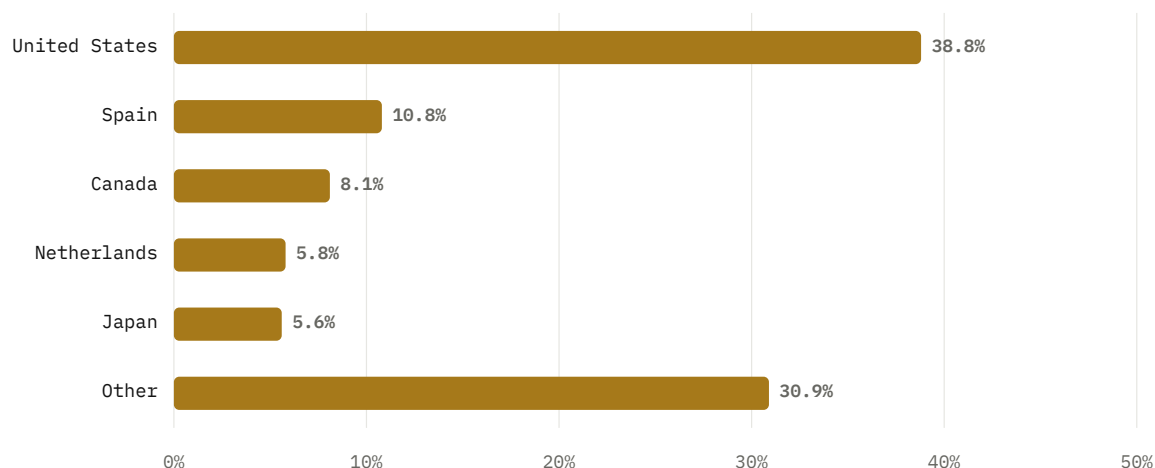
China illustrates the point. Mexico buys far more from China than it sells there, especially electronics, machinery and components. Those inputs can make a Mexican factory more competitive, but they also expose it to tighter North American rules of origin. A US rule aimed at Chinese content can change the economics of a plant located in Mexico. ^[52]

How to read the FDI record

Foreign direct investment reached US\$40.9 billion in 2025. Reinvested earnings accounted for 67.7%, new investment for 18.0%, and transactions between related companies for 14.3%. Reinvested earnings show that existing foreign-owned businesses were willing to keep profits in Mexico. They do not tell us that US\$40.9 billion of new plants were built. ^[53]

EXHIBIT 09 /

The United States supplied 38.8% of reported 2025 foreign investment



Share of inward FDI by immediate investor country. The immediate country can differ from the ultimate owner's home. Source: [Mexico Economy Ministry](#).

What would convince me that nearshoring is accelerating

From announcement to production

Stage	Evidence	Why it matters
Interest	Company announcement or site search	Useful for identifying demand, but easy to delay or cancel.
Commitment	Land, permits, financing and customer contracts	The project has incurred real cost and has a commercial reason to proceed.
Construction	Private nonresidential construction and equipment orders	Capital is being installed rather than discussed.
Connection	Delivered electricity, water and transport access	The site can operate at the promised scale.
Operation	Output, formal jobs and machinery use	The project is producing and paying workers.
Local spread	Purchases from Mexican suppliers and higher domestic value added	More of the export income remains in Mexico.

My monitoring framework. Data sources include INEGI investment, CENACE, company filings, labor data and trade in value added.

The last row is the most important for national growth. Mexico can add exports without adding much Mexican value if the new plant imports most components and has few local suppliers. Supplier development, credit, certification and engineering determine whether a factory becomes part of a deeper domestic network. ^{[54][55]}

PART IV / SECTION 09

The United States-Mexico relationship

Trade, migration, security, energy and water

The relationship covers far more than exports. The countries share factories, families, rivers, pipelines, migration routes and organized-crime problems. A dispute in one area can affect negotiations in another because both governments have several things they want from the other at the same time.

What happened to USMCA in July 2026

USMCA remains in force. At the first joint review on 1 July 2026, the United States did not agree to extend the agreement for another 16 years. Under Article 34.7, the three countries now return for annual reviews while the agreement continues. If they later agree to an extension, a new 16-year term begins. If they do not, the treaty can continue through 2036 unless a country separately withdraws. ^{[56][57][58]}

This distinction matters for investment. A factory operating today can continue using the agreement while negotiations continue. A company considering a new plant with a ten-year payback may wait because the rules after the next review remain uncertain. Existing exports can remain strong while new investment slows.

The relationship by issue

Issue	What connects the countries	Where conflict usually begins
Trade	Factories, farms, trucks, rail, energy and tariff preferences	Tariffs, origin rules, labor cases and the bilateral deficit
Migration	Families, labor markets, asylum routes and remittances	Border enforcement, returns and changing asylum rules
Security	Fentanyl, firearms, organized crime, intelligence and extraditions	Sovereignty, trust and pressure for unilateral action
Energy and water	Natural-gas pipelines, oil trade, shared rivers and cross-border pollution	Water deliveries, drought and Mexico's state energy policy

Starting sources: [CRS economic relations](#), [migration](#), [security](#) and the 1944 water-treaty authorities.

Mexico imports large volumes of US natural gas, and the United States imports Mexican manufactured goods and crude oil. Shared rivers serve farms and cities on both sides. Border ports carry the trade. A slow crossing, drought or unavailable power connection can interrupt production as directly as a tariff. [\[62\]](#)[\[63\]](#)[\[64\]](#)

My read

The economic relationship is likely to survive because replacing it would be expensive for both countries. That does not guarantee calm negotiations or protect every industry. I expect continued trade alongside repeated disputes over content, migration and security. The cost will show up first in delayed investment and compliance work, before it appears in the headline export total.

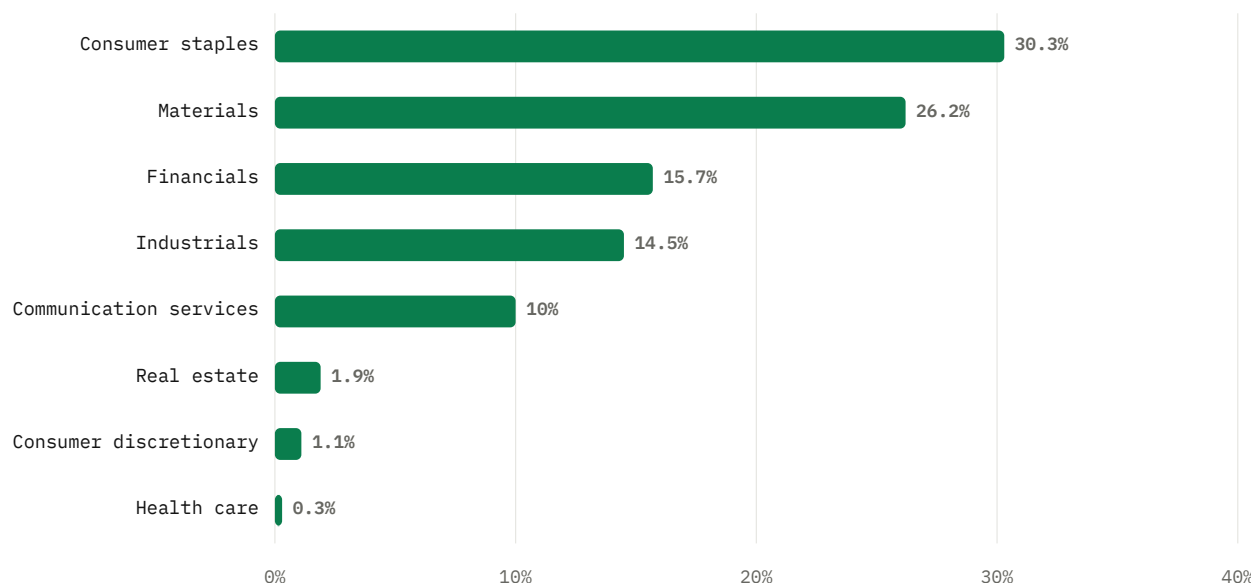
Companies, technology and new industries

Where capital is concentrated and which opportunities fit Mexico's existing advantages

Mexico has large, sophisticated companies in telecom, consumer goods, materials, finance, airports, industrials and retail. Many are controlled by families or small shareholder groups. The public stock market is much narrower than the economy: the S&P/BMV IPC held 35 companies in June 2026, and consumer staples plus materials made up more than half of the index. A stock-market chart therefore tells us little about startups, private manufacturers or foreign-owned factories. ^[65]

EXHIBIT 10 /

Mexico's main stock index is concentrated in traditional sectors



Sector weights in the S&P/BMV IPC at 30 June 2026. The index is not a census of Mexican companies. Source: [S&P/BMV IPC](#).

Banks are well capitalized, but credit to the private sector was about 35.5% of GDP in 2025. Large companies can borrow from global banks or issue bonds. Small firms face higher rates, collateral requirements and thin credit histories. This is one reason the supplier base grows more slowly than the export plants it could serve. Fintech can reduce distribution and underwriting costs, although faster digital lending does not remove credit risk. ^{[66][5]}

Where I see the best fit

Opportunities connected to existing demand

Area	Why Mexico has an advantage	What must be true
Industrial software and supplier tools	Factories already need origin records, quality control, maintenance, customs and supplier finance.	Products must integrate with real plant workflows and survive long industrial sales cycles.
Payments and financial infrastructure	A large formal economy sits beside millions of small firms with limited credit and fragmented records.	Lower cost must come with sound underwriting, fraud control and a path to profitability.
Power, water and efficiency	Industrial sites need reliable energy and water, and many companies have measurable savings available.	Projects need permits, finance, connection rights and customers willing to sign long contracts.
Logistics and border operations	US-Mexico trade already moves US\$872bn of goods each year.	Software or infrastructure must reduce delays, errors or working capital in a measurable way.
Medical devices and specialized manufacturing	Mexico already has clusters, engineers and access to the US market.	Training, certification, utilities and compliant regional content must be available.
Tourism and business services	Mexico combines a large visitor economy, US proximity and a bilingual professional workforce.	Security, transport, digital infrastructure and service quality must improve with demand.

This is my screening view, not a market forecast. It uses existing demand rather than assuming a new industry will appear because it is fashionable.

AI belongs in this list when it solves one of these operating problems. A factory may use it for inspection or maintenance. A bank may use it for fraud and service. A logistics company may use it to classify documents or predict delays. Counting AI strategies or press releases would tell us very little. Adoption should show up in lower cost, faster throughput, fewer errors or higher revenue per worker.

PART V / SECTION 11

Outlook and predictions

My current view, the evidence behind it and what would change my mind

The following judgments are mine. They are not official forecasts. I am writing them down so the report can be checked against what happens rather than adjusted after the fact.

My base case through the end of 2027

- **USMCA remains in force.** The governments continue annual reviews and reach partial agreements, but a full long-term extension takes time.
- **Existing manufacturing performs better than new-site investment.** Plants with customers, permits and utility connections continue operating. Some greenfield projects wait for clearer trade rules.
- **Growth improves from the 2025 low without becoming strong.** Lower inflation and interest rates help consumption and investment, while weak productivity and fiscal limits keep the recovery modest.
- **Banxico cuts rates gradually.** Core inflation remains the constraint. A narrower interest-rate gap with the United States allows some peso weakening without implying a crisis.
- **Headline FDI remains stronger than new investment.** Existing investors continue reinvesting profits, while machinery, construction and formal hiring provide a more cautious picture of added capacity.

- **Poverty progress becomes harder to sustain.** Real wage gains continue, but a slow economy and limited health and social-security access reduce the pace of improvement.

Three possible paths

Path	What would happen	What I would expect to see first
Clearer integration	The countries agree on an extension path and workable origin rules. Companies add capacity.	New investment, machinery imports, private construction, grid connections and formal manufacturing jobs rise together.
Continued negotiation	USMCA stays in force, but annual reviews and sector disputes continue.	Existing exports remain stronger than new projects. Reinvested earnings dominate FDI and investment stays uneven.
Wider disruption	Tariffs or origin rules reduce the benefit of producing in Mexico for the US market.	The peso and borrowing costs move first, followed by project cancellations, weaker equipment orders and manufacturing jobs.

These are scenarios, not official forecasts. My base case is the middle row.

What would make me more positive

A written USMCA extension path would lower the risk of projects that take many years to repay. I would want to see that policy change followed by more new investment, machinery imports, private construction, electricity connections and formal manufacturing jobs. I would become more positive about national growth if Mexican supplier content and output per worker also rose. Export growth alone would not be enough.

What would make me more negative

A withdrawal notice, broad US-only content rules or wider tariffs would directly reduce the value of producing in Mexico for the US market. Project cancellations, weaker machinery demand, persistent peso volatility and higher borrowing costs would show that the damage had moved beyond negotiation. Domestically, repeated cuts to infrastructure and health in order to fund pensions, interest and Pemex would weaken the investment case even if trade rules improved.

The indicators I would check each month or quarter

Indicator	Question it answers	Constructive reading
USMCA review documents	Are the rules becoming clearer?	Specific agreements, timelines and a path to extension.
New-investment share of FDI	Are companies adding capacity?	New equity rises alongside reinvested earnings.
Machinery imports and private construction	Is announced investment becoming physical investment?	Both rise for several months, not one release.
Formal employment and productivity	Are export gains reaching workers and firms?	Formal jobs and output per worker rise together.
Core inflation	Can Banxico keep cutting rates?	Core inflation moves toward 3% without higher expectations.
Public investment and Pemex transfers	Is the budget protecting future capacity?	The deficit falls while grids, water, health and security are maintained.
Homicide, extortion and business victimization	Is security improving broadly?	Several measures fall and reporting does not deteriorate.
Poverty and social deprivation by state	Are household gains spreading?	Income improves together with health and social-security access.

Definitions and sources

How to read the measures and where the numbers came from

The report uses Mexican official sources first. INEGI provides output, prices, labor, poverty and social statistics. Banco de Mexico provides monetary policy, the exchange rate, remittances, trade and financial-stability data. Hacienda provides public finances, and the Economy Ministry provides foreign-investment figures. US agencies are used when the number is measured from the US side. The World Bank and OECD provide longer series and comparable definitions.

Definitions that change the conclusion

Term	Meaning in this report	Common mistake
GDP	The value produced inside Mexico.	Treating it as household income or national wealth.
GDP per person	GDP divided by population.	Assuming every resident receives the average.
Informal employment	Work without full legal, tax or social-security protection.	Treating it as unemployment or illegal work.
FDI	Foreign equity, reinvested profits and related-company debt.	Reading the entire total as new factories.
Trade as a share of GDP	Exports plus imports divided by GDP.	Saying trade literally creates that share of national income.
Multidimensional poverty	Low income plus at least one social deprivation under Mexico's method.	Comparing it directly with a simple income-poverty line.
USMCA joint review	A scheduled review of the agreement every six years.	Assuming the agreement expires when an extension is not granted.

The wording is shortened for readability. The linked producers publish the full methodology.

Where to start

Question	Original source
What is the economy doing now?	INEGI and Banco de Mexico
What is happening to prices?	INEGI inflation
What is happening to jobs?	INEGI labor
How many people are poor?	INEGI poverty
What does Mexico trade?	Banco de Mexico trade
What is US-Mexico trade?	US Census
What is the USMCA position?	USTR and Mexico Economy Ministry
What is happening to foreign investment?	Mexico Economy Ministry
How are public finances doing?	Hacienda debt and borrowing requirement
What is happening to crime?	INEGI victimization and SESNSP

Each link goes to the agency or original document, not a news summary.

Version note

Research cutoff: 13 July 2026. Monthly, quarterly and annual figures appear together, so the observation date is part of every number. Forecasts and my judgments are labeled. Figures may be revised by the agency that produced them.

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