

# NEARSHORING MEXICO

## Insights for Danish companies exploring business opportunities in Mexico

Over the past two years, investments in nearshoring to Mexico have increased by 40% as companies seek to streamline operations, cut costs, get closer to key markets, avoid supply chain issues and take advantage of the free trade agreement with the US and Canada. With a skilled workforce, robust infrastructure, and significant strategic advantages, Mexico presents a great opportunity for Danish companies.

### PROXIMITY TO MAJOR MARKETS

Mexico's location offers logistical advantages for companies targeting the United States, the Americas, and Europe. The country shares a 3,153 km border with the U.S., with 56 entry points that facilitate efficient cross-border trade, and has 102 ports located along major trade routes on the Atlantic and Pacific coasts. Transit times from Mexico are generally competitive, both to the U.S. and to Europe:

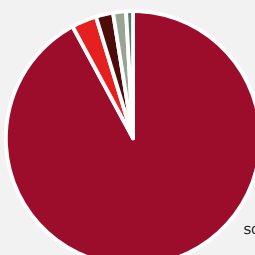
International shipping time from Mexico:

- 🚚 2-4 days to the U.S.
- 🚢 2-3 weeks to Europe

Mexico thereby offers efficient shipping time, especially compared to Asia, where it typically takes 3-4 weeks to the U.S. and 4-6 weeks to Europe.

Mexico has recently become the primary trading partner of the U.S. This economic relationship is evident in Mexico's export figures, with a remarkable 84% of its total exports going to its northern neighbour.

### MEXICO'S MAIN EXPORT PARTNERS



SOURCE: TRADING ECONOMICS

- United States
- Canada
- China
- Germany
- Japan

This development is both an effect of the U.S. decoupling from Chinese imports but also due to the many benefits of nearshoring, such as reduced transportation costs, shorter supply chains, and improved market responsiveness.

### DEVELOPED INDUSTRIAL SECTOR AND STABLE ECONOMY

Mexico's manufacturing sector is known for producing quality goods in highly technical industries such as aerospace, automotive, pharmaceuticals, and medical devices, with growing opportunities in renewable energy.

📈 **INFLATION RATE OF 4.7%**

🏠 **GDP GROWTH OF 3.7%**

🌐 **12<sup>TH</sup> LARGEST ECONOMY**

💰 **\$35 BILLION IN FDI INFLOW**

Mexico's economy is solid, with a GDP of \$1.8 trillion in 2023, making it one of the largest globally. Despite global challenges, Mexico's economic growth has kept pace with that of the United States. Simultaneously, the country has an overall economic risk score of 4.9 out of 10, which remains below the emerging markets average of 6.23.

### FAVOURABLE INVESTMENT CLIMATE

Foreign Direct Investment (FDI) in Mexico reached a record high of \$36 billion in 2023, a 27% increase from the previous year. This growth shows investor confidence in Mexico's business environment and economic policies. Mexico offers a transparent and supportive regulatory framework for foreign investors, allowing up to 100% foreign ownership in most sectors without prior approval. Mexico also has 14 trade agreements with 50 countries, giving access to a market of 1.3 billion consumers.

**ATTRACTIVE LEASING AND PURCHASE RATES**

Compared to other manufacturing hubs, industrial and commercial property rents and purchasing costs in Mexico are relatively low, allowing companies to save significantly on overhead expenses.

**AVERAGE INDUSTRIAL COSTS**

Region	Lease Cost (per sq m)	Purchase Cost (per sq m)
Mexico	\$43 - \$65	\$430 - \$750
USA	\$65 - \$108	\$750 - \$1,290
China	\$54 - \$86	\$540 - \$1,080
Europe	\$65 - \$130	\$860 - \$1,615

SOURCE: CBRE, JLL

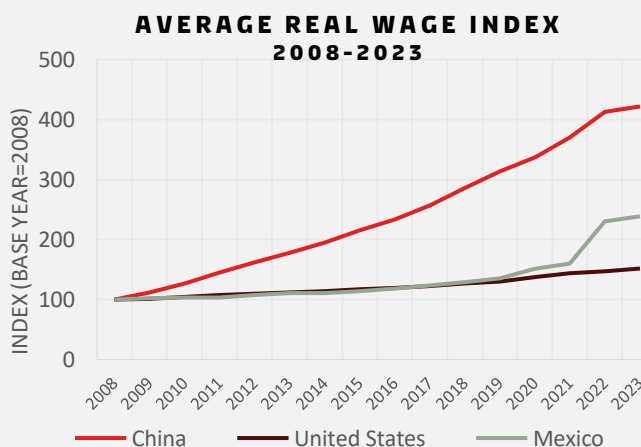
Mexico also offers fairly low industrial electricity prices, typically ranging between \$0.15 and \$0.20 per kWh.

**COMPETITIVE AND SKILLED WORKFORCE**

Mexico has a young and skilled workforce with a median age of 29 years and exceeding 61 million people. The country invests heavily in education, with over \$56.9 billion allocated in 2023. Each year over one million Mexicans graduate, with over 110,000 in engineering and technical fields.

**COST-EFFECTIVE LABOUR**

Rising labour costs in Asia have significantly affected the manufacturing sector, prompting factories with tight margins to relocate to more competitive countries. Mexico offers a cost-effective workforce with average manufacturing labour cost of approximately \$4.82 per hour, compared to \$23 per hour in the U.S. In China, labour costs have risen to an average of \$6.50 per hour in urban areas.



SOURCE: ILOSTAT

**INCENTIVES FOR FOREIGN INVESTORS**

The Mexican government offers various incentives to attract foreign investment, including tax credits, reduced value-added tax rates in border regions, and support through the IMMEX programme, which allows for duty-free importation of materials for export manufacturing. Additionally, regional and state-level incentives, such as VAT credits, income tax reductions, talent tax reductions, and similar support measures, are offered to attract companies moving to their areas, further enhancing the appeal of investing in Mexico.

**SERVICES TO HELP COMPANIES SUCCEED**

*Is your company considering exporting to or establishing itself in Mexico?*

Identifying the right location, supplier or partner in Mexico can be a complex process. Beyond language proficiency, we offer industry know-how, and a comprehensive network of contacts. The embassy's advisers are ready to assist you with your questions or considerations.

**CONTACT**

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**SOURCES**

Freightos International Shipping Data, World Bank, UNCTAD, World Trade Organization, OECD, INEGI, Mexican Secretariat of Economy, Trading Economics, CBRE, ILOSTAT, Oxford Economics.