

Press Release No. 68 Government of Mexico strengthens Nearshoring investments throughout the country

Ministry of Finance and Public Credit | 11 October 2023 | Press release

- The Government of Mexico issues a decree of fiscal incentives to attract investment by relocating companies in all states and municipalities of the country.
- This initiative is an integral part of the Mexican Government's strategy to promote investment. It aligns with previous measures, such as the Isthmus of Tehuantepec decree, aimed at attracting high value-added investments and generating quality employment with competitive wages.
- The decree has the potential to attract an additional \$18.5 billion dollars in investments by 2024.
- To date, the phenomenon of business relocation has brought 174 investment announcements to Mexico, accumulating a total of \$74 billion dollars.

The Government of Mexico has issued a decree to intensify investments within the country, both from domestic and international sources, in response to the growing global trend of Nearshoring. This decree includes fiscal incentives specifically designed for companies interested in relocating or expanding their operations in Mexico, with a focus on ten highly export-oriented sectors of our country.

The fiscal incentives presented in the decree focus on two essential aspects. The first is an accelerated investment deduction, which allows companies in high-tech and research and development sectors to reduce their taxable bases by a rate of 56% to 89% within a year. This incentive is designed to increase the liquidity of companies and encourage reinvestment.

The second aspect is an additional deduction of 25% that will be applied for three years to cover the costs associated with personnel training. This measure underscores the government's commitment to continuous improvement of workforce skills and knowledge, promoting innovation and competitiveness.

These incentives not only aim to attract investments but also position Mexico as a preferred destination for company relocation on the global stage, leveraging its inherent strengths and consolidating its role in the world economy.

The benefiting sectors have been carefully selected, following criteria of high productivity, trade openness, economic relevance, and potential demand. The included sectors are:

1. Manufacturing of parts for motor vehicles
2. Agribusiness
3. Manufacturing of pharmaceutical products
4. Manufacturing of other electrical equipment and accessories

5. Manufacturing of electronic components
6. Production of films and audiovisual works
7. Manufacturing of non-electronic equipment and disposable medical, dental, and laboratory material
8. Manufacturing of fertilizers, pesticides, and other agrochemicals
9. Aerospace equipment manufacturing
10. Manufacturing of measurement, control, navigation and medical electronic instruments and equipment

According to the 2019 Economic Census, at 2022 prices, the value of production in these strategic sectors is 4 trillion pesos, 14% of the total GDP. Furthermore, these sectors employ 2.6 million workers and generate an annual investment of 92 billion pesos.

This decree, aligned with the industrial policy carried out by the Ministry of Economy in 2022, will not only attract investment but also catalyze innovation, create high-quality jobs, and promote equitable regional development.

The decree can be found at the following link:

https://www.dof.gob.mx/nota_detalle.php?codigo=5704676&fecha=11/10/2023#gsc.tab=0