



Mexico for Business

J.P.Morgan

A strong history, a promising future.

At J.P. Morgan, we're proud of our long history in Mexico, tracing our origin back to 1886 when J. Pierpont Morgan invested in the country's early infrastructure—the railroad and telegraph networks.

Since then, we've successfully adapted and thrived in times of political and economic challenge as well as stability.

As a global firm with local market expertise, we serve clients from middle market companies to large multinationals, scaling our solutions to support every stage of business growth.

With a strategic location, 46 free trade agreements and a talented young workforce, Mexico is one of the best places to do business and has the highest rate of foreign direct investment (FDI) in Latin America.

Amidst ongoing trade and tariff negotiations between the U.S. and Mexico, we recognize the vital role FDI plays in the growth of the Mexican economy. To further support the growth and development of FDI in Mexico, we created this business guide highlighting the reasons why multinational companies are investing in this dynamic market.

We hope this business guide will be of benefit to you as you consider setting up or increasing your investment in Mexico.



Felipe Garcia-Moreno
Presidente y Director General,
J.P. Morgan Grupo Financiero



Morgan McGrath
Head of International Banking,
Commercial Banking, J.P. Morgan



Why Choose Mexico?

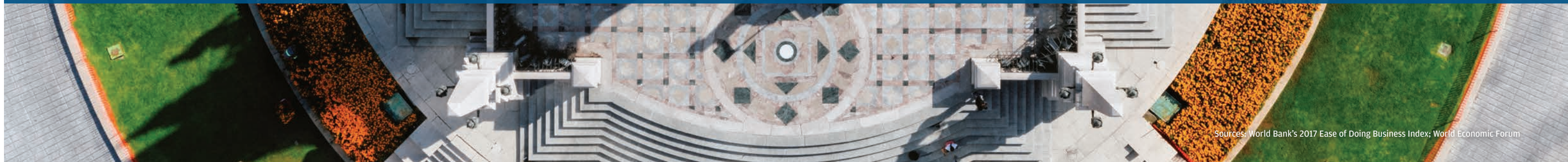
With 12 free trade agreements signed, Mexico's trade partners account for 60% of the world's GDP.

The United States is the destination for 80% of exports and accounts for 49% of imports.

For its ease of doing business, Mexico ranks 47th of 192 analyzed countries globally and first across Latin America, according to the World Bank.

Its proximity to the US, lower logistics costs and highly skilled labor force have positioned Mexico to be a leading manufacturing country.

The workforce is young: 45% of the population is under 25, and the average age is 27.3.



Sectors That Chose Mexico



Manufacturing

Mexico is a leading manufacturing country. As of 2017, the sector contributed 15.4 percent to Mexico's GDP and employed around 8.7 million people, or 16 percent of the total economically active population.

It's also the sector that continues to see increased competitiveness. Low labor costs are one factor making Mexico an attractive location to set up production facilities; manufacturing wages are now lower than in China. Mexico ranked eighth in Deloitte's 2016 Global Manufacturing Competitiveness report.

Mexico's major exports are electrical goods (37 percent), cars and auto parts (24 percent) and oil (5 percent).



Agriculture, Food and Beverage

Soft drinks are Mexico's biggest beverage market. Mexicans drink an average of 137 liters of soft drinks per year, making it the country with the third-highest per capita consumption in the world.

On the alcoholic side of the market, beer dominates. Lager is by far the most popular variety, accounting for 99 percent of total beer consumption. On average, Mexicans consume 4.5 liters of alcoholic drinks per year.

Aside from the domestic market, Mexico is the top beer supplier to the US, providing 29 percent of its beer imports.

The beverage industry also boosts other sectors, demanding 1 million tons of sugar and 33,000 tons of aluminum, among other supplies.



Technology

As the leader in Latin American smartphone usage, nearly one-third of all Mexicans own one—which also underscores the country's large number of potential customers.

Mexico is also home to 59.4 million Internet users. This accounts for just under half of the population, leaving room for substantial growth. For perspective, the number of Mexican Internet users is nearly comparable to the entire population of the UK.



Oilfield Services

Mexico is the 11th-largest oil producer in the world, according to BP's latest Statistical Review of World Energy Workbook.

The US has been the largest destination for Mexican crude oil exports due to proximity and also the fact that US Gulf Coast refineries are set up to be able to process the country's heavy oil mix, known as Maya.

Mexico's six oil refineries are located in Salina Cruz, Tula, Cadereyta, Minatitlan, Salamanca and Madero.



Consumer Goods

Goods-producing industries account for nearly 30 percent of GDP. From a demand-side perspective, consumption drives the Mexican economy, accounting for 80 percent of GDP.

Auto

With auto production growing approximately 7.7 percent year over year on average for the past five years, Mexico is now the world's seventh-largest car producer. The sector employed more than 839,000 people in 2017.

Automobiles and auto parts are Mexico's second-biggest export overall. In the KPMG Competitive Alternatives 2016 report, Mexico ranked as the country with the lowest production costs for auto parts.

Large numbers of automakers have relocated to Mexico to gain easier and cheaper access to US markets, and more than 82 percent of Mexican auto production is exported to the US.

7.7%
growth year over year

7th
largest car producer in the world

839,000
people employed in 2017

2nd
biggest export overall

82%
exported to the US

By the Numbers

Mexico is composed of

32 states

2 mm sq km
by total area

14th largest
country in the world

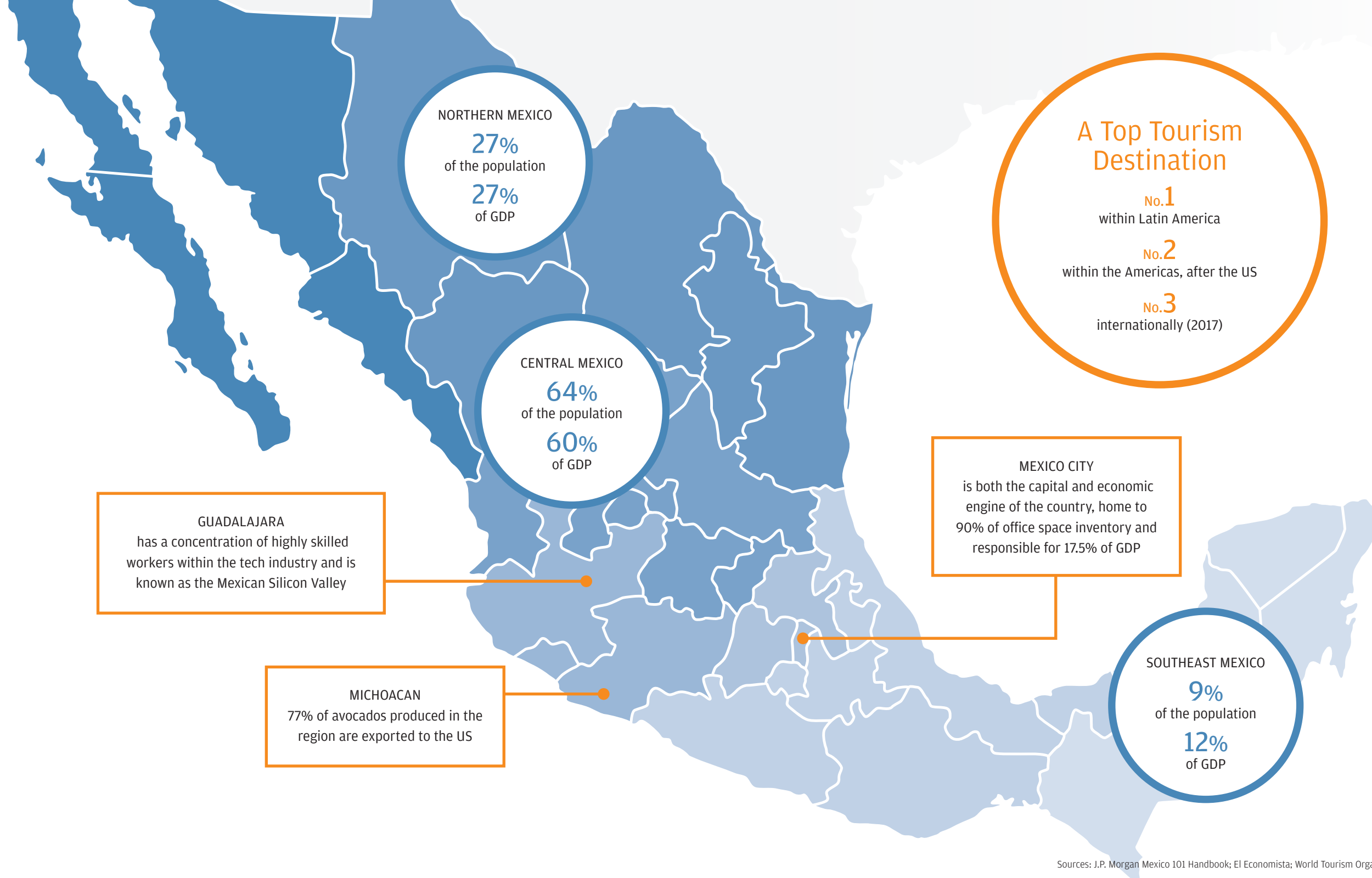
5th largest
country in the Americas

\$1.15 trillion
nominal GDP

15th largest
economy in the world

2nd largest
economy in Latin America

Source: INEGI and CIA World Factbook



A Top Tourism Destination

- No.1** within Latin America
- No.2** within the Americas, after the US
- No.3** internationally (2017)

Sources: J.P. Morgan Mexico 101 Handbook; El Economista; World Tourism Organization 2017

Macroeconomics

Unlike most countries in Latin America, Mexico is not commodity-dependent and has one of the most developed manufacturing industries in the region. The government has remained committed to free trade and slowly diversifying its exports base away from dependence on the US.

FDI per sector expected by 2019

- 40%** Manufacturing
- 23%** Telecom
- 20%** Energy
- 15%** Financial
- 2%** Mining

Source: J.P. Morgan Latin America 2019 Outlook

Credit Ratings (as of May 2019)

Moody's A3	S&P BBB+	Fitch BBB
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Infrastructure

According to the World Economic Forum, Mexico ranks 62nd out of 137 countries on the quality of its overall infrastructure.



By road

77%

of US-Mexico trade was transported by land in 2017



By air

76

airports: 64 international, 12 national



By water

117

ports move 17% of exports and 30% of imports



By rail

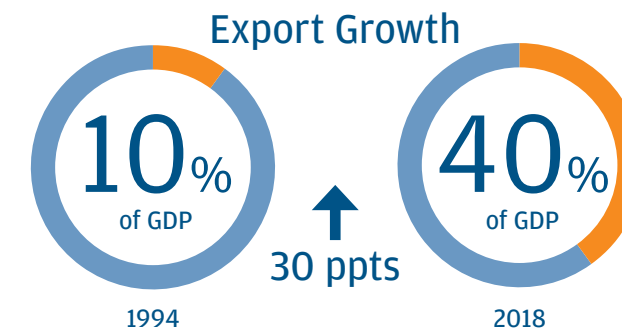
27,000 km

of tracks, making railway transport one of Mexico's major assets

Trade

Mexico is an open economy that has significantly ramped up trade activity since the 1994 implementation of the North American Free Trade Agreement (NAFTA). In that time, exports have risen from 10 percent to nearly 40 percent of the country's GDP, with an exports-to-GDP ratio that leads Latin America.

Exports plus imports represent 70% of GDP



As Mexico's largest trading partner by far, the US receives over 80 percent of the country's exports—electric machinery and smart TVs chief among them—and supplies 49 percent of its imports.

Illustrating the country's essential role in the global manufacturing supply chain, intermediate goods comprise 80 percent of Mexico's total imports. Mexican exports are highly concentrated in manufacturing products, with machinery and vehicle-related exports representing the bulk of exports. Total manufacturing exports account for about 90 percent of total exports.

Main exports

- 37% electrical goods
- 24% cars/auto parts
- 5% oil

Main imports

- 39% electrical and nonelectrical machinery
- 10% transportation
- 8% nonprecious metals

Banking Structure

Regulatory and Supervisory Entities

Banco de Mexico (Banxico) is the central bank, responsible for promoting the economic and financial welfare of Mexico by applying monetary policies.

Comisión Nacional Bancaria y de Valores is an independent body that supervises and regulates the Mexican financial system to ensure its stability and promote its healthy development.

Comisión Nacional para la Protección y Defensa de los Usuarios Financieros promotes transparency by educating users about the costs and risks of financial services and protects users' interests by providing financial advisory services.

Secretaría de Hacienda y Crédito Público controls and directs the economic policy of the federal government in matters of finance, public expenditure and public debt in order to achieve optimal economic growth.

Instituto para la Protección al Ahorro Bancario guarantees bank deposits, primarily for small and medium-sized depositors, and helps banks maintain solvency in order to support stability and safeguard the national payments system.

Clearing and Payments Systems

- Main payment types: electronic wires and checks
- Payment clearing houses: Direct member of both high-value and low-value clearing systems (CECOBAN and BANXICO)
 - Electronic wires are cleared same day or T+1
 - Same-bank checks are cleared T+0
 - Other Mexican Peso (MXN) checks are cleared T+1

Foreign Exchange Market

- MXN is the eighth most traded emerging-markets currency worldwide, with daily volume of USD \$57 billion
- Same-day value and spot. Forwards, swaps and options are available in tenors beyond five years



J.P. Morgan in Mexico



Solutions

Whether you're looking to establish local production facilities or add a vendor to your global supply chain, J.P. Morgan can offer a comprehensive solution customized to your unique needs in Mexico.

Account Services

- US Dollar and Mexican Peso deposit accounts
- Cash concentration
- Liquidity management

Payments and Collections

- Electronic, same-day domestic and cross-border payments, with the ability to lock in exchange rates to protect against losses
- Tax payments through Virtual Branch
- Foreign exchange

Lending

- Multicurrency lending offshore or in-country

Advisory Services*

- M&A advisory
- ECM and DCM

Trade Finance

- Import and export and standby letters of credit
- Supply chain finance

Client Service and Onboarding

- Multilingual electronic banking platform
- Corporate client focus

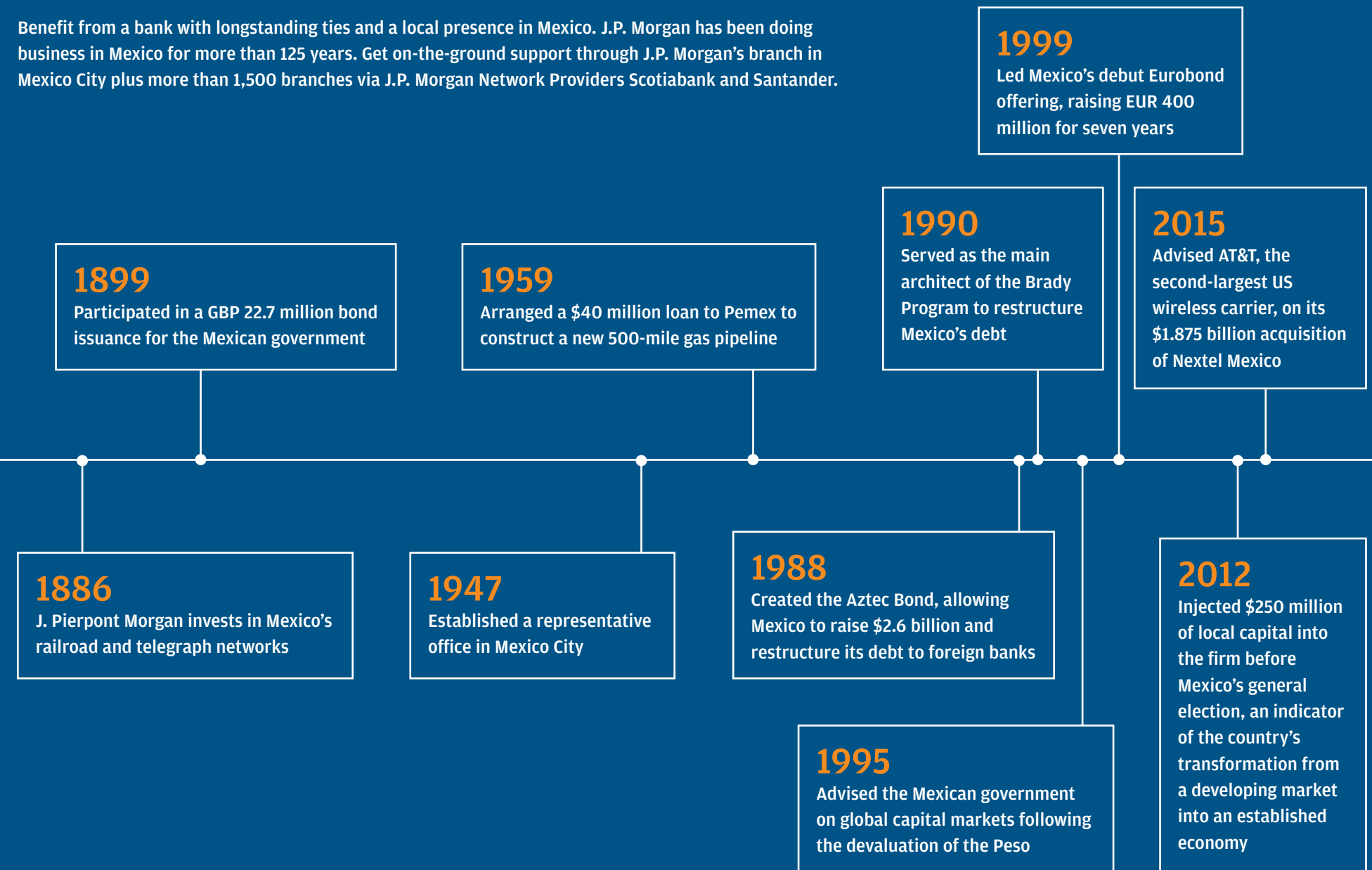
Hedging*

- Currency, rates and commodities

*These solutions will be made available through our Investment Banking partners

History

Benefit from a bank with longstanding ties and a local presence in Mexico. J.P. Morgan has been doing business in Mexico for more than 125 years. Get on-the-ground support through J.P. Morgan's branch in Mexico City plus more than 1,500 branches via J.P. Morgan Network Providers Scotiabank and Santander.



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