



Sweden
Sverige

BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN MEXICO 2024

A REPORT FROM TEAM SWEDEN IN MEXICO

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FOREWORD

Mexico, with its dynamic economy and expanding population, occupies a pivotal position in both the Latin American and global markets. Its position as Latin America's second largest market and the world's twelfth largest economy highlights its immense potential. Mexico's inclusion in the OECD as a developing economy underscores its dedication to sustainable growth.

The historical link between Sweden and Mexico dates back more than 170 years, laying a solid foundation for long-lasting connections and exemplifying the successful collaboration and shared principles. Swedish companies have contributed significantly to Mexico's economic progress, fostering mutually beneficial partnerships.

Over the past several years, Mexico has become a preferred destination for companies looking to optimise their manufacturing operations. With a strategic geographic position and strong trade ties, particularly with the United States, Mexico presents an attractive proposition for companies looking to strengthen their presence in North America. The combination of competitive costs, skilled labour and favourable business environment has attracted a growing number of Swedish companies to invest in Mexico, further strengthening the economic ties between both nations.

This report seeks to provide an overview of the current landscape and opportunities for collaboration between Mexico and Sweden. It examines the prospects and obstacles encountered by Swedish companies in Mexico, while highlighting the positive impact of economic cooperation for both nations. We firmly believe that by recognising and leveraging potential synergies, our business communities can forge deeper partnerships, foster innovation, and drive economic progress.

We express our sincere appreciation to all the companies that have contributed to this survey by sharing their valuable insights and experiences. Their openness has been fundamental to the preparation of this report, and we trust that the findings and recommendations presented here will stimulate discussion, exploration, and collaboration between Mexican and Swedish companies.

Sincerely,



Gunnar Aldén
Ambassador of
Sweden to Mexico



Jenny Engström
Country Manager &
Trade Commissioner,
Business Sweden
Mexico

44 survey respondents in Mexico

Current business climate

Cautiously optimistic outlook on Mexico's business climate

Industry turnover

68%

of Swedish companies surveyed expect their industry turnover to increase

Future investments

59%

of Swedish companies surveyed plan to increase their investments in the next 12 months

Market valued success factors

1. Partnerships/relationships
2. Cost efficiency
3. Sales Competence

Brand Sweden

86%

of Swedish companies surveyed in Mexico consider Brand Sweden beneficial for business

Local conditions with high satisfaction

1. Suppliers
2. Distributors
3. Specialists and key personnel

Local conditions with least satisfaction

4. Physical infrastructure
5. Personal safety
6. Licenses, permits and approvals

Environmental considerations

67%

of respondents believe the environment is a considerable factor in their customers' purchasing decisions

Corruption

Moderate to high-risk environment with limited positive progress

Human rights violation and labour rights abuse

Low reported incidence but a risk factor that needs to be considered

ABOUT THE SURVEY

Business Climate Survey 2024

In April 2024, the thirteenth edition of the Business Climate Survey for Swedish companies operating in Mexico was conducted by Team Sweden Mexico, commissioned by the Swedish Embassy in Mexico and Business Sweden Mexico.

The Business Climate Survey presents an in-depth assessment of the opportunities and challenges Swedish companies face in Mexico. This report offers the findings and analysis derived from the survey, covering the current business landscape, economic forecasts, and relevant market factors valuable for established companies or those considering entering the Mexican market.

Additionally, the survey provides an important reference for bilateral trade discussions between Mexico and Sweden, offering a better understanding of Swedish companies' activities and their views on the Mexican business environment.

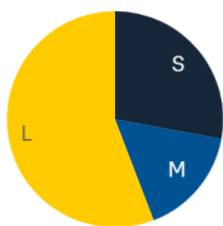
The questionnaire for this year was sent to 93 Swedish companies operating in Mexico, with a response rate of 47 per cent, involving 44 participating companies. Respondents included country and regional managers of Swedish companies in Mexico, as well as executives with relevant perspectives.

The respondents were categorised into three groups based on the size of their companies: 56 per cent were large companies, 28 per cent represent small businesses, and 16 per cent were medium sized companies. In the same manner, half of the respondents operate in the industrial sector, 30 per cent are engaged on professional services and 20 per cent on consumer goods.

In terms of company maturity, 40 per cent were classified as mature, with established operations prior to 2002, 47 per cent as experienced, representing those between 2003 and 2018, and 14 per cent as newcomers, establishing after 2018.

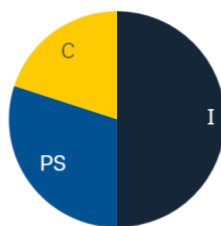
Finally, the report is divided into five sections. The first section provides an economic outlook based on an assessment of Swedish companies' annual performance and their expectations for the upcoming year. The second explores Swedish companies' perception of the business climate and the Mexican market, exploring conditions that positively or negatively impact business performance. The third section highlights key success factors for Swedish companies operating in Mexico. The fourth addresses sustainability aspects related to conducting business in Mexico. Lastly, the fifth section shows how the supply chain of Swedish companies in the Mexican market have reacted to external commercial pressures such as the trade war between China and the United States, the armed conflicts in Eastern Europe and the confinements due to the Covid-19 Pandemic.

SIZE OF COMPANIES



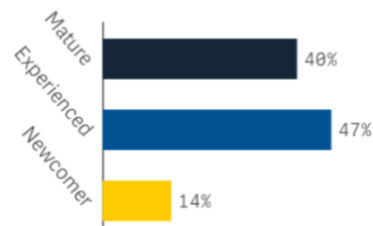
NOTE: Global employees.
Large >1000.
Medium 250-1000.
Small 0-249

MAIN INDUSTRY



NOTE: Industrial 50%.
Professional services 30%.
Consumer 20%

AGE OF COMPANIES



NOTE: Mature (-2002).
Experienced (2003-2018).
Newcomer (2019-)

ECONOMIC OUTLOOK

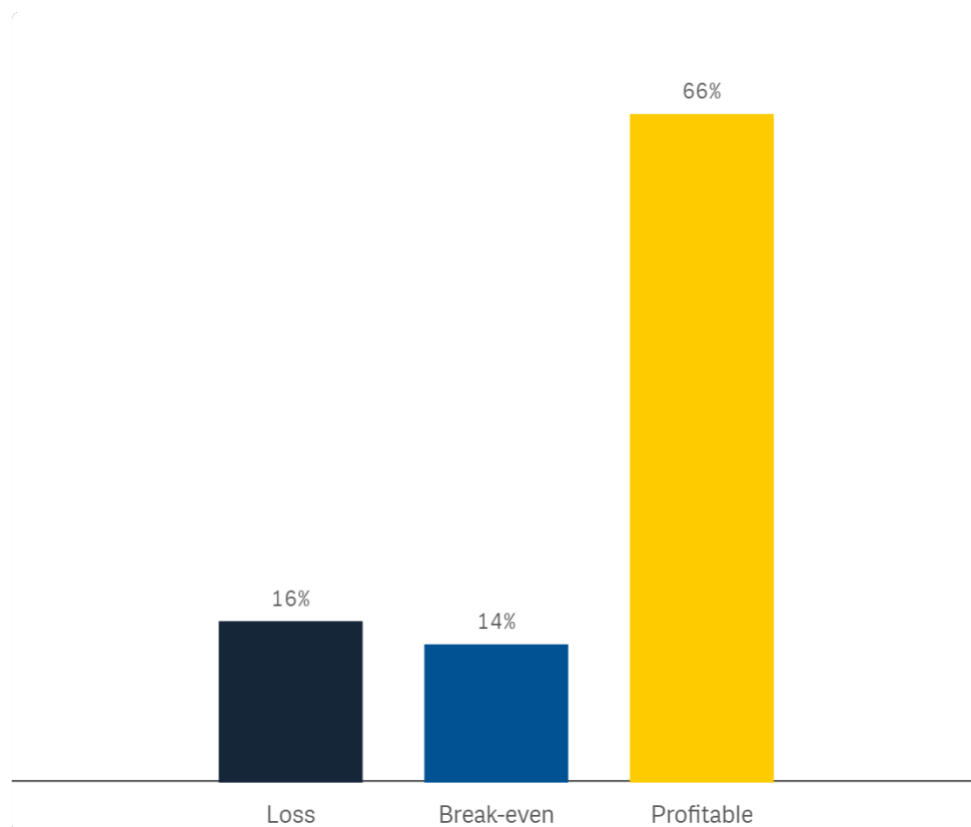
Most Swedish companies remained profitable in 2023

Despite the complex global economic environment in 2023, Mexico maintained a solid and resilient position, exceeding growth expectations according to the Central Bank of Mexico, Banxico. Notably, 66 per cent of the Swedish companies operating in Mexico reported profits, 14 per cent broke even, and 16 per cent faced losses.

In addition, Mexico closed 2023 with an inflation rate of 4.6 per cent, a notable decrease of 3.1 per cent from the previous year. The decline can be attributed to multiple factors, including lower energy, LP gas and agricultural sector prices. Moreover, the appreciation of the Mexican peso (MXN) and lower international supply benchmark prices compared to 2022 have also played a significant role in this downward trend.

Despite approaching the target, inflation rates in Mexico remained above the target at year-end. As a result, Banxico opted to maintain interest rates at 11.25 per cent, aligned with the rates set in March 2023, reflecting the Central Bank's commitment to achieve the inflation rate target of three per cent by the end of 2024.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN MEXICO IN 2023?



NOTE: The number of respondents for this question was 44. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2024.

Most of Swedish companies surveyed remain cautiously optimistic, following national economic trends

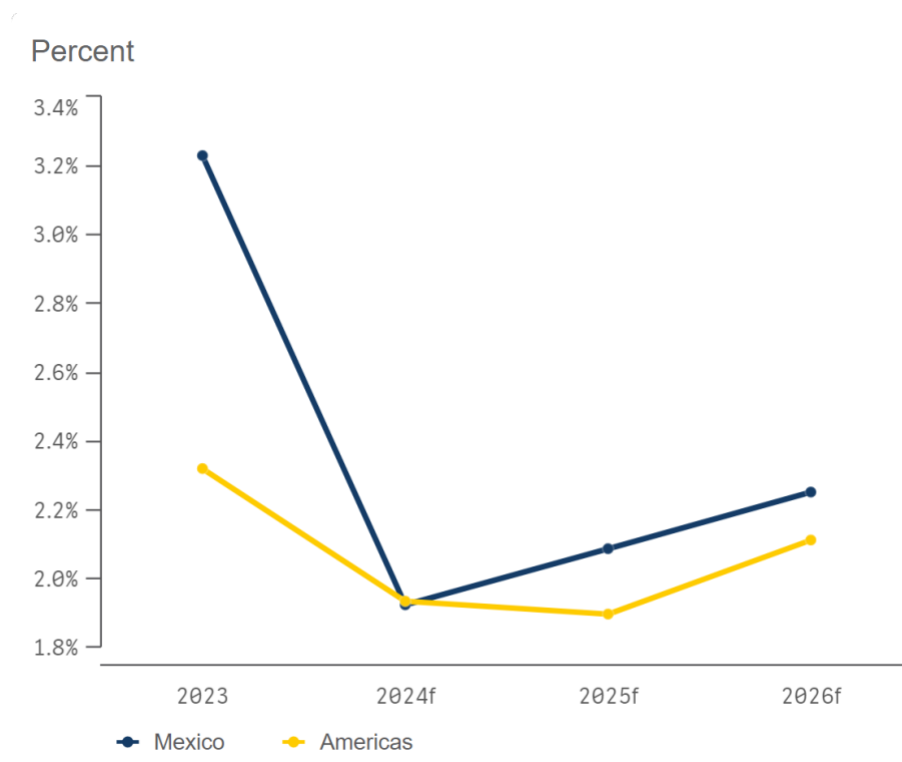
The Mexican economy grew by 3.6 per cent during 2023, surpassing expectations. However, it encountered a slowdown towards the years end, mirroring global trends, as most global economies experienced a slower growth rate with respect to the first three trimesters of the year. The deceleration was attributed to a marginal decline on industrial production and a slow growth rate on tertiary activities.

For 2024, Banxico projects a growth rate similar to the one of 2023, ranging between 2.2 and 3.4 per cent. The expectations are for the economy to accelerate at a faster pace, supported by increased government spending, strong monetary and fiscal policy, and a flexible exchange rate, leading to an increase in consumption, investment, and domestic spending.

Forecasts from Bloomberg indicate a 40 per cent chance of recession in the United States for 2024, the lowest since 2022. Furthermore, it is expected for external demand to take a bigger role as the United States' economy, Mexico's principal trading partner, is forecasted to grow.

The main challenges faced by the Mexican economy heading into 2024 include uncertainty derived from the upcoming presidential elections in June, high levels of inflation, and unexpected weather events that could affect the regional economy.

PROJECTED GDP GROWTH IN MEXICO



NOTE: Constant prices.

SOURCE: Oxford Economics March 13th, 2024

Consistent with Mexico's economic outlook, most of the Swedish companies surveyed in the Mexican market stay cautiously optimistic. While 68 per cent of respondents anticipate an increase in their respective sector's turnover, this figure has decreased from 72 per cent in 2023. Conversely, the percentage of companies expecting a decrease in sector turnover has declined from 15 per cent to 11 per cent, while those anticipating no change have increased from 13 to 18 per cent.

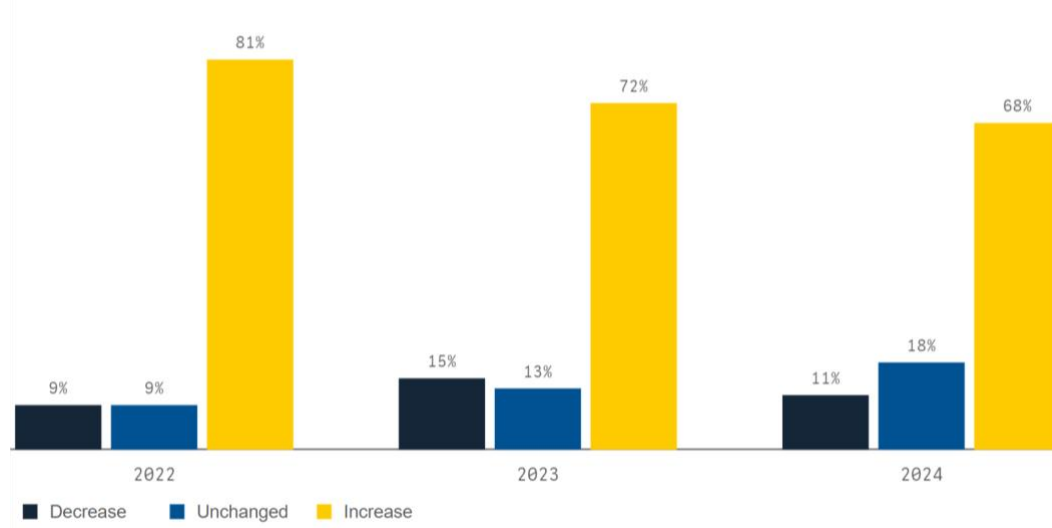
Medium-sized companies have the highest expectations when it comes to their financial performance, all of them anticipate their profits to increase on the next 12 months. Similarly, with 67 per cent of small companies and 56 per cent of large companies expecting growth, the majority remain positive about their growth prospects.

Upon closer examination of sector-specific expectations, the professional services emerge as the most optimistic. A total of 67 per cent of companies surveyed in the sector anticipate an increase in sector turnover, while 33 per cent expect a decrease. In the same manner, both the industrial and consumer sectors have a positive outlook, with 65 per cent and 63 per cent, respectively, expecting to grow. Remarkably, only five per cent of the companies in the industrial sector anticipate a decrease, while none in the consumer field do.

Furthermore, when assessing companies by age, all surveyed companies demonstrate prominent levels of optimism regarding profitability, with 59 per cent of mature companies, 65 per cent of experienced companies and all new entrants expressing confidence for 2024. Nevertheless, 12 per cent of mature companies and 15 per cent of experienced companies expect losses.

Although most of Swedish companies surveyed remain optimistic about their sector turnover, there are indications of a more cautious outlook overall, with some sectors and newer companies expressing concerns about potential decreases.

COMPARED TO THE DEVELOPMENT IN THE PAST 12 MONTHS, WHAT ARE YOUR EXPECTATIONS FOR THE COMING 12 MONTHS FOR YOUR INDUSTRY IN MEXICO REGARDING TURNOVER?



NOTE: The number of respondents for this question was 44. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2024.

Intentions to increase investment in Mexico have risen since 2022; mature companies leading the way

According to the Ministry of Economy in Mexico, foreign direct investment (FDI) inflows into the Mexican economy totalled US\$36 billion in 2023, a two per cent increase compared to 2022, representing the highest recorded value since 2015.

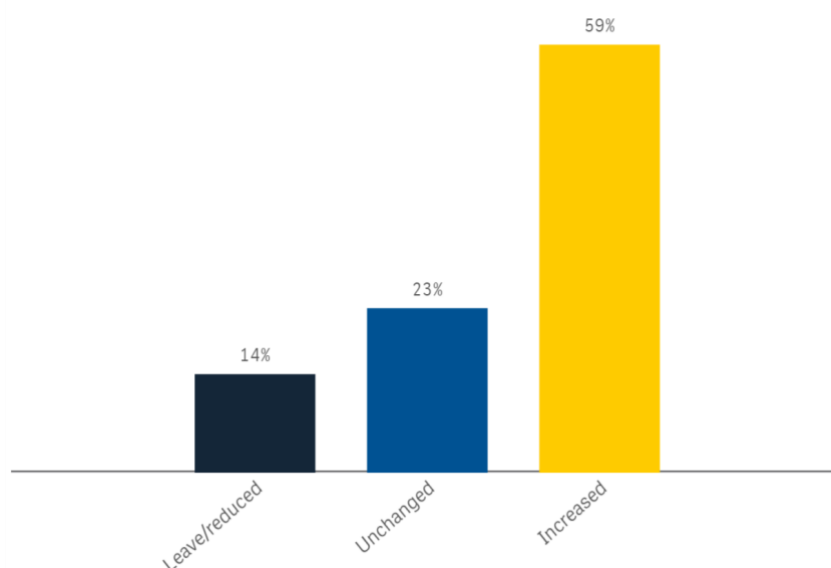
In terms of foreign investment, Mexico City was ranked as most attractive entity for investors, leading the way with US\$10.5 billion, followed by Nuevo Leon with US\$2.8 billion and Estado de Mexico with US\$1.4 billion. Furthermore, a significant share of 48 per cent of foreign investment in the country came from the United States and Canada, both trading partners under the United States-Mexico-Canada Agreement (USMCA).

Interest in investing in Mexico over the next 12 months varies among the Swedish companies that participated in the survey. While 59 per cent state their intention to increase investments, 23 per cent expect to maintain the same level as in the previous year and 14 per cent expect a decrease. This represents a considerable increase compared to 2023 when only 32 per cent of the companies were planning to increase their investment.

A breakdown of Swedish companies by size shows that 63 per cent of large Swedish companies are most inclined to increase investment in Mexico over the next 12 months. Meanwhile, 25 per cent do not plan to amend their investment plans. Among medium-sized companies, 29 per cent indicate a likelihood of reducing their investments or exiting the Mexican market in the coming year, while 43 per cent plan to increase investments, and 14 per cent foresee no changes.

Finally, when analysing Swedish companies based on their age, mature companies demonstrate the greatest intention to increase their investments in Mexico over the next 12 months, with 82 per cent indicating such plans. Additionally, most experienced and newcomer companies also expect to increase their profits.

WHAT ARE YOUR COMPANY'S INVESTMENT PLANS FOR THE COMING 12 MONTHS IN MEXICO, COMPARED TO THE PAST 12 MONTHS?



NOTE: The number of respondents for this question was 44. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2024

THE MARKET

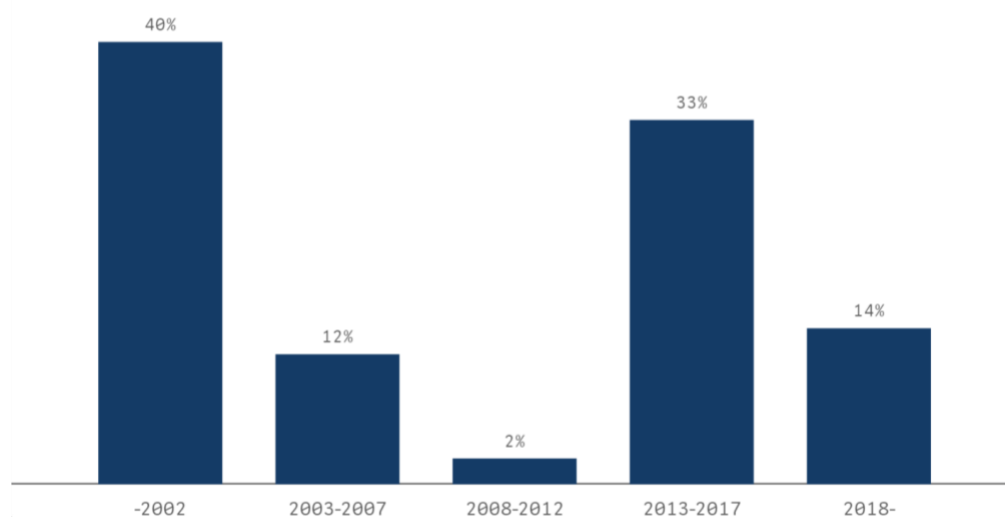
Nearly half of Swedish companies surveyed initiated their operations only a decade ago, highlighting business opportunities

Swedish companies have gained a firm foothold in Mexico, with 40 per cent of the Swedish companies that participated in the survey having operations in the country for over two decades. Well-known names such as ABB, AstraZeneca and Tetra Pak have significantly influenced Mexico's economic landscape, with histories going back more than 60 years. In addition, industry pioneers such as Ericsson and SKF laid the groundwork more than a century ago, leaving permanent footprints in various sectors of the nation.

In recent years, a growing number of Swedish companies have entered the market. Of the Swedish companies surveyed operating in Mexico, 47 per cent established themselves after 2013, highlighting the country's significance as a dynamic business and investment hub in Latin America. These companies bring modern technologies, innovative business practices, and fresh perspectives, promoting progress in local industries and enhancing Mexico's economic competitiveness.

Swedish companies have the potential to contribute substantially to Mexico's journey towards inclusive and sustainable development, using their extensive expertise, technological capabilities, and commitment to sustainability. Cooperation between Swedish and Mexican companies promise mutual benefits and shared prosperity, such as job creation, knowledge transfer and the creation of strong business networks that foster innovation and entrepreneurship.

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN MEXICO?



NOTE: The number of respondents for this question was 43. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2024.

Swedish companies have made a significant contribution to the Mexican economy across diverse industries. As in previous years, the healthcare and pharmaceutical industry along with the construction sector continues to be popular industries for Swedish companies in Mexico.

It is worth noting the relevance of pharmaceutical and healthcare companies in providing medical products, innovative treatments, and advanced healthcare solutions, contributing to the well-being of the Mexican population. On the other hand, Swedish companies play a key role in the construction sector, bringing invaluable expertise in architectural design, sustainable construction practices and efficient building solutions. Their innovative techniques and commitment to environmentally friendly methods not only enhance modern infrastructure development, but also contribute significantly to the expansion of urban centres in Mexico.

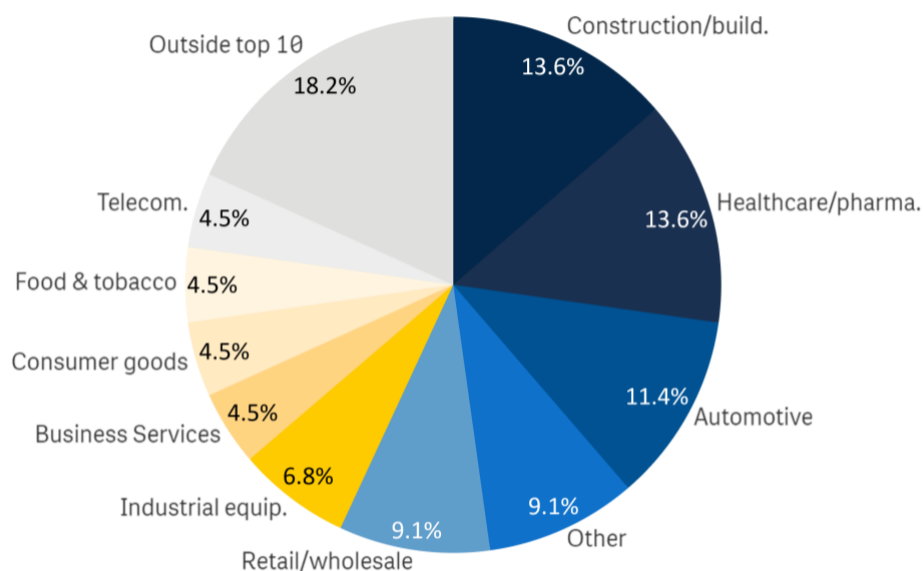
Additionally, the industrial equipment sector in Mexico has seen active participation from Swedish companies, providing cutting-edge machinery, automation systems, and advanced technologies. These companies have helped Mexican businesses enhance their productivity, optimise operations, and improve overall efficiency in various manufacturing processes.

Furthermore, the presence of Swedish companies in the Mexican automotive sector is of great relevance, as Swedish companies contribute their expertise in vehicles, components, and high-quality technological solutions, reinforcing the competitiveness of the Mexican automotive industry.

In the field of mining, Swedish companies have made valuable contributions, offering equipment and technological expertise that has helped to advance responsible mining, environmental conservation, and safety protocols within the sector. Additionally, Swedish companies engage in transportation, providing advanced logistics, infrastructure, and intelligent systems. Furthermore, in the IT and electronics sector, they have introduced innovative technologies, software, and digital services, which have contributed to fuelling Mexico's digital transformation.

In general, Swedish companies have made a notable impact across various Mexican industries, demonstrating their dedication to a range of sectors and their contribution to the nation's economic, technological, and sustainable growth.

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN MEXICO?



NOTE: The number of respondents for this question was 44. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2024.

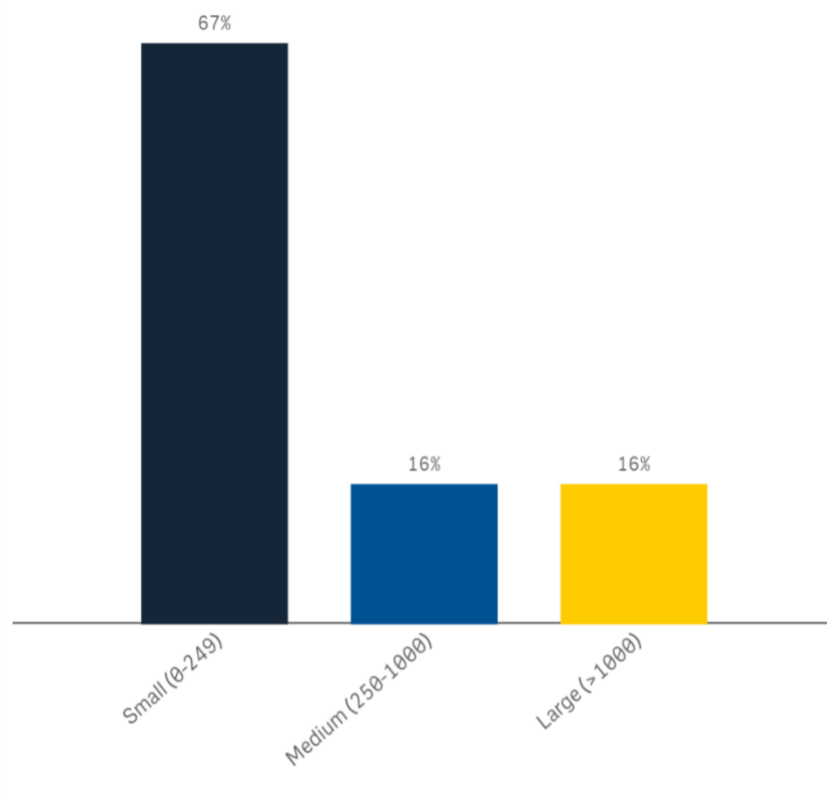
In terms of the size of the Swedish companies surveyed operating in Mexico, most are small, with less than 250 local workers. These companies, known by their agility and adaptability, play a crucial role in driving innovation, fostering entrepreneurship, and contributing to job creation in the Mexican economy.

Medium-sized companies make up 16 per cent of the Swedish business presence in Mexico. These businesses have a larger workforce, employing between 250 to 1000 workers, and have the capacity to undertake larger-scale projects. They contribute significantly to the development of various sectors by offering specialised services, technology, and employment opportunities that support economic growth and diversification.

Large Swedish companies, representing 16 per cent of the total, are significant players in the Mexican market. They have a larger local workforce, employing over 1000 people. With their extensive resources, established infrastructure, and global reach, they have the ability to make substantial investments, contribute to industry expansion, and create significant economic impact.

The presence of small, medium, and large companies within the Swedish business community in Mexico highlights the range of opportunities available, the favourable business environment and the mutual benefits that can be achieved through Swedish-Mexican partnerships. This wide range of company sizes reflects the attractiveness of the country as an investment destination.

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN MEXICO IN 2024



NOTE: The number of respondents for this question was 43. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2024.

Swedish companies surveyed view Mexico's business climate with both optimism and caution, though overall positivity has slightly declined

The Swedish companies that participated in the survey have a slightly less positive view of the business climate than last year. In 2023, 64 per cent felt the climate was positive, while in 2024 only 50 per cent maintain a positive outlook. At the same time, the number of companies with a negative view of the climate has increased by eight per cent.

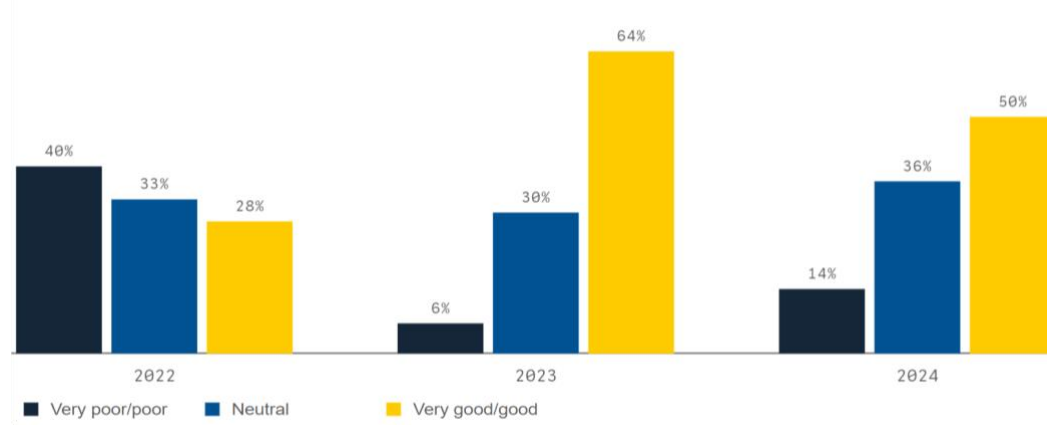
When analysing Swedish companies surveyed by size, clear patterns emerge. A quarter of small companies have a negative perception, while 42 per cent have a positive one. Conversely, the majority of large companies, 63 per cent, have a positive view, with only 29 per cent neutral. Medium-sized companies are more cautious, with 29 per cent positive and 57 per cent neutral.

A closer look at economic activity reveals some interesting insights. The professional services sector is overwhelmingly positive, with only 17 per cent feeling the climate is bad. The consumer sector stands out as the only segment not to report unfavourable perceptions, with 63 per cent viewing it positively.

In the industrial sector, opinions are divided, with 45 per cent describing the climate as very good and 35 per cent remaining neutral. In terms of company age, mature companies appear to be the most optimistic, with 59 per cent viewing the climate positively and 12 per cent negatively. Both experienced and newcomer companies share positive sentiments, with 45 per cent and 50 per cent, respectively. None of the newcomers perceive the climate as bad, while 15 per cent of the experienced companies do.

The detailed analysis of Swedish companies' perceptions in Mexico reveals a complex mix of optimism and caution. While a little less positive than last year, the findings provide valuable guidance on how to navigate Mexico's dynamic marketplace and foster fruitful cooperation across sectors and business size.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN MEXICO?



NOTE: The number of respondents for this question was 44. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2024.

Swedish companies surveyed are mostly satisfied with the Mexican market conditions related to global trade

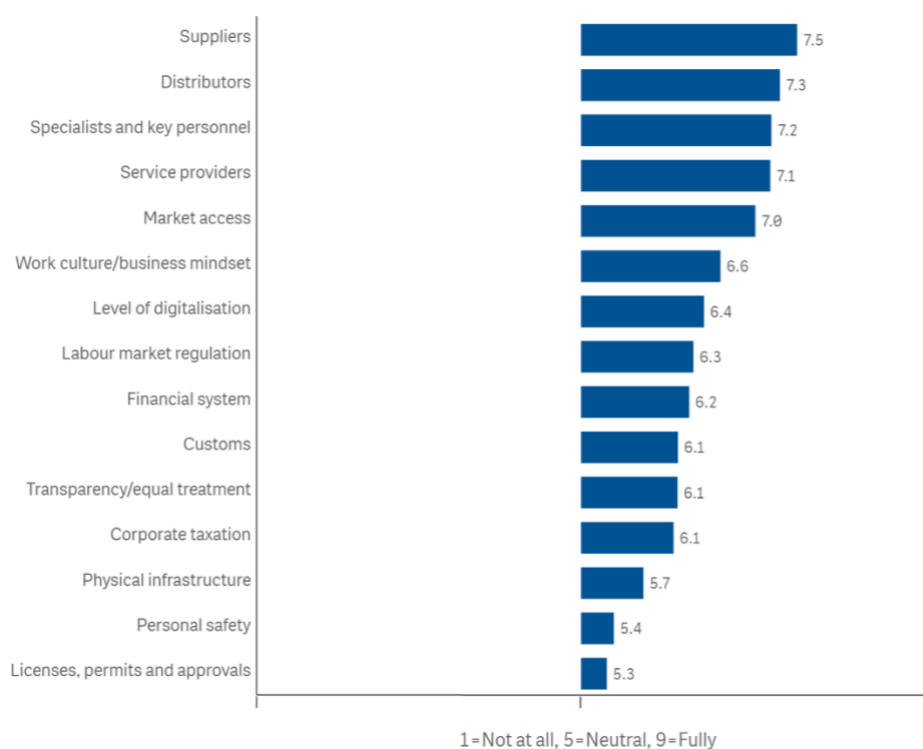
When assessing the opportunities for Swedish companies in the Mexican market, several advantages stand out. These opportunities include easy access to distributors, service providers and skilled labour. In addition, positive perceptions regarding the availability of supplies, specialists, key personnel, and market access signal promising prospects for doing business in Mexico.

However, it is important to recognise the challenges that Swedish companies face in the Mexican business environment. These obstacles relate to navigating the complexities of securing licences, permits and authorisations, ensuring transparency in business transactions, advocating fair treatment and prioritising personal safety.

Swedish companies' perspectives on the Mexican market are in line with the country's unique characteristics. From a global trade perspective, Mexico plays a key role as a major manufacturing hub in the Americas, bridging the gap between North and South America. Its strategic geographic location, supported by an extensive network of free trade agreements and a skilled workforce, highlights its importance in the global marketplace. Nevertheless, Mexico faces persistent challenges such as corruption and institutional inefficiencies that can complicate business operations.

Given the cultural differences between Sweden and Mexico, it is important for companies to recognise both the benefits and challenges of entering the Mexican market. By recognising and understanding these factors, Swedish companies can navigate the Mexican business landscape more effectively, take advantage of its enormous potential and proactively address any obstacles that may arise. This strategic approach will enable Swedish companies to establish thriving businesses in Mexico while promoting sustainable long-term growth.

HOW WELL DO THE FOLLOWING CONDITIONS MEET THE NEEDS OF YOUR COMPANY IN MEXICO?



NOTE: The number of respondents for this question was 44.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2024.

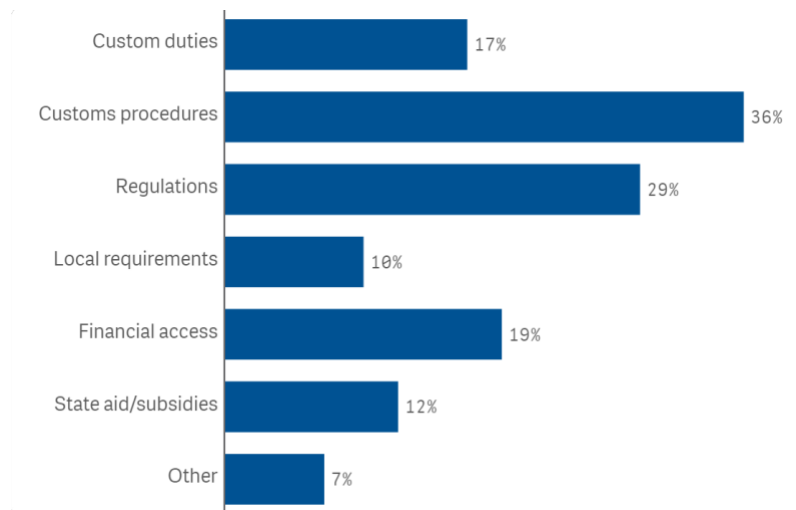
Despite Mexico's efforts to promote trade liberalisation, there remains a need for improvement in customs management

Mexico's commitment to open and liberal trade policies has been key in driving economic growth and attracting foreign investment. With 14 free trade agreements in place, including partnerships with some of the world's leading economies, Mexico has solidified its position as a major player in global trade. These agreements have streamlined trade procedures, expanded market access, and fostered deeper economic integration with partner countries. As a consequence, Mexico has seen a remarkable increase in trade volumes and has become a central hub for the production and export of goods to different regions of the world.

Despite Mexico's progress in trade liberalisation, persistent challenges remain that can hinder doing business within its borders. Among these challenges are non-tariff measures, which can increase transaction costs and create unnecessary barriers for foreign companies. Technical regulations, bureaucratic barriers, and customs restrictions are notable hurdles that can undermine the competitiveness of foreign companies operating in Mexico. In addition, issues such as corruption, security concerns and shortcomings in the regulatory framework serve as additional barriers that could discourage foreign investment and weaken the overall business environment in Mexico.

While Mexico has made considerable progress in trade liberalisation, there is still room for further improvement to enhance its attractiveness as a prime destination for foreign investment.

HAS YOUR COMPANY IN THE PAST YEAR ENCOUNTERED TRADE BARRIERS IN MEXICO WITH A NOTICEABLY NEGATIVE IMPACT ON OPERATIONS, IN ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 44.
SOURCE: Business Climate Survey for Swedish Companies in Mexico 2024.

HOW SWEDISH COMPANIES SUCCEED IN MEXICO

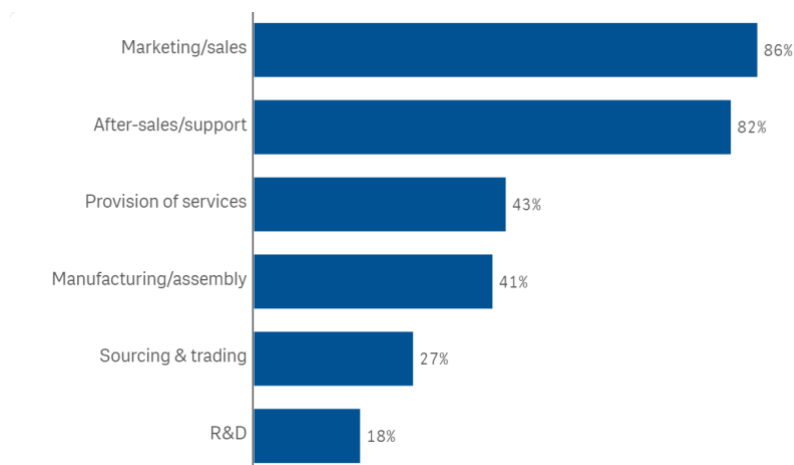
Nearly 90 per cent of Swedish companies surveyed have marketing and sales activities in Mexico

A key element in the success of Swedish companies in Mexico is an ongoing commitment to maintaining strong relationships with local partners and customers. Many of these companies have a long history of operating in Mexico and have earned a reputation as reliable suppliers of high-quality products and services. Their ability to manoeuvre in Mexico's dynamic business environment, characterised by constant changes in policies and regulations, also contributes to their success.

Swedish companies have played a key role in driving Mexico's economic development by investing in infrastructure and creating employment opportunities for the local workforce. They have also been key players in driving innovation in key sectors such as automotive, healthcare, and renewable energy. By taking advantage of Mexico's strategic location and access to diverse markets, Swedish companies have used the country as a springboard to expand their influence and develop new markets in the region.

The vast majority of Swedish companies surveyed operating in Mexico are firmly established in the market, with almost nine out of ten having their own marketing and/or sales departments. In addition, more than 80 per cent maintain a robust after-sales and/or support infrastructure. Furthermore, almost half of Swedish companies have expanded their presence in Mexico to include local manufacturing and/or assembly capabilities. These findings underline the remarkable achievements and sustained expansion of Swedish companies in Mexico.

OPERATIONS OF SWEDISH FIRMS IN THE MARKET



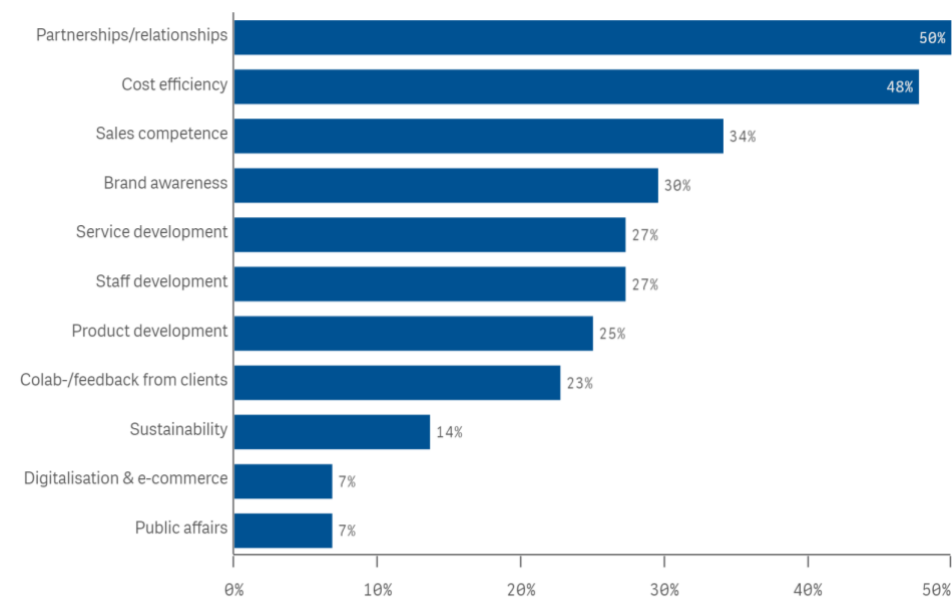
NOTE: The number of respondents for this question was 44. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2024.

Swedish companies surveyed remain competitive through partnerships, cost efficiency and sales force

In Mexico, Swedish companies have adeptly adopted strategies to remain competitive, with optimisation of operating costs and resource allocation being key. Their commitment to gathering customer feedback and integrating it into business strategies and product development processes to ensure alignment with evolving market needs is equally important. In addition, a cornerstone of their competitive advantage is their commitment to building and nurturing a strong sales force. By recognising the importance of equipping sales teams with the necessary skills and knowledge, these companies prioritise ensuring their ability to effectively market and promote their offerings.

TO DATE, WHICH OF THE FOLLOWING AREAS HAVE BEEN IMPORTANT IN MAINTAINING COMPETITIVENESS IN MEXICO?



NOTE: The number of respondents for this question was 44. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2024.

The Swedish brand plays a crucial role in the business success of over 85 per cent of Swedish companies surveyed

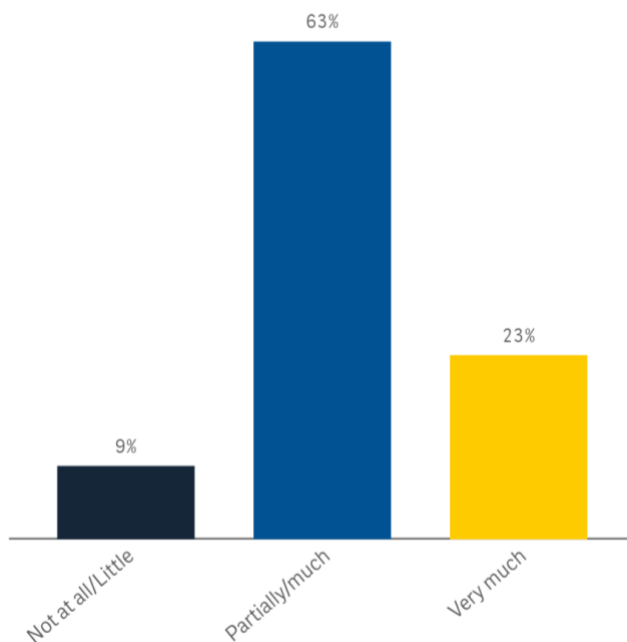
The importance of the Swedish brand in the Mexican market has risen significantly, largely due to the strong presence and performance of Swedish companies in the country. These companies are valued for their unwavering commitment to delivering world-class products and services, earning them a reputation based on innovation, sustainability, and social responsibility, and fostering a positive perception among Mexican consumers and businesses.

Beyond their reputation for excellence and innovation, Swedish companies have demonstrated a strong commitment to cultivating lasting partnerships with local stakeholders, further strengthening trust and credibility, and contributing to their continued prosperity in Mexico.

A majority of Swedish companies surveyed operating in Mexico, 86 per cent, recognise the positive impact of the 'Swedish brand' on their business success. Of this percentage, 63 per cent said the Swedish brand had contributed partly to their success, while 23 per cent said it had a significant impact. Conversely, only nine per cent of companies said that the Swedish brand had little or no influence on their business success. These findings underline the significant role of the Swedish brand in the Mexican market and highlight its potential as a valuable asset for Swedish companies seeking to establish and expand their presence in the country.

The importance of the Swedish brand in Mexico is rooted in the unique value proposition that Swedish companies offer. This includes their focus on quality, innovation, sustainability, and social responsibility, as well as their ability to build lasting partnerships with local stakeholders. As a result, the Swedish brand will continue to play a key role in influencing the dynamics of the Mexican market.

TO WHAT EXTENT WOULD YOU ESTIMATE THAT THE “SWEDISH BRAND” CONTRIBUTES TO YOUR BUSINESS IN MEXICO?



NOTE: The number of respondents for this question was 43. “Don’t know/Not applicable” responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2024.

ACTING SUSTAINABLY

The sustainability relevance for Swedish companies surveyed in Mexico has increased over the last two years

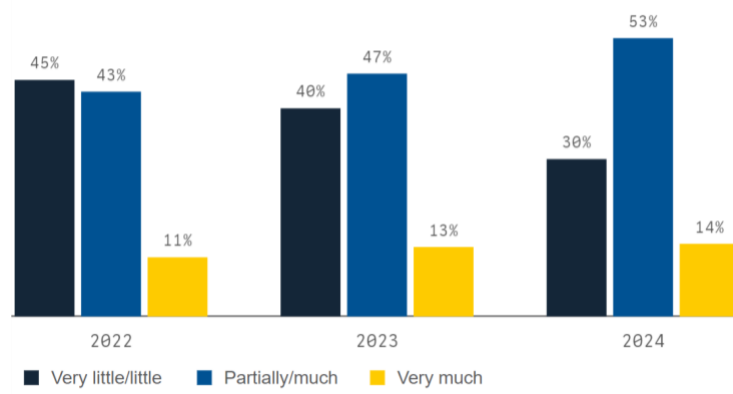
In response to growing global and local environmental concerns, consumer behaviour, particularly in Mexico, is coming under increasing pressure. In addition, regulatory requirements for environmental standards, particularly in North America. The United States government has introduced several policies and initiatives to promote environmental sustainability, such as the Inflation Reduction Act (IRA). This legislation aims to significantly increase investment in clean energy production and manufacturing, with the goal of reducing carbon emissions by 50 per cent by 2030 and achieving net-zero emissions by 2050. These government incentives also require investments to include a certain percentage of regional content.

In contrast to 2023, Mexican customers of the Swedish companies that were surveyed now attribute greater significance to environmental factors based upon companies own estimations, with an increase from 60 per cent to 67 per cent. Among this 67 per cent, 53 per cent believe that environmental aspects are only partially considered, and 14 per cent believe that they are highly important. The size and economic sector of the companies analysed significantly shape their perception of environmental importance. Notably, customers of large companies exhibit the highest concern for environmental issues, with 75 per cent indicating relevance, compared to 67 per cent for medium-sized companies and 50 per cent for small ones.

The consumer sector also emerges as the most environmentally conscious, with 100 per cent recognising the relevance of environmental issues for their customers. Among them, 75 per cent consider these concerns partially relevant, while 25 per cent consider them very relevant. In contrast, the professional services sector shows the lowest environmental awareness, with only 45 per cent of companies recognising the relevance of environmental issues for their customers.

Finally, analysing Swedish companies surveyed by age, customers of mature companies exhibit the highest concern for environmental issues. Specifically, 77 per cent of mature companies emphasise the relevance of environmental issues. In comparison, 67 per cent of newcomers and 63 per cent of experienced companies acknowledge the significance of environmental concerns.

TO WHAT EXTENT DO CUSTOMERS IN MEXICO CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISION?



NOTE: The number of respondents for this question was 43. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2024.

Large companies surveyed and those focused on the consumer sector are the most likely to be exposed to acts of corruption

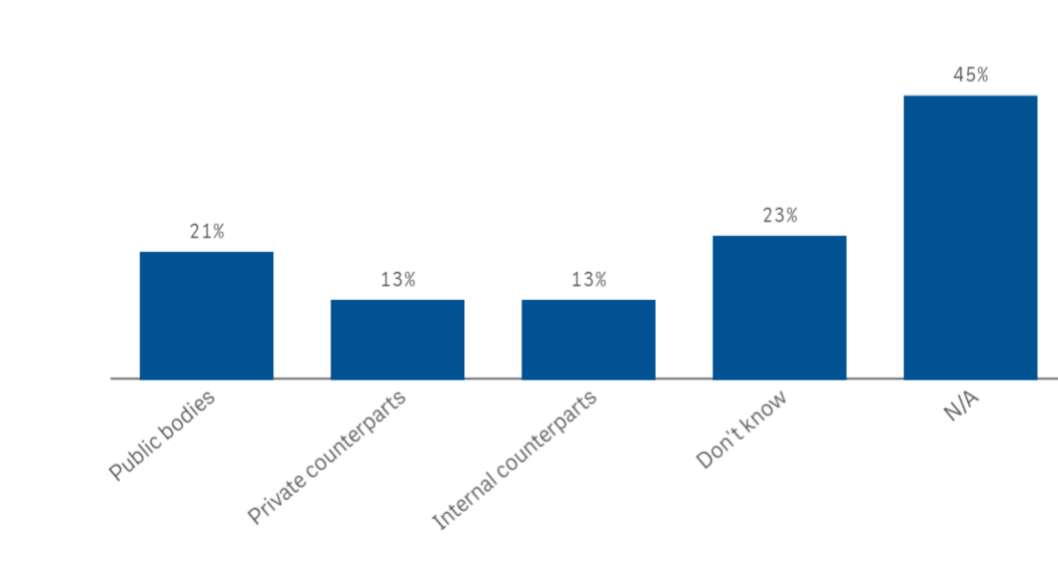
An analysis of the exposure to corruption among Swedish companies has revealed some interesting findings. At first glance, 47 per cent of the companies surveyed have been exposed to some corrupt act, mainly with public bodies, with 21 per cent. Now, analysing companies by size, it can be observed that small and medium-sized companies do not report being exposed to corrupt practices, while 40 per cent of large companies do.

On the other hand, professional services companies have not been affected by corrupt practices. Whereas 57 per cent of the companies in the consumer sector claimed to be exposed to corruption, mainly in their internal counterparts. Similarly, 65 per cent of companies in the industrial sector recognise cases of corruption, 29 per cent within public bodies and 18 per cent in both private and internal counterparts.

It is also worth noting that the age of the company also plays a role in its vulnerability to corruption. Mature and newcomer companies have not been exposed to any corrupt practices. However, experienced companies have a higher exposure rate, with 45 per cent of them reporting corruption.

Overall, it is crucial for companies to be aware of the potential risks they may face and take appropriate measures to implement strong anti-corruption policies and safeguard against corrupt practices.

HAS YOUR COMPANY IN MEXICO BEEN EXPOSED TO CORRUPTION SUCH AS, BUT NOT LIMITED TO, ATTEMPTS OF BRIBERY OR FRAUD IN CONTACTS WITH ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 44. "Don't know/Not applicable" responses are included but not shown in figure.

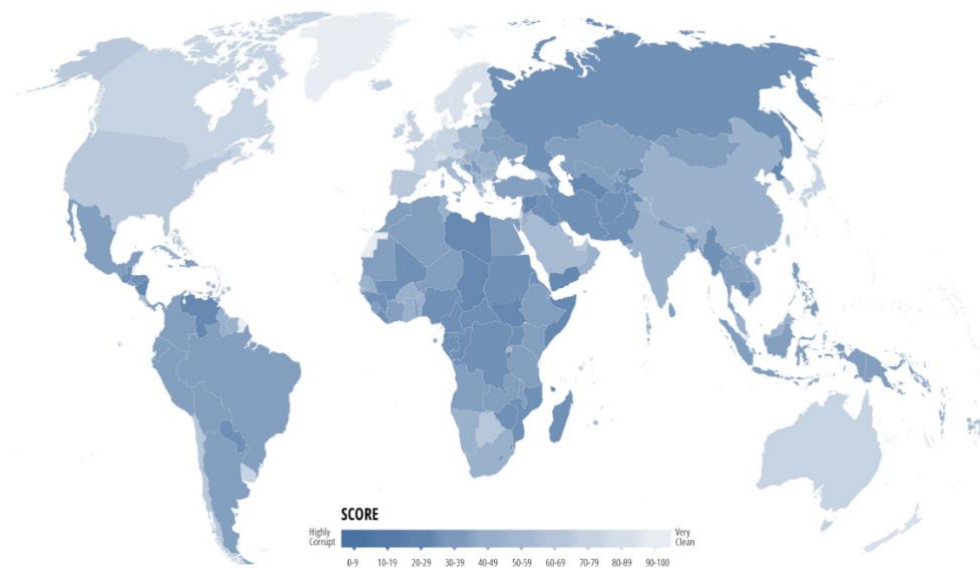
SOURCE: Business Climate Survey for Swedish Companies in Mexico 2024.

Sweden is known for its reputation for transparency, ethical business conduct, and anti-corruption measures. However, Swedish companies can encounter legal, regulatory, and ethical barriers when venturing into foreign markets such as Mexico. The risk of corruption is the most significant challenge, which poses a threat to companies' financial integrity. Corruption has been a persistent problem in Mexico and remains a major concern for Swedish companies operating in the country.

Mexico's government has been fighting corruption for several years. However, Mexico has made limited progress in this regard, scoring 31/100 and ranking 126th out of 180 countries, according to Transparency International's Corruption Perceptions Index. This assessment emphasises the need for continued attention to corruption issues, particularly for Swedish companies operating in Mexico.

To mitigate the risks of corruption and unethical practices, it is important for firms to establish strong compliance frameworks, including anti-corruption policies and thorough due diligence on business partners and suppliers. It is equally important to strictly stick to ethical business practices and promote transparency across all areas of operation. By implementing these measures, Swedish companies can effectively reduce the risk of corruption while promoting a culture of integrity. This, in turn, can contribute to the development of a more transparent and ethical business environment in Mexico.

CORRUPTION PERCEPTION INDEX 2023



SOURCE: Transparency International.

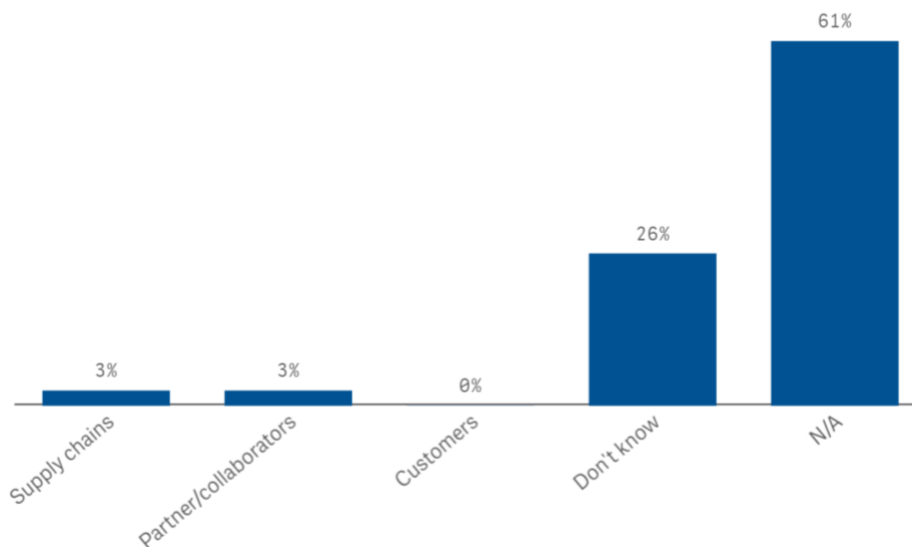
Small companies surveyed are the only ones with reported cases of human rights violations within their supply chain and among their collaborators

As companies expand globally, it is important to consider the ethical and legal implications, violations of human and labour rights can have negative impacts on the business climate. Sweden is known for its commitment to social welfare and fair treatment of human rights; therefore, it is expected that Swedish companies take measures to ensure that their operations and supply chains are free from exploitation, discrimination, or abuse.

According to the Swedish companies surveyed operating in Mexico, instances of human and labour rights violations are rare, with only six per cent of companies reporting any such violations. When analysing companies by size, it appears that small companies, at 18 per cent, are the only ones that have encountered acts of human rights violations, mainly in the supply chain and among partners/collaborators.

The industrial sector is particularly vulnerable, with 12 percent of companies having encountered such practices. It remains important for companies to remain vigilant and to actively prevent and address labour and human rights violations in their operations and supply chains, regardless of the incidence rate. Such occurrences can have a profoundly negative impact on both the workers and the communities affected by these practices.

IN THE PAST YEAR, HAS YOUR COMPANY IN MEXICO ENCOUNTERED ANY FORM OF HUMAN RIGHTS VIOLATIONS AND/OR LABOUR RIGHTS ABUSE IN/WITH YOUR...



NOTE: The number of respondents for this question was 44. Don't know/Not applicable" responses are included but not shown in figure.
 SOURCE: Business Climate Survey for Swedish Companies in Mexico 2024.

SUPPLY CHAIN REGIONALISATION

Over the past four years, trade disruptions forced companies to rethink their supply chain strategy

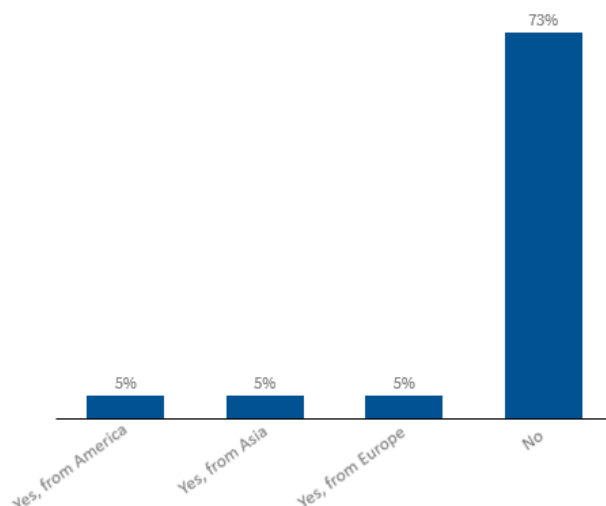
For decades, globalization dominated the manufacturing industry's landscape. However, the Covid-19 pandemic, the Russian invasion of Ukraine, and escalating trade and political tensions between China and the United States, underscored the critical need for more resilient global production processes. In response, nearshoring emerged as a strategic solution. This supply chain approach involves relocating production closer to consumer markets, providing a way to meet demand for intermediate and final goods while mitigating risk and improving control over supply networks. By shifting all or part of their supply chain, companies can reduce lead times from weeks or months to just days. Moving away from distant suppliers allows for direct engagement with domestic suppliers, fostering closer coordination and greater transparency in operations.

When examining the regionalisation strategies of Swedish companies surveyed in Mexico, 73 per cent indicated that they have not relocated any aspect of their supply chain in the past 24 months, while 15 per cent stated they have implemented modifications. Within this 15 per cent, five per cent mentioned transferring segments of their supply chain from Asia to Mexico, another five per cent from Europe to Mexico, and the last five per cent from the Americas to Mexico.

In addition, by categorising companies by sector, 14 per cent of entities in the industrial sector have moved parts of their supply chain from Asia and the Americas to Mexico, while 13 per cent of companies in the consumer sector have moved segments of their supply chain from Europe to Mexico.

Finally, when examining companies by age, 24 per cent of established companies have adapted their supply chain, with 12 per cent moving from Asia and 12 per cent from the Americas to Mexico, while 29 per cent of new companies have reorganised their supply chain from Europe to Mexico.

IN THE PAST 24 MONTHS, HAS YOUR COMPANY MOVED ANY PART OF ITS SUPPLY CHAIN TO MEXICO?



NOTE: The number of respondents for this question was 44. Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2024.

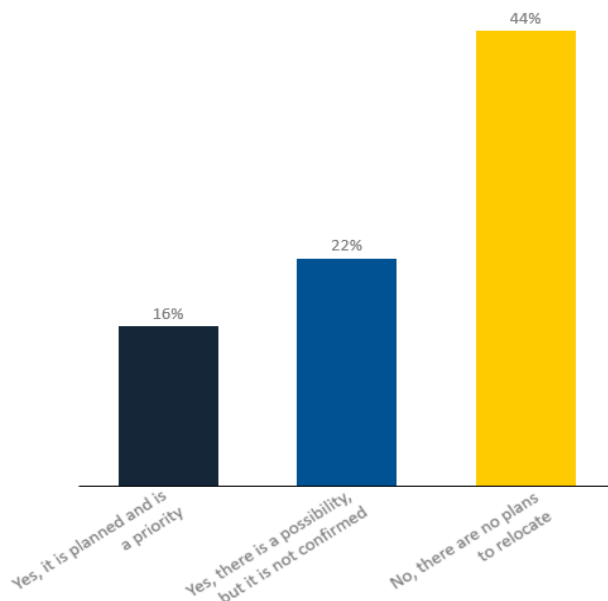
In the analysis of companies' future for their supply chain strategy, 38 per cent of Swedish companies surveyed plan to expand their supply chain in the next two years, while 44 per cent have no such plans.

When examining companies based on their maturity, it is shown that mature companies exhibit the strongest inclination towards regionalising their supply chains, followed closely by newcomers. Among mature companies, 65 per cent express intentions to modify their supply chain, with 24 per cent having concrete plans in place and as a top priority, and 41 per cent considering it a possibility awaiting confirmation. Similarly, 43 per cent of newcomer companies have plans to alter their supply chain, with 29 per cent prioritizing these changes and having them already planned, while 14 per cent see it as a potential. In contrast, only 15 per cent of experienced companies express intentions to regionalize their supply chain, with a mere five per cent of them confirming it as a top priority.

When categorising companies by size, it shows that larger companies display the greatest inclination towards supply chain modifications. A total of 21 per cent of large companies have already prioritised and planned changes, with another 21 per cent considering it a possibility pending confirmation. Among medium-sized companies, none have confirmed plans to prioritise supply chain adjustments, while 25 per cent consider it a potential but are still waiting for confirmation. Conversely, 34 per cent of small companies indicate plans to modify their supply chain, with 17 per cent having already prioritized and planned these changes, and an additional 17 per cent considering it a potential adjustment.

Finally, looking at companies by sector reveals more diverse responses. In the industrial sector, 35 per cent of companies mention the intention to regionalise their supply chain, with only 14 per cent considering it a top priority. In the services sector, 60 per cent express a desire to make changes in the next 24 months, with 40 per cent already having concrete plans as a priority and 20 per cent considering it a potential but unconfirmed adjustment. Lastly, in the consumer sector, 38 per cent of companies are contemplating moving their supply chain in the next 24 months. Among them, 13 per cent have prioritised and planned the change, while the remaining 25 per cent see it as a potential adjustment pending confirmation.

IN THE NEXT 24 MONTHS, DOES YOUR COMPANY PLAN TO EXPAND ANY PART OF ITS SUPPLY CHAIN?



NOTE: The number of respondents for this question was 44. Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2024.

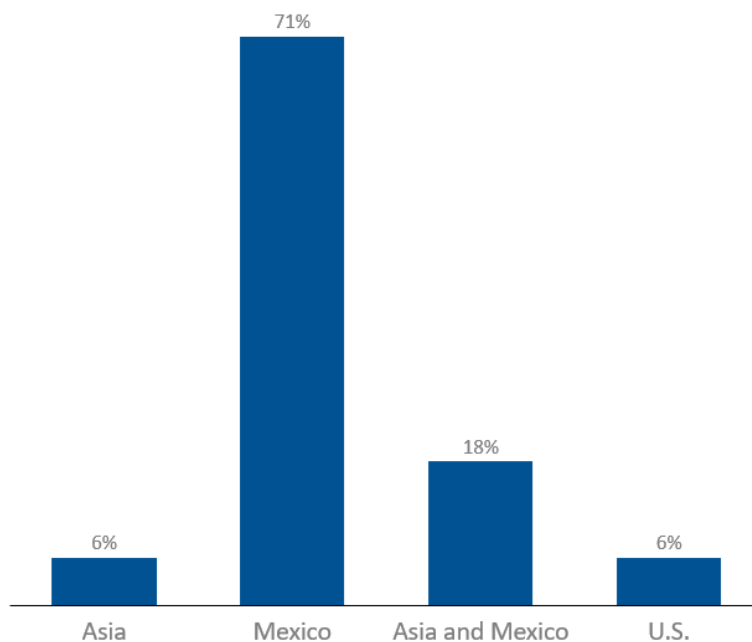
Global supply chain regionalisation offers various advantages according to the specific requirements of companies

When companies consider reshoring part or their whole supply chain, some regions emerge as prime destinations. Central and Eastern Europe, South and Southeast Asia and North America stand out, offering competitive production and service costs while being strategically situated close to key global markets such as the United States, Western Europe, and East Asia.

When considering supply chain regionalisation, companies must carefully evaluate several factors. Among them are industry-specific dynamics, business requirements, desired production control within the target markets, and the various benefits and obstacles presented by each region.

Among Swedish companies surveyed intending to regionalise their supply chains, 71 per cent identify Mexico as a primary destination for relocating their value chains. In contrast, only six per cent regard Asia and the United States each as viable options for their new trade strategy. Interestingly, 18 per cent of companies are contemplating both Asia and Mexico for their future business plans.

IF YOUR COMPANY PLANS TO EXPAND ANY PART OF ITS SUPPLY CHAIN IN THE NEXT 24 MONTHS, WHERE WOULD BE ONE OF THE MAIN PLACES TO CONSIDER FOR SUPPLY CHAIN EXPANSION?



NOTE: The number of respondents for this question was 44. Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2024.

The economic relationship between Mexico and the United States is a significant factor in driving prosperity and growth for both nations. It is worth noting that Mexico is the largest trading partner of its northern neighbour, with over 80 per cent of its exports flowing into the United States.

Additionally, the United States has a significant presence in foreign direct investment, accounting for more than half of the total FDI in Mexico. In addition, the rise of Mexico as the United States' largest trading partner, surpassing China as of 2023, is a major achievement in their economic cooperation and underscores the strength and potential of their trade relations. These factors indicate the mutually beneficial nature of the economic partnership between Mexico and the United States, and the opportunities it provides for companies considering relocating part of its supply chain.

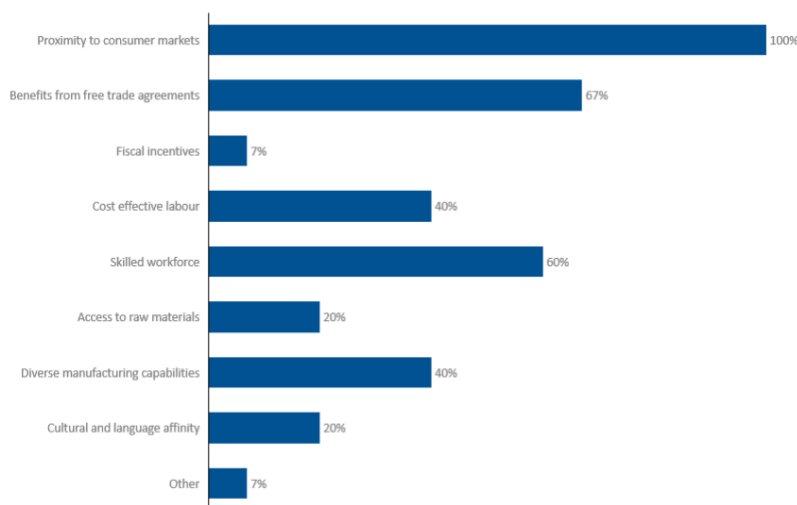
When analysing the reasons of Swedish companies surveyed to move part of their supply chain to Mexico, all companies stated that the proximity to consumer markets emerges as the most compelling reason. Its strategic location makes it a key point between North and South America, providing access to the most important markets in both regions. Its proximity to the United States, one of the largest consumer markets in the world, makes it even more attractive to companies looking to expand into the Americas.

Furthermore, 67 per cent of Swedish companies surveyed already operating in Mexico quote the country's trade agreements as another significant factor influencing their decision. Mexico's extensive network of trade agreements, such as USMCA and EU-Mexico Trade Agreement, enable businesses to gain access to numerous global markets throughout Latin America, Europe, and Asia, thereby facilitating international trade and investment.

Additionally, these businesses recognise Mexico's skilled workforce as a valuable asset, further enhancing its appeal as a destination for relocating production chains. The country has a diverse workforce that ranges from specialised machinery to innovative engineering, supported by a young and dynamic population. Their skills enhance competitiveness by integrating easily with global supply chains. Mexican workers' strong work ethic, dedication, and cultural fluency make them valuable for fostering a productive work environment and expanding into new regions.

Nevertheless, the country still faces various challenges in guaranteeing the optimal use of the nearshoring trend. Despite the continuous government efforts to grant tax incentives for foreign investors, persistent issues such as non-compliance with the law, unreliable and expensive energy supply, potential shortages of water, and the need for more modern transportation infrastructure remain as significant barriers affecting Mexico's long-term investment prospects.

WHAT ARE THE MAIN REASONS FOR CONSIDERING MEXICO AS AN OPTION FOR SUPPLY CHAIN EXPANSION?



NOTE: The number of respondents for this question was 44. Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2024.



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