



Sweden
Sverige



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN MEXICO 2023

A REPORT FROM TEAM SWEDEN IN MEXICO

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KEY CONTRIBUTORS TO THIS REPORT

Business Sweden in Mexico

Jenny Engström

Jesper Bernhardsson

Rossana Calderón

María José Aguirre

Embassy of Sweden in Mexico

Hanna Begler

+1,400 respondents **22** markets

Current business climate

Positive view on the current global business climate improving

Industry turnover

74%

of Swedish companies expect their industry turnover to increase

Future investments

50%

of Swedish companies plan to increase their investments slightly or significantly in the next 12 months

Globally valued success factors

1. Sales competence
2. Cost efficiency
3. Partnerships/ local relationships

Brand Sweden

62%

of Swedish companies abroad consider Brand Sweden beneficial for business

Local conditions with highest satisfaction

1. Personal safety
2. Infrastructure
3. Service providers

Local conditions with least satisfaction

1. Labour market regulations
2. Corporate tax
3. Licenses and permits

Environmental considerations

36%

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

Corruption

- Moderate to high risk in emerging markets and South Korea
- Low risk in advanced economies

Human rights violation and labour rights abuse

- Moderate risk in emerging markets
- Low risk in advanced economies

FOREWORD

Mexico, with its vibrant economy and vast population, stands as a key player in the Latin American market and on the global stage. Its position as Latin America's second largest market and the world's fifteenth largest economy demonstrates its potential. As a developing economy, Mexico's membership in the prestigious OECD signals its commitment to achieve stable and sustainable growth.

The historical connection between Sweden and Mexico spans centuries, with a foundation established more than 170 years ago. Swedish companies have maintained a significant presence in Mexico, contributing to economic development and fostering fruitful partnerships. The long-standing business ties between the two nations are proof of the rewarding cooperation and shared values.

In recent years, Mexico has gained prominence as an attractive destination for companies seeking to optimise their manufacturing footprint. With its strategic geographical location and strong trade relations, particularly with the United States, Mexico offers a compelling opportunity for companies looking to enhance their position in North America. The favourable combination of competitive costs, a skilled workforce, and favourable business climate has enticed a growing number of Swedish companies to invest in Mexico, further strengthening the economic bonds between our nations.

This report aims to provide a comprehensive overview of the current landscape and prospects for collaboration between Mexico and Sweden. It delves into the opportunities and challenges faced by Swedish companies operating in Mexico, while highlighting the positive impact of economic ties on both countries. We believe that, by understanding and leveraging the potential synergies, our business community can forge stronger partnerships, foster innovation, and drive economic growth.

We extend our sincere gratitude to all the companies that participated in the survey, contributing their valuable insights and experiences. Their willingness to share their perspectives has made this report possible, and we hope that the findings and recommendations presented herein will inspire further dialogue, 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

EXECUTIVE SUMMARY

The Mexican economy showcased robust growth in 2022, surpassing pre-pandemic levels and achieving a notable 3.1 per cent GDP growth rate. This performance translated into increased profits for Swedish companies operating in Mexico. Looking ahead to 2023, Banxico, the central bank, projects a growth rate of nearly two per cent for the Mexican economy. While external demand is expected to decelerate, the economy is buoyed by strong domestic consumption, which continues to support overall economic activity.

Swedish companies operating in Mexico generally have a positive perception of the business climate, with particular optimism observed in the professional services and industrial sectors. However, it is worth noting that the companies have different investment plans, reflecting a slight caution outlook among them. Such discernment likely stems from a prudent approach in view of the evolving economic landscape.

Operating in Mexico presents its own set of challenges for Swedish companies. Navigating licensing and permit requirements can be a complex endeavor, requiring meticulous attention to regulations and bureaucratic procedures. Ensuring transparency and fair treatment throughout business operations is essential, as is addressing personal safety and security concerns that may arise in certain geographies. Nevertheless, Swedish companies do benefit from access to distributors, service providers, and Mexico's labour force, which can facilitate smoother business operations.

To capitalise on growth opportunities, Swedish companies need to have a comprehensive understanding of the advantages and challenges intrinsic to the Mexican market. This includes recognising Mexico's status as a manufacturing hub and leveraging its geographical advantages. By taking these factors into account, Swedish companies can successfully navigate the market, make informed decisions, and optimise their operations.

In summary, this report provides valuable insights into the Mexican economy and its implications for Swedish companies operating in the country. The strong economic growth, positive business climate perception, and challenges faced by Swedish companies underscore the importance of informed decision-making and operational optimisation. By staying informed and adapting to the unique characteristics of the Mexican market, Swedish companies can position themselves for success and seize growth opportunities.

“We are implementing a customer acquisition strategy through the Nearshoring effect, aimed at relying more on the private market

Managing Director Mexico & LATAM
World leading supplier of sealing solutions

ABOUT THE SURVEY

Business Climate Survey 2023

In April 2023, Team Sweden Mexico, represented by the Embassy of Sweden in Mexico and Business Sweden Mexico, conducted the 12th edition of the Business Climate Survey with Swedish companies operating in Mexico.

The Business Climate Survey serves as a comprehensive tool developed to assess the opportunities and challenges encountered by Swedish companies when conducting business in Mexico. This report presents the findings and analysis derived from the survey, encompassing the current business landscape, economic projections, and other market factors deemed valuable for companies already operating or intending to establish a presence in Mexico.

Moreover, in addition to enhancing the understanding of Swedish companies' operations and their perception of the business climate in Mexico, this survey acts as a reference point for bilateral trade dialogues between Mexico and Sweden.

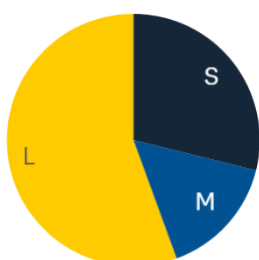
This year's survey was distributed to 96 Swedish companies established in Mexico, with a response rate of 49 per cent, corresponding to 47 company participants. The respondents include country and regional managers of Swedish companies in Mexico, as well as executives with relevant perspectives.

Among the respondents, 56 per cent represent large companies, while small and medium-sized enterprises account for 29 per cent and 16 per cent, respectively. Most participating companies primarily operate within the industrial sector (56 per cent) or the professional services sector (26 per cent).

Regarding the company profiles, 29 per cent of the surveyed companies are classified as mature, having been established in Mexico prior to 2001. Meanwhile, 45 per cent are considered experienced, established between 2002 and 2016, and 26 per cent are classified as newcomers, having established after 2017.

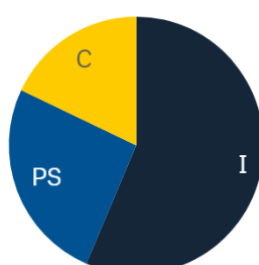
The report is divided into four sections. Firstly, it provides an economic outlook based on an assessment of Swedish companies' annual performance and their expectations for the upcoming year. Second, it delves into Swedish companies' perception of the business climate and the Mexican market, exploring conditions that positively or negatively impact business performance. The third section highlights key success factors for Swedish companies operating in Mexico and in the fourth section the report addresses sustainability aspects related to conducting business in Mexico.

SIZE OF COMPANIES



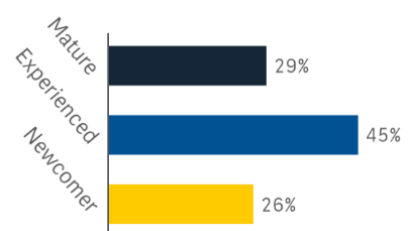
NOTE: Global employees.
Large >1000.
Medium 250-1000.
Small 0-249.

MAIN INDUSTRY



NOTE: Industrial 56%.
Professional services 26%.
Consumer 18%

AGE OF COMPANIES



NOTE: Mature (-2000).
Experienced (2001-2015).
Newcomer (2016-)

ECONOMIC OUTLOOK

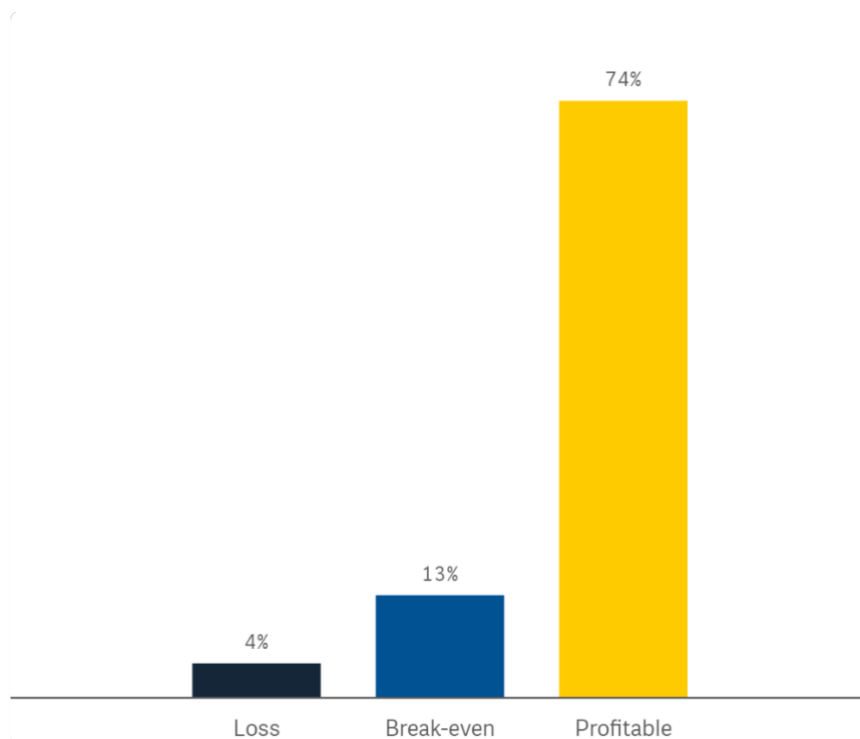
Most Swedish companies remained profitable in 2022

The Mexican economy exhibited a satisfactory performance in 2022, experiencing an economic growth rate of 3.1 per cent. This growth allowed Mexico to regain its pre-pandemic levels, surpassing expectations. Notably, 74 per cent of Swedish companies operating in Mexico reported profits, indicating a significant increase of 21 percentage points compared to 2021. Moreover, 13 per cent of companies broke even, while only four per cent reported losses.

Mexico concluded 2022 with an inflation rate of 7.8 per cent. Although still above Banxico's target range of three per cent (+/-1), this rate was lower than anticipated. The moderation of inflation is partly explained by the alleviation of global inflationary pressures and the decline in fuel prices.

The elevated inflation rate prompted Banxico to implement successive interest rate hikes, culminating in an interest rate of 10.5 per cent by the end of 2022. It is projected that the interest rate will continue to rise in 2023, while inflation is expected to decrease. Banxico's projections indicate that the inflation rate will return to the target range of three per cent by the conclusion of 2024.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN MEXICO IN 2022?



NOTE: The number of respondents for this question was 47. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2023.

In 2023, Swedish companies stay optimistic, yet cautious, due to possible recession

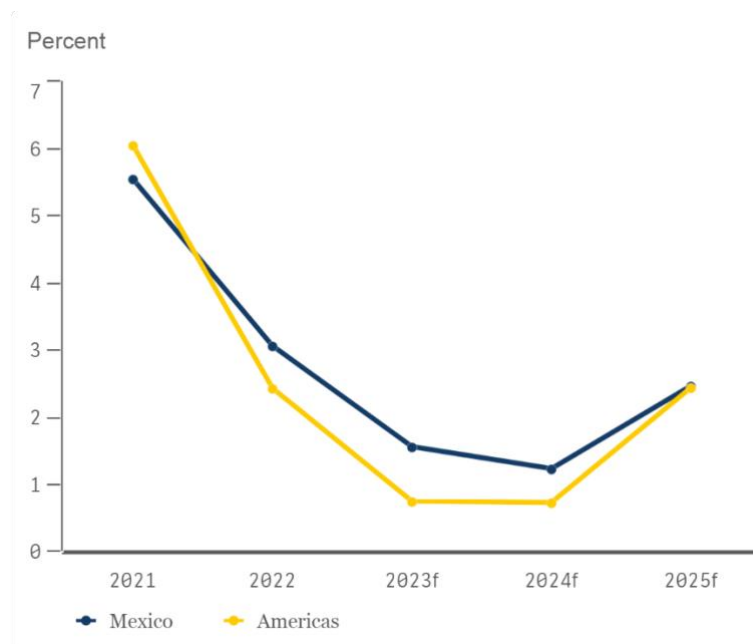
In the final quarter of 2022, the Mexican economy hit an impressive milestone, recording seven consecutive quarters of annual growth and reaching an all-time high in gross domestic product (GDP). However, indications of a slowdown emerged towards the end of the year. Notably, the cultural and sports services sector, corporate services sector, and temporary accommodation services sector exhibited the highest growth rates in the last quarter of 2022, with annual growth rates of 40 per cent and 10 per cent, respectively.

Banxico projects a growth rate of nearly two per cent for the Mexican economy in 2023. Although there are variations in sectoral growth rates, the Mexican economy has shown resilience despite the complex external environment it faces. Economic slack indicators suggest that the Mexican economy will continue to grow at a moderate pace. These growth expectations primarily stem from projections for the growth of the United States economy, Mexico's principal trading partner.

Forecasts from Bloomberg indicate a high probability of recession in the United States in 2023. Given that the external sector has been a key driver of Mexico's economic growth, changes in the U.S. economy typically exert a significant influence on Mexico. However, indicators such as consumer confidence, wage levels, and remittances suggest an expansion in domestic consumption of goods and services in Mexico. While Mexico's external demand is expected to decelerate in 2023, domestic demand is therefore anticipated to continue to support domestic economic activity.

In 2023, Mexico will face several challenges. These include ensuring a secure environment for foreign investment, establishing a robust rule of law that fosters trust in Mexican business transactions, and transitioning to more sustainable practices to remain competitive in the global economic landscape. These challenges are critical for Mexico's future success and progress.

PROJECTED GDP GROWTH IN MEXICO



NOTE: Constant prices.
SOURCE: Oxford Economics 2023

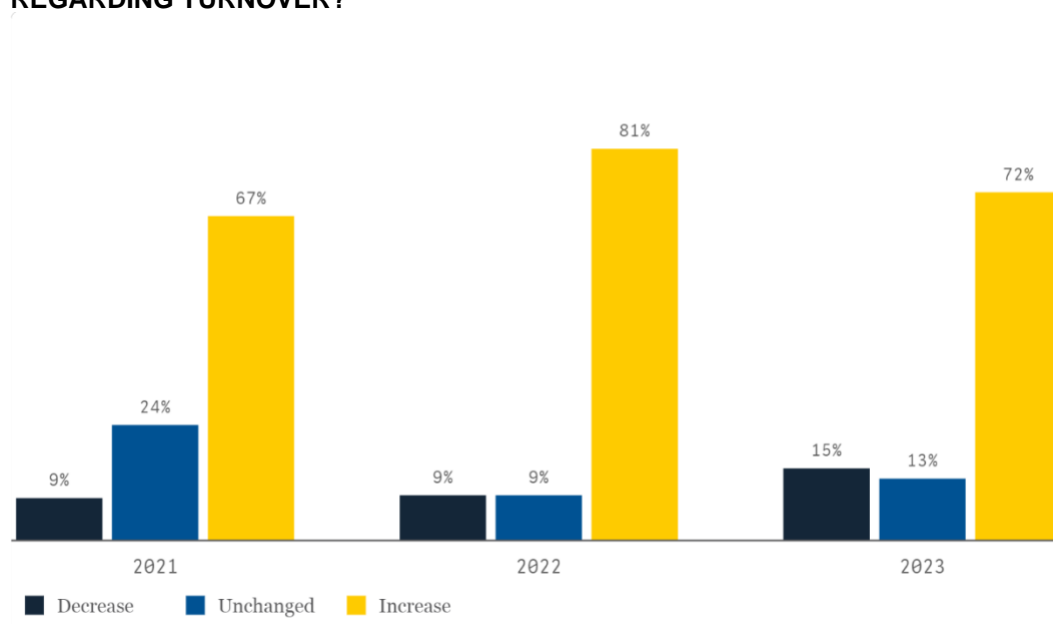
Aligned with the Mexican economic outlook, the majority of Swedish companies maintain an optimistic stance, although a certain wariness of potential recession is discernible. While 72 per cent of respondents anticipate an increase in their respective sector's turnover, this percentage has decreased from 81 per cent in 2022. Conversely, the percentage of companies expecting a decrease in sector turnover has risen from nine per cent to 15 per cent, while those expecting it to remain unchanged have increased from nine per cent to 13 per cent.

Upon examining sector-specific expectations, the industrial sector exhibits the highest degree of optimism, with 82 per cent of companies anticipating an increase in sector turnover. Only 14 per cent of companies in this sector expect a decrease, and a mere four per cent expect it to remain the same. In the professional services sector, moderate optimism is observed, with 60 per cent of companies sharing this outlook. None of the companies in this sector expects a decrease, while the remaining 40 per cent anticipate no change. Conversely, the consumer sector demonstrates the least optimism, with 29 per cent of companies expecting a decrease in sector turnover.

Furthermore, when assessing companies by seniority, mature companies display the highest level of optimism regarding their sector turnover. A striking 92 per cent of mature companies expect an increase, with only eight per cent expecting a decrease. In contrast, experienced and newcomer companies anticipate a decrease in sector turnover, with figures of 16 per cent and 18 per cent, respectively.

While the majority of Swedish companies maintain an optimism regarding 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 47. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2023.

Intentions to increase investment in Mexico have risen since 2021; mature companies leading the way

According to the Ministry of Economy in Mexico, foreign direct investment (FDI) inflows into the Mexican economy reached US\$35.2 billion in the previous year, reflecting a notable 12 per cent increase compared to 2021. This figure represents the highest observed value since 2015.

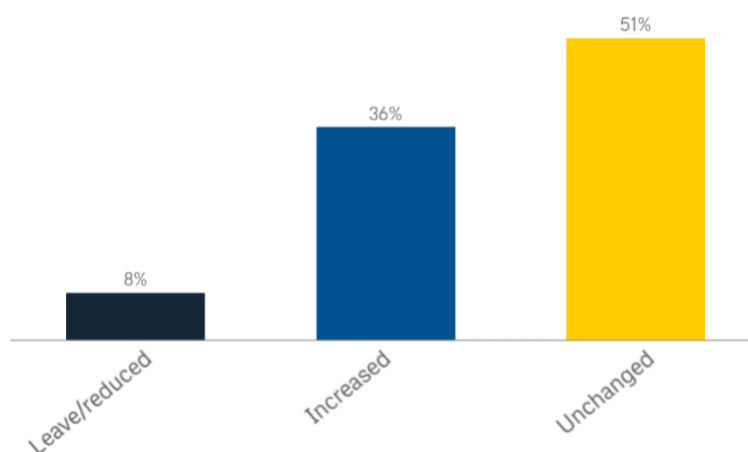
The states that attracted the most significant foreign investment were Mexico City, receiving US\$10.9 billion, followed by Nuevo León with US\$4.4 billion and Jalisco with US\$2.9 billion. Moreover, over 50 per cent of the total foreign investments into the country originates from the United States and Canada, both being trade partners within the United States-Mexico-Canada Agreement (USMCA).

Taking a broader perspective, Swedish companies demonstrate varying appetites for investments into Mexico over the next 12 months. While 51 per cent state their intention to increase investments, 36 per cent expect to maintain the same level of investment as in the previous year and eight per cent expect a decrease in their investments.

When examining Swedish companies by size, 66 per cent of small companies express the greatest intention to increase their investments into Mexico over the next 12 months. Meanwhile, 34 per cent do not plan to make changes to their investment plans. Among medium-sized companies, 29 per cent indicate a high inclination to reduce their investments or exit the Mexican market in the coming year, while 42 per cent plan to increase investments, and 29 per cent do not anticipate any changes to their investment plans.

Lastly, 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 69 per cent indicating such plans.

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 47. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2023.

THE MARKET

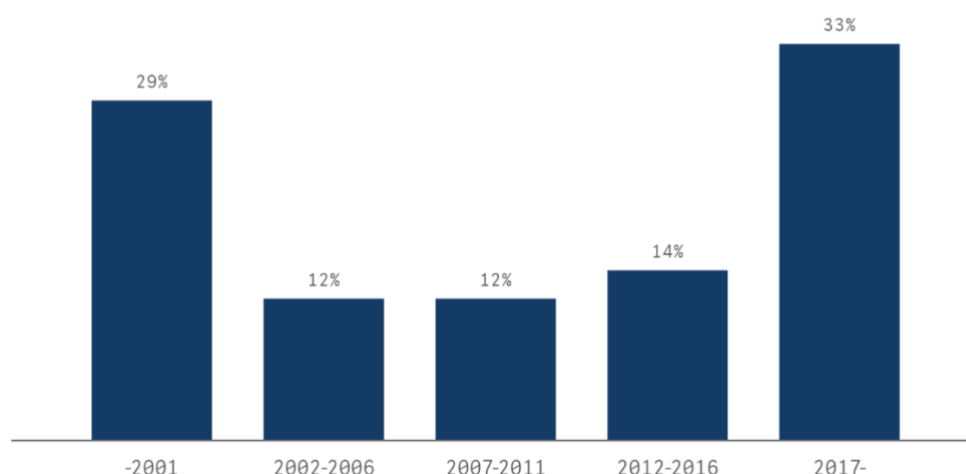
Over 30 per cent of Swedish companies in Mexico established operations in the last five years

Swedish companies have a long and rich presence in Mexico, almost 30 per cent of them have been established in the country for more than two decades. Several prominent names, including ABB, AstraZeneca, and Tetra Pak, boast an impressive history in Mexico that spans more than 60 years. Additionally, a few pioneering companies such as Ericsson and SKF initiated their Mexican operations over a century ago. These companies have played a pivotal role in the development and growth of various industries in Mexico.

In recent years, there has been a noticeable surge in the number of Swedish companies venturing into the Mexican market. As of 2017, 33 per cent of Swedish companies established operations in Mexico, underscoring the country's increasing significance as a vibrant business and investment hub in Latin America. These new entrants have brought with them new technologies, innovative business practices, and fresh perspectives, contributing to the advancement of local industries and bolstering the competitiveness of the Mexican economy.

The collaboration between Swedish and Mexican enterprises holds potential for mutual benefits and shared prosperity. By leveraging their vast expertise, technological prowess, and commitment to sustainability, Swedish companies can contribute to Mexico's journey towards inclusive and sustainable development. Moreover, their presence stimulates job creation, knowledge transfer, and the establishment of robust business networks, which can help foster an ecosystem of innovation and entrepreneurship.

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN MEXICO?



NOTE: The number of respondents for this question was 47. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2023.

Swedish companies in Mexico have an established presence across diverse industries, contributing to the country's economic landscape. Reflecting the trends observed in 2022, the healthcare and pharmaceutical sector emerges as the most common industry classification for Swedish companies in Mexico. These companies play a crucial role in providing medical products, innovative treatments, and advanced healthcare solutions, contributing to the well-being of the Mexican population.

Additionally, Swedish companies have made inroads into other important sectors, for instance the automotive, construction, industrial equipment, and mining sectors. In the automotive sector, Swedish companies bring their expertise of high-quality vehicles, components, and technological solutions, bolstering the Mexican automotive industry's competitiveness.

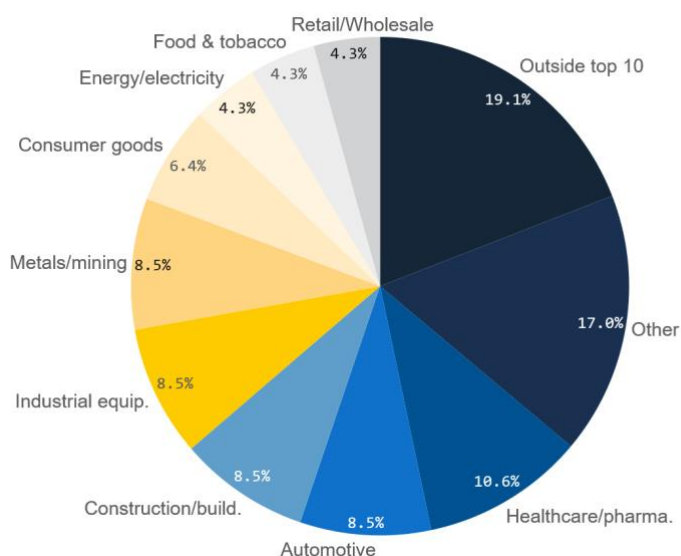
The construction industry benefits from the involvement of Swedish companies, which offer expertise in architectural design, sustainable construction practices, and efficient building solutions. By implementing innovative techniques and promoting environmentally friendly construction methods, these companies contribute to the development of modern infrastructure and the growth of Mexico's urban centers. The industrial equipment sector also witnesses an active participation of Swedish companies, bringing cutting-edge machinery, automation systems, and advanced technologies. These companies assist Mexican businesses in enhancing their productivity, optimising operations, and improving overall efficiency in various manufacturing processes.

Furthermore, Swedish companies have made notable contributions to the mining sector, providing state-of-the-art equipment, expertise in mining technologies, and sustainable mining practices. Their involvement fosters responsible mining operations, environmental stewardship, and the adoption of safer practices within the industry.

Moreover, Swedish companies have a foothold in transportation, providing advanced logistics solutions, transport infrastructure, and intelligent transportation systems. In the IT and electronics sector, they bring innovative technologies, software solutions, and digital services, contributing to Mexico's digital transformation and technological advancement.

Overall, Swedish companies' presence spans a wide spectrum of industries in Mexico, demonstrating their commitment to diverse sectors and their contribution to the country's economic development, technological advancement, and sustainable growth.

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN MEXICO?



NOTE: The number of respondents for this question was 47. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2023.

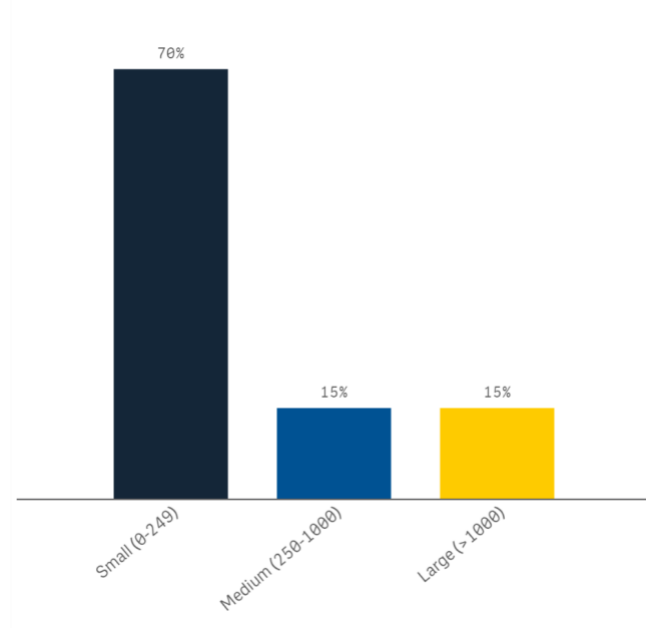
When it comes to the size of Swedish companies operating in Mexico, a majority, accounting for 70 per cent, fall into the small business category, employing fewer than 250 local employees. These companies, often characterised by their agility and adaptability, play a vital role in driving innovation, fostering entrepreneurship, and contributing to job creation in the Mexican economy.

Medium-sized companies make up 15 per cent of the Swedish business presence in Mexico. With employee counts ranging between 250 and 1,000, these companies have a more substantial workforce and possess the capacity to undertake larger-scale projects. They contribute to the development of various sectors, 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. These companies have a substantial local workforce, employing over 1,000 employees. 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 diverse range of company sizes within the Swedish business community in Mexico reflects the country's attractiveness as an investment destination. The presence of small, medium-sized, and large companies demonstrates the breadth of opportunities available, the favorable business environment, and the mutual benefits that can be realised through Swedish-Mexican partnerships. As these companies continue to collaborate and grow, they contribute to the long-term economic prosperity of both nations.

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN MEXICO IN 2023



NOTE: The number of respondents for this question was 47. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2023.

Improving perception of business climate in Mexico

Compared to the previous year, the perception of the Mexican business climate among Swedish companies in Mexico has seen a significant improvement. In 2022, only 28 per cent of companies perceived the business climate as positive, whereas in 2023, the corresponding number is 64 per cent. Simultaneously, the percentage of companies perceiving the business climate as negative has decreased substantially, from 40 per cent to a mere six per cent.

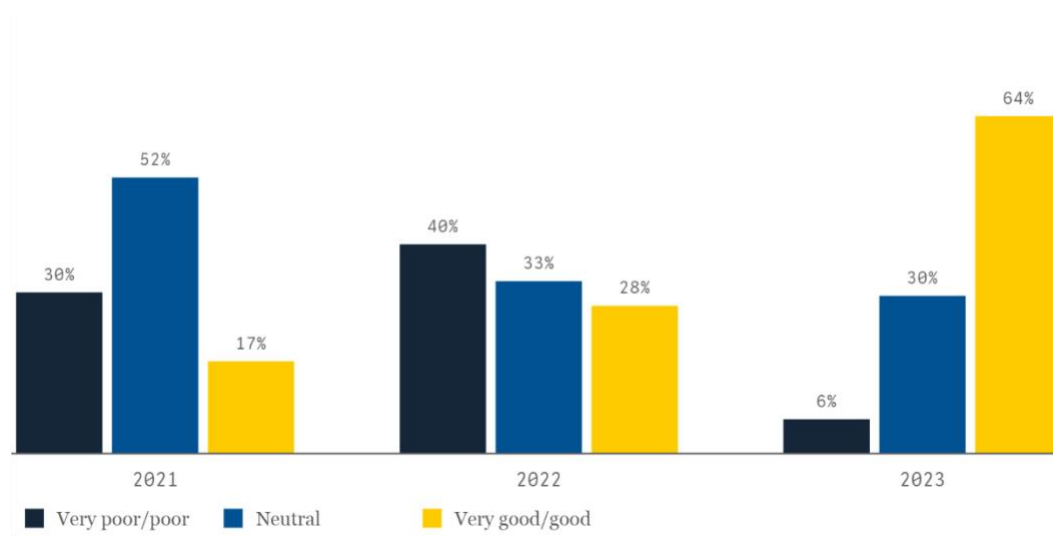
When examining Swedish companies by size, it is noteworthy that small companies, comprising 23 per cent of the sample, constitute the only segment that still views the business climate in Mexico as negative. However, 54 per cent of small companies perceive the business climate as positive, with the remaining companies having a neutral perception. In contrast, most large companies (68 per cent) perceive the business climate as favourable, with only 32 per cent having a neutral stance. Medium-sized companies, while mostly perceiving the climate as positive, display a slightly more cautious view compared to their larger counterparts, with 43 per cent neutrally poised.

Analysing companies by economic activity reveals some interesting insights. The professional services and industrial sectors demonstrate overwhelmingly positive perceptions, with only 10 per cent and five per cent of companies, respectively, viewing the business climate as poor. The consumer sector stands out as the only segment where no unfavourable perception is reported, as 71 per cent of companies in this sector perceive the business climate as good, while the rest take a natural view.

Lastly, when considering the age of companies, mature companies stand out as the most optimistic, with 67 per cent perceiving the business climate as good and none perceiving it as negative. Experienced and newcomer companies display similar views, with 63 per cent and 64 per cent, respectively, perceiving the business climate as positive. However, a slightly higher proportion of these companies (11 per cent for experienced and nine per cent for newcomers) perceive the business climate as poor.

These results show the growing confidence and positive outlook of Swedish companies operating in Mexico. Improvements in the business climate are observed in different sectors, reflecting a favourable environment for growth and investment. As Swedish companies navigate the Mexican market, they can take advantage of this stronger business climate to develop stronger partnerships, expand their operations, and contribute to the sustained economic development of both Sweden and Mexico.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN MEXICO?



NOTE: The number of respondents for this question was 47. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2023.

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

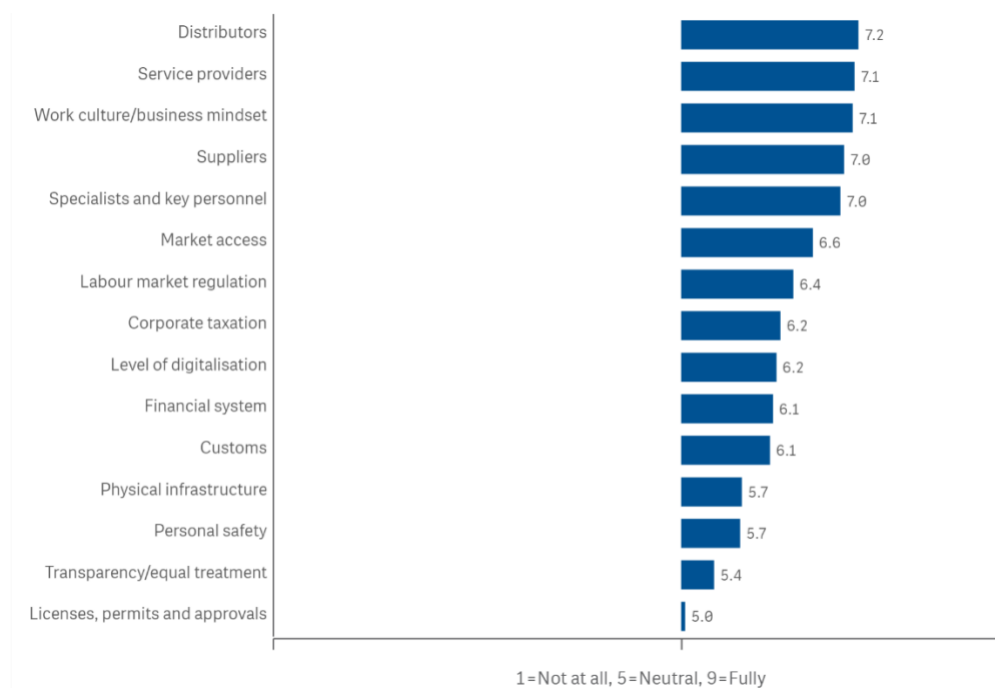
When evaluating the perceptions of Swedish companies regarding the Mexican market, several significant advantages emerge. These include access to distributors, service providers, and Mexico's labour force. Furthermore, availability of supplies, specialists, key personnel, and market access have received favourable opinions, indicating promising prospects for business operations in Mexico.

However, it is important to acknowledge that Swedish companies also face challenges when conducting business in Mexico. These challenges primarily revolve around navigating requirements for licenses, permits, and approvals, ensuring transparency in business transactions, promoting fair treatment, and maintaining personal safety and security.

The perceptions of Swedish companies regarding market conditions in Mexico align with the country's unique characteristics. From an external trade perspective, Mexico holds a pivotal role as a prominent manufacturing hub in the Americas, bridging the gap between North and South America. Its advantageous geographical location, coupled with an extensive network of free trade agreements and a skilled workforce, contribute to its significance in the global market. Nonetheless, Mexico also grapples with persistent issues of corruption and institutional dysfunction in the state bureaucracy, which can present obstacles to business operations.

Given the cultural differences between Sweden and Mexico, it is crucial for companies to be aware of both the advantages and challenges that Mexico presents. By recognising and understanding these factors, Swedish companies can navigate the Mexican market more effectively, capitalise on its vast potential, and proactively address any obstacles that may arise. This strategic approach will enable Swedish companies to establish successful ventures in Mexico while fostering long-term growth and sustainability.

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



NOTE: The number of respondents for this question was 47.
SOURCE: Business Climate Survey for Swedish Companies in Mexico 2023.

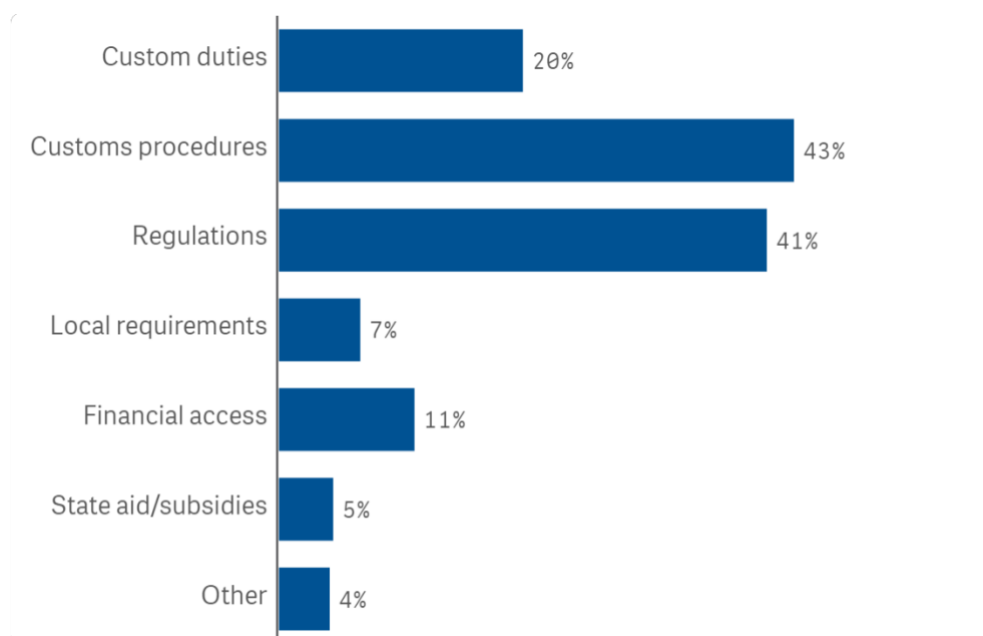
Despite Mexico's efforts to liberalise trade, there is room for improvement in dealing with customs

Mexico's open and liberal trade policies have been crucial in promoting economic growth and attracting foreign investment to the country. With 14 Free Trade Agreements, including some with the world's largest economies, Mexico has positioned itself as a strategic partner in the global trade arena. These agreements have enabled the country to reduce barriers to trade, improve market access, and foster greater economic integration with its trading partners. As a result, Mexico has experienced significant growth in its trade volume and has become a hub for manufacturing and exporting goods to various regions around the world.

However, despite Mexico's impressive achievements in trade liberalisation, there remain challenges that can peril the ease of doing business in the country. One of the most significant barriers is the presence of non-tariff measures that can increase transaction costs and create unnecessary hurdles for foreign firms. Technical regulations, bureaucratic procedures, and customs restrictions can affect the competitiveness of foreign firms in the Mexican market. Additionally, there are challenges related to corruption, insecurity, and rule of law that may deter foreign investment and undermine the business environment in Mexico.

While Mexico has made remarkable progress in terms of trade liberalisation, there is still room to further enhance the country's attractiveness as a 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 47.
SOURCE: Business Climate Survey for Swedish Companies in Mexico 2023.

HOW SWEDISH COMPANIES SUCCEED IN MEXICO

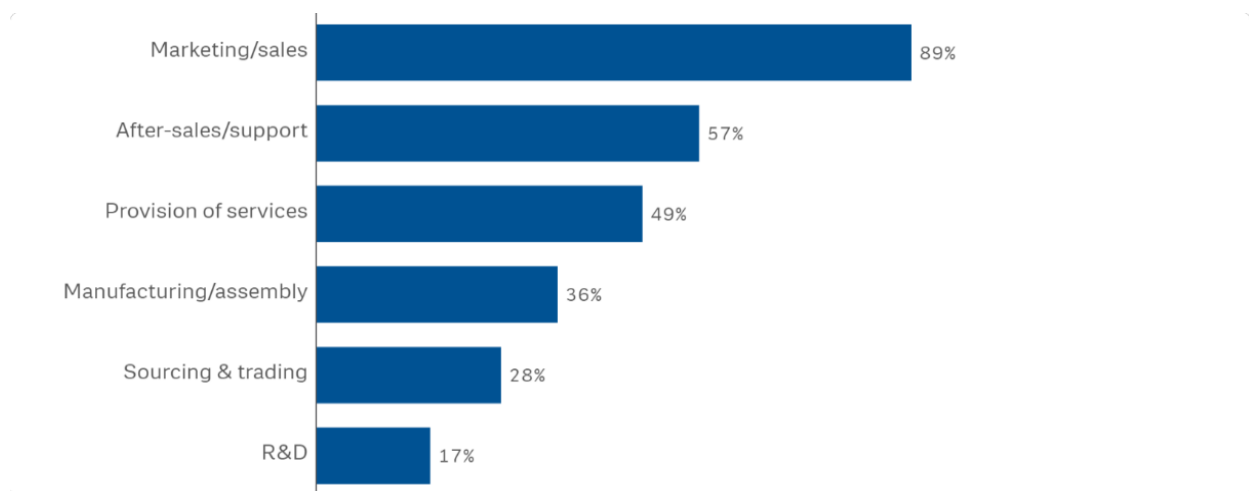
Marketing and sales constitute core activities of Swedish companies in the Mexican market

The success of Swedish companies in Mexico can be attributed to their long-standing commitment to building strong relationships with local partners and customers. Many of these companies have been operating in Mexico for several decades and have established themselves as trusted providers of high-quality goods and services. Their success is also due to their ability to adapt to the ever-changing business landscape in Mexico, where policies and regulations are constantly evolving.

Swedish companies have played a significant role in promoting economic growth in Mexico by investing in infrastructure projects and creating job opportunities for the local workforce. These companies have also been instrumental in driving innovation in key sectors such as automotive, healthcare, and renewable energy. With Mexico's strategic location and access to various markets, Swedish companies have been able to use the country as a platform to expand their operations and reach new customers in the region.

Most Swedish companies operating in Mexico have established a strong foothold in the market, with nearly nine out of 10 companies having a dedicated marketing and/or sales organisation. Additionally, over half of these companies have a robust after-sales and/or support infrastructure in place. Furthermore, a significant number of Swedish firms – approximately one-third – have expanded their operations in Mexico to include local manufacturing and/or assembly capabilities. These findings underscore the notable success and continued growth of Swedish companies in the Mexican market.

OPERATIONS OF SWEDISH FIRMS IN THE MARKET



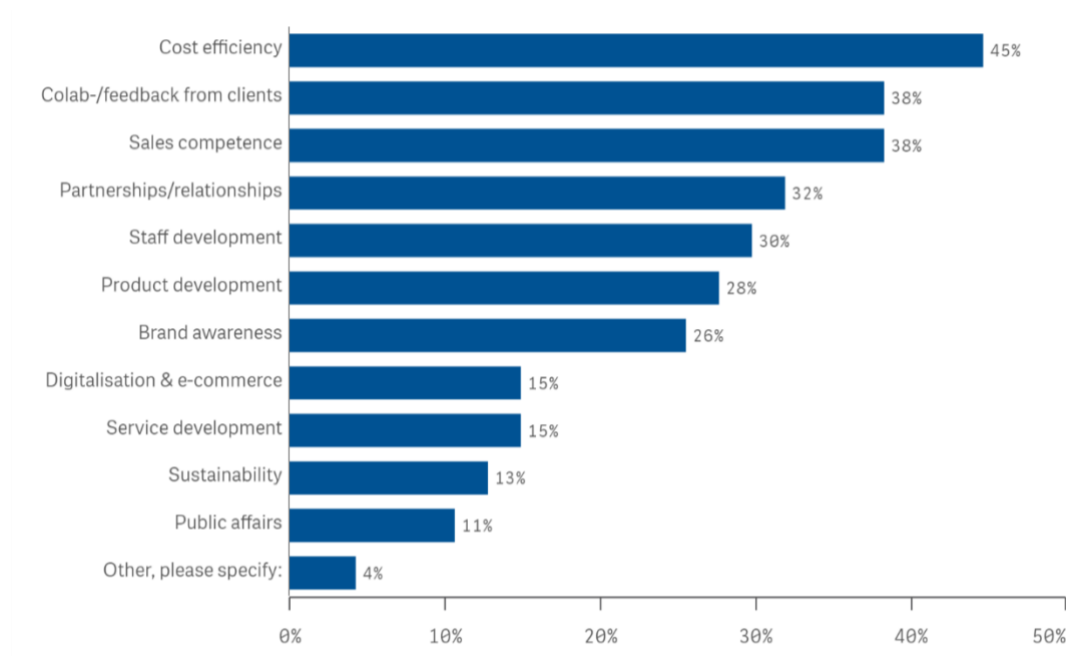
NOTE: The number of respondents for this question was 47. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2023

Swedish companies stay competitive through cost efficiency, customer collaboration and skilled sales force

Swedish companies operating in Mexico have successfully adopted strategies that enable them to remain competitive. Optimising operating costs and resource allocation is a key element. In addition, gathering customer feedback and integrating it into business strategies and product development processes enables them to stay in tune with evolving market needs and preferences. Another key factor contributing to the competitiveness of Swedish companies in Mexico is their commitment to building and maintaining a strong sales force. Companies understand the importance of equipping their sales teams with the skills and knowledge necessary 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 47. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2023.

Swedish companies are associated for quality, innovation, and sustainability in Mexico

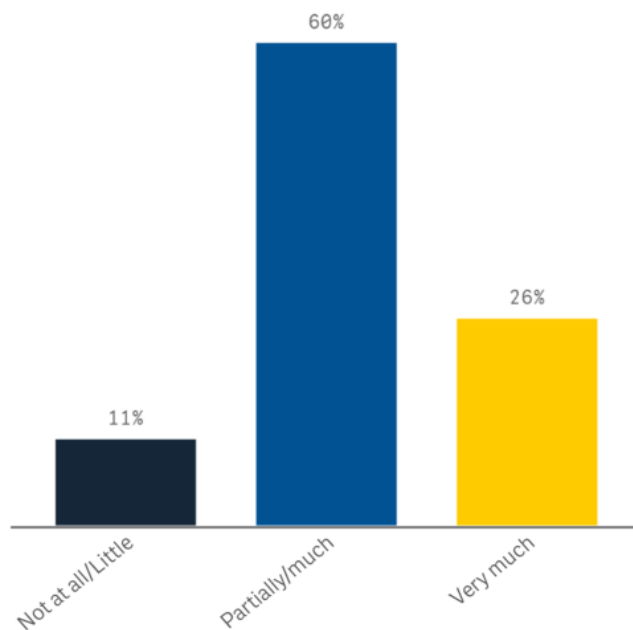
The Swedish brand has become increasingly relevant in the Mexican market, due in large part to the strong presence and success of Swedish companies operating in the country. Swedish firms have established a reputation for delivering high-quality products and services, and for their focus on innovation, sustainability, and social responsibility. This reputation has helped to create a positive perception of the Swedish brand among Mexican consumers and businesses.

In addition to their reputation for quality and innovation, Swedish companies have also demonstrated a commitment to establishing long-term partnerships with local stakeholders. This has helped to build trust and credibility and contributes to the continued success of Swedish firms operating in the country.

A significant majority of Swedish companies operating in Mexico, 86 per cent, believe that the "Swedish brand" plays a positive role in the success of their businesses. Of that percentage, 60 per cent reported that the Swedish brand contributes partially to their success, while 26 per cent stated that it contributes very much. Conversely, only 11 per cent of companies reported that the Swedish brand has little to no influence on their business success. These findings highlight the importance of the Swedish brand in the Mexican market and suggest that it can be a valuable asset for Swedish companies seeking to establish and grow their operations in the country.

Overall, the relevance of the Swedish brand in Mexico can be attributed to the unique value proposition that Swedish companies offer, including their focus on quality, innovation, sustainability, and social responsibility, as well as their ability to establish strong and lasting partnerships with local stakeholders. As such, the Swedish brand is likely to continue to play an important role in 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 47. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2023.

ACTING SUSTAINABLY

Despite the subtle increase in the importance of environmental aspects, it remains a problem in Mexico

As environmental concerns increase globally and in Mexico, consumer practices are coming under increased scrutiny.

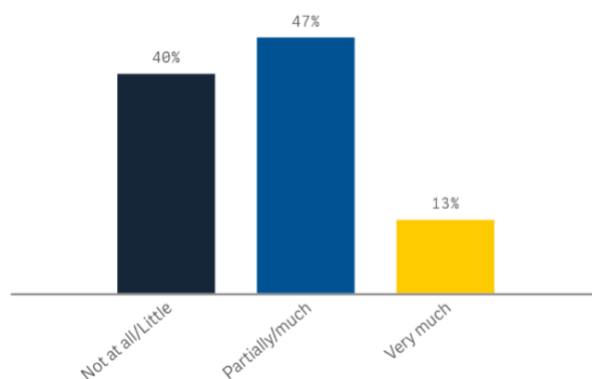
In addition to consumer demand, there are also increasing regulatory pressures on companies to comply with environmental regulations in North America. The government of the United States has implemented various policies and initiatives aimed at promoting environmental sustainability, such as the Inflation Reduction Act (IRA). The Inflation Reduction Act will make a historic investment in clean energy production and manufacturing to reduce carbon emissions by roughly 40 per cent below 2005 levels by 2030 by allocating nearly \$400 billion in federal funds for clean energy to investments made in the U.S. These government incentives are conditioned on investments made in the U.S. that have a percentage of content from the region (United States, Mexico, Canada).

Of Swedish businesses, 60 per cent consider that Mexican buyers take environmental factors into account when making their purchasing decisions, of which 47 per cent believe that environmental aspects are only partially considered, and 13 per cent believe that they are highly important. The size and economic sector of the companies analysed also have an influence on their perception of the importance of environmental aspects. For instance, no medium-sized company considers environmental aspects to be very relevant for individual consumption decisions, and the majority of them, 57 per cent, consider them to be of little or no relevance. In contrast, 75 per cent of large companies consider environmental aspects to be important for consumption decisions.

Likewise, the industrial sector seems to be the most environmentally conscious, as 69 per cent of companies in this sector consider environmental aspects to be relevant to their customers' purchasing decisions. In contrast, only 44 per cent of companies in the professional service sector share this opinion.

Finally, analysing Swedish companies by age, newcomers and mature companies are more likely to believe that environmental aspects are relevant to consumers' decisions (80 per cent and 75 per cent, respectively). In contrast, 56 per cent of experienced companies believe that environmental factors are not significant to consumer decisions.

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 47. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2023.

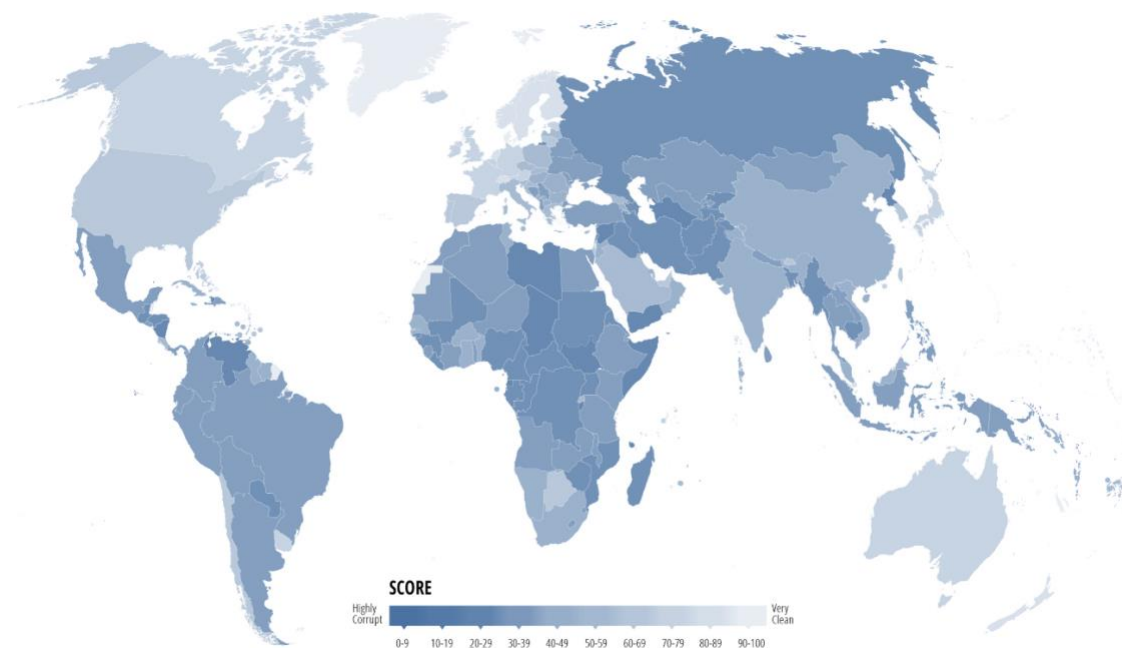
Swedish companies operating in Mexico must address corruption with robust compliance measures

Sweden's reputation for transparency, ethical business practices, and anti-corruption measures is well-established. However, when Swedish companies operate in foreign markets such as Mexico, they may face a variety of legal, regulatory, and ethical challenges. One of the most significant challenges is the risk of corruption, which can have serious implications for a company's financial performance. In Mexico, corruption has long been an obstacle for businesses, and the issue remains a concern for Swedish companies operating in the country.

In recent years, the Mexican government has taken steps to address corruption. However, the Transparency International's Corruption Perception Index shows that Mexico's progress in this area has been limited, with the country scoring 31/100 and ranking 126th out of 180 countries. This indicates a lack of progress in addressing corruption in the country and highlights the need for companies to be vigilant about the risks they face.

For Swedish companies operating in Mexico, the risk of corruption and other unethical practices must be taken seriously. Companies need to have robust compliance measures in place, such as implementing anti-corruption policies and conducting due diligence on business partners and suppliers. It is also important for companies to adhere to ethical business practices and to promote transparency in their operations. By doing so, Swedish companies can help to mitigate the risks of corruption and contribute to a more transparent and ethical business environment in Mexico.

CORRUPTION PERCEPTION INDEX 2022



SOURCE: Transparency International.

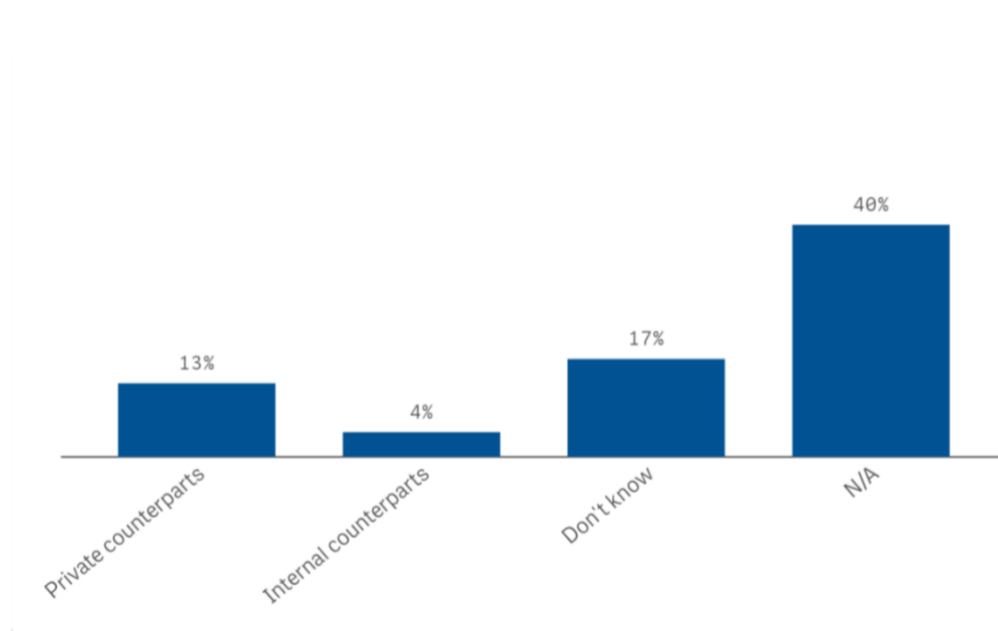
An analysis of the exposure of Swedish companies to corruption reveals some interesting findings regarding the correlation with size, economic sector, and age of the companies. Firstly, smaller companies, with less than 250 employees, do not report exposure to any corrupt practices. In contrast, 20 per cent of large companies report exposure to corruption. Medium-sized companies, on the other hand, have a relatively lower exposure rate, with only 14 per cent of them reporting exposure to corrupt activities.

Secondly, professional services companies have not been exposed to any corrupt practices, while companies in the consumer sector are the most vulnerable, with 28 per cent of them reporting exposure to corruption.

Finally, the age of the company also plays a role in its vulnerability to corruption. Mature companies have not been exposed to any corrupt practices. However, newcomers, with less experience in the market, have a higher exposure rate, with nine per cent of them reporting corruption. Experienced companies, on the other hand, have a slightly higher exposure rate of 16 per cent.

Overall, the risk of corruption varies according to the size, economic sector, and age of the company. Companies must be aware of the risks they face and implement strong anti-corruption measures to 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 47. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2023.

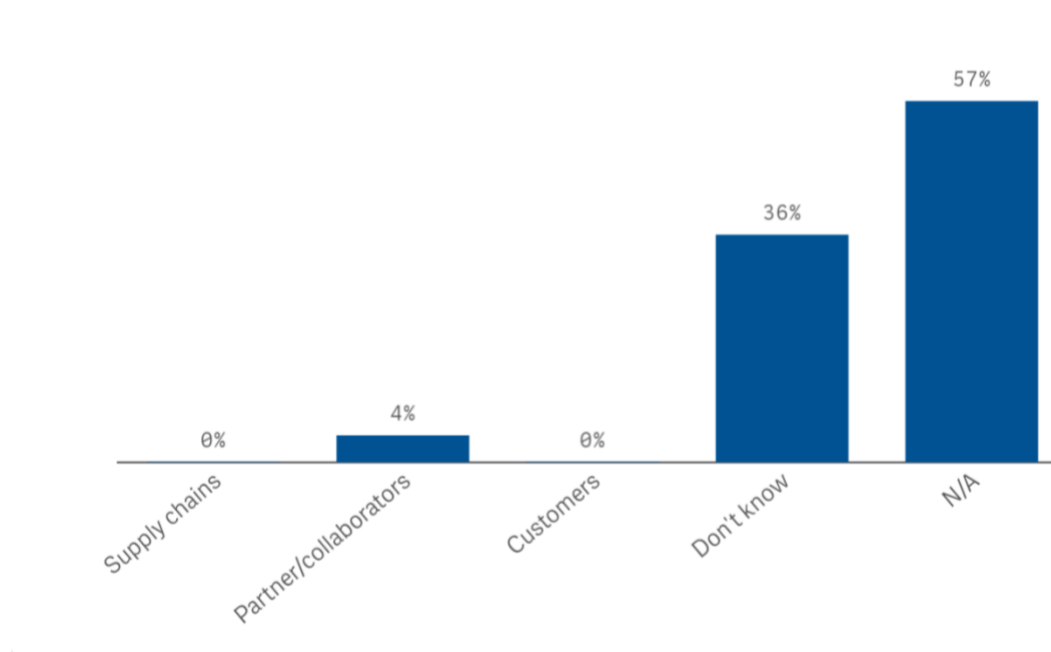
Upholding human and labour rights across business activities is a priority within Swedish values

As companies continue to expand globally, ethical and legal issues gain relevance. Violations of human and labor rights have detrimental effects on the business climate. Some of Sweden's core values are social welfare and fair treatment of human rights. Swedish companies are expected to ensure that their operations and supply chains are free from exploitation, discrimination, or abuse.

Human rights and labor rights violations, such as forced and child labor, discrimination, and unsafe working conditions, can cause significant harm to workers and communities affected by these practices.

According to Swedish companies, the observed violations of human and labor rights are virtually non-existent, with only four per cent of companies reporting any type of violation. When analysing companies by size, only eight per cent of small companies reported any violations. In terms of sectors, the consumer sector appears to be the most vulnerable, with 14 per cent of companies facing such practices. Despite the low incidence, companies must remain vigilant to prevent and address any labor and human rights violations within their operations and supply chains.

HAS YOUR COMPANY IN MEXICO ENCOUNTERED ANY FORM OF HUMAN RIGHTS VIOLATIONS AND/OR LABOUR RIGHTS ABUSE IN ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 47. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Mexico 2023.



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