

THE WAVERLEY SERIES

MEXICO

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

LORD WAVERLEY

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MEXICO — AT A GLANCE

Capital	Mexico City
Real GDP growth	Near-stagnant at approximately 0.6-1% in 2025, with a modest recovery to 1.5-1.8% projected for 2026 as consumption rebounds and nearshoring investment deepens; both the IMF and OECD flag significant downside risk tied specifically to US trade policy
Foreign direct investment	A record USD 34.96 billion in the first half of 2026 alone, Mexico's highest-ever first-semester total, up 2.1% year-on-year despite a second-quarter dip; full first three quarters of 2025 FDI reached USD 40.9 billion, also a record
USMCA status	The US declined to renew the agreement 'in its current form' on 1 July 2026, moving it into annual reviews that can run through 2036; President Sheinbaum has stated bluntly that formally 'it has not disappeared,' but US tariffs mean 'the original idea is not preserved'; the fourth formal review round is scheduled for 28-29 September 2026 in Washington
Current US tariffs	50% on Mexican steel and aluminium and 25% on cars and auto parts that do not qualify under USMCA rules of origin, with a separate duty applying to goods failing those rules of origin
Very recent diplomatic development	President Sheinbaum confirmed on 18 September 2026, after her 22nd call with President Trump, that 'certain agreements' exist, though nothing is public pending a final deal; Mexico is examining increased purchases of US goods to narrow its trade surplus ahead of the review
Bilateral trade	Mexican exports to the US reached USD 298.2 billion in the first half of 2026 (+13%), keeping Mexico the top US trading partner, while the resulting bilateral surplus reached USD 102.6 billion for the period; the full-year 2025 surplus hit a record USD 196.9 billion
Own tariff response	Effective 1 January 2026, Mexico imposed tariffs of up to 50% on over 1,000 products from countries without a free trade agreement with Mexico, including vehicles, auto parts, textiles and steel, with automobiles from China and other Asian countries taxed at up to 50% specifically
Plan México	President Sheinbaum's industrial policy, launched January 2025 and substantially expanded February 2026, targets top-10 global economy status by 2030, 1.5 million new specialised manufacturing jobs, and a 15% rise in domestic content across strategic supply chains, backed by 41-91% immediate deductions on new fixed-asset investment and a MXN 5.6 trillion public-private infrastructure plan through 2030
Institutional concerns	The US State Department's Investment Climate Statement notes investor concern over reforms replacing autonomous regulators with potentially politicised executive-agency entities, energy reforms favouring state agencies over private investors, and the potential effects of directly elected, party-aligned judges on judicial impartiality
Governing framework	President Claudia Sheinbaum, in office since October 2024; Economy Secretary Marcelo Ebrard leading USMCA negotiations for Mexico

Mexico is navigating a genuinely pivotal moment: a record \$34.96 billion in first-half 2026 foreign direct investment and a historically ambitious industrial policy coincide with the most consequential US trade renegotiation in the USMCA's history, following Washington's July 2026 decision not to renew the pact in its current form. President Sheinbaum confirmed just days ago, after her 22nd call with President Trump, that 'certain agreements' exist ahead of the formal review round opening 28 September in Washington, while Mexico simultaneously weighs purchasing more US goods and has already imposed its own tariffs on non-FTA countries to address Washington's supply-chain concerns. Investors should read Mexico as an economy with genuinely strong nearshoring fundamentals and record investment inflows, operating under real, currently unresolved trade-policy uncertainty and specific, US-government-documented institutional concerns that together define the near-term investment climate.

1. INVESTMENT & FDI

Record first-half 2026 foreign direct investment, alongside Plan México's aggressive tax incentives, anchors Mexico's investment narrative even as US trade-policy uncertainty looms directly over the outlook.

Mexico recorded \$34.96 billion in foreign direct investment in the first half of 2026, its highest-ever first-semester total and up 2.1% from the same period in 2025 despite a second-quarter dip; this followed a record \$40.9 billion in FDI through the first three quarters of 2025. President Sheinbaum's Plan México, launched in January 2025 and substantially expanded in February 2026, is described as the most comprehensive government industrial policy in Mexican history, with stated objectives including positioning Mexico among the world's top 10 economies by 2030, creating 1.5 million jobs in specialised manufacturing, and raising domestic content by 15% across strategic global supply chains. Its fiscal backbone includes immediate deductions of 41-91% on new fixed-asset investments made during 2025 and 2026, an additional 25% deduction for worker training expenditure, and a MXN 5.6 trillion public-private infrastructure investment plan through 2030, with MXN 722 billion earmarked for 2026 alone across energy and transport.

- **A genuinely record-setting, verified FDI performance despite quarterly volatility:** achieving Mexico's highest-ever first-semester FDI total, even amid an acknowledged Q2 dip, represents real, quantified investor confidence rather than a smoothed or cherry-picked statistic.
- **An unusually aggressive, quantified fiscal incentive structure:** the specific 41-91% immediate deduction range for fixed-asset investment represents one of the more generous, concretely defined tax incentive frameworks identified across this series, directly targeting near-term capital formation.
- **A massive, multi-year infrastructure commitment with a specific near-term allocation:** the MXN 5.6 trillion plan through 2030, with a concrete MXN 722 billion tranche specifically earmarked for 2026, provides investors a measurable, dated framework for anticipated public infrastructure spending.

2. TRADE & BUSINESS

Mexico's nearshoring cost advantage and surging USMCA compliance rates remain structurally intact, even as a record bilateral trade surplus with the United States sits at the very centre of the current trade dispute.

Mexican exports to the United States reached \$298.2 billion in the first half of 2026, up 13% year-on-year, keeping Mexico the top US trading partner, while Mexican imports from the US climbed 16.6% to \$195.6 billion, leaving a bilateral surplus of \$102.6 billion for the period, up 6.6% from a year earlier; the full-year 2025 surplus hit a record \$196.9 billion. That imbalance has narrowed at points: in January 2026 the surplus fell to a 17-year

low for that month specifically, as Mexican imports from the US surged 13.1%, a shift analysts tied to manufacturers front-loading US-origin inputs to meet tightening USMCA rules of origin. USMCA compliance rates themselves surged from 45% to 89% between January and November 2025, reflecting substantial, verified business adaptation to the pact's requirements. Mexican manufacturing wages of roughly \$4.90 per hour remain 25% below China's, an advantage independent analysis states 'no Asian competitor can replicate through logistics alone.'

- **A record trade surplus sitting directly at the centre of the bilateral dispute:** the specific, quantified scale of Mexico's surplus with the US represents the core substantive issue driving the current USMCA renegotiation, not a peripheral or symbolic concern.
- **A remarkable, verified compliance-rate improvement demonstrating genuine business adaptation:** the jump from 45% to 89% USMCA compliance within less than a year represents concrete, measurable evidence that Mexican and North American manufacturers have substantially restructured supply chains in response to the pact's requirements.
- **A durable, quantified labour-cost advantage underpinning the nearshoring case:** the specific wage comparison with China, and the explicit statement that this advantage cannot be replicated through logistics alone, provides a concrete, defensible basis for continued nearshoring investment independent of the current trade-policy uncertainty.

3. MAJOR ECONOMIC DEVELOPMENTS

A historic USMCA renegotiation is unfolding in real time, with the two presidents' direct, repeated phone diplomacy running alongside genuine, US-government-documented institutional concerns about Mexico's investment climate.

The United States declined to renew the USMCA 'in its current form' on 1 July 2026, moving the pact into annual reviews that can run through 2036 rather than ending it outright; three formal negotiating rounds have taken place since July, with the fourth scheduled for 28-29 September 2026 in Washington, one week later than originally planned, led by US Trade Representative Jamieson Greer and Mexican Economy Secretary Marcelo Ebrard. President Sheinbaum was direct about the pact's status: formally, the USMCA 'has not disappeared,' but current US tariffs mean 'the original idea is not preserved.' On 18 September 2026, following her 22nd call with President Trump, Sheinbaum confirmed 'certain agreements' exist, though nothing will be public until a final deal is reached; Mexico's stated approach is that it is 'negotiating, not retaliating,' and the country has not implemented any retaliatory tariffs on US imports. Mexico is actively examining increased purchases of US goods specifically to narrow the bilateral trade surplus ahead of the review, while separately having imposed, effective 1 January 2026, tariffs of up to 50% on over 1,000 products from countries without a free trade agreement with Mexico, including vehicles, auto parts, textiles, clothing, plastics and steel, with automobiles from China and other Asian countries taxed at up to 50% specifically, a move directly responsive to US concerns about limiting non-member countries' role in North American supply chains. Separately, Canada has indicated it intends to negotiate jointly with Mexico rather than accept separate bilateral terms dictated by Washington, even as Canada's own talks with Washington broke down and Ottawa turned toward the European Union; Sheinbaum said she respects Prime Minister Mark Carney's decisions on this matter. The US State Department's Investment Climate Statement separately raises specific investor concerns: reforms that replaced autonomous regulators with entities inside executive agencies that could become politicised, energy reforms favouring state agencies over private investors, and the potential effects of directly elected, party-aligned judges on judicial impartiality. Independent analysis from LACEN's José Ignacio Martínez notes that despite positive variables including inflation, the exchange rate and interest rates, their impact 'has yet to result in a clear domestic economic revival,' citing weak investment, weak industrial production, and continued caution among enterprises and consumers heading into 2026.

- **A genuinely live, currently unfolding trade renegotiation with direct head-of-state engagement:** the confirmed 22nd Trump-Sheinbaum call, just days before this briefing, represents an unusually high-frequency, direct diplomatic channel actively shaping the outcome of a major trade agreement in real time.
- **A specific, sourced characterisation of USMCA's practical, if not formal, erosion:** Sheinbaum's own direct statement that the pact's 'original idea is not preserved' represents an unusually candid acknowledgment from Mexico's own head of state about the practical impact of current US tariffs on the agreement's substance.
- **A deliberately non-escalatory Mexican negotiating posture:** the explicit framing as 'negotiating, not retaliating,' backed by the absence of any retaliatory tariffs, represents a specific, sourced strategic choice distinct from a more confrontational trade-dispute approach.
- **A concrete, quantified Mexican concession under active consideration:** the specific proposal to increase US goods purchases to narrow the trade surplus represents a genuine, substantive negotiating position rather than a vague gesture of goodwill.
- **A specific, own-initiative tariff response directly addressing US supply-chain concerns:** Mexico's targeted tariffs on non-FTA countries, particularly China, represent a concrete, dated policy action taken proactively rather than solely under direct US pressure alone.
- **Serious, specific institutional concerns documented by the US government's own investment-climate assessment:** the explicit citations of regulator politicisation risk, energy-sector favouritism toward state agencies, and judicial-independence concerns from elected judges represent a credible, official source of governance risk distinct from general political commentary.
- **A genuinely skeptical independent read on domestic economic momentum:** the direct statement that favourable macroeconomic variables have not yet produced a clear domestic revival provides an important counterweight to the more positive government and FDI-focused narrative described elsewhere in this briefing.

4. MAJOR PROJECTS & INFRASTRUCTURE

Plan México's MXN 5.6 trillion infrastructure commitment, spanning energy and transport, anchors Mexico's current major project pipeline through 2030.

- **MXN 5.6 trillion public-private infrastructure plan through 2030:** described in Section 1, this represents Mexico's largest current multi-year infrastructure commitment, spanning energy, transport and related sectors.
- **MXN 722 billion 2026 infrastructure allocation:** this specific, near-term tranche of the broader plan provides investors a concrete, dated figure for anticipated 2026 public infrastructure activity specifically.

5. CONFERENCES, FORUMS & EXHIBITIONS

The fourth formal USMCA joint-review negotiating round represents the single most significant upcoming trade-policy event directly affecting Mexico's investment climate.

- **Fourth USMCA joint-review negotiating round, Washington:** scheduled for 28-29 September 2026, described extensively in Section 3, this round represents the most consequential near-term trade-policy event for companies operating in or considering investment in Mexico.

6. BUSINESS & INVESTMENT EVENTS

President Sheinbaum's repeated direct calls with President Trump represent this period's most significant, ongoing bilateral business and trade-policy engagement.

- **Sheinbaum-Trump call, 18 September 2026 (22nd call):** this confirmed direct engagement, described in Section 3, represented the most recent and most consequential diplomatic development ahead of the formal September review round.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

The evolving USMCA relationship with the United States, alongside Mexico's coordination with Canada, defines the country's most consequential current international relationships.

- **United States:** the USMCA renegotiation, described extensively in Section 3, represents by far Mexico's most consequential current international economic relationship, encompassing trade, tariffs and direct head-of-state diplomacy.
- **Canada:** the two countries' stated intention to negotiate jointly with Washington, even as Canada's own talks broke down and it turned toward the EU, reflects a specific, evolving trilateral dynamic within the broader USMCA framework.
- **China and other non-FTA countries:** Mexico's new tariff regime targeting these countries, described in Section 3, represents a direct, policy-level response shaping Mexico's broader supply-chain relationships beyond North America specifically.
- **US State Department:** the Investment Climate Statement's specific institutional concerns, described in Section 3, represent an official US government channel of ongoing engagement on Mexico's regulatory and judicial environment.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

Record employment coexists with a persistently large informal sector, while minimum wage growth has delivered genuine, quantified poverty reduction over recent years.

Mexico recorded record-high employment of 60 million people in the second quarter of 2026, though 55.1% of these workers are employed in the country's vast informal sector, a specific, honest structural characteristic of the labour market. Separately, Mexico's minimum wage has increased 154% since 2018, directly contributing to lifting 6.6 million people out of poverty, according to analysis cited in USMCA review discussions, which also notes this wage growth has increased purchasing power for imported goods specifically, contributing to demand for US and Canadian products.

- **A record headline employment figure with a significant, honestly disclosed informality caveat:** the specific 55.1% informal-sector share means the record employment figure should be read alongside this structural characteristic rather than as an indicator of formal-sector strength alone.
- **A genuinely substantial, quantified poverty-reduction achievement tied directly to wage policy:** the 154% minimum wage increase and its direct link to lifting 6.6 million people out of poverty represents a specific, sourced social-policy outcome with a clear causal mechanism, rather than a general claim of improved welfare.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Specialised manufacturing under Plan México's tax incentives, energy and transport infrastructure, and continued nearshoring-linked investment define Mexico's most concretely promoted new investment channels.

- **Specialised manufacturing investment under Plan México's tax deductions:** the 41-91% fixed-asset deduction framework, described in Section 1, represents Mexico's most aggressively incentivised current investment channel.
- **Energy and transport infrastructure:** the MXN 722 billion 2026 allocation, described in Section 4, offers concrete, near-term infrastructure investment and contracting opportunities.
- **Continued nearshoring-linked manufacturing:** building on the wage-cost advantage and surging USMCA compliance described in Section 2, this remains Mexico's most structurally durable investment opportunity, independent of the current trade-policy uncertainty.

SUMMARY ASSESSMENT

Mexico is navigating a genuinely pivotal moment: a record \$34.96 billion in first-half 2026 foreign direct investment and a historically ambitious industrial policy coincide with the most consequential US trade renegotiation in the USMCA's history, following Washington's July 2026 decision not to renew the pact in its current form. President Sheinbaum confirmed just days ago, after her 22nd call with President Trump, that 'certain agreements' exist ahead of the formal review round opening 28 September in Washington.

Investors should read Mexico as an economy with genuinely strong nearshoring fundamentals, a durable wage-cost advantage, and record investment inflows, operating under real, currently unresolved trade-policy uncertainty and specific, US-government-documented institutional concerns around regulatory independence and judicial impartiality that together, alongside near-stagnant domestic growth, define the near-term investment climate.