



# The growth of Mexico is closely tied to its trade openness

Specifically with the U.S. and Canada

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## The growth of Mexico is closely tied to its trade openness, specifically with the U.S. and Canada

- **Trade integration** with the world has allowed Mexico to experience **sustained development** over the past 40 years.
- The United States-Mexico-Canada Agreement (USMCA) plays a fundamental role in this integration, so Mexico must maintain **a strategy that benefits Mexicans**, especially their quality of life.

Mexico's economic development is integrated into North America's supply chains under the United States-Mexico-Canada Agreement (USMCA) for the following reasons:

- **Exports:** 84% of Mexico's non-oil goods exports are destined for the United States (Timely estimate for the January - July 2024 Trade Balance, INEGI).
- **Foreign Direct Investment (FDI):** 44% of FDI in Mexico comes from the U.S. and 8% from Canada (Q2 2024 FDI, Ministry of Economy).
- **Employment:** Nearly a quarter of the employed population in Mexico (14.6 million people) is connected to sectors associated with trade integration, such as manufacturing, wholesale trade, and transportation and storage (Q1 2024 ENOE, INEGI).
- **Remittances:** 96% of the remittances received by households in Mexico come from the United States (January - June 2024 Remittance Income, Banxico).

*México, ¿cómo vamos?* provides timely economic information to the public and authorities so that they can make informed decisions, thereby promoting **sustained and shared growth in the country**.

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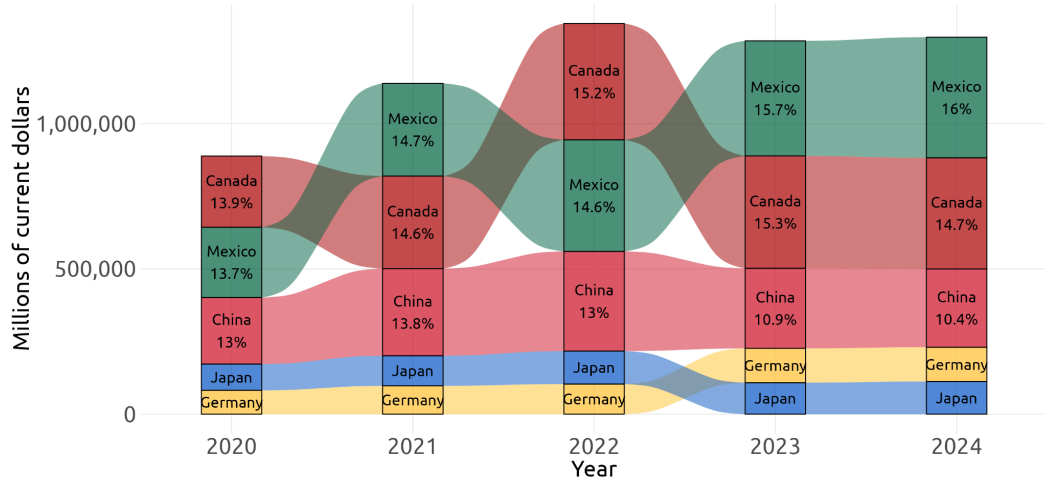


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# 1. TRADE: WE ARE PARTNERS, NOT JUST NEIGHBORS

- Mexico is the primary trading partner of the United States and the second for Canada.
- 84% of Mexico's non-oil exports (i.e., goods) are to the United States.
- 80% of Mexico's light vehicle exports are destined for the United States and Canada.

**Main trading partners of the United States**  
Cumulative total as of 2nd quarter of each year



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# 2. REGIONAL INTEGRATION OF NORTH AMERICA

We exchange **\$1.6 trillion** in regional trade annually between Mexico, the United States, and Canada (2023).

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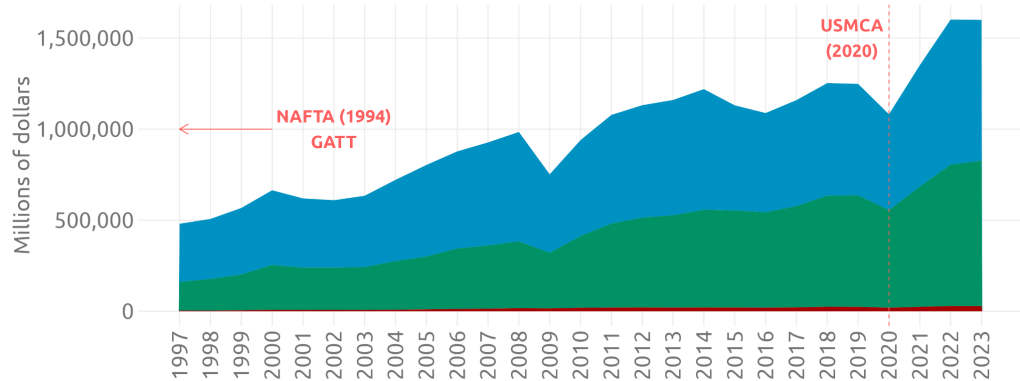


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## International Commerce

Between USMCA (T-MEC/CUSMA) members, yearly

■ Mexico-Canada ■ Mexico-USA ■ USA-Canada



MADE BY MÉXICO, ¿CÓMO VAMOS? WITH DATA FROM THE US DEPARTMENT OF COMMERCE AND INEGI

The United States-Mexico-Canada Agreement (USMCA) came into effect on July 1, 2020. The USMCA replaced the North American Free Trade Agreement (NAFTA) of 1994 and modernized the trade relationship among the three countries, as it is:

- ✓ A **unique trade instrument globally** due to its trade volume, major partners, and periodic review clauses.
- ✓ Involves **millions of jobs** across North America, which generate well-being when minimum conditions are met.
- ✓ Provides **stability**, and the rule of law in the three countries allows individuals and businesses to plan and invest for the long term.
- ✓ Our institutions **promote dialogues** for a more prosperous and inclusive region.

### 3. ORIGIN OF MORE THAN HALF OF FOREIGN DIRECT INVESTMENT IN MEXICO

44% of the **foreign direct investment (FDI)** Mexico receives comes from the United States and 8% from Canada (as of Q2 2024).

36% of the FDI from the United States is directed towards the manufacturing sector, which holds significant weight in the Mexican economy (as of Q2 2024).

43% of Canadian FDI in Mexico is directed towards the transportation, mail, and storage sector, which represents 7.93% of the Mexican economy (as of Q2 2024).

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## 4. MILLIONS OF JOBS RELATED TO TRADE INTEGRATION

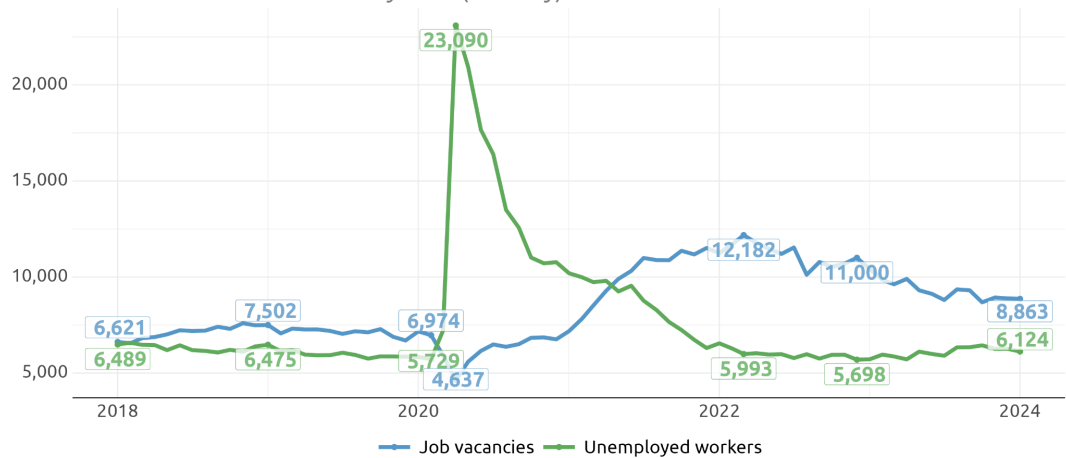
In Q1 2024, 14.6 million jobs in Mexico are involved in North America's goods trade processes, including manufacturing, wholesale trade, as well as transportation and storage sectors. **This represents nearly a quarter of the employed population in Mexico.**

In recent years, **Mexican workers have filled vacancies in the U.S. in sectors facing labor shortages**, such as agriculture, construction, and healthcare.

The TN visa, a work visa inherited from NAFTA and established under Chapter 16 of the USMCA, allows business people to enter the United States. In recent years, this visa, along with the H-2A visa, has seen the highest growth rates in issuance, promoting a growing, legally controlled entry of professionals and facilitating labor integration in the region.

### Job Vacancies and Number of Unemployed Workers (in thousands)

Period between 2018 - January 2024 (monthly)



Source: Prepared by José Iván Rodríguez-Sánchez with data from BLS

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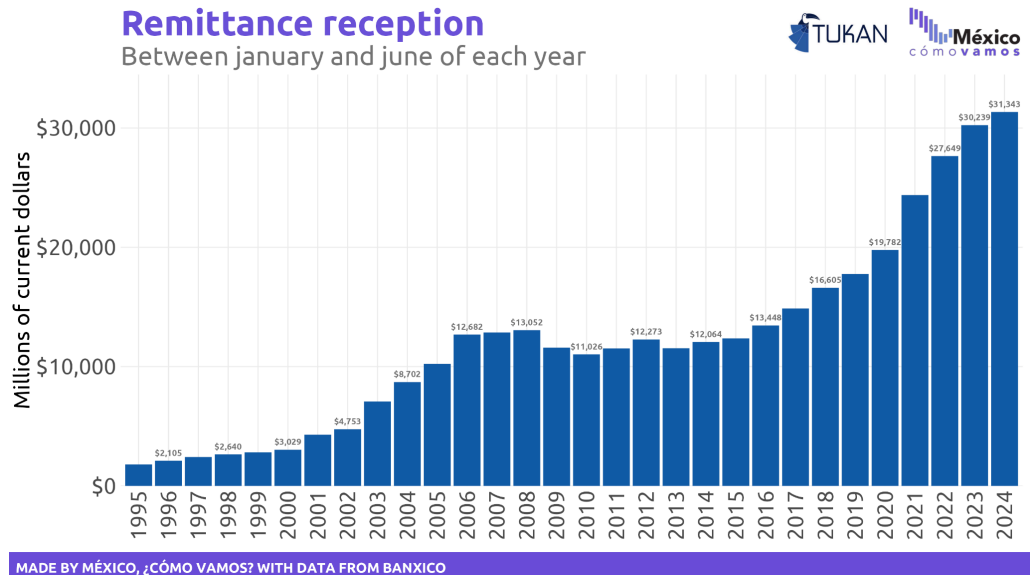
The close relationship between Mexico and the United States goes beyond being primary trading partners; it suggests a socioeconomic convergence, particularly evident in the southern U.S. states and northern Mexico, in key areas for social progress such as education and health.

North America's success story presents an opportunity to reverse the lagging development in the southern-southeastern region and promote improvements in social progress. **The goal is to create conditions that attract new investments, which in turn will strengthen the labor market and improve the quality of life for the population.**

## 6. REMITTANCES FOR THE LOWEST INCOME HOUSEHOLDS

Mexico received a record amount of remittances, totaling \$6.213 billion, with an annual increase of 11.3% (June 2024). Of these, 96% come from the United States.

**The majority of those receiving remittances live in low-income households.**



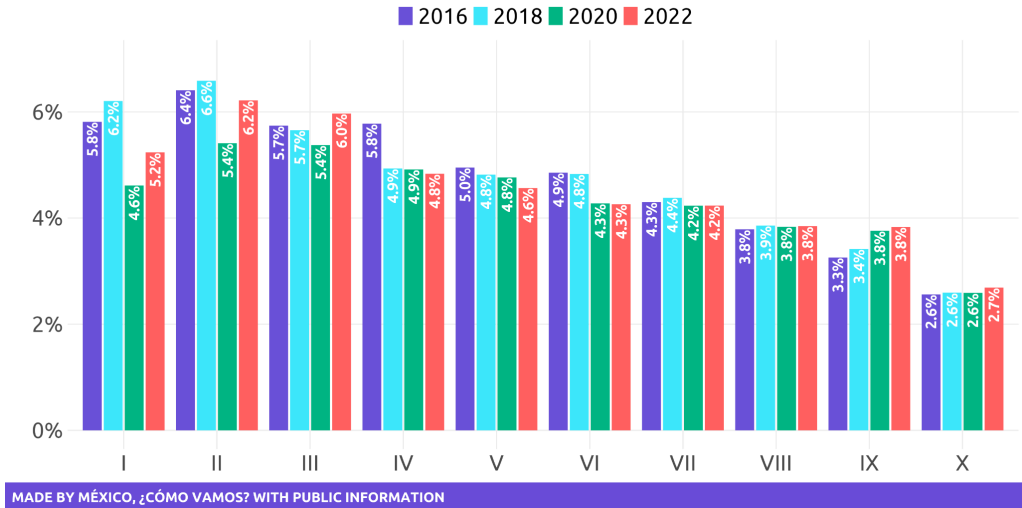
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Percentage of households that received remittances 2016-2022



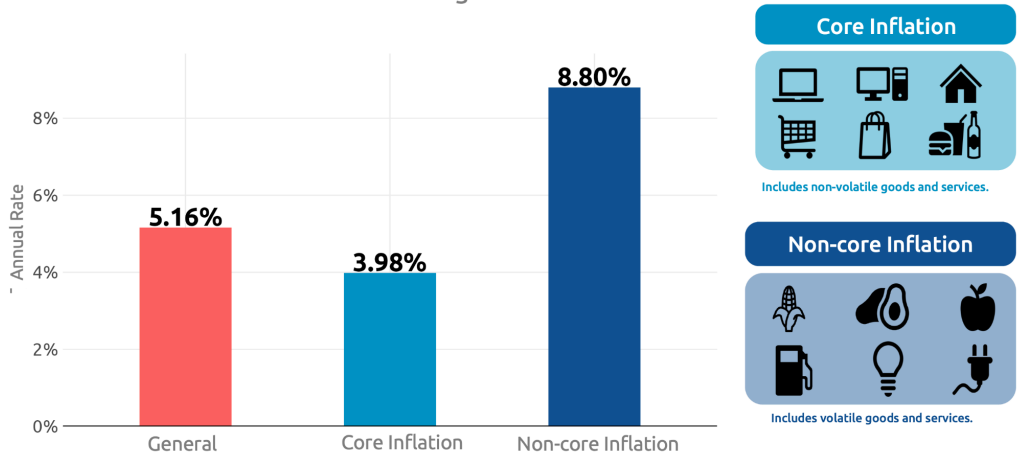
## 7. BENEFITS FOR FAMILIES' BUDGETS

Thanks to trade integration, people in Mexico can buy more goods and access services at better prices.

This isn't just because economic competition increases with trade openness, but also because we can purchase durable goods —such as phones, computers, better audio and television technology, and a wider range of services like streaming platforms— at lower prices than we could without trade openness.

### Consumer Inflation

Annual rate for the 1st half of August 2024



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Trade integration also enables the distribution channels for our products, including agricultural goods, to reach other markets, as containers travel full both ways, expanding economic activity in Mexico.





**Without trade agreements, consumer inflation would be higher because products imported from abroad or assembled in Mexico with imported inputs would be much more expensive.**

## 8. CHALLENGES REMAIN, BUT IT'S A TIME OF OPPORTUNITY

Significant challenges remain, such as integrating the southern-southeastern region of Mexico into North America's supply chains, investing in logistics infrastructure and technology to streamline transportation, efficiency, and communications, and ensuring road safety, as 65% of exports are transported by road.

However, **integration with the world has allowed Mexico to achieve sustained development over the past 40 years.**

Mexico must capitalize on its advantages and the current economic climate in terms of:

- ✓ **Economic complementarity**  in trade and the competencies of its human capital.
- ✓ A **young and dynamic demographic** that holds enormous potential: workforce and talent. By 2050, the median age in North America  will be 42, compared to 52 in  China and 46 in  Europe. (Source: Our World in Data).
- ✓ The future economy is **digital**, but **geographical proximity** will always be an advantage for integration.
- ✓ The USMCA and previous trade integration mechanisms already include some tools for labor mobility.

The **United States-Mexico-Canada Agreement (USMCA)** plays a fundamental role in integration, so Mexico must maintain a strategy that benefits the country and improves the quality of life for its people.

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Would you like to learn more about *North American integration, the map of shared prosperity, and the integration of human capital through the USMCA?*

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