

Uber Freight

Mexico  
Market update & outlook

August 2024

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# August 2024 – Overview



## Executive summary

The arrival of Claudia Sheinbaum to the presidency of Mexico has moved the waters in the financial markets. Expectations about her policies have generated ups and downs in the Mexican Stock Exchange, the exchange rate and foreign investments. As the new administration defines its course, markets are likely to stabilize.

Mexico remains the top trading partner of the U.S., and the nearshoring boom, especially in manufacturing, could boost demand for transportation. However, the outlook is mixed: peso depreciation and diesel price increases complicate transportation costs, while road insecurity continues to drive up operating expenses, while new foreign trade regulations promise to make processes more streamlined, which could improve logistical efficiency.

In summary, despite current challenges such as inflation and insecurity, opportunities in trade and nearshoring remain promising and could open new doors for Mexican operations.

# Economic framework

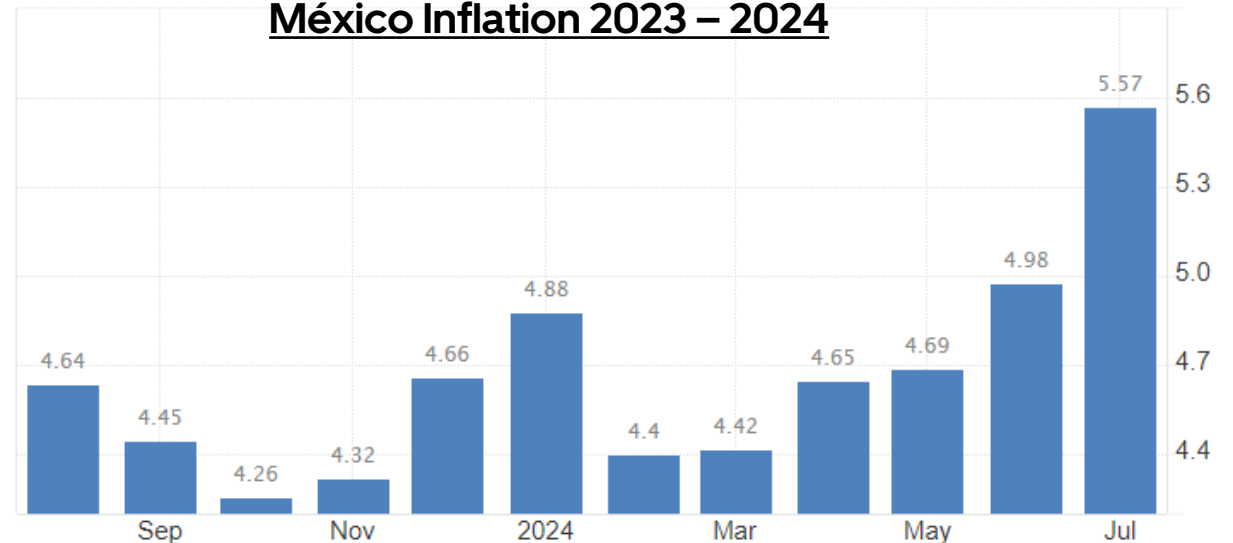
## Inflation

Annual inflation in Mexico continued its upward trend, reaching 5.57% in July 2024. This increase represents a significant rise from the 4.98% recorded in June and is above market projections. Persistent political uncertainty, largely related to the recent presidential election and its effects on economic stability, remains a key factor in this increase.

## Interes rate

The Bank of Mexico (Banxico) has decided to cut the benchmark interest rate by a quarter point to 10.75% during the month of August, as the slowdown in the Mexican economy could continue, influenced by the weakness of manufacturing in both Mexico and the United States, which could lead to slower inflation.

**México Inflation 2023 – 2024**



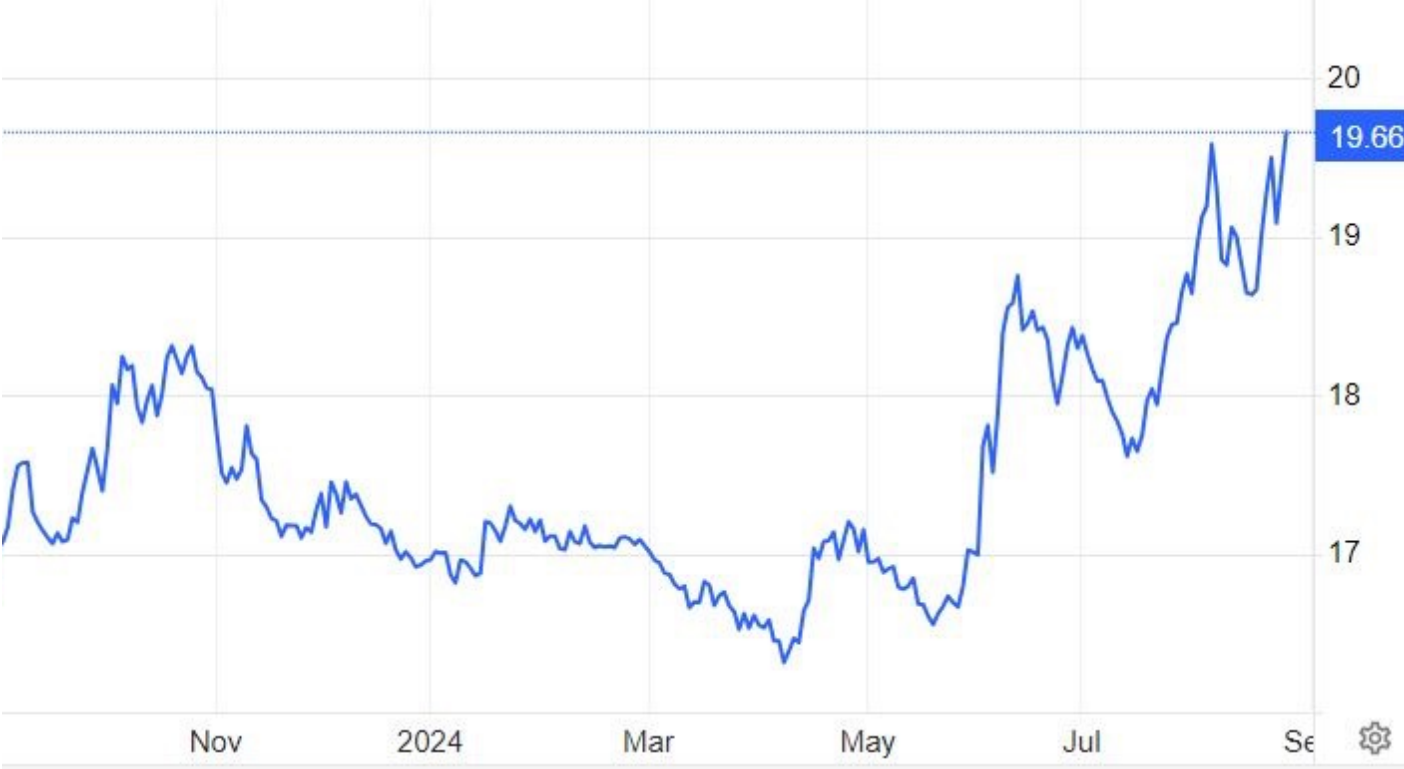
# Exchange rate

The average exchange rate for August 2024 has been at **\$18.97 USD/MXN**, with \$19.42 being the highest level recorded this year. Since the presidential election, the Mexican peso has depreciated by an average of 9.3%, reaching as much as 14%.

This depreciation has had a mixed impact on the economy, including partial cost relief for transportation companies, but has also raised concerns about inflation and purchasing power.

During July, the Bank of Mexico (Banxico) has adjusted its forecasts, expecting the peso to fluctuate between **\$17.50 USD/MXN** and **\$20.30 USD/MXN** during the second half of 2024.

Exchange Rate USD/MXN



# Mexico and United States trade

Mexico continues reinforcing its position as the leading trade partner with the USA.

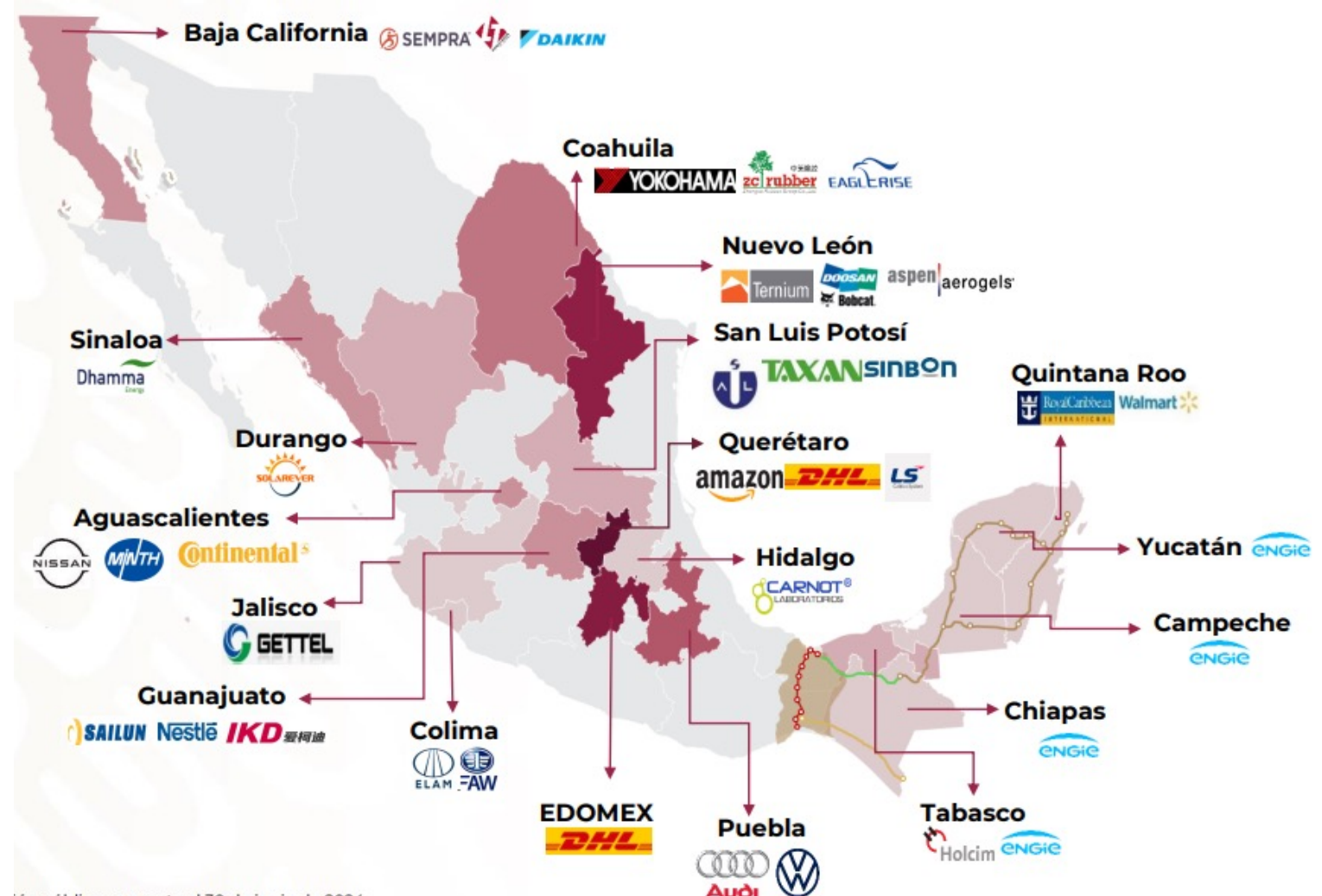
In June, Mexico was the top USD trade partner at US **\$73 Billion** for the fifth consecutive month, a 2.4% increase compared to the same month in 2023.

During H1 of 2024, of Mexico´s total exports, **80%** went to the United States.

# Nearshoring

Relevant announcements by state during H1 2024

- The Secretary of Economy identified 143 investment announcements during H1 of 2024, representing US\$45.4B in addition to the US\$110.7B reported during 2023.
- The expectation of job creation as a result of these announcements are 62.9K new direct jobs.
- During Q1 2024, a new historical maximum of FDI reached US\$20.3B, a 9% increase compared to last year during the same period.



# Nearshoring

- 53% of the announcements correspond to the manufacturing, 15% commerce, 11% transportation and 11% mass media sector.
- The top countries with the biggest announced investments are U.S.A 48%, Germany 15%, and Argentina 10%.
- The states that benefit the most are Queretaro 14%, Edo de Mexico 10%, Nuevo Leon 9%, Puebla 6% and Coahuila 5%.

Top 10 announcements of FDI during H1 2024

By Company	Country	Sector	Investment *Billions
<b>FEMSA</b>	U.S.A.	Manufacturing	\$ 9.9
<b>Amazon (AWS)</b>	U.S.A.	Warehousing	\$ 4.9
<b>DHL Supply Chain</b>	Germany	Transportation	\$ 4.0
<b>Mercado Libre</b>	Argentina	E-commerce	\$ 2.4
<b>Walmart</b>	U.S.A.	Retail	\$ 2.1
<b>Engie</b>	Francia	Construction	\$ 2.0
<b>Ternium</b>	Argentina	Manufacturing	\$ 1.9
<b>Volkswagen</b>	Germany	Manufacturing	\$ 1.0
<b>Solarever</b>	China	Manufacturing	\$ 0.6
<b>ELAM-FAW</b>	China	Manufacturing	\$ 0.4

By State	Investment *Billions
<b>Queretaro</b>	\$ 6.3
<b>Estado de Mexico</b>	\$ 4.6
<b>Nuevo Leon</b>	\$ 4.1
<b>Puebla</b>	\$ 2.6
<b>Coahuila</b>	\$ 2.1
<b>Sinaloa</b>	\$ 1.8
<b>Aguascalientes</b>	\$ 1.7
<b>Guanajuato</b>	\$ 1.7
<b>Baja California</b>	\$ 1.6
<b>San Luis Potosi</b>	\$ 1.4

# Mexico truckload

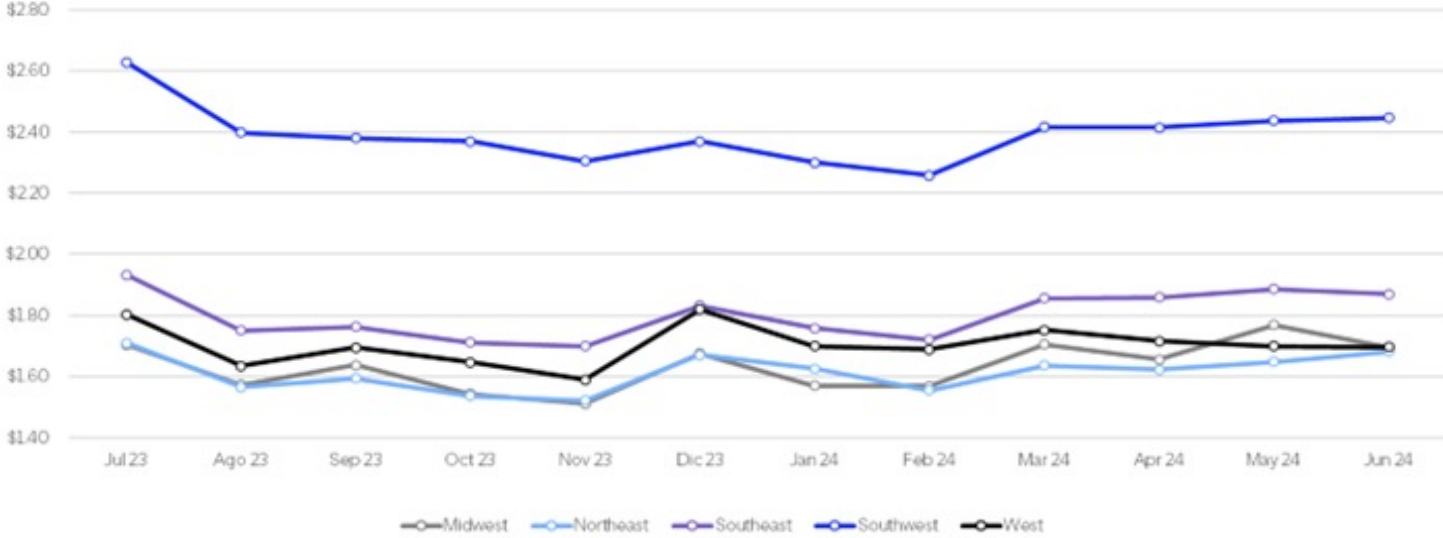




# Transportation cost and capacity

- There is still an offer of direct capacity from Mexico to the US through B1 drivers or interchange agreements with Mexican carriers with CDL drivers. Transload capacity for northbound loads is tight due to the high demand and repositioning fees from the border to the shipping points in Mexico commonly apply.
- The average diesel price in MX during the first half of 2024 closed at \$25.45 MXN/L; a 5.95% increase compared to H1 2023. In July 2024, the price per liter of diesel closed \$25.75 MXN/L, a 6% increase YoY.
- The Laredo load/truck ratio averaged 5:1 in August 2024. Neutral market.

NB Market w/o FSC



# Security

- According to data from the National Association of Vehicle Tracking and Protection Companies (ANERPV), in June, Mexico experienced an average of five cargo truck thefts per day, totaling 150 reported incidents on the country's roadways. Tractor-trailer thefts rose by 4.1% in June compared to last year. ANERPV reported 843 tractor-trailer thefts from January through June.
- According to \*CAINTRA, carrier's associated costs with insecurity have risen 27% Y/Y, with a YTD spend of over MXN\$14M.

Mexico cargo risk heat map



# International trade updates



## Press release related to the issuance of Certificates of Origin in Mexico

- On July 17, 2024, the Productive Development Unit of the General Directorate of Trade Facilitation and Foreign Trade, the definitive suspension of the agencies temporarily authorized to issue certificates of origin that were published on April 16, 2020 on the additional measures of the Ministry of Economy to maintain the operation of the Foreign Trade procedures remotely and thus protect the health of its workers and users is published.
- In this regard, it should be noted that the General Directorate of Trade Facilitation and Foreign Trade is the only authority authorized under the terms of the Treaties and Trade Agreements signed by Mexico to issue certificates of origin.

## Updating criteria for issuing modifications to the conditions of the COFEPRIS Health Registration.

- As of Monday, July 8, 2024, COFEPRIS enabled the Immediate Resolution Window (VRI) for the transfer of rights of sanitary registrations of drugs, medical devices, pesticides and plant nutrients so that users can receive a resolution within a maximum period of 24 business hours
- after the entry of the application.

# Scope of rule 2.2.15 of the Ministry of Economy regarding the processing of automatic notices for steel products.

- On July 16, 2024, through Bulletin B. SNICE 004/2024, the Ministry of Economy published through the National Foreign Trade Information Service a statement clarifying that Bulletin B.SNICE 003/2024 does not contradict the provisions of rule 2.2.15 of the Ministry of Economy, which states that the unit price and value declared in the permit must coincide with the commercial invoice that covers the import, otherwise the permit will be invalid.
- In this sense, VUCEM has included a field for the unit price in kilograms, so it will no longer be necessary to enter it in the “description of goods” field, since VUCEM will automatically calculate this value, according to the declared invoice value (USD) and quantity.
- However, it is important to point out that when processing the Automatic Import Notice for Steel Products, where the UMC is different from the UMT expressed in kilograms, the AAIPS will be considered valid, provided that, upon conversion, the quantities coincide, and the importer must declare this circumstance in the “description of the merchandise” field.

## Imports of polyester staple fiber

- The initiation of the administrative proceeding of the review of the validity of the definitive countervailing duty imposed on imports of the product in question is declared.
- Definitive compensatory quotas: \$0.46 dollars per kilogram

## Metoprolol Imports

- On July 26, 2024, the “RESOLUTION declaring the initiation of the review of the antidumping duty imposed on imports of metoprolol tartrate originating in the Republic of India, regardless of the country of origin” is published in the DOF.
- Definitive compensatory quotas: 56.85%

# Outlook and recommendations



# Outlook and recommendations

- Mexican carriers continue including empty miles within their linehaul rates to keep up with northbound demand and reposition equipment from the border to the shipping points in Mexico.
- US equipment availability in Mexico for direct shipments might decrease starting Q3 2024 once the US domestic market recovers.
- Cargo theft and driver ´s shortage continues to be one of the biggest challenges for the transportation industry in Mexico.
- As of July 17th, 2024, the 3.1 version of the Mexican Bill of Lading (Complemento Carta Porte) is the only valid version.
- The government transition and the election of Claudia Sheinbaum have introduced uncertainty into financial markets, affecting exchange rate volatility, equity markets and monetary policy expectations. However, as policies become clearer and the economic direction of the new administration is defined, markets are likely to adjust and find new investment opportunities in Mexico. The U.S. elections will shape Mexico's medium-term outlook.



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