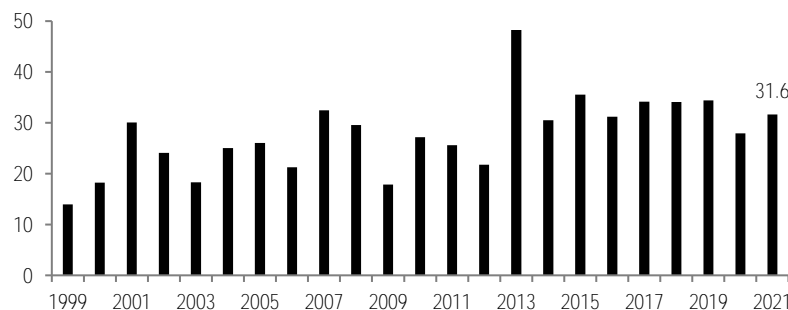


FDI – Inflows of US\$31.6 billion in 2021, up 8.7% y/y

- The Ministry of Economy released the preliminary estimate of FDI in 2021
- During the year, our country received US\$31.6 billion in net inflows, 8.7% higher in nominal terms with respect to the same data for 2020
- By type, most resources consisted of new investments (43.7%), followed by reinvested profits (38.6%)
- Manufacturing had the biggest share by sector, with 39.7% of the total. The second most benefited was mining (15.2%)
- The US represented 47.5%, maintaining the lead as the country with the highest contribution
- We consider the result is relatively favorable given a persistently challenging economic backdrop for Mexico and the world, which were recovering from a substantial economic hit in 2020
- For 2022, it is our take that FDI could remain on the upside, benefited by an extension of the economic recovery. Nevertheless, as economic stimulus abroad decreases amid rising inflationary pressures, some risks prevail

Foreign direct investment reaches US\$31.6 billion in 2021. According to preliminary data from the Ministry of Economy, net foreign direct investment was 8.7% y/y higher in nominal terms when compared to the same figure for 2020, when it reached US\$29.1 billion. Specifically, net inflows stood at US\$31.6 billion (see chart below). We should mention that, for both years, these amounts include only the investments made that were formally notified to the Ministry, so they are subject to future revisions. By type, 43.7% consisted of new investments, 38.6% reinvested profits, and 17.7% were inter-company investments. It should be mentioned that it is the first time since 2017 that new investments lead gains, which is especially favorable considering a challenging backdrop, with Mexico and the world still struggling with the COVID-19 pandemic and the subsequent recovery efforts.

Foreign direct investment*
US\$ billion



* Note: Preliminary data for 2021, so these are not yet comprehensive of all FDI received in said year.
Source: MoE

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Winners of the award for best economic forecasters for Mexico in 2021, granted by *Refinitiv*

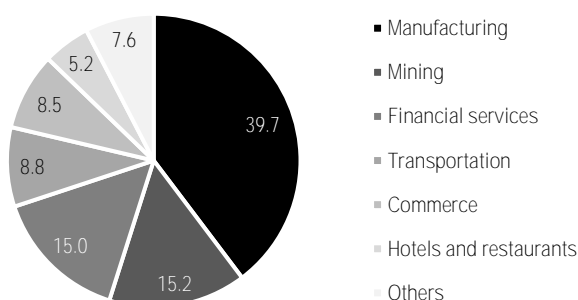


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Manufacturing remains as the leading sector for foreigners. In this respect, this sector received 39.7% of total inflows, reaffirming its position as one of the key activities of our country’s economy. Other relevant sectors included mining (15.2%) and financial services (15.0%), as shown in the chart below on the left.

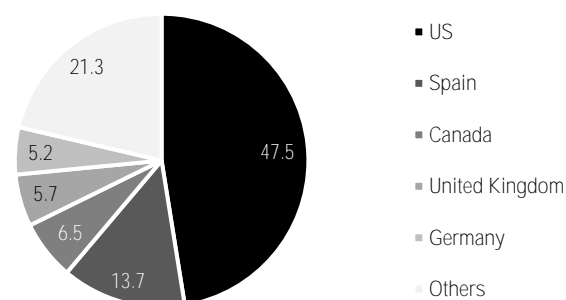
The US remains as the top investor. As has been the case since FDI data is published (back to 1999), the US was the country with the highest amount of investments in Mexico, representing 47.5% of the total. Moreover, we highlight that other countries with relevant investments include Spain (13.7%), Canada (6.5%), United Kingdom (5.7%) and Germany (5.2%), among others.

FDI by sector of economic activity in 2021
% of total



Source: MoE

FDI by country of origin in 2021
% of total



Source: MoE

Favorable results in a recovering global economy. After a sharp decline in 2020 (-18.8% y/y) due to the pandemic, investment seems to have gotten back on a positive trend. However, figures still show there is some room left to be made up, with a gap of around US\$2.5 billion still to be covered. In our view, challenges persisted throughout the year, mainly associated with the virus, as the world struggled with new variants and contagion waves that triggered episodes of uncertainty. Although the 8.7% y/y increase seems modest when compared to the world average of 77% y/y estimated by the United Nations in its *Global Investment Trends Monitor*, this report shows that the recovery has been uneven. For example, FDI in developed economies rocketed 199% y/y, while the average for emerging was only 30%. As such, this suggests that some additional measures on fighting the virus are still needed to bridge these differences. On the domestic front, we do not rule out some impact from heightened volatility before the mid-term elections, with important political events typically dampening flows.

Positive trends likely to continue in 2022, albeit with some risks ahead. We consider that the extension of the recovery worldwide should continue supporting flows to our country, especially given some key competitive advantages in manufacturing. In this respect, Mexico remains positioned as an attractive investment destination for companies that are reconfiguring their supply chains to minimize risks from the ‘just in time’ scheme that prevailed before the pandemic. However, we flag some key risks ahead, including: (1) Additional virus waves triggering uncertainty (e.g. Omicron early this year); (2) lower stimulus –both fiscal and monetary– amid persistently high inflation; and (3) the possibility of disruptions stemming from rising geopolitical risks. All in all, we expect FDI to show single-digit growth in 2022.

Analyst Certification

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, José Luis García Casales, Yazmín Selene Pérez Enríquez, José Itzamna Espitia Hernández, Carlos Hernández García, Paola Soto Leal, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Daniela Olea Suárez, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalia Orozco Vélez and Gerardo Daniel Valle Trujillo, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services

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	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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