

INVESTOR'S GUIDE 2022

Mexico City
The Best Investment Choice



Mexico City



General Information

- Capital city of the Mexican United States
- Total area: 1,494.3 km² (576 sq mi) representing 0.1% of the national territory
- Boroughs (*alcaldías*): 16
- Population: 9,209,944 inhabitants, 7.3 % of the total country's population
- Distribution of population by gender: 52% women and 48% men
- Average age: 31 years old
- Population structure: 99.5% urban and 0.5% rural
- Education: 11.5 (second year of high school); national average is 9.7
- Gross Domestic Product in 2019: 3,139,561 million pesos
- Contribution to National GDP in 2019: 17.7%
- Sector that most contributes to state GDP: Services (90.6%)

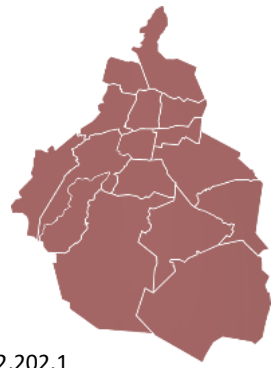


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Mexico City



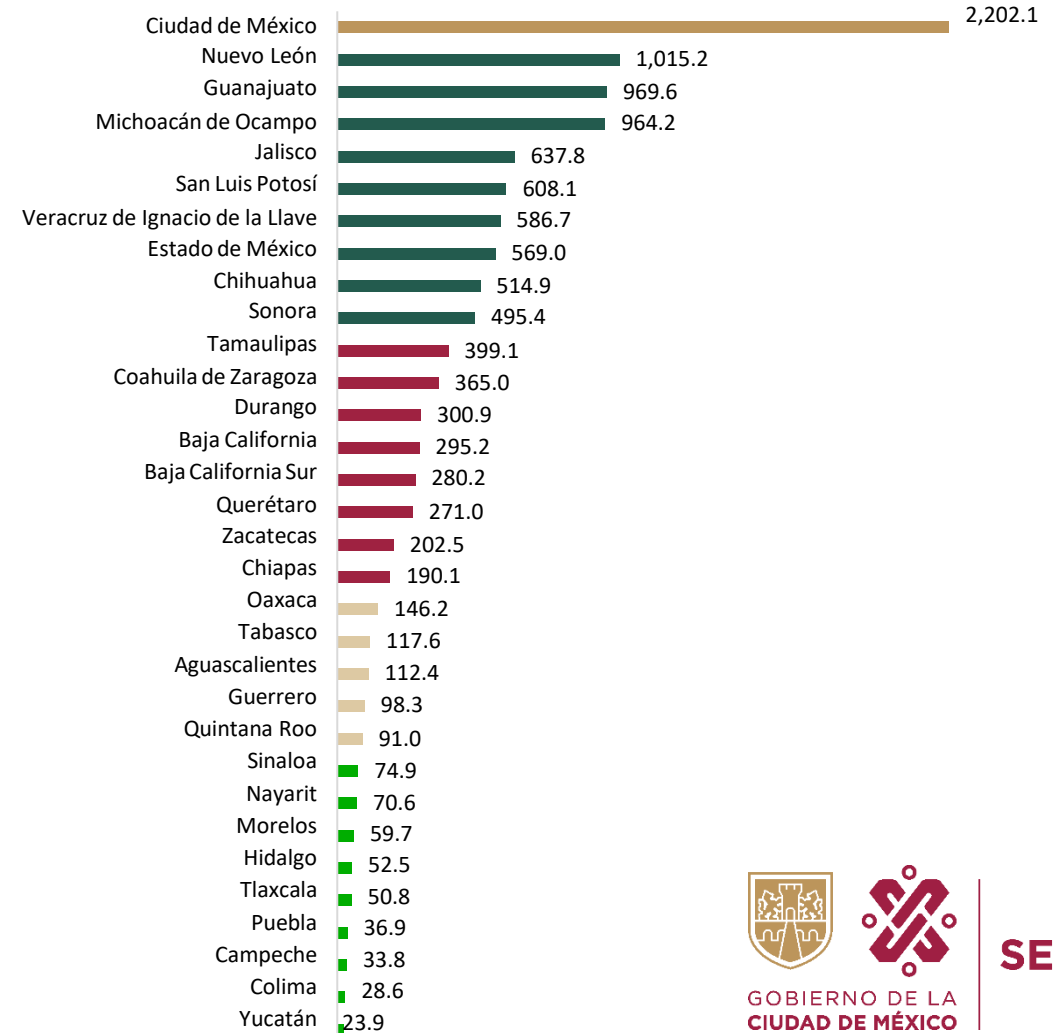
Foreign Direct Investment

Foreign Direct Investment (FDI) received in the first quarter of 2021 with Mexico City as the first destination was 2,202.1 million dollars.

Cumulative FDI for the first quarter increased 1,759.1 million dollars in comparison to the immediately previous quarter.

Mexico City remains as the first FDI destination sustained by new investment (309.3 million dollars) and intercompany accounts (260.5 million dollars) with 14% and 12%, respectively, while the remaining 74% represents reinvestment of earnings.

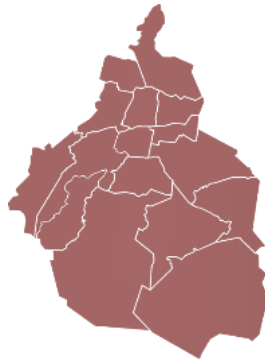
During the first quarter of 2021, FDI in Mexico reached a total of 11,864 million dollars, 18.6% of which was allocated to Mexico City.



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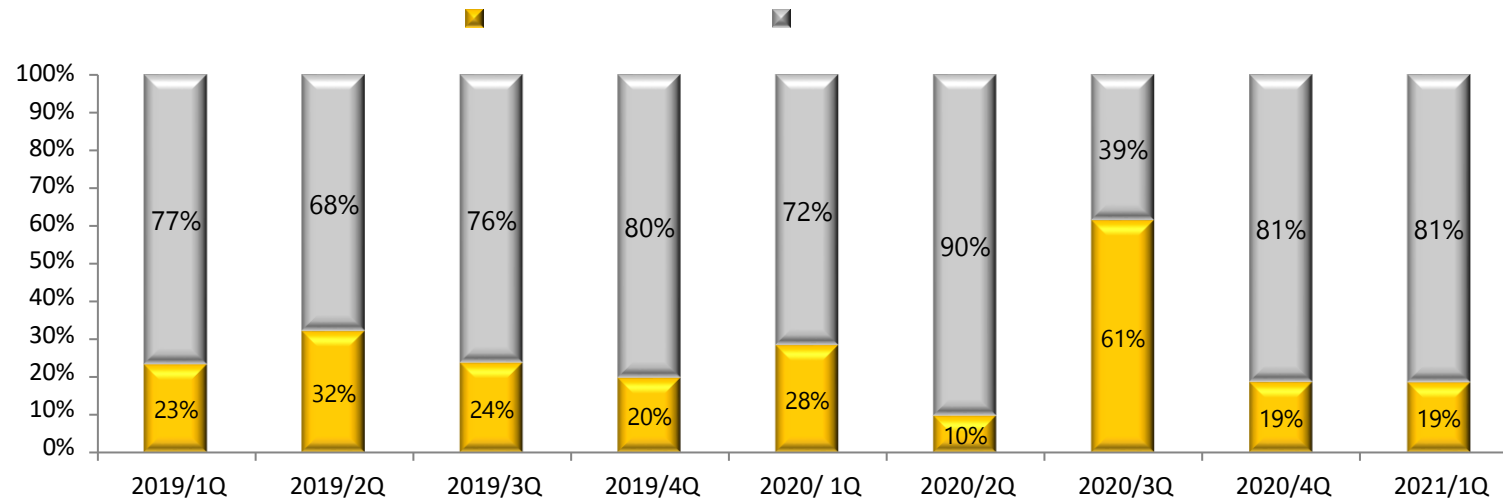


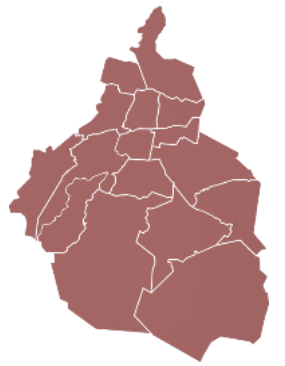
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Foreign Direct Investment

- Mexico City is the best investment choice. From 2019 to the first quarter of 2021, it received an average of 23.4% of the total Foreign Direct Investment in the country.
- From 2019 to the first quarter of 2021, 30.2% of Foreign Direct Investment entered as new investments, 54.4% as reinvestment of earnings, and 15.4% as intercompany accounts.

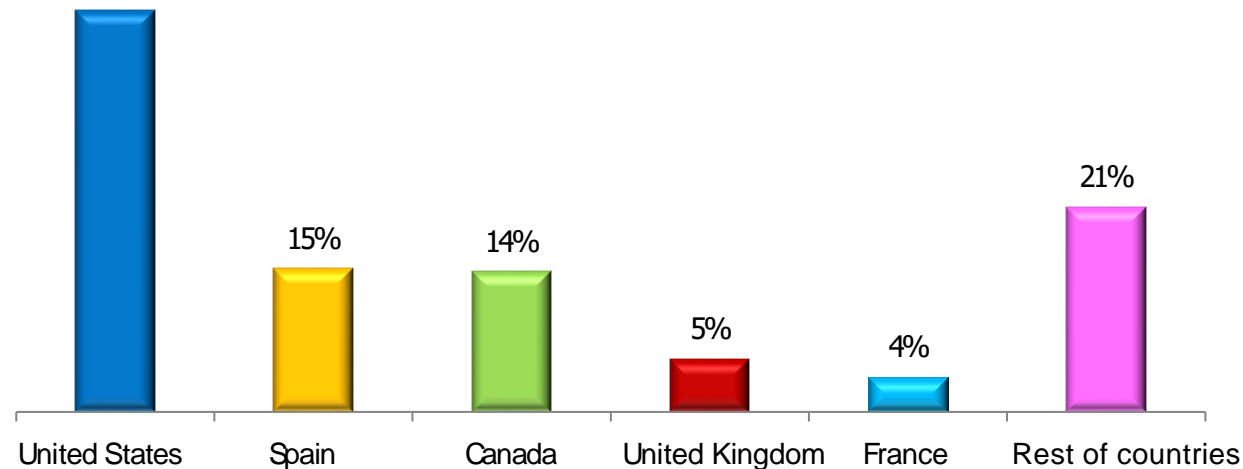


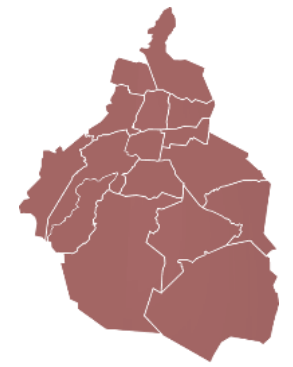


Foreign Direct Investment

- From 2019 to the first quarter of 2021, the city was recipient of 17,324.87 million dollars as Foreign Direct Investment. Five countries concentrate 79% of the total FDI as follows: 41% the United States, 15% Spain, 14% Canada, 5% the United Kingdom, and 4% France.

**Major countries investing in Mexico City,
2019-2021 1Q**

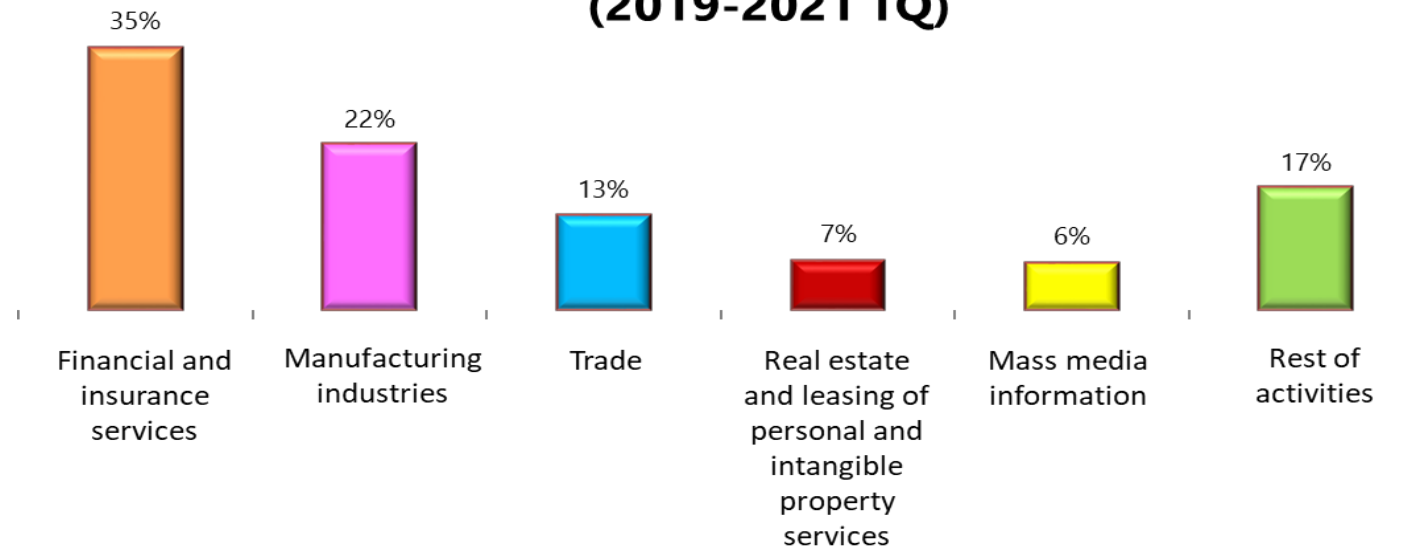


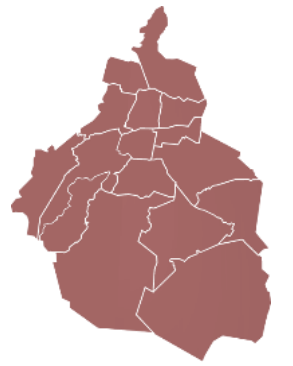


Foreign Direct Investment

- From 2019 to 2021 in Mexico City, the third economic sector attracted 70% of Foreign Direct Investment, the secondary sector 26%, and the primary sector 4%.
- Main FDI recipient economic activities are: financial and insurance services (35% of the total), manufacturing industries (22%) and trade (13%).

Main FDI recipient activities (2019-2021 1Q)





Advantages of Investing in Mexico City

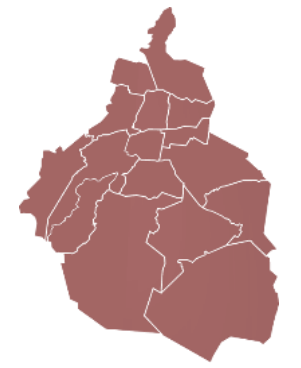
State Competitiveness Index (ICE, in Spanish) 2021 of the Mexican Institute for Competitiveness (IMCO).

- Mexico City is ranked first in the country for its capacity to attract, retain and build talent and investment.

Sustainable Environmental Management Indicator

- Mexico City holds first place in this indicator, with an outstanding performance as:
 - ✓ The most efficient state in the use of electricity, requiring the lowest consumption of power to produce goods and services (a third of the average power used by the rest of states to generate a million pesos of GDP).
 - ✓ It's the state with the largest number of "Clean Industry" certifications issued by the Federal Attorney for Environmental Protection (PROFEPA)

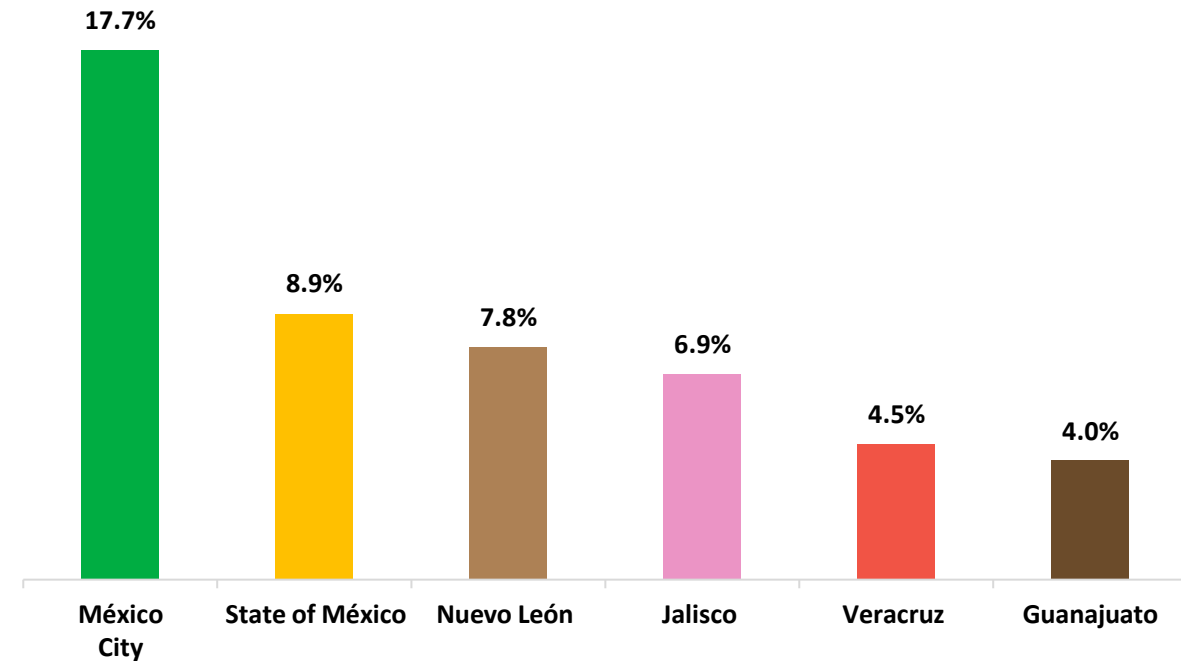
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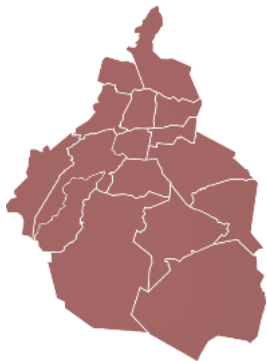


Economic Growth

- With an area of less than 1% of the national territory, Mexico City contributes with 17.7% of the country's Gross Domestic Product.
- It's the second state with the largest number of inhabitants, around 9.2 million people.
- Mexico City, with its 16 boroughs or *Alcaldías*, together with 59 municipalities of the State of Mexico and a municipality of Hidalgo, comprise the Metropolitan Area of the Valley of Mexico.

Participation in the Mexico's GDP (2019)

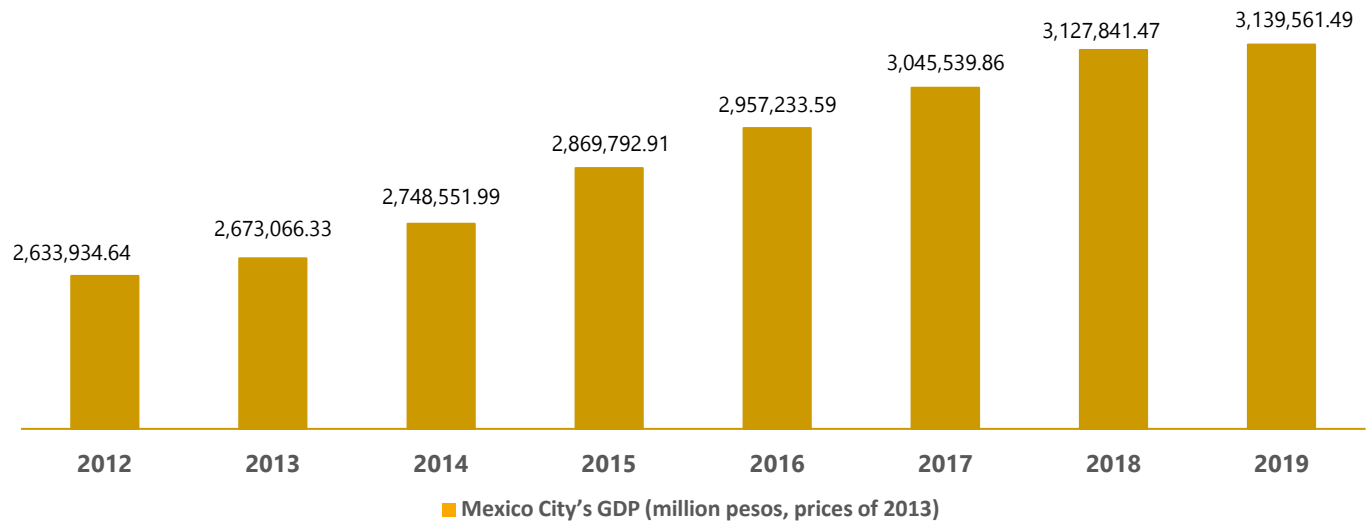




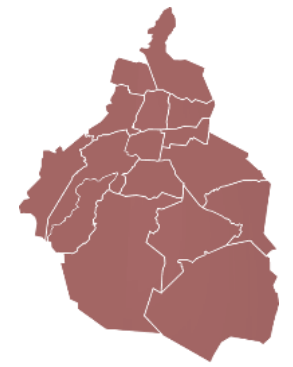
Economic Growth

Mexico City's GDP has maintained a constant growth in recent years with growth rates of 1%. This has allowed generating higher added value and the highest rate of per capita compensation in the country (\$341 mil pesos per year).

Mexico City's Gross Domestic Product

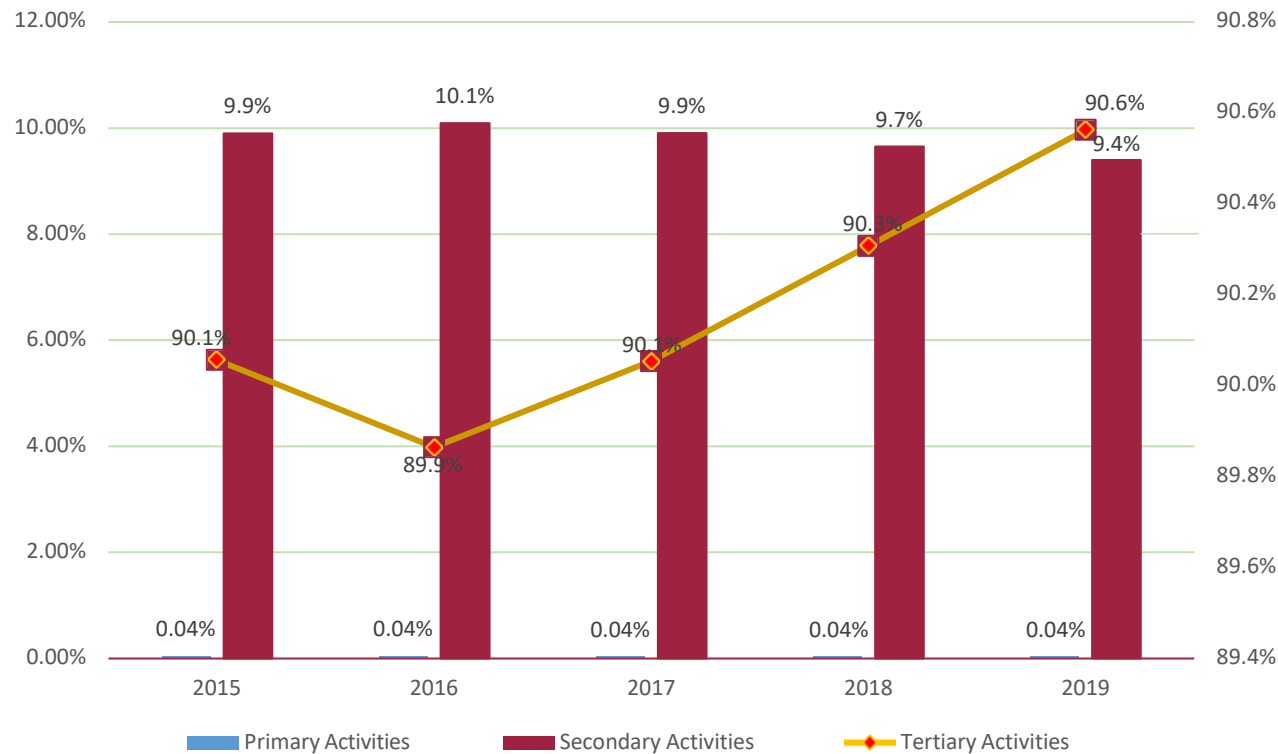


*Cifras en millones de pesos
Fuente: Elaborado con datos del INEGI, PIB a precios 2013.



Economic Growth

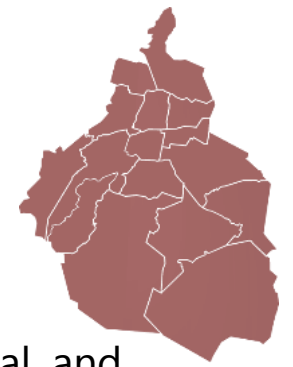
% Participation in Mexico City's GDP by sector (2019)



Mexico City's GDP Breakdown

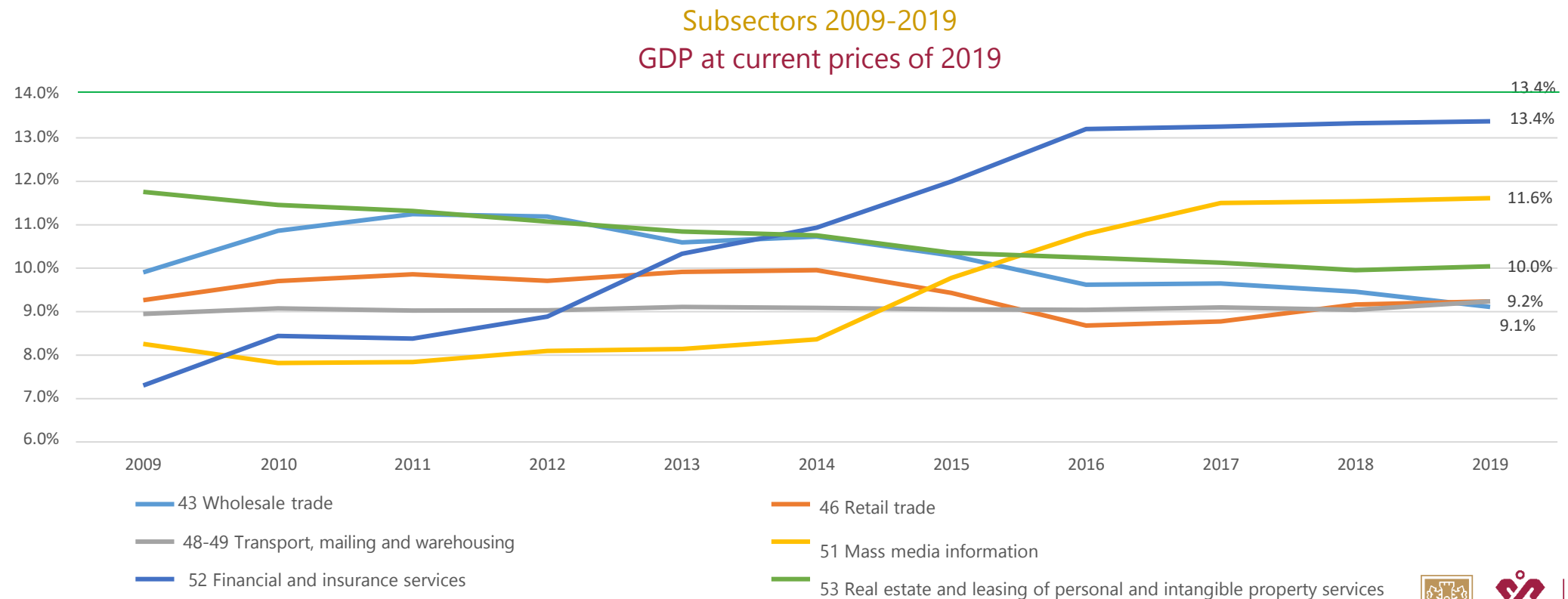
- An economy focused on trade and services **(90.56%)**
- Secondary sector led by the manufacturing industry **(9.40%)** and
- Primary sector with very little participation **(0.04%)**

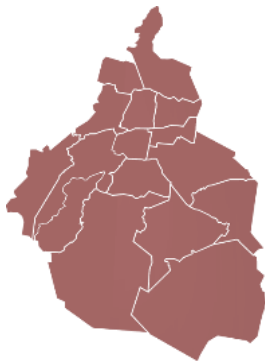
Mexico City



An economy of services and trade

Mexico City's economic activity **is strongly focused on tertiary activities (90.6%)**, led by the Financial and Insurance Services subsector, whose participation went from **7.3%** of GDP in 2009 to **13.4%** of tertiary GDP in Mexico City in 2019.



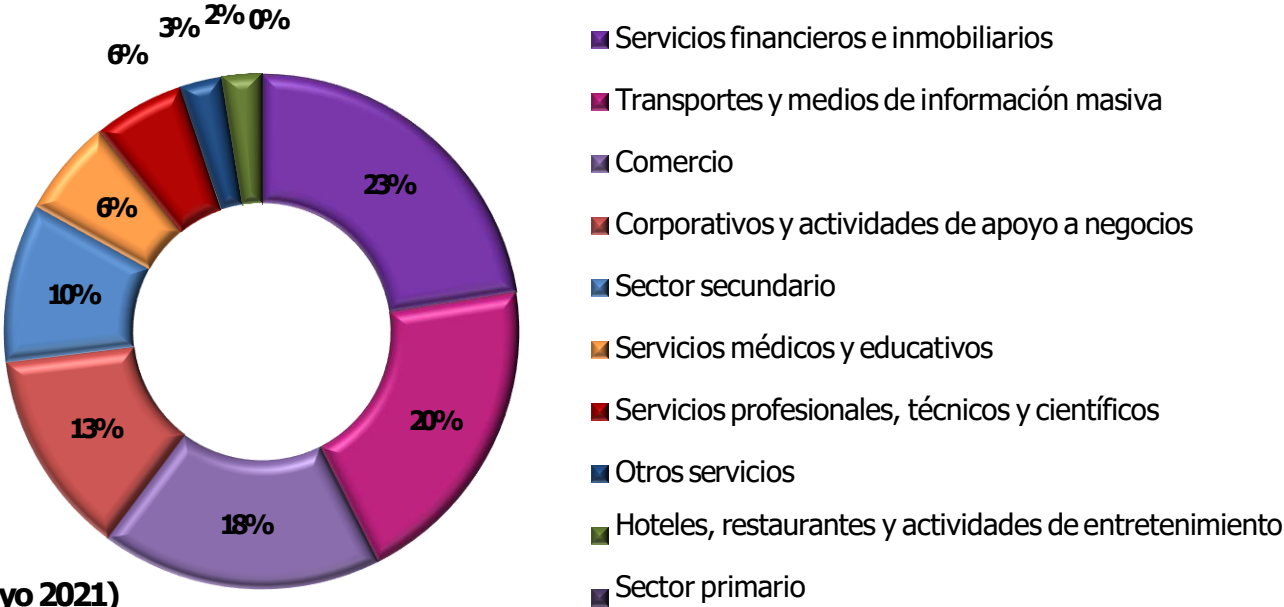


Domestic Market Structure

The activities that most contribute to state GDP are related to the financial and real estate sector, accounting for a fourth of GDP (23%)
son las relacionadas con el sector

Mass media along with transport represent a fifth of the total GDP.

Mexico City's GDP by sector 2019 (Constant prices 2013, disregarding government activities)

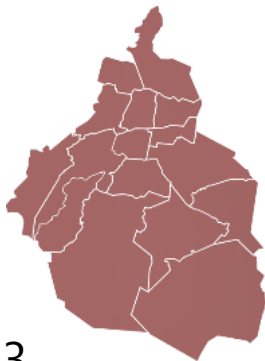


Distribución de las unidades económicas por sector y tamaño (Mayo 2021)

| | Micro | Small | Medium | Large | Grand Total |
|-----------|-------|-------|--------|-------|-------------|
| Primary | 95.8% | 4.2% | 0.0% | 0.0% | 100.0 % |
| Secondary | 86.4% | 9.5% | 3.1% | 1.0% | 100.0 % |
| Tertiary | 91.4% | 6.2% | 1.2% | 1.2% | 100.0 % |
| Total | 91.0% | 6.4% | 1.4% | 1.2% | 100.0 % |

Source: Elaborated based on data from INEGI, GDP with prices of 2013

Mexico City



Population

Based on the figures provided by the Census of Population and Housing (2020), the city has 9,159,393 inhabitants, of which 4,805,017 are women (52%) and 4,404,927 are men (48%)

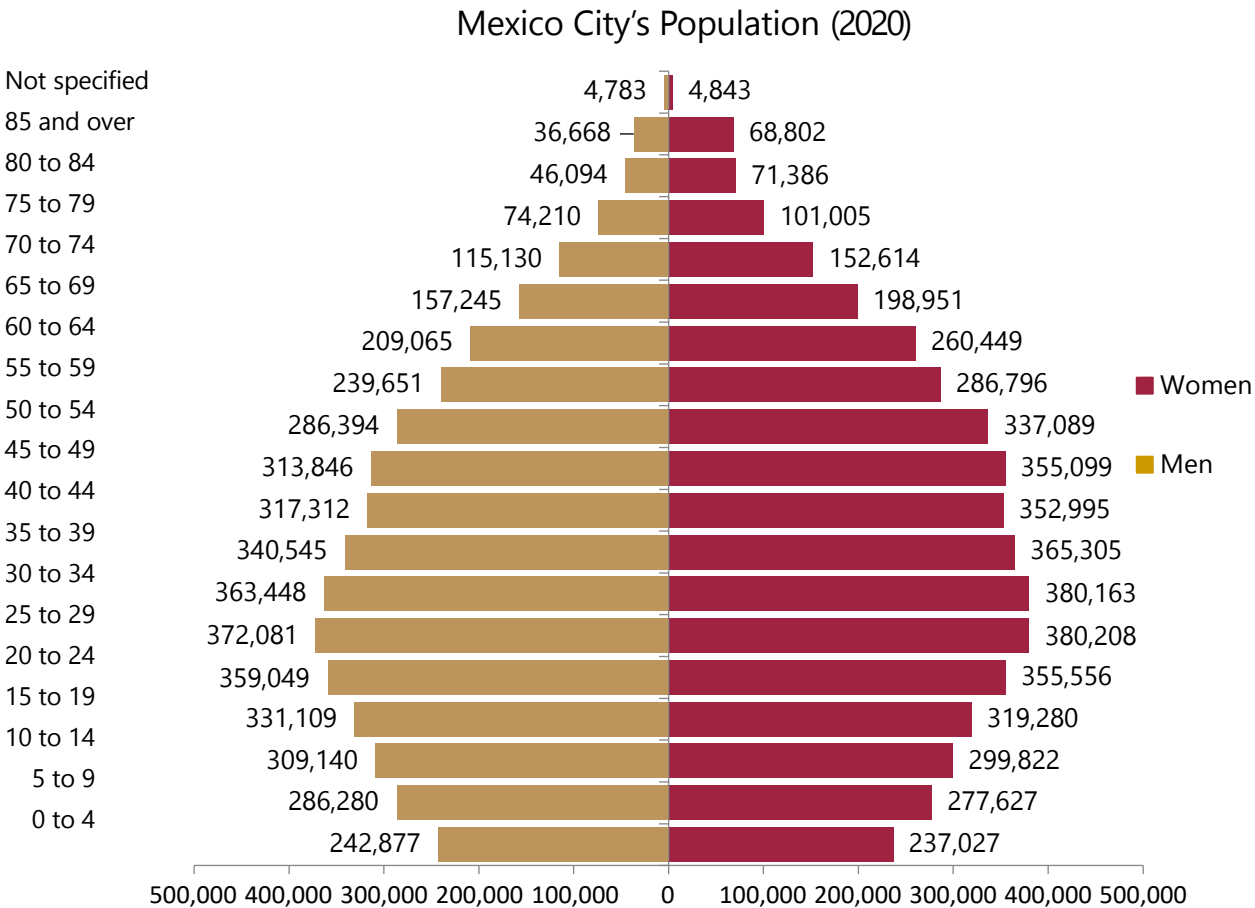
(2020), la Ciudad tiene 9,159,393 habitantes,

Economically Active Population (EAP):
4,175,657

Occupied Persons (OP): 3,870,454
represent 93% of EAP.

Unemployed Persons (UP): 305,203

Unemployment Rate: 7%



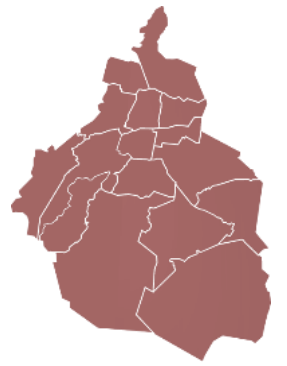
Fuente: Elaborado con datos de la ENOE-INEGI. Censo de Población y Vivienda 2020-INEGI



Human Capital and Education Level

- ✿ Average school level is equivalent to 11.4 years, higher than the national average (9.7 years), and the highest in the country.
- ✿ It generates 12.9% of the country's total graduate bachelor students, being the highest in Mexico according to the National Association of Universities and Higher Education Institutions.
- ✿ Major generator of professionals, 72,544 technical and bachelor education graduates.
- ✿ Based on the area of studies, 18,861 professionals graduate from natural sciences, mathematics and statistics, information technologies and communications, and industrial, civil, transport and telecommunications engineering.
- ✿ Mexico City has 257 universities, 485,000 students, and 354 internationally recognized postgraduate degrees.
- ✿ A third of the country's patents is produced in Mexico City, contributing with a 61% of the total research and development activities.





Connectivity

- ✿ Mexico City has easy and fast access to the major industrial and commercial areas in the country's central region, facilitating trade and accessing important markets in the metropolitan area.
- ✿ 10,200 kilometers
- ✿ 12 subway lines with 226.5 km (141 mi), 195 stations and 384 trains (3,333 cars).
- ✿ 7 Bus Rapid Transit lines, covering 155.6 km (97 mi) with 273 substations.
- ✿ 85.7 km (53.2 mi) in bicycle lanes and 480
- ✿ A railroad system of 274.4 km (170.5 mi).
- ✿ 13,000 posts with free Internet access at public squares, hospitals, museums, schools, among others.
- ✿ It's the state with the largest number of landlines in all Mexico (90 lines for 100 inhabitants).



Mexico City



Connectivity

Mexico City enjoys a direct connection with 54 foreign cities

Central America and the Caribbean, 8 cities

Guatemala, Havana, Panama City (3:47 h), San José, San Pedro Sula (1:25 h), San Salvador (2:15 h), Santo Domingo (4:42 h), Managua (2:35 h)

Canada, 3 cities

Montreal (5:09 h), Toronto (4:25 h), Vancouver (5:25 h)

United States, 25 cities

Atlanta (3:21 h), Austin, Charlotte, Chicago (4:01 h), Dallas, Denver, Detroit, Houston (2:15 h), Las Vegas, Los Angeles (4:09 h), McAllen, Miami (2:39 h), New York (4:30 h), Newark, Orlando (3:02 h), Oakland (4:37 h), Minneapolis, Phoenix, San Antonio, Salt Lake City, San Diego, San Francisco, Seattle, Orange, Washington (4:14 h)

South America, 9 cities

Bogotá (4:27 h), Buenos Aires (12:21 h), Caracas (4:48 h), Guayaquil (4:35 h), Lima (5:47 h), Quito (4:33 h), Santiago (8:30 h), Sao Paulo (9:35 h); Rio de Janeiro (14:30 h)

Europe and Asia, 9 cities

Amsterdam (10:22 h), Frankfurt (11:55 h), London (10:35 h), Madrid (10:55 h), Munich (11:20 h), Paris (10:32 h), Rome (11:40 h), Seoul (14:45 h), Tokyo (13:30 h)



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Applicable Tax Reductions



The Mexico City Government, through the Secretary of Economic Development, encourages productive investment, increased employment and technological development, among others, by granting reductions in the payment of certain taxes and companies, such as the Payroll Tax and the Real State Acquisition Tax.

1. Based on Art. 278 of the Fiscal Code of Mexico City

A) **45%** discount on payroll tax for starting operations this year.

An enterprise shall be deemed **to beginning of operations** from the date of filing of the notice or the issuance of the corresponding permit and shall not be considered a start-up enterprise:

I. Those formed as a result of a break-up in the following cases:

- a). That they retain the same corporate purpose of the break-up.
- b). That they are formed by the same partners of the break-up.
- c). Its corporate purpose must be related to the corporate purpose of the divisor and the latter must not be extinguished.
- d). That maintains relations of supply services, raw material or finished product disposal with said breaker.

II. Those formed as a result of the merger of several companies, and

III. Payroll administrators or controllers of companies.

B) **70%** discount on payroll tax, if you start as a micro or small business.



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Applicable Tax Reductions



2. Based on Art. 279 Fraction VI of the Fiscal Code of Mexico City:

A) 55% discount on the Payroll Tax or **80%** of the Real Estate Acquisition Tax, if starting operations in high-tech sectors.

In order to do so, the company's corporate purpose must be the innovation and development of high-tech goods and services, in areas such as the development of high-tech processes and products; incubation of high-tech companies; control and automation systems; development of new materials; computer technologies; telecommunications; robotics; biotechnology; new energy technologies and renewable energies; water technologies; waste management technology; pollution prevention and control systems and related areas.

3. Based on Art. 278 Based on Art. 279 Fraction I of the Fiscal Code of Mexico City:

A) **10%** discount on the Payroll Tax, if more than 50% of the workforce resides in the same territorial demarcation of the place of work. In this case, the staff must live in the same municipality where the offices where they work are located. They must present a copy of an official, legible, and valid ID or proof of address not older that three months, to prove this assumption.



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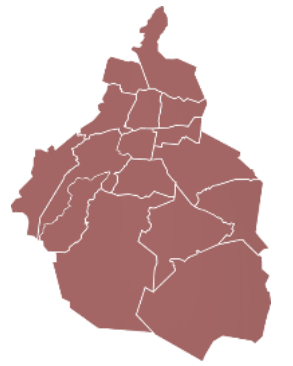
APPLICABLE TAX REDUCTIONS



General requirements for either case are:

- a) Application Form.
- b) Official and valid identification of the applicant.
- c) Form of registration in the Federal Taxpayers Register and/or Tax Identification Card.
- d) A special and separate register stating the amount of expenditure in respect of which the tax in question is not be paid and the items for which the expenditure was made.
- e) Declaration or form of payment of the contributions for which the corresponding reduction is requested.
- f) Written statement signed by the interest party or, if applicable, by the legal representative, in which he/she declares under oath that he/she has not filed any means of defense against the Government of Mexico City, or if applicable, a certified copy of the agreement on the waiver filed with the authority hearing the dispute.

APPLICABLE TAX REDUCTIONS



The application procedure is as follows:

- Request an appointment to submit the application, at the Financial Instruments Sub-Directorate.
- Submit the corresponding completed documentation to the offices of the Secretariat.
- The documentation will be reviewed and within 10 working days, if the requirements are fully complied with, a certificate of the reduction will be issued and a key and password to access the Tax Reduction System to download the Multiple Payment Form from the Treasury will be issued.
- In case of errors or omissions in the documents, you will have a period of 5 working days to address them in order to obtain tax reduction.

Contact details for the relevant sub-directorate:

Lic. Sagrario Bautista Gómez

55 5682 2096 ext.350

sagrario.bautista@sedeco.cdmx.gob.mx

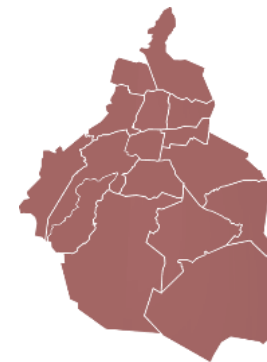


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PROCESS



The application procedure is as follows:

Application



Integrate the documentation
and submit the application
form at the SEDECO offices



SEDECO staff will review
the application and supporting
documentation to assess whether
it complies



SEDECO will determine
if the request
is appropriate



The original and a copy of the proof of the reduction
will be delivered within a maximum period of 10 working days
to make it effective before the Secretary of Administration and Finance.

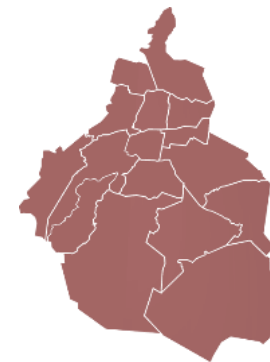


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Professional offer



The National Association of Universities and Institutions of Higher Education (ANUIES for its acronym in Spanish) reports that in the 2020-2021 period, **118,117** graduates in Mexico City.

Of which **4,710** belong to the **Information and Communication Technologies** degree program, of which **3,642** are men and **755** are women.

We also offer the approach with employment exchanges in which it is possible to locate professionals with the desired profile to be part of the company.



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