

Mexican States of the Future 2016/17 Winners



MEXICO'S FEDERAL DISTRICT STATE – HOME TO THE COUNTRY'S CAPITAL CITY – HAS BEEN NAMED **fDi**'S INAUGURAL MEXICAN STATE OF THE FUTURE FOR 2016/17, WHILE NUEVO LEÓN HAS BEEN RANKED SECOND AND QUERÉTARO THIRD. **CATHY MULLAN** REPORTS

Mexico's Federal District state – home to Mexico City, the country's capital – has topped **fDi**'s first ranking of states in the country. Federal District ranked first for Human Capital and Lifestyle, Connectivity and Business Friendliness, and ranked in third place for Economic Potential. The state generated the highest level of GDP in the country, more than \$330,000 at purchasing power parity, and has a population of nearly 9 million people, second only to Mexico state with 17 million.

Federal District attracted the highest number of inward FDI projects of any states in the country between 2011 and 2015, according to data from greenfield investment monitor **fDi** Markets. The state's financial services sector saw the highest growth in capital expenditure from investing companies, with investment amounts dipping in 2012 before recovering and experiencing year-on-year increases from 2013 onwards, peaking in 2015 with \$194.8m-worth of investments.

Federal District also recorded the highest number of outward projects of all states in the country, with 104 outward investments made between

2011 and 2015. Nearly 30% of outward investments came from communications company America Movil, which invested in a range of mobile communications and infrastructure projects throughout Latin America, including a \$500m investment in Bahia, Brazil.

Some 263 patents were granted with the US Patent and Trademark Office in Mexico's Federal District between 2003 and 2015, second only to Nuevo León, which had 333. Federal District has an innovative environment, which helped it to rank first of all states for Human Capital and Lifestyle. Ten of the universities in the 2015 Universidades de Mexico Top 50 ranking are based in the state, and it boasts more than 530,000 students, providing it with the highest student concentration of all Mexican states, at almost 6% of its population. The state attracted the highest number of investment projects between 2011 and 2015 in R&D, including recent investments from India-based Mahindra Group and US-based technology and consulting company IBM.

Nuevo León thinks big

Nuevo León, in the north-east of the country, has finished in second place. The state has a solid reputation for

attracting big investments, with 20 megaprojects (projects with capital investment more than \$100m) recorded between 2011 and 2015.

The state has an established industrial economy, and 16.3% of its FDI projects between 2011 and 2015 were in the automotive components sectors, followed by industrial machinery, equipment and tools (15%) and metals (10.6%). Switzerland-based ABB established the headquarters of its ABB Mexico subsidiary, a supplier of power and automation technologies, in Monterrey, stating that the company chose Nuevo León for its headquarters "because of its strategic, industrial cradle" status in the country, and because of its ability to attract large investments.

Querétaro, a state of more than 2 million people in central Mexico, ranked third in the ranking. The state experienced average annual GDP growth of 9.4% between 2009 and 2014, the highest rate of any state in the country. Querétaro is adept at attracting megaprojects. In November 2015, MAN Truck & Bus Mexico, which is a subsidiary of Germany-based Volkswagen, expanded its production facility in the state, creating more than 1000 jobs. ■

TOP 10 MEXICAN STATES OF THE FUTURE
2016/17: OVERALL

RANK	STATE
1	Federal District
2	Nuevo León
3	Querétaro
4	Guanajuato
5	Coahuila
6	Jalisco
7	Aguascalientes
8	Chihuahua
9	Baja California
10	Tamaulipas

TOP 10 MEXICAN STATES OF THE FUTURE
2016/17: ECONOMIC POTENTIAL

RANK	STATE
1	Querétaro
2	Nuevo León
3	Federal District
4	Guanajuato
5	Coahuila
6	Chihuahua
7	Aguascalientes
8	Jalisco
9	Baja California
10	San Luis Potosí

TOP 10 MEXICAN STATES OF THE FUTURE
2016/17: HUMAN CAPITAL AND LIFESTYLE

RANK	STATE
1	Federal District
2	Puebla
3	Campeche
4	Querétaro
5	Nuevo León
6	Morelos
7	Aguascalientes
8	Yucatán
9	Tlaxcala
10	Durango

TOP 10 MEXICAN STATES OF THE FUTURE
2016/17: COST EFFECTIVENESS

RANK	STATE
1	Durango
2	Tlaxcala
3	Yucatán
4	Zacatecas
5	Sonora
6	Sinaloa
7	Nayarit
8	Oaxaca
9	Hidalgo
10	Chiapas

TOP 10 MEXICAN STATES OF THE FUTURE
2016/17: CONNECTIVITY

RANK	STATE
1	Federal District
2	Tamaulipas
3	Veracruz
4	Quintana Roo
5	Baja California Sur
6	Jalisco
7	Michoacán
8	Nuevo León
9	Sinaloa
10	Guerrero

TOP 10 MEXICAN STATES OF THE FUTURE
2016/17: BUSINESS FRIENDLINESS

RANK	STATE
1	Federal District
2	Nuevo León
3	Querétaro
4	Jalisco
5	Guanajuato
6	Coahuila
7	Baja California
8	México
9	Chihuahua
10	Puebla

FEDERAL DISTRICT STATE – HOME TO MEXICO CITY – IS **fDi**'S MEXICAN STATE OF THE FUTURE 2016/17 AND THE COUNTRY'S LEADING STATE FOR HUMAN CAPITAL AND LIFESTYLE, CONNECTIVITY AND BUSINESS FRIENDLINESS



FDI Strategy

Durango, a state of nearly 1.8 million people in central Mexico, has impressed fDi's Mexican States of the Future 2016/17 judges with its approach to and engagement with prospective investors. More than 60 people work in the state's Ministry of Economic Development, attracting investors' attention through a variety of commercial missions (that take place approximately two or three times a year), as well as at global fairs and expos in which the state participates.

The state offers a range of cost incentives as well as non-financial incentives, including training scholarships and soft-landing services, such as assistance with permits. Some major infrastructure developments are under way to entice investors and make doing business easier for them, including the construction of a new 1600-hectare industrial park just two kilometres from the state's airport, furnished with a multimodal train station and a customs office. A newly constructed super highway has also opened, connecting the city of Durango with the Pacific coast, via the port of Mazatlán, increasing the state's attractiveness for logistics and manufacturing operations. In July 2015, US-based Henniges Automotive announced it would establish a new plant in the state, stating that its strategic positioning in Durango would help to "expand the company's global footprint".

Co-operative spirit

Nuevo León, which attracted the highest number of expansion projects of all Mexican states between 2011 and 2015, has ranked joint-second in FDI Strategy, thanks to an impressive submission from the state's government. The state benefits from international co-operation agreements in place with other countries, which enable the development of local industries in both locations. The state also works to organise and embark upon foreign trade missions, leveraging its network

with Mexican business offices abroad.

Nuevo León's government offers a range of incentives to prospective investors, including training and recruitment assistance, ensuring that incoming investors have trained staff for their operations. The state is considered a hub for education in the country and in Latin America as a whole, and three of its universities appeared in the 2015 Universidades de Mexico top 50 list published by *Americaeconomia*. A focus is also placed on the creation of clusters, to allow maximum integration of private sector, the government and academia to attract investors.

Guanajuato thinks clever

Guanajuato also ranked joint-second, following a submission from the state's Secretariat of Economic Development. The state offers prospective investors assistance with site selection, as well as links with its academic institutions. Guanajuato boasts an industry-driven educational system, with 28 government training facilities in operation. In addition, the state provides help with the paperwork necessary for visas and other permits, while its one-stop-shop offering ensures that a company has a single point of contact to deal effectively with any issues that might arise in the course of an investment project.

The state's government approaches and engages investors at a wide range of promotion events, including supplier fairs and international trade fairs, usually focused around the state's target sectors of aerospace, automotive and renewable energies. According to data from fDi Markets, of all the investments made in Guanajuato between 2011 and 2015, 42% were in the automotive components sector, including investments from Japan-based Omron and India-based Bill Forge in the final months of 2015. The state also promotes itself in neighbouring US through a local investment office in Chicago. ■

Editors' choice award

TOP 10 MEXICAN STATES OF THE FUTURE 2016/17 – FDI STRATEGY

RANK	STATE
1	Durango
2=	Nuevo León
2=	Guanajuato
4	Hidalgo
5	Puebla
6	Sonora
7	Tlaxcala
8	Chihuahua
9	San Luis Potosí
10	Coahuila

DURANGO'S MINISTRY OF ECONOMIC DEVELOPMENT HAS MORE THAN 60 PEOPLE WORKING IN IT



NUEVO LEÓN FINISHED IN SECOND POSITION IN fDi'S MEXICAN STATES OF THE FUTURE 2016/17 RANKING, WITH TOP THREE FINISHES IN THE ECONOMIC POTENTIAL, BUSINESS FRIENDLINESS AND FDI STRATEGY CATEGORIES

METHODOLOGY

To create a shortlist for fDi's Mexican States of the Future 2016/17, the fDi Intelligence division of the Financial Times collected data using the specialist online FDI tools fDi Benchmark and fDi Markets as well as other sources. Data was collected for 32 locations, under five categories: Economic Potential, Human Capital and Lifestyle,

Cost Effectiveness, Infrastructure and Business Friendliness.

Locations scored up to a maximum of 10 points for each data point, which were weighted by importance to the FDI decision-making process in order to compile both the subcategory rankings as well as the overall Mexican States of the Future 2016/17 ranking.

In addition, surveys were collected under a sixth category, FDI Strategy, for which there were 16 submissions. In this category, locations submitted details about their strategy for promoting FDI, which was then scored by fDi's judging panel. ■

JUDGING CRITERIA

ECONOMIC POTENTIAL

- Population
- Average annual population growth rate (%)
- GDP (PPP current \$) (Millions)
- GDP per capita (PPP current \$)
- Average annual GDP growth rate (2009-2014)
- Outward FDI (2011-2015)
- Outward FDI per 100,000 people (2011-2015)
- Inward FDI (2011-2015)
- Inward FDI per 100,000 people (2011-2015)
- FDI in R&D and DDT (2011-2015)
- FDI in advanced manufacturing (2011-2015)
- Number of mega projects by capex (more than \$100m) (2011-2015)
- Number of mega projects by capex (more than \$100m) per 100,000 people (2011-2015)
- Number of mega projects by jobs (more than 1000 jobs) (2011-2015)
- Number of mega projects by jobs (more

- than 1000 jobs) per 100,000 people (2011-2015)
- Number of patents (2003-2015)
- Number of patents per 100,000 people (2003-2015)
- Unemployment rate (2014)

HUMAN CAPITAL AND LIFESTYLE

- Number of higher education institutions per 100,000 people
- Number of IB schools per 100,000 people
- 2015 Universidades de Mexico (Americaeconomia) top 50
- Number of students
- Third level students as % of population
- Registered vehicles in circulation (automobile) (2014) per 100,000 people
- Life expectancy at birth (Years) (2015)
- Infant mortality rate (2013)
- Doctors per 100 000 inhabitants (2008)
- Labour disputes (2014)

COST EFFECTIVENESS

- Annual rent for prime grade-A office space (\$ per m²)
- Annual rent for prime grade-A industrial space (\$ per m²)
- Average salary for unskilled worker (\$ per hour)
- Average salary for semi-skilled skilled worker (\$ per hour)
- Average salary for skilled worker (\$ per hour)
- Petrol prices (\$ per litre)
- Cost of 4*/5* hotel in city centre (\$ per night)

CONNECTIVITY

- Upload speed (kb/s)
- Download speed (kb/s)
- Number of airports within the state
- Number of international destinations served
- Number of ports (medium)
- Number of ports (large)
- Number of ports (very large)
- Number of ports (medium+)

- Electric energy users per capita
- Number of passenger buses registered in circulation per 100,000

BUSINESS FRIENDLINESS

- Total number of companies in the knowledge-based sector (2014)
- Proportion of companies in the knowledge-based sector (2014) (%)
- Number of companies within the knowledge based sector per 100,000 population (2014)
- Number of jobs created by inward FDI (2011-2015)
- Number of expansion/co-location projects (2011-2015)
- Top 1000 World Banks 2015 (The Bnaker)
- FT Global 500 companies 2015