SPECIAL REPORT ON MEXICO

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Special Report on Mexico

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PRIVATE AND PUBLIC SECTORS GROW CLOSER TOGETHER IN FACE OF UNCERTAINTY

Elections in Mexico and U.S. rock North America


Miguel Benedetto, Managing Director, ANIQ

Political change in Mexico and the United States has dominated public and private discourse in 2024 and set the standard for 2025. The election of Claudia Sheinbaum in Mexico marks a continuation of the Presidency of Andrés Manuel López Obrador (AMLO) and the Morena party, though perhaps with a more technocratic consolidation. To the north, the re-election of Donald Trump has profound implications for Mexico, and his threats to impose 25% tariffs on any goods imported from Mexico have put him on a collision course with the Mexican government, which has threatened retaliation. On the domestic scene, Sheinbaum's election has cemented the Morena party's power across the legislative and judicial facets of government. Implementing the 'fourth transformation' of Mexico includes federal judicial reform; the government will fire all 7,000 judges, magistrates and ministers of the Supreme Court and open up these appointments to popular vote, which makes businesses nervous about the rule of law and the impartiality of judges. The Wall Street Journal reported that foreign firms are holding back some US$35 billion in investment projects due to such radical reforms.

As the Sheinbaum presidency looks to build the 'second floor' of its 'fourth transformation' of the country, it has released a list of 100 commitments that are fundamental to its vision of a transformed Mexico. In addition to judicial reform and measures to combat economic inequality, these include various points of significant significance to the nation's chemical industry. While doubling down on the roles of PEMEX & the CFE (Federal Commission of Electricity) in the country's energy policy, the list includes commitments to grow the scale of renewable energy in the country and to increase the national production of petrochemicals and fertilizers, two points which the chemical industry has highlighted as promising news for the sector.

Indeed, some of these commitments are already materializing, and in mid-2024, PEMEX contracted Mota-Engil to build a US$1.2 billion-dollar fertilizer plant in the state of Veracruz, expanding national ammonium production. These political changes and the shadow of uncertainty surrounding them hang in the background of an economic scenario in Mexico that is having profound impacts on the country's chemical industry. Throughout GBR's interviews with leading executives across the chemical industry's value chain, a common theme when discussing the new government is that private-public dialogue has improved markedly, and companies are cautiously optimistic about future collaboration on substantive issues. José Escalante de la Hidalga, the new president of UMFFAAC, Mexico's leading domestic crop protection industry association, said: "The new government has shown through its appointment of new, technocratic charges at key ministries and regulatory bodies that it is serious about engagement with industry."

Evidence of this outreach to the private sector was evident at ANIQ's annual forum in October 2024, where leading industry executives came together to discuss the sector's performance and the challenges it faces. The forum was also attended by Altagracia GoA Global Business Reports publication presented with Chemical Week

A Global Business Reports publication presented with Chemical Week méz, chair of President Sheinbaum's Business Advisory Council, and widely regarded as the principal link between the Presidency and private industry.

Keeping an eye on the U.S-Mexico relationship is of increasing importance to the Sheinbaum government. Given the Trump administration's threat of tariffs on all Mexican goods, and escalating rhetoric, verging on direct intervention, from the U.S side on Mexico's drug and cartel crisis, the Mexican government has been keen to show its northern neighbor that it is taking action, actions which are reassuring Mexico's business leaders. According to Javier del Castillo, CEO of Isquisa, a distributor with diversified markets across Mexico, "Recent government actions, such as combating synthetic drugs, improving security, and addressing migration, create a more favorable investment environment."

Regulatory obstacles to development are a long-standing gripe of industry executives in Mexico, who often feel that new rules are implemented without consultation or warning, driving costs up and causing a scramble for legal compliance to ensue. Another regulatory issue stifling growth, according to Erasmo Vázquez Almedárez, CEO of Vazal Corporativo Jurídico, a leading law firm for chemical sector companies, is the ability of the regulatory bodies to enforce the new rules they set. Almedárez commented: "Cofepris and Semarnat play crucial roles in regulating industries like chemicals, but issues relate to their ability to act promptly. The law sets clear response timelines, which are not always adhered to, leading to significant delays in critical operations… These institutions must become more agile and efficient, ensuring that companies receive timely responses to their requests and comply with environmental standards without unnecessary hindrances."

The legislative agenda of the current and previous governments towards the Mexican mining sector, a key consumer of chemical products, is causing some uncertainty among industry leaders. Minerals such as lithium have been nationalized, and the time to build a new mine continues to grow longer, potentially deterring investment. As such, companies like CyPlus Idesa, a market leader in providing key chemical products for the mining industry, are diversifying out of Mexico and extending their reach into Central America. Luis del Barrio, the company's managing director, commented on this trend: "The great challenge in Mexico is the regulatory framework; the mining industry needs greater agility and certainty in the processes for opening new mines."

In addition, echoing a view shared by many chemical industry executives, del Barrio added: "The industry is still too reliant on imports of basic chemicals, and the efforts to increase local supply have been isolated and driven by private initiatives."

The manufacturing sector continues its upward trajectory, spurred on by the 'nearshoring' wave of regionalized supply chains directed towards the US market. Figures from the National Institute of Statistics and Geography (INEGI) indicate that between January and September of 2024, the total value of Mexico's exports was over US$455 billion, a 3.2% increase in comparison to the same period in 2023. These figures have been buoyed by strong manufacturing and automotive export figures and an agricultural trade that continues to grow yearly despite several challenges. Mexico's trade figures continue to be dominated by the United States, but other countries are showing interest in Mexico, particularly China. Data from freight analytics firm Xeneta shows China to Mexico container trade increased by 26.2% from January to July 2024. Chinese firms have found Mexico is a hub to export to the US market and evade tariffs on Chinese goods. Though increased Chinese investments have brought economic benefits to the country, it is also a point of tension and poses growing risks to the Mexico/US relationship; 2025 will be the defining year for this showdown.

Javier del Castillo Fernández, Managing Director, Isquisa

Despite strong export growth, FDI figures in 2024 do not paint as positive a picture, though bright spots remain, primarily in the automotive industry. They include Volvo's intention to invest over US$700 million in a new car factory in Monterrey, and plans for a US$1 billion factory built by MG in Nuevo Léon. Inward FDI figures for the first half of 2024 totaled US$31 billion, however, the vast majority of this figure can be attributed to investments made by companies already present in the country; federal government data for the January-June period of 2024 indicates that of the US$10.6 billion in FDI coming from the US, US$10.4 billion were reinvestments of earnings. The lack of new investments reflects the uncertainty that political change in Mexico and the US has cast on the Mexican economy.

WILL TARIFF TALKS TRUMP TRADE?

The pillar of US/Mexico commerce is the USMCA (United States-Mexico-Canada Agreement), a free trade deal that built on the success of previous deals such as NAFTA. Mexico has been a significant beneficiary of reduced trade barriers, finally surpassing China as the primary commercial partner of the US. Research from BBVA indicated that the total trade value between the countries reached US$745.6 billion in 2023. Increased activity at the Port Laredo border crossing made it the number one port of entry in the United States, handling over US$320 billion in total trade in 2023.

Recent back and forth between the Trump and Sheinbaum administrations and the threat of a blanket 25% tariff imposition on all Mexican and Canadian goods imported into the US has caused some concern among business leaders in Mexico, though perhaps not to the extent that one would expect. Their underlying confidence in Mexico's business fundamentals, including competitive labor costs and its network of free trade agreements around the world, means many in the private sector believe any tariff talk and imposition will only be a temporary setback. In addition, leaders understand that tariff costs will cut both ways, as Maggie Gómez-Rábago, managing director of Charlotte Chemical, explained: "If tariffs are imposed on Mexico or Canada, the added costs will likely impact American consumers through increased logistics costs or tariffs. This would lead to less consumer spending due to higher prices."

Maggie Gómez-Rábago, Managing Director, Charlotte Chemical

Mexican businesses can find opportunities to diversify, explained José Luis Urrutia Segura, president of CANACINTRA in the state of Mexico, Mexico's most significant industrial body that counts membership from many sectors of the economy: "The tariff debate has clarified that organizations must explore new markets and ensure their inclusion in global supply chains to remain competitive. Additionally, businesses must focus on adopting new technologies and embracing innovation, as these elements will be key in positioning themselves within evolving supply chains and markets."

The USMCA trade deal's importance cuts both ways; it has spurred a boom in manufacturing activity and export growth for manufacturing and agriculture, but it is also essential for Mexico's imports of essential goods. The country depends heavily on imported American energy and petrochemical products. Cross-border chemical trade neared US$60 billion dollars in 2023, and the industry in Mexico depends on US imports to make up for the lack of petrochemical feedstocks produced in the country. This situation means that chemical companies rely on ease of trade to remain competitive. Miguel Benedetto, managing director of ANIQ, said: "Because of the feedstock situation in Mexico, any growth has been due to imports of petrochemicals from the US, which supplies over 60% of our imported supply."

ANIQ has laid out a vision for the chemical industry, proposing that with the right policies from the government, it could double its size in the next 15 years. Growing domestic production of petrochemical feedstocks is key to this, as is building a more sophisticated and greener electricity supply, which will ultimately help Mexican exporters market their products as more sustainable. Benedetto commented: "It is important point to increase the generation of electricity through renewable energy. This is the government's stated aim and something that private industry also demands; if we look at Europe and the CBAM (Carbon Border Adjustment Mechanism), having a green electricity matrix will be a great competitive advantage for our industry and our country's export potential."

In addition to importing feedstock, the dependence on imported energy is equally pronounced. Data from the International Energy Agency (IEA) shows that in 2023, 52.3% of Mexico's total gas supply was imported; between 2000 and 2023, demand for gas imports increased by 1,543%. US exports of natural gas to Mexico have been crucial for the chemical industry, which has not been able to tap into cheap domestic production of natural gas due to a historic lack of investment and exploitation of the country's shale gas deposits, the sixth-largest in the world.

Given the dependence on US export markets and energy, all facilitated by the USMCA trade deal, Mexico is looking hard at the upcoming review of the agreement in 2026 and the potential fallout from a Trump administration. The automotive sector is the focus of attention for the three member states; the rules stipulated on country of origin specifications for the auto industry have become a point of contention, especially as Chinese automakers establish production in Mexico to circumvent US import tariffs. Mexico was the seventh largest automotive producer in the world in 2023, and the auto parts market is equally significant. According to data from the National Association of Auto Parts (INA), the total value of the auto parts market in 2023 was over US$121 billion, and in 2024, that market was valued at over US$124 billion by the same association, a clear sign of the sector's steady growth.

Specialty chemicals and paints and coatings companies have tapped into this industry's impressive growth and will be watching closely how the USMCA's review and potential renegotiation play out. Discussing this topic, Angel Sánchez, managing director, Chemetall Mexicana (BASF), said: "Nearshoring is another factor, and we expect it will continue to grow, although a potential USMCA renegotiation in 2026 could introduce additional challenges." ■

SUSTAINABILITY

Mexico's hydrogen economy takes shape

Mexico's green energy potential is unmatched; endless coastlines, over 300 days of sunshine, and wind power potential make it an ideal place to establish and expand renewable energy projects, including hydrogen, which is making headways in the country, with multiple companies investing in hydrogen projects. The industrial gas sector has been at the forefront of this progress. Industry executives were keen to show off progress on multiple initiatives across the country and emphasized their desire for more state support, regulatory or otherwise, to promote the nascent sector's development and establish Mexico as a leading hydrogen producer. Despite its potential, many obstacles lie in its path, including high energy costs and irregular government interventions that have shaken business confidence.

A strong and dependable renewable energy network is key to these ambitions, especially if green hydrogen is to be pursued and made commercially viable. Though still in the early stages, companies are taking note, and Iberdrola's multi-billion-dollar investments in a network of solar and wind farms have set the stage for further development.

Securing state interest will be crucial moving forward, especially as the energy industry is led by PEMEX, a key consumer and producer of hydrogen. Topsoe, the world's leader in industrial-process catalyst production, has been working with PEMEX to support energy production in Mexico. Florencia Vitelleschi, Mexico country manager at Topsoe, commented: "In Mexico, we see substantial opportunities, especially with Pemex, the leading producer and consumer of hydrogen. Currently, Pemex produces 100% of its hydrogen conventionally from natural gas, presenting a significant opportunity to transition to low-carbon hydrogen, which we call blue hydrogen."

Vitelleschi has high hopes for this potential transition to low-carbon hydrogen production and commented: "Many clients have approached us expressing a willingness to invest in more advanced catalysts, as they recognize that while the initial cost may be higher, the long-term savings on energy consumption will justify the investment."

HDF Energy entered the Mexican market in 2019 and is developing the Los Cabos hydrogen-integrated solar park in Baja California Sur. Cristina Martín González laid out the company's plans for Mexico: "HDF has announced a US$2.5 billion development portfolio in the country and has noted an increased openness toward private investment in renewable energy, which is expected to accelerate project development in the region… The company specializes in developing hydrogen infrastructure; our Renewstable plants produce green hydrogen from renewable energy sources such as solar and wind, storing it in compression tanks, and convert it into electricity using fuel cells."

For Linde, drawing on examples from other successful hydrogen-developing nations is crucial. Hugo Villarreal Salas, VP of energy and engineering at Linde, commented: "Government support is essential for developing new technologies. In countries like the US we have seen substantial incentives and funding for decarbonization concepts, and similar support would benefit Mexico's transition."

Linde has invested in hydrogen vehicle technology, and Salas highlighted the potential for Mexico to become a green hydrogen exporter in the future, given the right mix of policy and financial incentives. Nevertheless, there is work to be done on the green hydrogen front, as Salas pointed out: "Green Hydrogen is currently expensive because the cost of electricity in Mexico is twice as high as in the US, which makes it uncompetitive, though it is an area of opportunity that will surely be solved in a short time."

The Mexican Association of Hydrogen has identified more than 21 hydrogen related infrastructure projects underway in the country. Among the industrial gas producers, Air Liquide has also been moving in this direction. Raphael de Montfort, managing director of Air Liquide Mexico said: "On an operational level, the greatest achievement this year was the commissioning of a new hydrogen plant in our industrial basin of Nuevo León."

Despite facing some challenges, including a government expropriation of a hydrogen plant.

They are not the only company making investments in production capacity, a sign of the underlying strength of the Mexican industrial sector. Cryoinfra, part of Grupo Infra, has also been investing in new operating plants. Speaking to GBR, Dieter Femfert, commercial director of Cryoinfra, said: "We are constructing a new air separation plant in Monterrey with a capacity of over 2,000 tons per day, producing oxygen, nitrogen and argon."

The new plant will serve the booming northern state of Nuevo León, the heart of Mexico's industrial base. Femfert continued: "The industrial gas market in Mexico is experiencing growth in several sectors, including steel, automotive, electronics, mining, pharmaceuticals and food industries." ■

PETROCHEMICALS

Is there light at the end of the feedstock shortage tunnel?


Isabel Figueiredo, CEO, Braskem Idesa

Mexico's domestic petrochemical industry still finds itself in challenging times. Capacity utilization rates continue their downward trajectory, electricity prices are relatively uncompetitive, and given the difficulties faced by PEMEX, which has not been able to produce the necessary feedstocks for a competitive petrochemical industry in the country to flourish, Mexico remains a net importer of petrochemical products. Regulatory controls on shale gas and private energy development in Mexico, compounded by stringent import controls introduced in 2024 to protect national producers of lubricants and other fuel products, further challenged the industry. The silver lining within this malaise could well be the Sheinbaum government's declaration that increasing the national production of petrochemicals and fertilizers will be among the government's 100 top priorities under the current administration, though just how the state will incentivize this production remains to be seen, and will determine whether it can do so.

ANIQ's figures for the period January-September 2024 show that the chemical industry's trade balance presented a deficit of over US$22 billion, a figure 13.2% lower than in 2023; chemical imports were just over US$30 billion, while exports increased by 0.1% annually to US$7.5 billion. Furthermore, while Mexico registered chemical trade deficits with North America, Europe and Asia, it has maintained a trade surplus in chemical goods with Central and South America. Uncompetitive industrial electricity prices in Mexico are an important factor limiting the establishment and expansion of more petrochemical products. Comparing average monthly prices for medium voltage users in August 2024 in Mexico with May 2024 in Texas and Louisiana, the petrochemical heartlands of the US, ANIQ found incredible discrepancies, with US$13.71 cents per kilowatt hour in Mexico and US$6.28 in the US. In addition, power outages in northern Mexico during the summer of 2024 compounded the problem and underlines the unreliability of Mexico's power grid in comparison to its northern neighbor.

PEMEX's troubles include an over US$100 billion debt pile which has forced the government to transfer funds to the company to service its debt continually; in 2025, the government will transfer US$6.69 billion to service due debt. Sheinbaum has remained firm on the roles of PEMEX and the CFE (Federal Commission on Electricity) in the economy. Throughout 2024 there were bouts of positive news on feedstock production figures; in Q2 2024, petrochemicals production increased by 15.7% compared to the same period in 2023.

In addition to these national challenges, executives pointed out that larger global trends are putting pressure on the sector. Isabel Figueiredo, Braskem Idesa's new CEO, said: "The petrochemical industry around the world has been facing a highly volatile environment and a very prolonged down cycle that has been further stressed by a tense geopolitical environment."

In the face of these challenges, the Sheinbaum government is making overtures to private industry. Leadership changes have elicited hope in the industry that empirically based management decisions are on the way in. Examples include the new head of the CFE, Emilia Calleja, a trained CFE engineer, and Victor Rodriguez, CEO of PEMEX, previously an energy economics scholar at UNAM.

2025 will be a key year for Mexico's petrochemical industry, as Braskem Idesa's ethane import terminal will finally come online, the result of a US$450 million investment and partnership with Advario that will solidify Braskem Idesa's leadership in the polyethylene market. Isabel Figueiredo, the company's CEO, discussed how the terminal would allow it to strengthen its role in plastic resins nationally and regionally and commented: "We have created a very valuable synergy with the Government of Mexico, which seeks to generate greater growth in the southeastern region of the country through the development hub policy called the Interoceanic Corridor."

In the lubricants market, strong industrial demand has had to contend with regulatory import controls introduced by the last administration, which drove up legal and compliance costs for companies heavily dependent on imported lubricants to meet demand. Some local producers have benefitted, including Schutz Industrial Lubricants and Specialties, a producer of lubricants and chemical specialties for the automotive, personal care, energy, and other sectors, based out of Aguascalientes. Bernardo Gómez-Rábago, the company's CEO, said: "The new import controls for lubricants have had an impact, but they also emphasize the importance of having a local supplier. A local supplier ensures consistent quality and timely deliveries, which are crucial for businesses." ■

AGROCHEMICALS

Industry focuses on collaboration to face climate challenges

Agriculture continues to be a key pillar of the Mexican economy, and agricultural exports from Mexico have continued to increase despite the challenges faced by agricultural producers across the country. Between January and June of 2024, Mexico exported over US$19.381 billion worth of produce, an increase of 8.84% compared to the same period in 2023, according to the Ministry of Agriculture and Rural Development (SADER). A change in government, droughts and water accessibility issues, in addition to the ongoing debate and temporary postponement of the federal government's ban on glyphosates, were key issues on the minds of crop protection industry executives interviewed for our report this year. Mexico reported record import volumes of fertilizers in the first trimester of 2024.

The government's re-engagement with private industry, a key theme of this year's interviews across the chemical industry, was evidenced at the annual Crop Protection Convention in October 2024, a joint event hosted by UMFFAAC & PROCCYT, the principal industry associations. For the first time in over six years, a high-level government delegation, led by newly appointed Minister of Agriculture Dr. Julio Berdegué Sacristán, attended the event. The Minister stated that the government's approach to agriculture was centered around four key priorities: food sovereignty, environmental and worker well-being, and water.

Ministerial attendance at industry events is a clear sign of the federal government's willingness to re-engage with private industry, and its legislative agenda also shows some promising signs. Among them is a temporary pause on the prohibition of glyphosate products. In the first half of 2024, despite previous promises to do so, the government postponed its glyphosate ban, citing a lack of alternatives as the reason. José Escalante de la Hidalga, president of the Mexican Union of Agrochemicals Manufacturers and Formulators (UMFFAAC), commented on this postponement, saying: "Things have changed from one government to the next. During the previous government, our priority was to combat misinformation about glyphosate and communicate its benefits. Fortunately, our government has decided the product will continue to be used in Mexico."

Sergio Aburto, Director Latin America North, Acadian Plant Health

Now that government has relented on the issue of glyphosates, industry bodies can focus their attentions on to other pressing issues, including climate change, innovation and export competitiveness. The leading industry associations have been centrally focused on re-engagement with the authorities. In addition to renewed contact with the Ministry of Agriculture, Luis Osorio, executive director of the Association of Crop Protection, Science and Technology (PROCCYT), said: "We want to encourage science-based decision-making and have made significant advances with COFEPRIS, the primary regulator. We are re-establishing dialogue at a ministerial level with COFEPRIS, SENASICA and SADER."

A critical element of PROCCYT & UMFFAAC's work in Mexico includes running not-for-profit training and safety programs across the country's central agricultural regions. Some of these programs include Amocali, a joint plastic recycling initiative, and Proccyt's CuidAgro, an educational program around safe agrochemical product use. Osorio expressed a desire to expand this program by bringing in the government: "We train up to 100,000 farmers annually and seek the government's collaboration to enhance it. We are also expanding our collaborations with regional agricultural associations in important regions like Sinaloa, Jalisco and Veracruz."

This feeling of re-engagement is not just expressed by the leading associations but has trickled down to the commercial level too. Companies expect that under the current administration some headway will be made to unlock innovation in the sector. Marco Salcedo, managing director of AMVAC, said: "There are signs of improvement at COFEPRIS, and hopefully the product registration process can be made more efficient because it stifles innovation."

Years of bureaucratic indecision, slow product approval times, and the looming threat of the glyphosate ban all contributed to creating a sizeable illicit market for crop protection products, the prevalence of which has led to detrimental health and environmental outcomes. If the government is serious about re-engaging with the private sector, it will also have to get tough on illegal goods, which have distorted the market for years. Francisco Ortiz, CEO of Altiara, said: "Unregistered products remain a significant issue in Mexico, making up roughly 25-30% of the market's value."

Collaboration with the government is crucial in the face of serious difficulties. The principal climate-related challenge facing the country's farmers is drought conditions, making access to water harder and pushing the country's water infrastructure to the brink. According to data from Conagua, the Mexican National Association for Water, Mexico's agricultural sector consumes over 75% of the country's water. The agency's drought monitoring center indicates that the north of the country continues to suffer from extreme to exceptional drought conditions across parts of the country that are key to Mexico's agricultural export success.

Looking at Mexico's northern neighbor, a more sophisticated agricultural infrastructure support network has allowed US growers to weather irregular weather more resiliently. Cristian García, Ag business relationship director LATAM for Gowan Company, which offers crop protection products, has seed and fertilizer businesses, and a port facility in Guaymas, Sonora, said: "Mexico's agricultural sector could learn from our northern neighbor. The availability and use of water are key differentiators… The US agricultural sector benefits from significant subsidies, open credit lines, low interest rates, and accessible financial instruments."

The water crisis distorts agricultural patterns in Mexico, causing regions traditionally competitive in certain crops to lose out. Many executives we spoke to insisted that agricultural growing patterns in the country must change, but cultural and regulatory resistance to such change persist. Sergio Aburto, vice president of North Latam for Acadian Plant Health, said: "The government prioritized water for urban areas over agriculture, which resulted in insufficient irrigation for crops like corn, wheat and beans."

Acadian Plant Health recently announced a global partnership with BASF. Aburto said: "This collaboration enables us to leverage BASF's extensive global presence while combining our expertise in marine algae-based technology to create innovative products that meet the growing demand for sustainable agriculture."

Droughts are not the only climate-related risk in Mexico, however. With the rainy season becoming more irregular and, in places, more intense, the prevalence and behavior of pests in some regions have also changed. Luis Eduardo González Cepeda, commercial director at Dragon, one of Mexico's leading domestic crop protection companies, said: "Dragon is investing in new molecules and further

César Parada, Managing Director, Valent de México

Carlos Saavedra, Mexico & LATAM North Leader, Albaugh

Francisco Ortiz, Managing Director, Altiara

insecticide developments to combat the evolving pest dynamics caused by climate change."

Grupo Versa's strategy to deal with climate challenges has been getting closer to its farming customers better to understand their needs, vulnerabilities and requirements. Fernando Vera, Grupo Versa's CEO, said: "A relevant strategy to combat this has been to promote our brand and increase the proximity to customers with our technical teams. In the last three years, we practically doubled the number of people in the field."

Crop protection companies are developing alternative methods to retain client loyalty, promote brand awareness, and help their customer base survive the current difficulties. Companies across the crop protection spectrum, from Altiara to UPL, have turned to rural financing initiatives, extending credit lines to customers. UPL's 'Shakti' rural financing model, which it practices worldwide, incentivizes farmers to purchase more sustainably produced and environmentally beneficial crop protection products. At the local level, Altiara has identified farming customers particularly affected by severe droughts in the past year and extended credit lines to them so that they can secure crucial crop protection products for their harvests.

Like other sectors, Mexico's agricultural producers could be exposed to punitive tariffs imposed by the US, the leading destination for the bulk of Mexican export crops. Like many companies in the sector, Grupo Lucava has taken steps to diversify its export markets. Counting on export markets in the Caribbean and Central America, it recently launched a new line of patented, sustainable crop protection products that the company thinks could help them reach European markets too.

Considering the size of the agricultural sector and its export competitiveness, it is no surprise that multinationals are committing resources to research and develop new products and methods for their Mexican customer base. The Indian agrochemical giant UPL has been present in Mexico for decades, and Himanshu Panwar, business head of Mexico & Cuba at the company, was keen to share UPL's commitment to R&D in-country, commenting: "One notable achievement is establishing a global center for biological product innovation in Coahuila. This facility, a US$15 million investment, focusing on R&D, delivering organic and natural agricultural solutions."

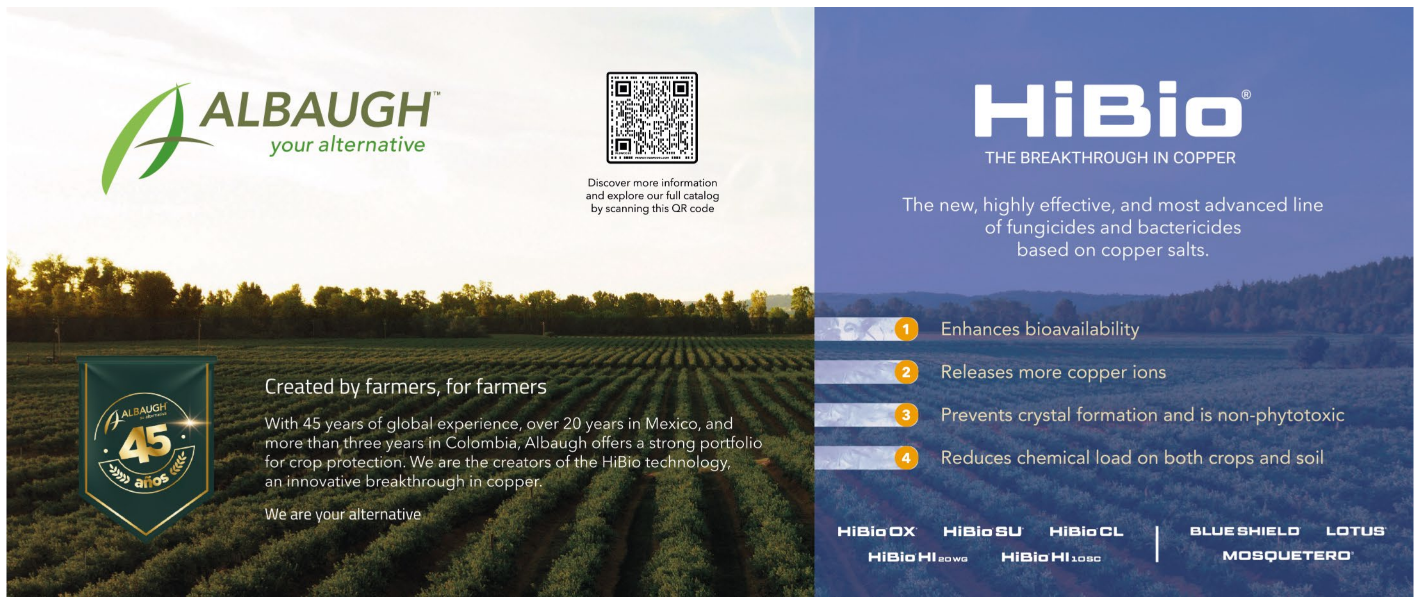
Similarly, for Bayer, Mexico has been key to developing new agricultural tools and products. Nery Echeverría, business lead North LATAM, seeds & crop protection at Bayer Crop Science, said: "Short corn was a development that started globally in Mexico. We have Mexico's most important seeds research center, which has world-class infrastructure… On the digital technology side, in Q4 2024 we launched FieldView' in Sinaloa, a digital tool we have been developing for over four years."

Another multinational that is investing in its R&D capacity in Mexico is FMC Corporation, which has fostered relationships with research institutions to jointly develop innovative products with university faculties, a common practice in Mexico. According to Juan Francisco Ortiz Diaz, business director Latam North, FMC annually invests over US$350 million in R&D globally. In Mexico, FMC has gone back to class; "A particular product that stands out is one we developed in collaboration with the National Autonomous University of Mexico (UNAM), which uses an exclusive strain of beneficial organisms."

For Albaugh, the world's largest privately owned off-patent supplier of crop protection products, Mexico has been a key driver of growth since 2003, and R&D investments locally have followed. The company's offices in Guadalajara manage the Mexican market, which is its largest in the north Latam region. Albaugh is investing in the development of a biorational product portfolio for Mexico, and Carlos Saavedra, Mexico & LATAM North president, said: "In Mexico alone, we will invest over US$2.5 million in innovation, which involves the development of products."

Regulatory and social pressures on glyphosates and chemically based crop protection products have, in recent years, spurred development and investment in organically derived substitutes, which are becoming increasingly prominent in the Mexican market. Valent de México, a subsidiary of Sumitomo Chemical, has been moving in this direction for years. César Parada, managing director of Valent de México, said: "Additionally, we are investing in the biocontrol market. This sector represents a US$104 million market in Mexico, with biological fungicides, insecticides and growth regulators (PGRs) taking precedence."

Despite these challenges, the agricultural market remains attractive enough for new entrants to make a mark. Fertisquisa is part of the Isquisa group, a leading chemical industry company based in Veracruz, which has production, distribution and logistics capabilities. In addition, through Fertisquisa they have been expanding into the fertilizer business, and Roberto Escalante, the company's managing director, said: "Our ambition is to expand the solutions offered to the farmers incorporating crop protection and biological solutions." ■



SPECIALTY CHEMICALS

Buoyed by strong auto sector, companies continue to diversify

Mexico's specialty chemicals market is dynamic and competitive and continues to attract international attention, confronting any challenges the wider economy might throw at it. Buoyed by strong demand from the automotive sector and its continuous transition towards more sophisticated production and EV adoption, underpinned by US demand and competitive Mexican labor costs, specialty chemicals companies have ridden the nearshoring wave to its height. In addition, 2024 was a historic year for the sector, marked by the Abu Dhabi National Oil Company's (ADNOC) US$12 billion purchase of Covestro, the German specialty chemicals giant. Sustainability and circular economy initiatives, R&D advancements and investments, and the specter of a US-Mexico trade conflict were all on the minds of executives interviewed for this year's report.

ADNOC's purchase of Convestro has implications for the company worldwide and includes a pledge to retain the management and, therefore, the strategic direction of Covestro's operations and its circular economy commitments. Speaking about ADNOC's takeover, Arturo Molino, managing director of Covestro in Mexico, commented that this injection of fresh capital would allow the company to weather better the cyclical nature of the chemical sector and poise the company for future growth. Molino reiterated Covestro's goal to become a fully circular company by 2035: "Last year, we invested over €374 million in R&D, with a significant portion focused solely on circularity."

Global R&D and infrastructure investments to improve Covestro's sustainability metrics and get closer to the circularity objective have also reached Mexico. Molino added: "In Mexico, we have upgraded the cooling towers at our Santa Clara facility, making them 30% more energy-efficient, significantly reducing energy usage for our cooling needs."

Another leading specialty chemicals company, Evonik, has made similar commit-

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ments to R&D at a global level. Since 2022, the company launched a Next Generation Evonik initiative which weaves sustainability commitments into the foundations of Evonik. Martín Toscano, President of Evonik Mexico, commented on the fundamental role sustainability plays for Evonik, now a core process like portfolio and innovation management.

Toscano added, "Between 2021 and 2030, we aim to invest more than €3 billion in the growth of our Next Generation Solutions, in other words, products and solutions whose sustainability profile is above or even significantly above the market reference level."In 2024, Arkema also made a significant global acquisition with implications for Mexico. The company's three principal business segments in Mexico include coating solutions, adhesive solutions and advanced materials. Salvador Soria, president of Mexico, Central America and Andean Region at Arkema, said: "A key development for 2024 is acquiring a business in Toluca, Mexico, focusing on flexible lamination, a specialty chemical segment, which came with Arkema's US$250 million global acquisition of Dow's flexible packaging laminating adhesives business."

Arkema operates five facilities in Mexico, including the newly acquired Toluca plant and facilities in Naucalpan and Querétaro. At the Naucalpan plant alone, Arkema has announced more than a US$10 million investment to upgrade and expand productive capacity, with an eye to the US export market. Like much of the specialty sector, Arkema has watched the automotive industry closely. Soria claimed that the growing role of electric mobility in that industry, mainly for export out of Mexico, was well aligned with Arkema's research spend and alignment with industry megatrends.

The Mexican auto industry set records in 2024 for total production and export of vehicles. Figures from INEGI showed a 5.6% increase in production compared to 2023, with a 5.4% increase in exports of cars. In addition to these figures, domestic sales of light vehicles rose by 9.8%. Eduardo Cortés, Latin America general manager at Momentive, said: "As vehicles become more sophisticated and lighter with more technology and plastic components, the demand for specialty materials will continue to increase."

Momentive has recently opened new offices in Mexico City and is exploring the viability of establishing a business support hub for the Americas. Momentive has invested in its sustainability track record and was recently awarded the EcoVadis Gold award.

The auto industry's impressive growth means there is enough cake for all. Celanese, which in 2024 acquired Dupont's mobility & materials division, has also doubled down on Mexico and the future of its automobile sector. In addition to an acetylene production site in Cangrejera and US$600 million in annual sales in Mexico, the company has recently established a business solution center for customer experience in Mexico City, which will serve Celanese clients across the Americas.

Other sectors continue to attract interest too. Archroma, which also has the EcoVadis Gold certification, operates three plants in Mexico and serves the textiles and packaging industries. Jeniffer Uribe Porteny, business director Mexico, Andean Region & Central America at Archroma, commented: "The packaging and paper segments are experiencing significant growth driven by shifts from plastic to sustainable materials and the rise of e-commerce… The textile market faces challenges due to high import volumes from China and low tariffs in Mexico, leading to slow growth despite expectations of a nearshoring boom."

A change in management at Pilot Chemical Company – Órgano Síntesis is giving the company a new direction, targeting new markets and diversifying its Mexican portfolio. The new managing director, Bernardo Frisbie, said: "My vision is to guide the organization toward specialty chemicals, personal care, cosmeceuticals, and start collaborating with the pharmaceutical industry, research-driven innovation, and sustainable development."

The personal care and pharmaceutical markets in Mexico grow year on year. Stepan is also targeting these sectors together with its agricultural, industrial and construction portfolio. The company counts on two production plants in the country following the acquisition of a BASF Mexicana plant. Juan S. Agraz, country manager in Mexico for Stepan, said: "We have recently invested in new laboratories and equipment for the consumer and functional industries in Ecatepec, Mexico."

Demand in this sector has attracted the attention of Viakem, a CDMO with a sprawling manufacturing base in Nuevo León. José María Bermudez, CEO of Viakem, said: "Viakem is diversifying into sectors like personal care, household products, electronics and vehicle electrification. There is a growing pressure to decide between in-house manufacturing and outsourcing, with many companies reevaluating their supply chains and the competitiveness of their cost structures." ■


Humberto Elizalde Mendoza, CEO, ICS Group


Martín Toscano, President, Evonik Industries Mexico


Eduardo Cortés, Latin America General Manager, Momentive

PAINTS AND COATINGS

Public spending does not paint a pretty picture

The Mexican paints and coatings sector accounts for nearly 15% of the chemical industry's total GDP and is responsible for over 17,000 direct jobs, according to figures from ANAFAPYT (National Association of Paints & Inks Manufacturers), the leading industry body in Mexico. Architectural coatings continue to dominate the total value of this market, though the printing ink segment has seen considerable growth in the past year, and automotive coatings are another critical source of demand.

ANAFAPYT celebrated its 80th anniversary in 2024 and hosted its biannual LACS (Latin American Coatings Show) in Mexico City, alongside other technical seminars and workshops. Flor de María González, general manager of ANAFAPYT, mentioned the association's work partnering with the UK's Lead Exposure Elimination Project (LEEP) alongside the Tanzania Bureau of Standards and Vietnam's Research Center in 2024. She also pointed out how new technologies are transforming the industry and what ANAFAPYT is doing to support this transformation, saying: "At LACS, we had an Architectural Panel that focused on using AI-driven factory modeling. Many manufacturers are already implementing these technologies, and by the next edition of LACS, we expect to showcase concrete case studies demonstrating the benefits of these innovations, including improvements in efficiency and sustainability."

Beyond automation, paints & coatings manufacturers are keen to improve their sustainability metrics, supported by ANAFAPYT initiatives that bring local companies and global experts together at technical seminars. As González commented: "Many manufacturers in Mexico are adopting sustainable practices, such as creating VOC-free coatings and improving production processes to be more environmentally efficient."

Among the companies adopting these practices is Interadi, a Mexican manufacturer that celebrated its 40th anniversary in the industry in 2024. Héctor Jiménez Landa, Interadi's managing director, said: "We have developed an eco-friendly additive used in resins that significantly reduces VOC emissions in the final product."

Innovation in the sector is not limited to reducing VOC content or automating processes. One Mexican company, Quimix, identified several macro trends in Mexico, such as growing urbanization rates and changing climate-induced pest patterns, and developed a uniquely homegrown product. According to Marco Torres Hallal, Quimix's managing director: "We offer the only COFEPRIS-approved product in Mexico, which integrates microencapsulated insecticides that kill pests on contact and protect for up to two years."

This innovative product has made Quimix a market leader in the urban pest control market, and the company places a high value on further innovative development. Nevertheless, regulatory challenges abound, as Ernesto Bächtold, associate director of Quimix, explained: "In Mexico, registering new products is notably slow and complex, often taking several years. This delay significantly impacts businesses, as registrations are critical assets in our industry."

Flor de María González, General Manager, ANAFAPYT

Héctor Jiménez Landa, Managing Director, Interadi

In the US, Interadi recently received FDA accreditation and is gaining its EPA certifications, which is part of a strategy to diversify away from Mexico. Landa commented on this shift: "We have seen considerable growth in Central America, exporting larger volumes, which is a major achievement. At the end of 2024, we began sending product samples to the US, specifically to Texas."

Interadi is not the only Mexican company that has sought greener pastures abroad. Pyosa Industrias, a historical manufacturer in Mexico that celebrated 85 years in business recently, offers a diversified portfolio, with the paints segment accounting for 50% of its sales and plastics and other sectors making up the rest. With exports currently making up some 20% of the company's annual sales, Moisés Silva, commercial director, believes in the potential to grow this share: "The paint industry in Mexico has experienced a downturn, though the repaint segment is growing. This opening with the US, Canada and Central America has helped us compensate a little for the downturn in Mexico."

Examples of Mexican paints and coatings companies looking abroad to diversify their markets and insulate themselves from potential domestic shocks is also an example of how Mexico, with one foot south and the other north, is evolving as a regional hub. The narrative on this usually favors multinational companies that establish themselves in Mexico to take advantage of this location, but Mexican companies are also reaping the benefits, as technological knowledge and capital investments continue to flow inwards.

Nevertheless, the coatings segment in Mexico had a lackluster 2024. With demand for architectural coatings driven in large part by public spending on large infrastructure projects, the past 12 months have seen a downturn in demand. Public spending on infrastructure is also a signal that the economy is performing well, and the recent changes at the top of government in Mexico, which led to a freeze of some spending, had a negative effect on the industry. This downturn in public spending tends to coincide with election years however, and Silva from Pyosa was cautiously optimistic about recent changes in federally administered organizations, saying: "With the change of government in Mexico, there is some optimism, with more technical appointments in the CFE and PEMEX, but we will have to wait and see."

Others were not as optimistic. Reflecting the skepticism of many on state-financed infrastructure projects, Francisco Rubio, CEO of Kemikals, a distributor of coatings and building materials, said: "Construction activity has been slow, and infrastructure budgets remain limited. Projects and promises like the Mexico-Querétaro train look promising on paper but have yet to materialize."

Though there has been a shift towards dialogue with the Sheinbaum administration, unease about radical policy reforms has not abated. The most polemic of those policies, judicial reform, is causing concern across the Mexican economy, including the chemical industry. Gerardo Victal, marketing and NBD director Latam at allnex, summarized a commonly held view among industry executives, commenting: "On the regulatory side, the judicial reforms proposed by the current government are a source of concern for investors and businesses."

Nevertheless, allnex is powering on with its plans for Mexico, underpinned by the automotive industry, which continues to deliver results. Victal elaborated on how allnex is devoting resources to produce more specialized products for the auto industry, which has increasingly sophisticated needs. In addition, sustainability is a key factor. Victal said, "We recently launched a new product called EBECRYL 8466 for the textiles and leather segments, which is a new venture for us. We are expanding, but sustainable growth is essential."

Rubio from Kemikals also pointed out that despite improvements, the government faces a backlog of serious challenges that hamper growth: "Logistical challenges like rising costs, road congestion, and security issues demand proximity to clients."


Francisco Rubio, President, Kemikals


Gerardo Victal G, Marketing Development LATAM, Allnex

Among the challenges faced by established players in the sector is a dependence on imports of raw materials. Sun Chemical, which has an ink manufacturing plant in Naucalpan, is a leader in the national ink market, counting on a global R&D budget of over US$100 million, which allows it to introduce innovative products. Armando Castillejos Carmero, general manager of Sun Chemical in Mexico, reported annual sales of over US$140 million in Mexico alone, highlighting the market's importance for Sun Chemical. In addition, Carmero said: "One major challenge is that the chemical sector in Mexico relies heavily on imports for raw materials, such as resins, solvents, and pigments, as there is limited domestic production capacity."

Inflammatory rhetoric in North America seems to have thrown cold water on any future, warm revision and renegotiation of the USMCA trade deal, though time is yet to tell. The impact on multinational companies which have chosen Mexico as a hub for manufacturing is yet to be seen, but going into the future, the calculus on Mexico's attractiveness as a nearshoring destination for production might change.

Despite apparent logistical challenges and the potential for reduced US-Mexico trade in the coming four years due to political disturbances, multinationals continue investing in production capacity in Mexico. AkzoNobel, the global paints and performance coatings manufacturer, recently announced sizeable investments in the country. Manoel Torres Rodrigues, vice president of Americas at Akzonobel, said: "Recently, we invested US$3.6 million in the Garcia facility to increase our production capacity by 35% and meet customer expectations regarding growth." ■


Image courtesy of Pochteca

DISTRIBUTION

Consolidation and new entrants in a lucrative market

Mexico's chemical distribution sector enjoyed a prosperous 2024, driven by demand for increasingly specialist chemical products, sustainable alternatives, and high-level acquisitions of local companies by foreign players. M&A activity, which has been on the rise in recent years, is a sign of the robustness of Mexico's distributors. Continuing challenges in the domestic petrochemical sector, which has limited national production of chemical products, continue to present an opportunity for distribution companies to fill the gap created by inconsistent government policy surrounding petrochemical production.

In the first half of 2024, Brenntag acquired Quimica Delta, a leading distributor with over 50 years of history, further consolidating the industry. Distribution companies have been on a shopping spree, trying to rapidly penetrate new sectors and expand their geographic footprint within Mexico and the wider region, including Central and South America. Another notable acquisition in 2024 was made by IMCD, which has been on an acquisition spree in recent years. Arturo Hoyo, managing director of IMCD Mexico, commented: "In the first half of 2024, we acquired Grupo Bretano, headquartered in Costa Rica with a strong presence and reputation in Central America and with a solid presence in Mexico that makes us expand our product offering in the food and nutrition space."

Mexico's increasing trade relationship with the United States, solid industrial performance, and economic diversification, underpinned by the USMCA trade deal, has attracted foreign distributors to the country, seeing it as a crucial market with its regional reach that extends into the US as well as Central and South America. Opportunity comes hand in hand with legitimate risks for companies trying to enter the Mexican market; opaque regulation, creaking infrastructure, and insecurity can seriously disrupt new entrants. As such, local partnerships are key.

In late 2023, Suministro de Especialidades (SDE) was purchased by Formerra, an American performance materials distributor. This acquisition has helped SDE expand its product offering and leverage Formerra's global reach. Eric Aguilar, country manager in Mexico, said: "This partnership gives us access to a global network, improving our market position and enabling us to deliver advanced products and services… Local knowledge is crucial for overcoming Mexico's logistical challenges."

Alliances between Mexican and foreign distributors indicate the increasing attractiveness of the chemical distribution market in Mexico, and the entrance and consolidation of new players is yet another. One such new distributor is ION Specialties, founded in 2022, focusing on paints, plastics, inks and coatings. Carlos Rivas, the company's managing director, said: "Our strategy involves expanding our product offerings, improving our distribution networks, and ensuring that our suppliers and customers are satisfied."


Sergio Chiñas, CEO, First Quality Chemicals


Arturo Hoyo, Managing Director, IMCD México


Eugenio Manzano, Executive Director, Pochteca

GreenChem Industries, a US distributor with a portfolio of over 500 products to supply the paint, food and cosmetic industries, has been operating in Mexico since 2022. The company reaffirmed its commitment to the Mexican market in mid-2024, establishing a physical office in Mexico City to complement its network of warehouses in Guadalajara, Monterrey, and the capital city. Discussing why GreenChem has decided to focus on Mexico, Francisco Martínez, GreenChem's managing director in Mexico, said: "GreenChem sees substantial growth potential in northern Mexico. This region is a hub for manufacturing and automotive industries, which continue to grow despite economic challenges."

As a relatively new player in the sector, the company has had to be creative about driving growth and demand, especially in an increasingly consolidating industry where many multinationals might already be catered for. Martínez said: "We serve clients of all sizes, including micro, small, and medium enterprises, which constitute over 90% of businesses in Mexico."

Like Greenchem, the distributor Pochteca, which has a commercial presence across Latin America, is committed to leveraging its success in other American markets and replicating them in Mexico. Pochteca is present in 11 countries across Latin America, and its raw material, chemical and industrial solutions serve over 40 business segments, including home and personal care, paints and coatings, energy, automotive and mining, among others. Eugenio Manzano, Pochteca's executive director, discussed how the company wanted to build on its existing success in Mexico's food ingredients sector, by further penetrating into mining. Manzano said, "In mining, for example, we are very strong in Chile and Peru. But there is also a lot of mining in Brazil, Argentina and Mexico. We just started up a mining lab in San Luis Potosi, in the heart of Mexico, to replicate what we have in Santiago, Chile."

In such a competitive and challenging market, chemical distribution companies are aggressively innovating, cutting costs, forging alliances with new suppliers, and re-jigging their operational methods to survive and thrive. Among local distributors, First Quality Chemicals is such an example. Sergio Chiñas, CEO of First Quality Chemicals, said: "Recently, we signed a distribution agreement with Baerlocher, a German multinational. They are well-established globally, especially in Europe, where they are number one in plastic additives, specifically heat stabilizers for PVC, lubricants and processing aids, and other stabilizers."

Catering to Mexico's oil industry, Quimi Corp, a PEMEX supplier for decades, has been exploring diversifying its business, penetrating new segments such as health and nutrition. The company has recently partnered with Rezel, a Chinese catalyst producer, and is the unique distributor in Mexico. Óthon Canales, Quimi Corp's CEO, said: "Strategic alliances are critical to our business. The Mexican oil industry is highly complicated, but this partnership has allowed us to introduce new products."

Regarding the complications in the Mexican oil industry, Canales further discussed the structural challenges the state-owned oil giant PEMEX faced and how supplier companies downwind of it have come under increasing scrutiny and face high hurdles in accessing traditional finance, hence Quimi Corp's need for diversification. Canales said: "PEMEX owes approximately U$20 billion to suppliers and carries over U$100 billion in debt. The private banking system's reluctance to deal with Pemex is deeply concerning."

Indeed, despite a competitive and growing distribution segment, this sector is not immune from some of the broader challenges faced by Mexico's chemical industry and the economy at large. Global chemical markets have had to deal with Chinese oversupply of key petrochemical products, and Mexico is no different. Humberto Elizalde Mendoza, CEO of ICS Group, echoed the sentiment of many in the industry, saying: "Product oversupply from China poses a significant challenge, particularly in the context of this year's elections, which typically stall foreign investments."

ICS Group is the leading organic peroxide distributor in the country. Mendoza commented on the company's performance in 2024, discussing its challenging year. Among the reasons why organic peroxide demand was low, Mendoza said: "Factors such as a water shortage in Tampico halted industrial activities for several weeks, further impacting peroxide consumption."

Northern Mexico, the focus of industrial and manufacturing activity in the country and the region that has attracted much of the nearshoring investments in recent years, is facing water-related challenges. Kindall Sununtnsuk, commercial director, LATAM & IM/EX at Nexeo Plastics, said: "In northern Mexico, we hear from many of our customers that they have power outages quite regularly, especially in the summer months. Water and electricity are crucial for Mexico to capitalize on foreign investment."

In addition to homegrown and global challenges, executives in the distribution sector are keeping a close eye on U.S-Mexico relations, and how they could potentially impact the flow of goods on both sides of the frontier. N. Adriana Ramírez Millán, Chemical Sales Director for Helm de México mentioned how perceptions of these elections had impacted operations and inventory volumes.

Another challenge hampering the region's development and potentially curtailing industrial activity and, thus, chemical orders is infrastructure constraints and access to energy. DAXX, a chemical distribution company operating in Mexico for over 17 years, has extensive operations in the north of Mexico, handling storage and bulk material for paints, agrochemicals, oil, gas and water treatment industries. Jorge Hernandez, commercial director in Mexico at DAXX, said: "The lack of natural gas supply for production plants is a key vulnerability in the north."

Regulatory controls on shale gas and private energy development in Mexico, compounded by stringent import controls introduced in 2024 to protect domestic producers of lubricant and petrochemical products, have forced chemical distributors to invest more in legal and compliance teams and stock inventory. Leon Freiman, CEO of Chemlogis, a raw materials distributor explained: "As a long-standing, compliant operator, we believe that the coun-

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try could benefit from implementing measures like a 'green card' system to facilitate smoother trade for trusted entities with a track record of importation."

Freiman's views echo those of many in the chemical industry, particularly the distribution sector. Regulatory controls and high standards are crucial for the industry and paramount for Mexico if it wants to continue strengthening its trade and commercial relations with advanced economies like the US. Nevertheless, predictability and legal certainty are crucial, and introducing new controls or judicial reform without prior consent and warning can shake investor confidence in the country. Alejandro Prieto, Koprimo's founder and managing director of Koprimo, a raw materials distributor, said: "Importing products in Mexico is challenging due to bureaucratic processes and the complex regulations surrounding imports."

In addition, Koprimo's mining business is challenged by Mexico's insecurity crisis. Prieto mentioned how transporting input materials for mining production, such as zinc, was becoming increasingly difficult. Mining operations are often found in remote and isolated parts of the country, where road and transport robberies are common. Finding drivers willing to make those perilous journeys has become increasingly challenging and expensive.

Nevertheless, challenges also present opportunities for Mexico's chemical distributors. Mexico's water crisis, which affects everything from industrial activity to agricultural output, has been identified as one such opportunity. Koprimo is expanding its product portfolio for water treatment. ■

LOGISTICS

Private spending tries to make up for public shortfalls

Private infrastructure spending and laggard public investments have characterized the Mexican logistical sector in the past 12 months. The Dos Bocas refinery, PEMEX's US$20 billion flagship in Tabasco state, is yet fully operational, and the Mexican Chamber of the Construction Industry (CMIC) has stated that public investments in infrastructure during 2024 contracted by 30%, directly impacting sales of paints and coating necessary for the construction industry. Carlos Boone de Nova, supply chain and purchasing director at Énestas, a natural gas and raw materials distributor, said: "Every time there is a change in government, it slows things down temporarily as we all wait for new policies and directions."

Though these figures are disappointing in a country where the state remains a key player in the logistics and infrastructure sector, there are positive signs in private capital spending, reflecting the economy's underlying strengths.

Mexico's railway network is a critical material transporter for the chemical industry, and as US-Mexico trade has ramped up in recent years, railway connections between the two countries have deepened, and private investments to expand capacity have taken place. CPKC, North America's largest transnational rail company, which connects Canada, the US and Mexico across a 20,000-mile rail network, has invested in Mexico to meet the growing demand. In February 2025, at the Nuevo Laredo border crossing, the company completed the construction of a second railway bridge connecting the two countries and significantly expanded capacity for increased rail freight. Oscar del Cueto, president of CPKC de México, mentioned how this investment would be able to double freight capacity in Nuevo Laredo. Discussing CPKC's chemical portfolio, Angel Apunte-Aguirre, senior sales manager, said: "From January to October of 2024, we have grown 6.4% in import, export and businesses inside of Mexico on the chemical side."

A key factor driving the competitiveness of Mexico's rail operators is safety; Mexico's roads are increasingly dangerous, and highway robberies of transport trucks are rising. Rail, when available, presents a safer alternative, though more can be done. Oscar del Cueto commented on CPKC's collaboration with the Sheinbaum government on safety and security measures: "The National Guard is developing an important approach to security in the country, launching new information gathering and collection programs to better map spots of insecurity and appropriately respond. We are engaging with them on this front, providing data that we gather on the key points in the entire railway network."

The uptick in chemical trade is reverberating across the logistical sector. Bulkmatic de Mexico, the country's biggest trans loader, which operates 15 rail terminals across the country, is continuing to expand its infrastructure to accommodate an increased volume of incoming plastics, according to Alejandro Doria Lopez, president of Bulkmatic de Mexico.

On the Gulf coast, however, significant investments and infrastructure improvements are taking place too, underlining the region's significance as a petrochemical hub and major port of entry and exit for Mexican and foreign goods at Altamira port. FR Terminales, a specialist chemicals and plastic resins terminal operator, has invested considerably in expanding capacity at its Tuxpan terminal in Veracruz; the expansion was completed in late 2024. Ramón Islas, CEO of FR Terminales, commented: "The tank capacity was increased by about 40%, and the loading and unloading capacity, from tanks to trucks, was increased by approximately 60%."

Confirming an industry-wide uptick in chemical demand, Islas commented: "A significant portion of our growth originates from increasing volumes of dry cargo, including plastic resins and specialty products."

Transport activity continues to pick up pace in Mexico, prompting MSC, the world's largest container shipping company, to recently establish sizable new offices in the heart of Mexico City, overseeing MSC's operations across nine significant ports in Mexico. MSC has capitalized on the growing China-Mexico trade, expanding its services from traditional shipping into air freight between Mexico and China, as Victor Monroy Vollmer, CEO of MSC Mexico, explained.

The air freight market is growing with demand for specialized and pharmaceutical goods. Leshcaco Mexicana has capitalized on this trend. Francisco Gálvez, managing director of Leschaco Mexicana, said: "This year we saw growth in air freight, with over 40% growth compared to 2023."

Gálvez added that Leschaco is focusing on cross border chemical trade, recently growing in Matamoros.

Altamira's significance as a petrochemical hub was reiterated by Adonay Navarro, managing director of Altamira Terminal Portuaria (ATP), one of the leading terminal operators in the port, handling between 450-500,000 TEU'sTEUs annually. The operator exclusively handles dry cargo and is undergoing capacity upgrades to extend the size of its berth and handle more cargo. Navarro said: "The region's petrochemical industry contributes strongly to exports, especially plastics. Altamira continues to attract industries importing goods and exporting finished products, supported by the region's robust industrial base." ■


Francisco Gálvez, Managing Director, Leschaco Mexicana