

# Ceo report sample

[Business](#), [Company](#)



## **Substance Manufacturers,**

Sub: Business Environment in Mexico

I have researched thoroughly about the Mexican economy and its business environment; all the findings are mentioned in the document including the total SWOT analysis. I have also highlighted current FDI norms, labour and tax reforms of the economy. Crime is one of the concern in the economy, other than that Mexico provides good investment opportunity.

**Please go through the report to have complete view about the business environment of the Mexican economy.**

Regards,

Introduction

Proximity to US and strong commercial growth prospects has made Mexico as one of the most highlighted business destination compared to the other countries. This has made many companies to invest in the country. Air Liquide is one of the prominent industrial gas suppliers has decided to set up a new air separation plant and steam methane reformer in Northern Mexico. Mexico business culture is depended a lot on economic condition of US. Mexico is facing one of the major risk is that US is going through prolonged recession until in last few quarters good growth has been witnessed in the region. The slower growth in the economy of US would make it difficult for the business growth in the Mexico. Therefore it is of very important for the Mexico to develop trade relation with many other countries and not dependent on US significantly.

Manufacturing sector is one such sector where private consumers are rising and demographically it supports the manufacturing sector. As US markets is

likely to remain in the positive trajectory in the coming quarters and therefore we can expect little currency appreciation for Mexican Peso. US macro-economic outlook suggests that country would experience inflow of capital from the other countries for the development of the products and services, and will therefore boost the chances of Mexican exporters to gain significantly.

## **Let's look at SWOT analysis for the growth of business in the Mexican region-**

### **Strength for Business Environment**

Government of Mexico is taking action to develop infrastructure of the Mexico and that would help many foreign investors and manufacturing companies to set up their plan due to better growth of infrastructure to start up and set up business. Thus government providing incentive for the business houses for investment in the county by giving better business environment.

Government has taken few steps by implementing policies to reduced dependency on US, as country exports 80% of its total exports to the US. This has somehow made government to think and now government is trying to enter into free trade agreement with various countries, thus reducing its dependency on single country.

### **Weakness for Developing Business**

Compared to the entire OECD region, Mexico has the lowest levels of education, thus making it difficult to create work for financial sector.

Education is one such setback of the country and presence of union has deteriorated the situation further.

Resources produced in the north region which is considered as the most prosperous region of Mexico, are shifted to the lesser developed south region suggest that there is flaw in the regional policy.

Apart from the above two weakness, economy is also facing difficulty in union matters that is making it very difficult for the companies to hire and fire employees.

#### Opportunities for New Business

Foreign investments are one such area which can drive the growth of the economy. Mexico foreign investment policies are friendly in many sectors and in some sector majority of the ownership is also allowed to the foreign companies. Mexico should also look for trade partners apart from US, as economy is dependent a lot on the growth of US so can be dangerous for the economy in the long term.

#### Weakness for Business

High criminal activity is one of the most significant threats for the companies and business houses. Government till now could not take any significant step that could reduce the criminal activities in the region.

One more threat that haunts the economy is overdependence on the US. Mexico exports 80% of its total exports to the US economy, suggesting that the country has to take few steps to increase its trading activity with other countries.

#### Business Development

For the foreign business houses low cost of labour is considered as one of the most favourable factor to set up business plant in the region. Government also supports foreign direct investment in the Mexican region as it has

allowed majority of ownership in many sectors for the foreign companies, making it favourable for the foreigners to govern the business by their own standards. Recently Partido Revolucionario Institucional (PRI) highlighted that they may come up with reforms such as limited energy sector reform for the development of the industrial region, which involved lots of private sector investment in the region. Tax reforms that were announced recently by the government would also help to reduce the corruption practises by the companies, but still it is unlikely that it would help majorly in the benefit of the economy. Government has also indicated infrastructural investment in the economic region but it is very unlikely to happen unless private sector invests, as government is suffering from fiscal problem and spending more would lead to deterioration of the deficit further.

#### Incentives for the foreign companies

All the major sectors are allowed to have 100% investment in any corporation and partnership, except the government entities and those segments that are strategically important to the country. Accelerated depreciation allowance is given up to 92% in many sectors which is pulls many foreign investments, but no tax holiday is provided by the government to foreign companies. Many state government helps business houses in setting up their businesses in the region by providing them tax incentives, thus creating overall positive environment for business.

#### Leader in Aero Space Sector

Mexico is regarded as vital in providing aero space sector engineering services and equipment providers with more than 260 companies have established their business in the region. Initially Mexico was the hub to

assemble aeroplanes and its parts but now with the lapse of time the industry has taken the shape of manufacturing of sophisticated aero parts and fuselage manufacturing. This industry has made a provision to provide 32000 employments in more than 16 states of the country. Most of the aerospace companies have established their manufacturing department in the region due to the lower production cost, easily availability of labour, support from government to set up business in the region, skilled labour and established industrial infrastructure makes it very easy for the business to establish their production the region. According to the Economist, by the end of 2015 total number of aerospace manufacturing company would reach to 350 compared to 232 during 2010. This industry would provide more jobs for the region; approximately 15% more form the current levels by the end of 2015.

This development of the aerospace sector would also help other sectors like technological sector and other related manufacturing sector like us, as we would be able to provide our manufactured products which are used in aerospace sectors.

#### Lower Tax Rate

Corporate that have established their business in the region and are effectively managed in the country are considered as resident of Mexico. Corporate tax rate is imposed in the country at the rate of 30% and it is expected to decline further by 1% every year till the end of 2015.

Government is taking initiative to rope in more corporate in the country as that could only help economy to come out form the deficit problems. Many companies just pay 1.55 business taxes instead of the corporate tax rate.

These kinds of friendly business environments, creates incentives for the corporate around the world to increase their investment in the existing project or start up new business in the region.

#### Legal Framework

Law for Mexico has originated from the Roman law, and its civil law system has evolved further in the Europe with influence of Anglo-Saxon. As far as private property is concerned, enterprises are free to establish their properties and they can acquire and sell off the property of their interest for business operation. North American Free Trade Agreement secures the rights for the property ownership, only public properties being the exception.

#### Corruption

In the administration of Felipe Calderón's corruption was the major plank and it is expected to continue under the current leader as well. Although the country has established membership of the Inter-American Convention against Corruption ratified by the 33 countries, but could not stop problems from graft. Crime in the lawful and penal techniques has permitted some drugs numbers to buy their way out of detention soon after catch.

Additionally, at a governmental stage, a latest study by the Centro de Estudios Económicos del Industry Privado discovered many companies still pay bribes to impact community authorities, particularly at the government stage, but also at the condition and community stages. Nevertheless, while we believe corruption will stay a major problem for the long run, the decriminalisation of possession of little medication is likely to help to eliminate at least one resource of corruption.

#### Labour Force

Educated work force is problem of the economy but total labour force if the country is around 45 million and out of that 23% are employed at the manufacturing and construction, 60% of the population are employed at service and commerce sector, and rest in the agriculture sector. Trade union hold significant and aggressive political influence and that hinders the freedom of company to hire and fire employees.

### Conclusion

Government of Mexico has taken several initiatives to promote foreign direct investment in the country that would benefit our company as well. If labour problem can be solved to certain extent then country would enjoy significant success in giving better business environment in the country. With government trying to join for free trade agreement with many countries; it would reduce dependency on US for exports. Favourable tax structure for the business houses in the country invites investors to invest in the country and urges existing investors and business houses to invests further in their business or start up new entity. Friendly tax rates and support from government is ideal for any company to invest in the Mexican economy.

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