BBVA Research

Mexico: Trade & FDI Outlook 1H 2025

In June 2025, Mexico faced an effective average tariff of 8.28% on $44.9 billion in exports to the US—among the lowest globally. This reflects shifting trade flows and sector-specific tariff variations, positioning Mexico to benefit from renewed nearshoring momentum.

Jesús Hernández / Diego López / Carlos Serrano / Samuel Vázquez
September 8, 2025

Key Points

- Mexico's trade momentum remains strong, as evidenced by the June 2025 figures. During the 1H25, cumulative exports reached USD 313 billion (4.3% YoY growth) vs USD 311 billion in imports (0.2% YoY growth), yielding a USD 1.4 billion surplus.
- Manufacturing goods remained the backbone of Mexico's foreign trade, accounting for nearly 90% of accumulated exports. Notably the agricultural and livestock industry reached a 3.9% share, positioning itself as the second most important export category, surpassing oil (2.0%) until this day.
- Export concentration continued into 2025 through June, with the U.S. accounting for 83.3% of Mexican exports. Canada and China were Mexico's next largest export destinations, at 6.4% and 3.1% respectively.
- Mexico's automotive industry remains deeply dependent on external markets, particularly the United States. Currently subject to a 25% tariff for all automotive imports, where only cars imported vía USMCA can exempt US content, estimated at 18.3% for Mexican cars sold to the US.
- Despite the increase in tariffs on steel, aluminum, and derivatives from 25% to 50% in June, the macroeconomic impact on Mexico is expected to be limited. In 2024, the value of Mexico's steel and aluminum exports constituted only 1.0% of the country's total exports and 0.26% of its GDP.
- FDI inflows reached US$134.8 bn in 2024 revised figures (4.7% YoY growth) and by 1H25 reached US$55.6 bn and continue to grow 8.2% compared to 1H24 funnelling mainly into manufacturing (38.8% of 1H25 FDI) followed by Financial Services (25.8%) via clusters in Mexico City (55.9% of 1H25 FDI), Nuevo León (10.3%), State of Mexico (7.4%) and Guanajuato (2.8%).
- The US leads FDI inflows with US$23 bn (41.3% of 1H25 FDI) followed by Spain (16.5%), the Netherlands (4.7%), Canada (4.6%) and Australia (4.4%); Asian nations account for a smaller share led by Japan (3.9%), South Korea (1.7%) and China (0.4%) during 1H25.
- Mexico may face a lower level of relative protectionism. A plausible scenario considers Mexican producers to deduct US content in car exports (Av. 18.3%) and de facto 0% tariff on autoparts that satisfy USMCA rules, reducing the average tariff to 12.0%. Moreover, if the Trump administration agrees to cut migration—and fentanyl-related tariffs to 12%, the average could fall to 7.5%. Recent US appeals court ruling on IEEPA tariffs, if definitive, could drop the average rate to 4.0%, US Supreme Court will define the final equilibrium.
- Although tariffs harm both the Mexican and U.S. economies, Mexico's relative position vis-à-vis the United States' main trading partners is favorable, as it faces comparatively lower tariffs when exporting to the U.S. market. A second opportunity for Mexico is preferential access to countries

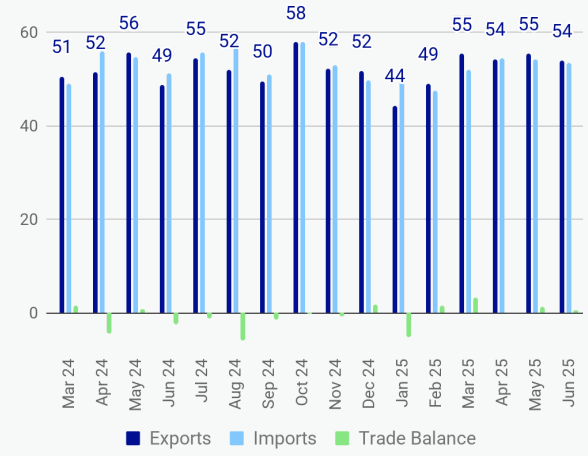
that imposed retaliatory tariffs on the US, making it more attractive to US exporting firms to finish their products in Mexico.

- Tariffs Are Not the Whole Story. While Japan and the EU currently face a 15% auto tariff vs. 25% for Mexico, Mexico retains overall cost competitiveness when labor and logistics are factored in.
- This places Mexico in a relatively favorable position compared to other trade competitors—particularly China—potentially jumpstarting ***nearshoring*** activity and enhancing U.S.-Mexico economic integration over the medium term.

Trade and Tariffs Outlook

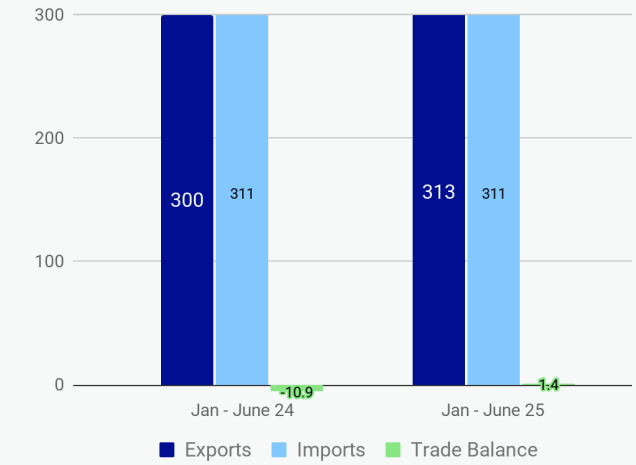
Despite tariff threats and the anti-trade rhetoric from the US, Mexico's trade momentum remains strong, as evidenced by the June 2025 figures. Monthly exports have consistently remained within the USD 50-56 billion range over the last 15 months, while imports have fluctuated between USD 49-53 billion, resulting in a slightly positive trade balance (See Figure 1). From January to June 2025, cumulative exports reached USD 313 billion (4.3% growth compared with the same period of last year) versus USD 311 bn in imports (0.2% increase), yielding a USD 1.4 billion trade surplus for the first half of the year.

FIGURE 1: MEXICO TRADE
(BILLION USD)



Source: BBVA Research with data from Inegi

FIGURE 2: MEXICO TRADE
(BILLION USD)

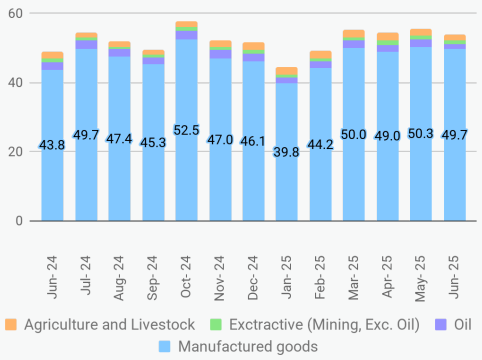


Source: BBVA Research with data from Inegi

Between January and June 2025, manufacturing goods remained the backbone of Mexico's foreign trade, accounting for nearly 90% of accumulated exports. However, the most striking feature of the period is the shift in the hierarchy of primary goods: the agricultural and livestock sector reached a 3.9% share, positioning itself as the second most important export category, surpassing oil (2.0%) until this day. This displacement is not merely cyclical but rather a signal of structural reconfiguration: Mexico is becoming increasingly competitive in agriculture, while oil production has stagnated for the last six years.

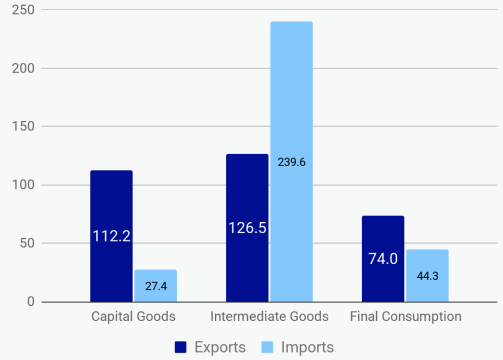
During this same period, Mexico experienced a trade surplus in capital and final consumption goods, as depicted in Figure 4. Nonetheless, the persistent deficit in intermediate goods highlights the manufacturing nature of Mexican trade. As we have stated before, Mexico is not a direct competitor to the US in the production of manufactured goods, but complements it through complex value chains.

FIGURE 3: MEXICO TRADE TYPE OF GOOD (BILLION USD)



Source: BBVA Research with data from Inegi

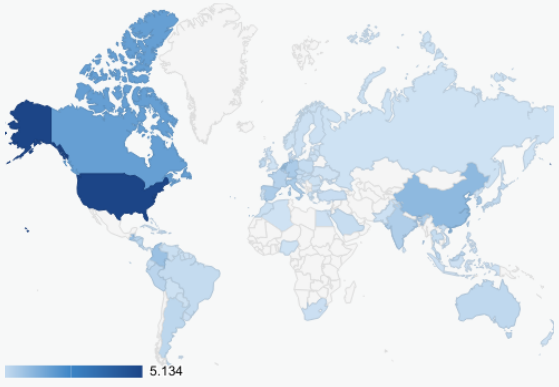
FIGURE 4: MEXICO TRADE TYPE OF GOOD JANUARY - JUNE 2025 (BILLION USD)



Source: BBVA Research with data from Inegi

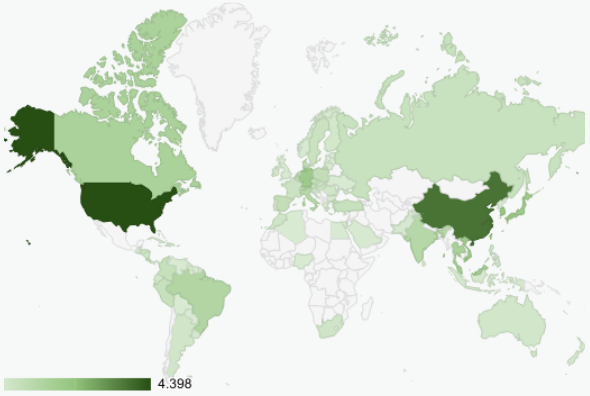
The United States remains, by far, Mexico's primary trading partner, absorbing the majority of its exports. In 2024, U.S. imports from Mexico reached US$505.9 bn, making up 83.1% of Mexico's total exports. This dominance continued into 2025 through June, with the U.S. accounting for 83.3% of Mexican exports. Canada and China were Mexico's next largest export destinations, at 6.4% and 3.1% respectively. On the import side, the U.S. share of Mexico´s total imports decreased to 40.2% in 2025. This contrasts with the increasing integration of Chinese goods into Mexico's production supply chain and final goods, with China accounting for 20.1% of imports during the same period. Other significant import partners are Asian countries: South Korea (3.7%) and Taiwan (3.5%) hold the third and fourth largest import shares, respectively.

FIGURE 5: MEXICO EXPORTS 1H 2025 (ACCUMULATED BILLION USD)



Source: BBVA Research with data from Inegi

FIGURE 6: MEXICO IMPORTS 1H 2025 (ACCUMULATED BILLION USD)

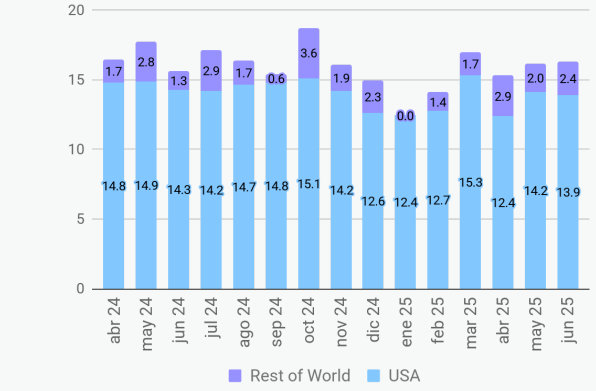


Source: BBVA Research with data from Inegi

Automotive Industry: Tariffs began to erode momentum in 1H25.

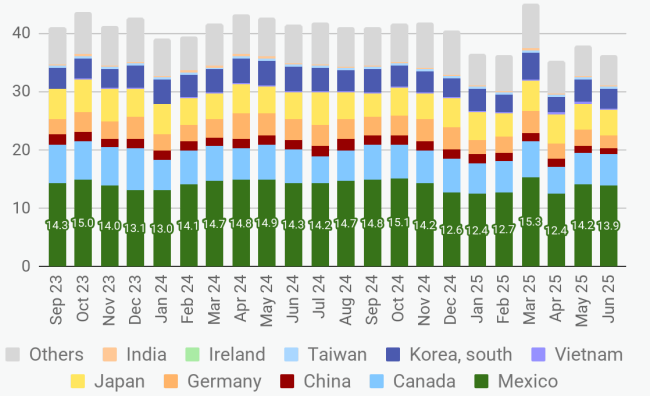
Mexico’s automotive industry remains deeply dependent on external markets, particularly the United States. In 2024, exports to the U.S. represented 88.4% of total Mexican automotive exports, amounting to US$171.4 bn out of US$193.9 bn, consolidating the country’s role as a strategic supplier within North America. This figure rose slightly to 88.6% by 1H 2025. The increase in auto exports to the U.S. during the first quarter likely reflected companies frontloading shipments in anticipation of tariffs.

FIGURE 7: MEXICAN AUTOMOTIVE EXPORTS
(BILLIONS USD)



Source: BBVA Research, Inegi. Note: April 3rd: Automotive Tariffs into effect

FIGURE 8: US AUTOMOTIVE IMPORTS
(BILLIONS USD)



Source: BBVA Research, Inegi. Note: April 3rd: Automotive Tariffs into effect

Nevertheless, by mid-2025, the landscape shifted as tariffs and economic uncertainty began to erode momentum. In the first half of 2025, Mexican automotive exports to the U.S. contracted 5.6% year-over-year, while shipments to the rest of the world slightly compensated with 9.6% growth (while having a small share). The shock became particularly evident during April 2025, when U.S. imports of Mexican vehicles plummeted 16.4% year-over-year, coinciding with the implementation of the 25% automotive tariff on April 3rd (at the moment, the US content is exempt for autos, see more details in Tariffs: Continuous uncertainty section). Figure 8 shows U.S. automotive imports using Census data (Mexico at the bottom in green). We observe the same increase in imports in March, followed by a subsequent decline in April due to the implementation of tariffs. In May and June, the deceleration in U.S. demand for vehicles remains evident.

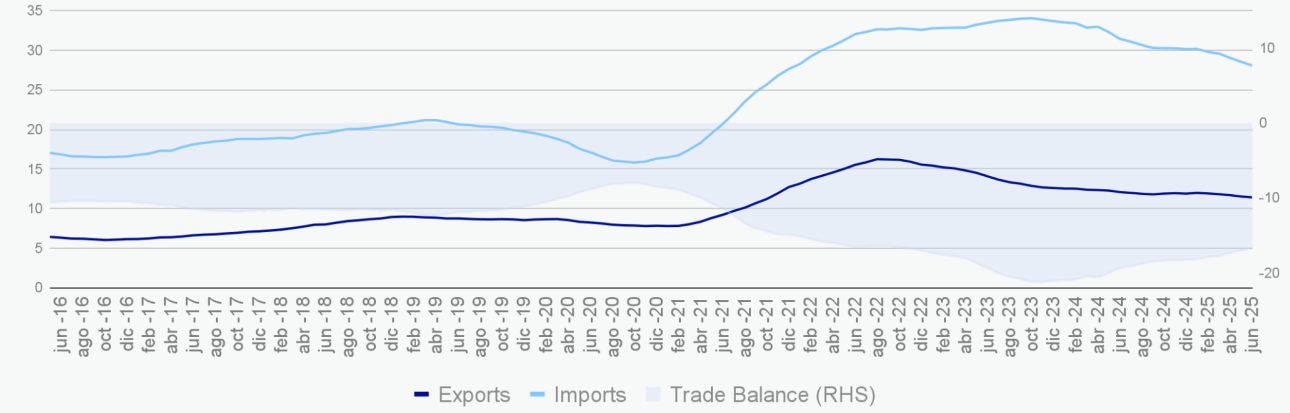
Steel & Aluminum: Limited impact despite tariff increase

Despite a recent increase in tariffs on steel, aluminum, and derivatives from 25% to 50% in June, the impact on Mexico´s exports is expected to be limited. In 2024, the value of Mexico's steel and aluminum exports (from chapters 72, 73, and 76) constituted only 1.0% of the country's total exports and 0.26% of its GDP. Furthermore, because the tariff applies universally, Mexico's relative competitiveness against other nations is not anticipated to change. Based on what was observed in 2019, the imposition of tariffs on Mexican exports would undoubtedly have a negative impact, but a contained one, as exports declined by less than 10% that year.

The rationale —though not entirely rational—behind the tariffs on steel and aluminum is centered on the United States' trade deficit in this sector, as well as the expansion of installed production capacity in other countries. In Mexico's case, however, this flawed argument does not hold, as the bilateral trade balance favors the United States (See Figure 9). Nonetheless, concerns persist in the U.S.—originating during the Biden administration—regarding the potential presence of Chinese-origin steel in Mexican exports to the U.S. Since July 2018, both Mexico and Canada have been subject to Section 232 requirements, which mandate declarations to the U.S. Customs and Border Protection affirming that steel was melted and poured in North America to avoid a 25% tariff, and that raw aluminum did not originate from China, Russia, Belarus, or Iran to avoid a 10% tariff.

The main steel and aluminum suppliers to the U.S. in 2024, in order of importance, were Canada, Mexico, South Korea, Brazil, and China—together accounting for 58.7% of imports. The primary U.S. states importing these goods were Texas, Illinois, California, and Michigan, representing a combined 42% share in 2024. The primary effect will be felt in the U.S. domestic industry through modest price increases. Studies analyzing the initial round of tariffs in 2018 indicate they led to the loss of approximately 75,000 jobs. For the most exposed firms, exports declined by 0.11% for each additional tariff point. The tariffs also caused price increases of 2.4% for steel and 1.6% for aluminum.

FIGURE 9: MEXICO STEEL TRADE
(ANNUALIZED BILLION USD)

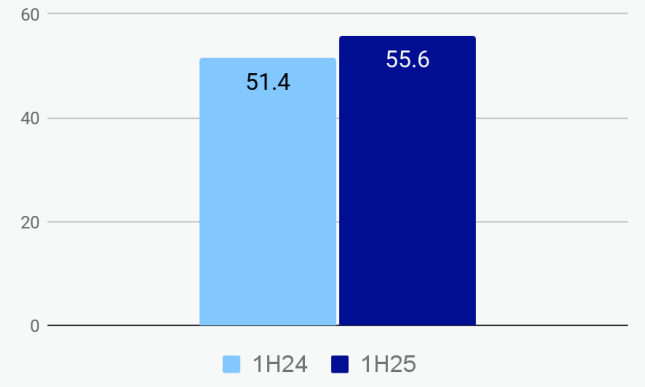


Source: BBVA Research with data from Inegi

Foreign Direct Investment: Sector and Regional trends

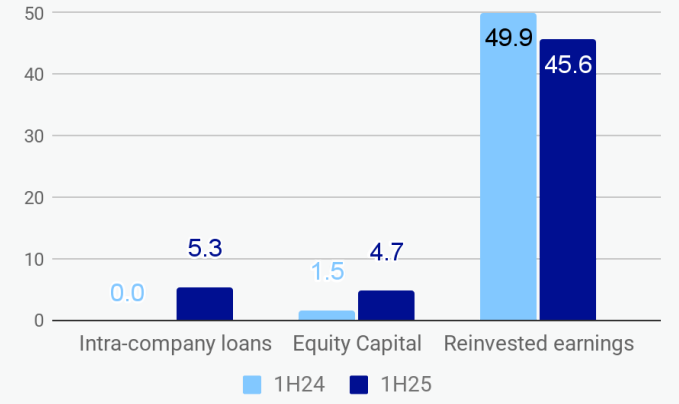
FDI inflows reached US$134.8 bn in 2024 (most recent and revised figures) (4.7% YoY growth) and by 1H25 reached an accumulated US$55.6 bn and continued to grow 8.2% compared to 1H24. Reinvested earnings accounted for 81.9% in 1H25 meanwhile Equity Capital more than doubled from 1H24 accounting for 8.5% (US$4.7 bn) in the first half of the present year.

FIGURE 10: MEXICO FDI INFLOWS
(BILLIONS USD)



Source: BBVA Research with data from Ministry of Economy (SE)

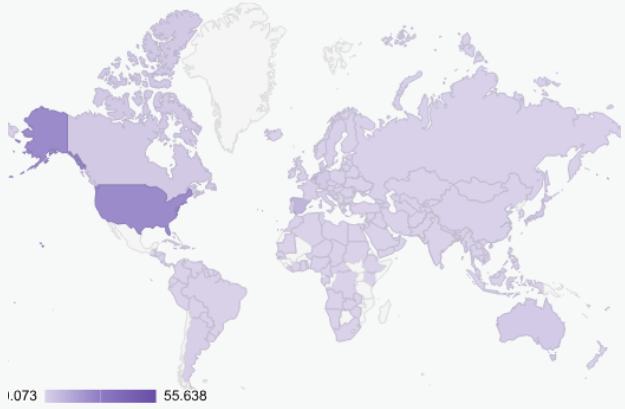
FIGURE 11: MEXICO FDI INFLOWS
(BILLIONS USD)



Source: BBVA Research with data from Ministry of Economy (SE)

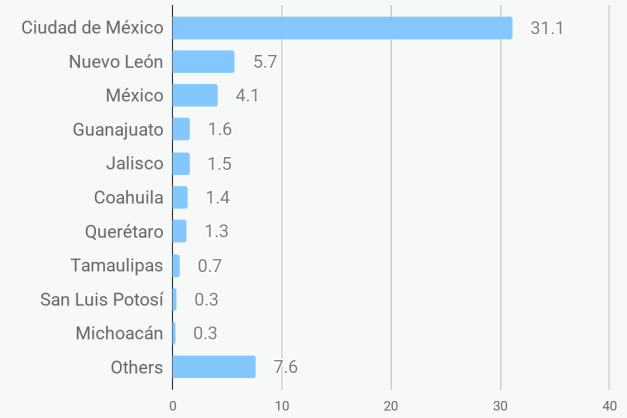
The Equity Capital component of FDI is most commonly associated with nearshoring. However, at BBVA Research, we have consistently emphasized that Reinvested Earnings are also a strong positive signal. They reflect the confidence of companies already operating in Mexico to reinvest and expand their operations, driven by optimistic expectations for the country's economic outlook and long-term potential.

FIGURE 12: MEXICO 1H25 FDI INFLOWS BY COUNTRY OF ORIGIN (BILLIONS USD)



Source: BBVA Research with data from Ministry of Economy (SE)

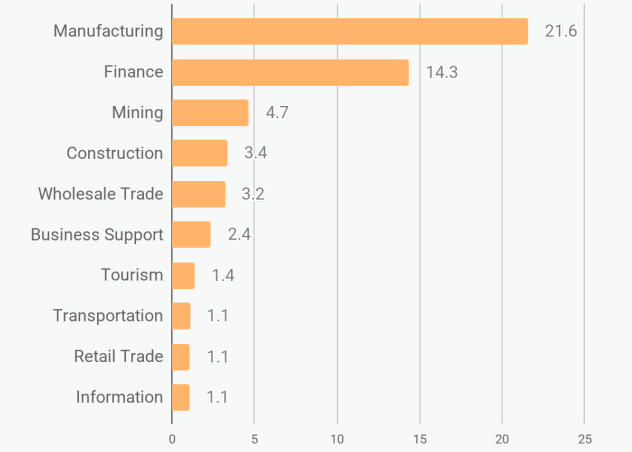
FIGURE 13: MEXICO 1H25 FDI INFLOWS BY STATE OF DESTINATION (BILLIONS USD)



Source: BBVA Research with data from Ministry of Economy (SE)

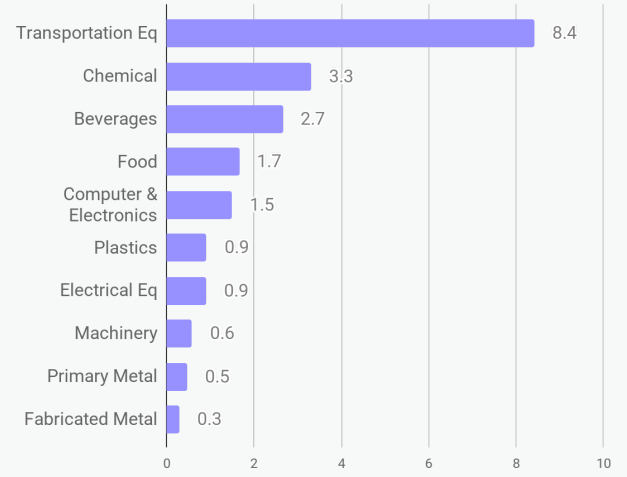
By region, the US leads FDI inflows with US$23 bn (41.3% of 1H25 FDI) followed by Spain (16.5%), the Netherlands (4.7%), Canada (4.6%) and Australia (4.4%); Asian nations account for a smaller share led by Japan (3.9%), South Korea (1.7%) and China (0.4%). From a Sectoral point of view, the FDI is funnelling mainly into manufacturing (38.8% of 1H25 FDI) followed by Financial Services (25.8%) via clusters in Mexico City (55.9% of 1H25 FDI), Nuevo León (10.3%), State of Mexico (7.4%) and Guanajuato (2.8%) as highlighted in the following figures.

FIGURE 14: MEXICO 1H25 FDI INFLOWS BY SECTOR (BILLIONS USD)



Source: BBVA Research with data from Ministry of Economy (SE)

FIGURE 15: MEXICO 1H25 FDI INFLOWS BY MANUFACTURING INDUSTRY (BILLIONS USD)



Source: BBVA Research with data from Ministry of Economy (SE)

Main FDI inflows insights

- **Advanced manufacturing**: Particularly in automotive (EVs, batteries) and aerospace clusters in the Bajío and northern border states.
- **Logistics and warehousing**: Driven by e-commerce expansion and nearshoring demands in Nuevo León, Jalisco, and Estado de México.
- **ICT and data infrastructure**: Cloud services, data centers, and software engineering hubs are increasingly dotting tech corridors, especially around Guadalajara and Monterrey.
- **Northern states** (Nuevo León, Chihuahua, Coahuila) attract the lion's share of nearshoring FDI, leveraging industrial parks, skilled labor, and established US trade routes.

- **The central corridor** (Querétaro, Guanajuato, Aguascalientes) is consolidating as a high-tech manufacturing belt.
- **Southern Mexico** remains underrepresented, despite strategic initiatives like the Interoceanic Corridor. Investment risk perception—driven by infrastructure gaps and institutional asymmetries—remains a deterrent.

Tariffs: Continuous uncertainty

The bilateral trade environment between Mexico and the US during 2025 has been marked by persistent uncertainty, with repeated threats of new tariffs, frequent pauses in implementation, and abrupt shifts in policy direction. These swings often stem from political motives or national security narratives—such as concerns over migration and/or drug smuggling—which add noise and opacity to the rules of engagement. Moreover, from an analytical standpoint, assessing an effective average weighted tariff has become a moving target. The unpredictable timing, scope, and exemptions of each round of measures limit the accuracy of traditional tariff incidence assessment.

The complexity stems from multiple layers of tariffs enacted under different legal authorities. These include proclamations under Section 232 for steel and aluminum, and the IEEPA Executive Order concerning security and migration. For instance, on June 3, 2025, tariffs on steel, aluminum, and their derivatives were suddenly increased from 25% to 50%. The automotive industry faces a 25% tariff, though a crucial exemption for U.S. content (averaging 18.3% for Mexican cars) complicates the final calculation. Moreover, there is a de jure tariff of 25% for auto parts that has not been enforced until the present day. We must also recall that, in addition to the sectoral tariffs, Mexico (as well as Canada) faces a 25% tariff on all items not exported to the U.S. under the USMCA framework. According to U.S. authorities, this IEEPA tariff has been applied to curb migration and exports related to fentanyl, with a clause stating that can be reduced to 12% if authorities determine that sufficient progress has been made in these areas.

In order to assess the current tariff framework faced by Mexico, the primary source of information is the USA Trade from the US Census Bureau , which collects import data at the district level using the Harmonized System (HS) classification, aligned with the Harmonized Tariff Schedule (HTS), to identify tariffed goods. To accurately assess Mexico's trade exposure, we need to identify the tariff lines included in the executive orders and calculate their share of U.S. imports from Mexico. Figure 16 summarizes the current in force tariffs, using data as of end-2024.

FIGURE 16: US IMPORTS FROM MEXICO IN 2024 BY RATE PROVISION AND CURRENT IN FORCE TARIFFS
(BILLION USD AND SHARE, %)

	Section 232 Proclamation 10895 & 10896 Adjusting Imports of Steel, Aluminum & derivatives	Section 232 Amendment Proclamation 10895 Beer and Empty Aluminum Cans	Section 232 Proclamation 10908 Automobiles	Section 232 Proclamation 10908 Auto Parts	IEEPA Executive Order 14194 Security and Migration (Rest of goods)[d]	Total
Tariff provision: Free by legislation (USMCA)	0.8 (0.2%) **50%** Executive Order[e]	0.1 (0.0%) **50%** Executive Order[e]	70.0 (13.8%) **25%** Executive Order **US Content exempt**[a]	46.5 (9.2%) **25%** Executive Order[c]	129.6 (25.6%) **0%** USMCA compliant[d]	247.1 (48.9%)
Tariff provision: Others than USMCA	3.9 (0.8%) **50%** Executive Order[e] ~~+ 25% non USMCA = 50%~~[b]	6.3 (1.2%) **50%** Executive Order[e] ~~+ 25% non USMCA = 50%~~[b]	8.7 (1.7%) **25%** Executive Order ~~+ 25% non USMCA = 50%~~[b]	77.9 (15.4%) **25%** Executive Order ~~+ 25% non USMCA = 50%~~[b]	162.0 (32.0%) **25%** non-USMCA[d] 30% threat[f]	258.7 (51.1%)
Total	4.7 (0.9%)	6.4 (1.3%)	78.7 (15.6%)	124.5 (24.6%)	291.6 (57.7%)	**505.9** (100 %)

Source: BBVA Research with data from the Census Bureau and the US Federal Register. Note: For each executive order, only the specified tariff lines are considered. [a] The U.S. content of vehicles and their components is excluded from the tariff calculation. For Mexico, this content represents an average of 18.3% of the value of an exported automobile. [b] ~~Additional 25% tariffs on goods that do not satisfy USMCA rules of origin. The rates are in addition to any other duties, fees, exactions, or charges applicable~~ On April 29, President Trump signed an executive order and a proclamation eliminating the tariffs accumulation (stacking) and allow rebates for the automotive industry See details here. [c]On Thursday, May 1, CBP announced an additional 0% ad valorem duty rate on the HTSUS provisions listed in subdivision (g) until the U.S. Department of Commerce issues its FRN with guidance. Therefore, we are maintaining the 25% threshold until the criteria are clarified. See details here. [d]On May 28th a U.S. trade court blocked President Donald Trump's IEEPA tariffs. Other tariffs imposed under different powers, like so-called Section 232 and Section 301 levies, are unaffected. See details here. Recently, on August 29th US appeals court ruled out IEEPA tariffs effective Oct 14; US Supreme Court will decide the final outcome See details here [e] On June 3, the Executive Order was issued increasing tariffs on steel, aluminum and derivatives from 25% to 50%. See details here [f] A 30% tariff on Mexican imports was announced on July 12, set for August 1 but later deferred by 90 days. This tariff is considered separate from sectoral duties.

In 2024, Mexico exported USD 505.9 billion to the United States. Of that total, 48.9% was channeled through USMCA, while the remaining 51.1% went outside the trade agreement. The recently postponed (on August 1st) 30% tariff threat for UE, Canada and Mexico is considered under several assumptions, as we do not have any official details on the scope and implementation. See Figure 16 and Figure 17 footnotes. The composition of US-Mexico trade is expected to shift. Exporters who previously bypassed the USMCA due to the administrative burden of demonstrating rules of origin compliance may now reconsider, given the large tariff that can now apply to non USCMA goods. While the precise number of companies adopting the agreement remains uncertain, increased utilization is anticipated. Historically, NAFTA (now USMCA) facilitated 64% of trade in 2003—the highest share recorded. Despite some media outlets and Mexican officials suggesting this figure could climb to 80%, this appears optimistic.

A plausible scenario (which is our baseline) considers deducting US content (an average of 18.3% in automotive exports) and de facto 0% tariff on autoparts that satisfy USMCA rules, reducing the average tariff to **12.0%** (See Figure 17 Column A Short-Term Eq). If, in addition, the share of exports under USMCA rises to its historical peak (64.2%), the tariff could drop further. Moreover, if the Trump administration agrees to cut migration—and fentanyl-related tariffs to 12%, the average could fall to 7.8% (See Figure 17 Column B Short-Term Eq). This would place Mexico among the countries with the lowest levels of relative protectionism from the US worldwide. On July 12, authorities announced a 30% tariff on imports from Mexico, initially scheduled to take effect on August 1, later postponed by an additional 90 days. We assume this tariff is independent and not cumulative with existing sector-specific tariffs.[1]

FIGURE 17: ESTIMATED WEIGHTED AVERAGE TARIFF (%)
(BILLION USD AND SHARE, %)

Scenario	Assumptions	(A) Current Scenario July 25th Considering De facto 0% tariff on auto parts via USMCA b/	(B) Scenario A + Agreements on Security and Immigration IEEPA reduced from 25% to 12%c/	(C) Scenario A + Favorable US Court ruling suspending IEEPA tariffs c/
Short-Term Eq. (Based on 2024 trade data)	Imports via USMCA without specific tariffs are exempt + Cars exempt US content (Av. 18.3%a/)	**12.0%** 13.6% e/ (30% threat)	7.8%	**4.0%**
Lower impact (Based on 2024 trade data)	+ Imports via USMCA rise from 48.9% to 64.2%c/ (If IEEPA is eliminated as in column C, USMCA share not relevant)	**7.5%** 8.6%	4.6%	**1.9%**
June 2025	$44.87 bn USD imported by the US from Mexico.	**8.28%**		

Source: BBVA Research, with data from Census Bureau, US Federal Register. Including recent trade deals with Japan and the UE. a/ Executive Order on Automotive industry allows importers under the USMCA to exempt the US content. With data from OECD ICIO tables, the average of US content in Mexican automotive exports is 18.3% b/De jure the tariff is 25%, but it has been continuously in pause); this carve out will endure at least until the U.S. Dept. Of Commerce issues their FRN with guidance c/According to data from the US Census Bureau, in 2003 the United States imported $138 billion from Mexico, with 64% via NAFTA c/ Executive Order 14194 states that if Mexico reach successful agreements on Security and Immigration, the tariff could be reduced to 12% d/On May 28th a U.S. trade court blocked President Donald Trump's IEEPA tariffs. The matter is currently in discussion by US Trade Court e/ A 30% tariff on Mexican imports was announced on July 12, set for August 1 but later deferred by 90 days. This tariff is considered separate from sectoral duties.

On August 29, the U.S. Appeals Court struck down the IEEPA tariffs, effective October 14 (See details here). This ruling follows a prior decision on May 28, when the U.S. Court of International Trade blocked President Donald Trump's IEEPA-based tariffs (See details here). Other tariffs imposed under different legal authorities—such as Section 232 (covering steel, aluminum, and automotive products) and Section 301 duties—remain unaffected.

During June 2025, Mexico faced an effective average tariff rate of **8.28%** on the **$44.87 billion USD** worth of goods exported to the United States. This estimate accounts for the ongoing recomposition of bilateral trade flows and reflects the differentiated treatment across sectors under the U.S. tariff regime. Specifically, the calculation considers:

- A 50% tariff on steel, aluminum, and derivative products (including beer and cans) under Section 232.
- A 25% tariff on automobiles, adjusted by deducting the 18.3% U.S. content share, also under Section 232.
- A de facto 0% tariff on auto parts, despite being subject to 25% under Section 232, continuously postponed.

[1] The US imposed a 17.% antidumping duty on most fresh tomato imports from Mexico, effective mid-July 2025, following the termination of a 2019 Agreement. As this duty stems from a separate antidumping mechanism—not from Section 232/IEEPA — is excluded from our calculations.

- A 25% tariff applied to goods that do not comply with USMCA rules of origin pursuant to IEEPA provisions.

This configuration is the result of successive rounds of tariff announcements and deferrals. In March 2025, Mexican exports—particularly within the automotive sector—saw a surge as firms frontloaded shipments to anticipate the entry into force of the Section 232 automotive tariffs. By June, market sentiment was focused on the anticipated 30% tariff hike scheduled for August 1st, which was ultimately postponed for an additional 90 days, temporarily alleviating uncertainty but keeping volatility elevated in trade dynamics.

The most recent trade data highlights that the effective tariff rate for Mexico in mid-2025 is lower than what would have been faced based on 2024 structures, signaling a relative adjustment in Mexico's trade exposure. This reflects both the strategic reallocation of export portfolios towards lower-tariff categories and the partial deferral of tariff measures, which together mitigate—though do not eliminate—the burden of protectionist pressures on Mexican exports to the U.S.

The future of the tariffs levies remains uncertain, as the IEEPA resolution is likely to be decided by the U.S. Supreme Court, which currently has six Republican-appointed justices, including three nominated by Trump. If the IEEPA tariffs are definitively suspended, Mexico would face a more favorable trade environment, as illustrated in Figure 17, Column C—with an average tariff rate of 4.0%, potentially declining further if the share of USMCA-compliant goods continues to grow.

USMCA Trade by 1H 2025: What does "Free for HS chapter 99" means?

In 2024, as mentioned, 48.9% of exports from Mexico to the U.S. were channeled through USMCA. However, with data accumulated through June 2025, this proportion has decreased to 20.3%. Simultaneously, entries classified as "Free for Chapter 99" surged after being almost zero during previous years to 29% by June (see Figure 18 below)

Chapter 99 is a special category utilized by the U.S. Customs and Border Protection (CBP) for temporary or special duty provisions, including trade remedies, tariff exclusions, or other non-standard rules. It is the primary legal and administrative mechanism through which the United States government implements temporary trade policy measures. These measures are not based on the physical characteristics of a good but on broader economic, national security, or foreign policy objectives. This Chapter contains provisions that exempt certain products from extra tariffs, such as those imposed under Section 232 on steel, aluminium. For instance code 9903.94.06 allows USMCA qualifying auto parts to avoid the 25% Section 232 tariff. It also includes temporary duty suspensions authorized by Congress or the Office of the U.S. Representative, which grants specific goods duty-free entry for a limited time, marked with a Free rate.

FIGURE 18: US IMPORTS FROM MEXICO BY RATE PROVISION (SHARE %)

	2018	2019	2020	2021	2022	2023	2024	2025 through June
Free status for HS chapters 01-97	33.9%	34.4%	37.7%	38.2%	38.6%	36.7%	39.1%	32.6%
Free by legislation - GSP, NAFTA, USMCA, Civil Air, etc.	55.2%	55.4%	52.2%	51.0%	49.6%	49.8%	48.9%	20.3%
Free for HS chapter 99	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	29.2%
Chapter 99 rates apply - Duty reported	0.5%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	9.8%
General Rates apply	4.1%	5.3%	5.7%	6.9%	7.3%	9.2%	8.2%	3.4%
Item entered into warehouse or FTZ - duty not applicable	5.2%	3.7%	3.2%	3.0%	3.6%	3.4%	3.0%	3.5%
Special rates for HS chapters 01-97	0.9%	0.8%	0.9%	0.7%	0.7%	0.6%	0.6%	0.7%
Free for 9817.00.92 9817.00.94 9817.00.96	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Chapter 99 rates apply - No duty calculated	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
Free for HS chapter 98, subchapter VII	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
U.S. Virgin Islands - No duty calculated	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Free items imported under HS 9813.00.0520	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Free as supplies for certain vessels and aircraft	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Column 2 rates apply	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Special NAFTA, USMCA, Israel or APTA rates	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: BBVA Research, with data from Census Bureau.

This Chapter also covers special safeguard and retaliation measures. When the United States imposes retaliatory

tariffs, both the surcharges and the exemptions that offset them appear on Chapter 99. In some cases, the chapter contains statistical tracking provisions used to monitor trade flows under special programs and these codes may also carry a Free rate when eligibility criteria are met. The practical impact for exporters is significant. If qualifying shipment is declared with this proper Ch.99 code alongside the regular HS classification can enter without paying the extra duty, even if the base rate is already zero under USMCA. Missing this detail can mean paying affordable tariffs, reducing competitiveness and profit margins in the process.

FIGURE 18b: EXAMPLE OF CHAPTER 99 TARIFF PROVISIONS FOR MEXICAN EXPORTS TO THE US

Chapter 99 rates apply - Duty reported	Free for HS Chapter 99 (Removes/Suspends Extra Duty)
9903.94.05 - Imposes the 25% Section 232 tariff on certain passenger vehicles and auto parts.	**9903.94.06** - Exempts qualifying auto parts from the 25% Section 232 tariff.
Other retaliatory tariffs, safeguard measures, or over quota rates in Ch. 99 with a nonzero duty rate	Temporary or duty suspensions or special programs with a Free Rate

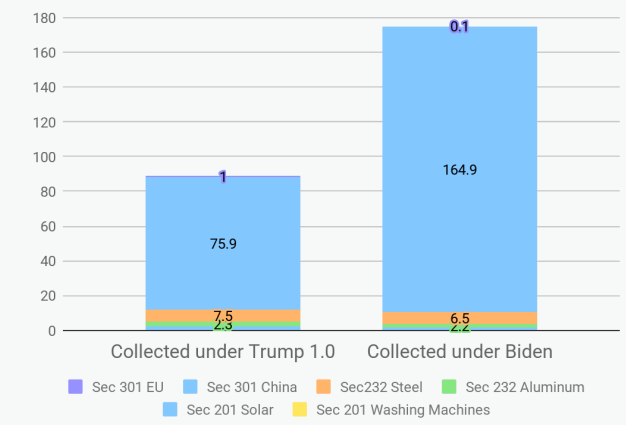
Source: BBVA Research, with data from U.S. International Trade Commission, U.S. Customs and Border Protection (BCP)

In summary, Figure 18 shows that during 2025, trade under the “Free by legislation – USMCA” provision declined by 28.6 percentage points (pp), almost entirely offset by a 29.2 pp increase in the “Free under HS Chapter 99” category. This indicates that, in the first half of the year, 82.2% of U.S. imports from Mexico entered duty-free (remaining unaffected). While this share is slightly below the 88% observed in 2024, it is still far from signaling any structural disruption in bilateral trade.

Revenue of 2025 Trump Tariffs

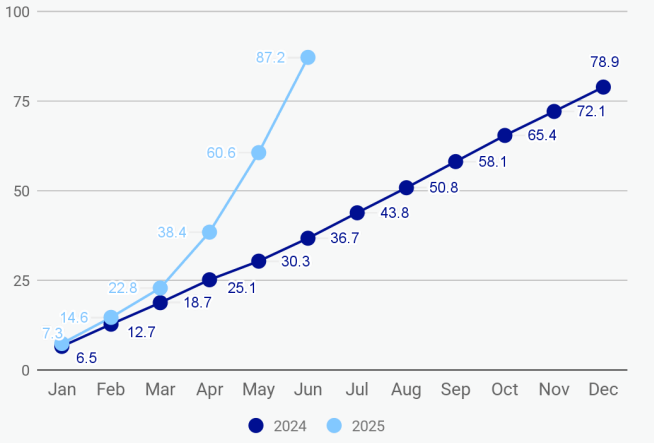
The other side of the coin is to examine the pattern of tariff revenue collected by the United States, taking Trump’s first term (1.0) as a benchmark. Figure 19 shows that, under previous U.S. administrations, the trade war tariffs generated more than $264 billion in additional customs duties collected from U.S. importers. Of this amount, $89 billion—around 34% —was collected during Trump’s first administration (2017–2021), while the remaining $175 billion—about 66% —was collected during the Biden administration (2021–2025).

FIGURE 19: TOTAL CUSTOMS DUTIES COLLECTION (BILLIONS USD)



Source: BBVA Research with data from US Customs and Border Protection, "Trade Statistics." Retrieved from Tax Foundation.

FIGURE 20: CUMULATIVE MONTHLY CUSTOMS DUTIES COLLECTIONS (BILLION USD)



Source: BBVA Research, with data from US Department of the Treasury, Monthly Treasury Statements. Retrieved from Tax Foundation.

Figure 20 further illustrates estimates from The Tax Foundation, reporting that Trade War Tariff Collections average between $200 and $300 annually per U.S. household. Although publicly available data do not allow for a precise

breakdown of tariff revenue by country, the Peterson Institute estimates[2] that, as of June 2025, roughly 4% of tariff revenues originate from Mexico, compared with 37.7% from China, 15.4% from Japan, 12.2% from Korea, and 8.5% from the European Union. This estimate underscores the key takeaway: between January and June 2025, the impact on the U.S.–Mexico trade remains limited.

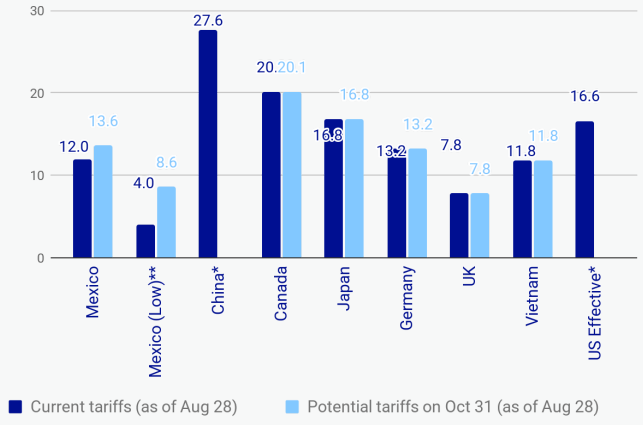
From a fiscal perspective, there is no doubt that tariff policy has generated significant additional revenue for the U.S. government as Figure 20 shows; however, the intended use of these funds remains uncertain. On July 28, Senator Josh Hawley from Missouri (Republican) introduced the American Worker Rebate Act, proposing that households with incomes below $75,000 would receive $600 for each adult and child. Up to this date, this legislation has not been approved by either the Senate or the House of Representatives. Later, on August 19, Scott Bessent suggested that tariff revenues would instead be directed toward reducing the national debt.

Assessment: Mexico may face a lower level of relative protectionism

The current tariff measures are in direct violation of USMCA commitments. The expectation is that the dispute will ultimately be resolved through bilateral negotiations, leading to a reduction in the effective tariff rate applied to Mexico. This weighted average tariff currently stands at 12.0%, and could potentially decrease to 4.0% if there is a favorable outcome regarding the IEPPA-related tariffs (see Figure 17).

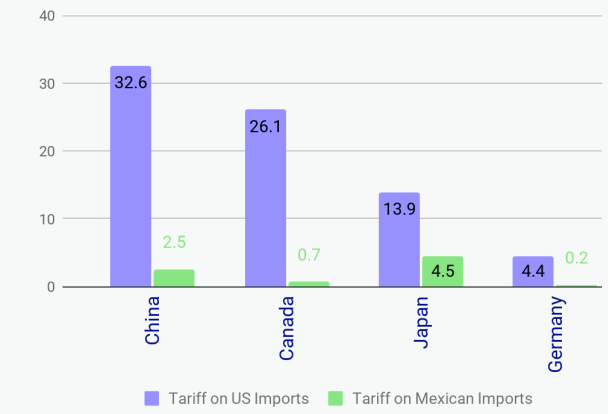
This places Mexico in a relatively favorable position compared to other trade competitors (particularly China) **potentially jumpstarting nearshoring activity and enhancing U.S.-Mexico economic integration over the medium term.** On the upside, trade tensions between the U.S. and China (and recently several other US trading partners) have created a tailwind for Mexican exports, an asymmetric shock that Mexico is uniquely positioned to capitalize on.

FIGURE 21: US WEIGHTED AVERAGE TARIFF BY COUNTRY (%)



Source: BBVA Research, with data from Census Bureau, US Federal Register. Including recent trade deals with Japan and the UE. *The US-China truce was extended for 90 days on Aug 12; potential outcomes include an extension, renewed negotiations, or full termination of the current agreement. If tariffs on China were reinstated to 145% of their original levels, the effective tariff for China would increase to around 103% and the effective U.S. tariff rate would rise from the current 16.6% to 24.9%. ** Average tariff rate considering the Short Term Eq. and Lower Impact scenarios with/without the 30% tariff implementation.

FIGURE 22: WEIGHTED AVERAGE TARIFF FOR US AND MEXICO (%)



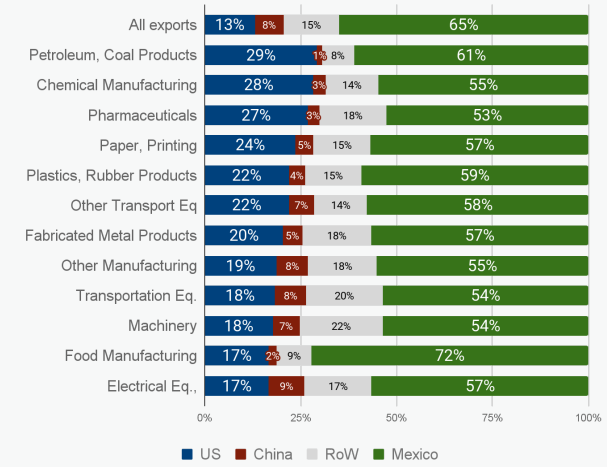
Source: BBVA Research with data from the WTO and national sources.
Note: Tariff actually applied, trade-weighted average.

On average, 65% of Mexican exports content is Mexican value added, the rest comes from our main trading partners (US and China); this changes from industry to industry (See Figure 23). In the automotive sector, it is expected that in the short term, the US content of exports will be systematically documented, which will allow for the application of

[2] Hufbauer, G. C., & Zhang, Y. (2025, 7 de agosto). Trump's tariff revenue tracker: How much is the US collecting? Which imports are hit? Peterson Institute for International Economics. Available here

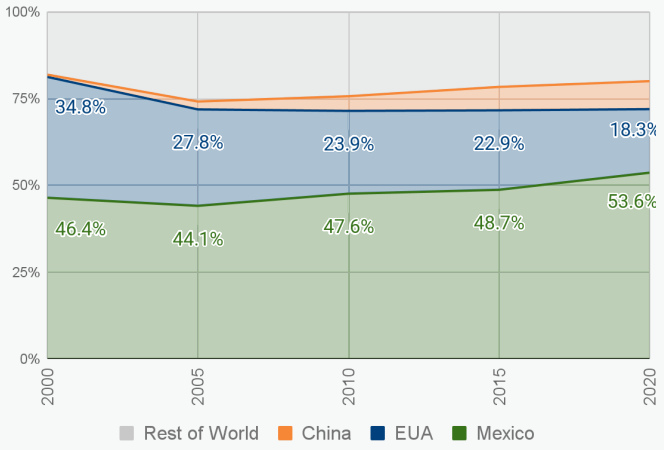
tariff deductions and significantly reduce the tariff burden. It should be noted that **Section 232 Automotive Order** gives importers under the USMCA the opportunity to certify their US content (18.3% according to our estimates; see Figure 24), so the tariff applies only to the value of non-US content.[3]

FIGURE 23: MEXICAN EXPORTS CONTENT (%)



Source: BBVA Research, with data from OECD

FIGURE 24: MEXICAN EXPORTS CONTENT TRANSPORTATION EQUIPMENT MANUFACTURING (%)



Source: BBVA Research, with data from OECD

Plan México aims to position the country as a premier nearshoring destination by aligning industrial policy, regulatory reform, and infrastructure investment to attract foreign manufacturing operations relocating closer to the U.S. market. Figure 25 summarizes the main trends regarding the Automotive sector.

FIGURE 25: MEXICO AUTOMOTIVE SECTOR TRENDS, CHALLENGES & STRATEGIC PRIORITIES

Export Dynamism with High Dependence on the U.S.

- Between 75% and 80% of domestic production is **export-oriented, mainly to the U.S.**

- **Automotive exports grew 2.6% in 2024**, led by SUVs and sedans.

- Rising tariff threats remain a key concern

Electrification and Accelerated Technological Shift

- Production and sales of **hybrid and electric vehicles are booming** (+67% vs. 2023)

- Mexico is pushing for **electromobility through public investment** and enhanced energy supply.

- **The adoption of AI, 5G, and EV infrastructure is critical** to maintaining competitiveness.

Plan Mexico:
Policy Support and Regional Supply Chain Reconfiguration

- Aim to increase the local content in vehicles manufactured in Mexico by 15%.

- *"Olinia"* initiative to produce a 100% electric vehicle designed and made in Mexico, with production starting in Puebla.

- **Incentives and Support:**

  - **Nearshoring Decree**: Immediate tax deductions for new investments in fixed assets, with additional deductions for training and innovation
  - ***"Polos del Bienestar"***: Establishing priority areas for industrial projects.
  - **IMMEX 4.0**: Optimizing import/export processes.

Source: BBVA Research

Central to this strategy is the Nearshoring Decree, which offers tax incentives and expedited permitting for strategic sectors such as semiconductors, electric vehicles, and renewable energy along the northern border. Complementing this, the Polos de Bienestar initiative seeks to create regional development hubs in underutilized areas, integrating

[3] With data from OECD ICIO tables, the average of US content in Mexican automotive exports is 18.3% . Various media outlets and statements from the Department of Commerce have assumed that U.S. content in automobiles could reach as much as 40%.

industrial zones with local supply chains and workforce development. Meanwhile, the modernization of the IMMEX program under "IMMEX 4.0" incorporates digital tools to streamline customs, reporting, and compliance processes, reducing administrative friction for export-oriented firms. Collectively, these instruments aim to enhance Mexico's value proposition amid shifting global supply chains and rising geopolitical fragmentation.

Industrial policy must focus on maximizing the share of trade conducted under the USMCA to reduce the average tariff Mexican exports face. This will reduce the level of protectionism Mexico experiences compared to other economies, specially China, the most important competitor in the US and to attract foreign direct investment. In turn, this could revitalize the nearshoring trend, which has gained prominence in recent years. It is encouraging that this objective has been prioritized in the "Plan Mexico", a strategy to enhance economic integration with the United States by increasing the domestic content of Mexican exports.

To achieve this, creating a national supplier registry is mandatory. This registry would allow exporting companies to identify domestic suppliers who can help them comply with the USMCA's origin rule and, thereby, increase the share of exports eligible under the agreement. Furthermore, the NAFIN guarantee program must be strengthened so that small and medium-sized businesses with the potential to integrate into export value chains can access the financing necessary to expand their productive capacity.

In parallel, the Mexican government must continue to actively collaborate on key issues linked to US tariff policy, such as migration and fentanyl trafficking. These efforts have been very positive and have already been recognized by the Trump administration. If sustained, they could facilitate a reduction of the tariff from 25% to 12%. Likewise, strengthening lobbying efforts in the United States is essential. It is crucial to continue communicating with members of Congress, the private sector, and the administration that protectionism toward Mexico not only harms our country but also weakens the competitiveness of the US economy.

FIGURE 26: MEXICO TRADE & TARIFF OUTLOOK

Source: BBVA Research Source: BBVA Research
1/ ILO Stats. Average monthly earnings of employees by sex and economic activity. Wages and Working Time Statistics (COND)
2/ With data from OECD ICIO tables, the average of US content in Mexican automotive exports is 18.3% . Various media outlets and statements from the Department of Commerce have assumed that U.S. content in automobiles could reach as much as 40%. Therefore the effective tariff for Mexican autos could range from 15% to 20.4%

While Mexico's average tariff is significantly higher than last year's, it is still much lower than the one imposed on China. This difference could represent a strategic opportunity to attract investments seeking to avoid the most severe trade barriers.

As we have mentioned on other occasions, to capitalize on this opportunity, it is essential to reduce the legal uncertainty arising from the reform of the judicial system and increase private investment in the electricity sector. These are key elements to consolidating Mexico as a competitive and reliable destination for international capital. To

capitalize on this strategic moment, Mexico must double down on institutional reliability, human capital development, and infrastructure scaling. If it does, nearshoring won't just be a temporary tailwind—it will be the cornerstone of Mexico's growth model for the next decade.

The runway is clear. Now it's a matter of lift-off.

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