

Continental shift

New FDI opportunities are opening up in Central America and Mexico as multinationals move operations from Asia, or increase existing capacity in the region.

In 2024, Foreign Direct Investment (FDI) into Central America increased by 16.6%, according to World Bank data¹. To the north, Mexico recorded a 14.5% boost to FDI in the first nine months of 2025 compared to the same period in 2024. Mexico is officially a North American country but faces many of the same opportunities and challenges as its southern neighbours.

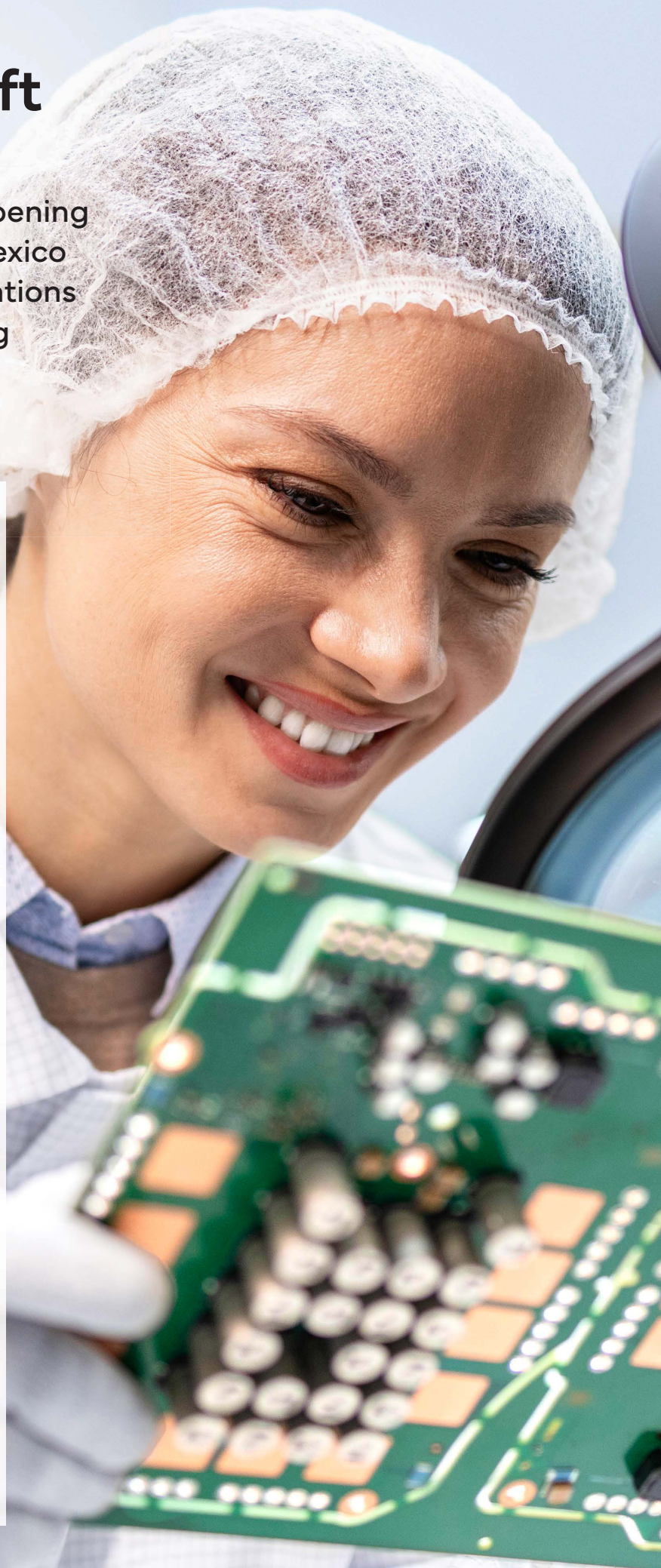
While these figures are encouraging, beneath the surface considerable uncertainty remains. The region is in the grip of two competing trends. Since the turn of the decade, much has been said about the potential of nearshoring, as trade tensions with China and conflict in Europe and the Middle East persuade US businesses to locate supply chains closer to home. That potential has ebbed and flowed with the unpredictable policies of the second Trump administration.

At the same time, those policies have hit exporting countries around the world, including those in the Americas. The current US tariff rate on general Mexican imports is 25%, though 85% of goods are covered by the US-Mexico-Canada Agreement (USMCA) and are therefore exempt. However, USMCA is due to be renegotiated in 2026. Further south, the duty rate on Costa Rican goods is currently 15%, while a 10% tariff applies to imports from Guatemala and El Salvador.

Trade tensions with China and prohibitive import tariffs on other Asian competitors are creating a continental shift. US and international businesses are turning to stable, well-regulated and mature markets in the Americas to nearshore both manufacturing capacity and a growing range of ancillary services.

FDI holds up

Trump's tariffs – and the uncertainty that has characterised US trade policy in 2025 – impacts FDI as businesses delay investment decisions to let the dust settle.



In these circumstances, FDI flows into Central America and Mexico appear to have held up reasonably well.

“Across the countries in which we operate, FDI has shown a moderate but consistent upturn over the past 18–24 months, driven primarily by the stabilisation of post-pandemic investment cycles and a more assertive geopolitical repositioning of supply chains,” says Omar Pérez, director at UHY Auditores & Consultores, a network of UHY member firms in Central America.

“Guatemala, El Salvador, Honduras and Costa Rica are experiencing stronger inflows in manufacturing, BPO/ITO services, logistics and agribusiness, to varying degrees depending on institutional stability and sector readiness.”

Mexico has enjoyed growing FDI rates for over a decade, from USD 30.5bn in 2014 to USD 37.7bn in 2024, a 23.6% rise. Continuing growth in 2025 is particularly significant, says Oscar Gutiérrez Esquivel, partner and director at UHY Glassman Esquivel y Cía S.C., “given the uncertainties arising from the shift in US trade policy earlier in the year and the forthcoming USMCA renegotiation scheduled for 2026.”

Nearshoring is here

How large a part is nearshoring playing in the growth of FDI? Mexico has been a prime nearshoring destination for US multinationals for some time, but Oscar says the reality has not matched some of the more bullish projections.

“Since around 2022, there has been considerable discussion about the potential nearshoring of companies from China to Mexico,” he says. “However, although some nearshoring has occurred, the results have been far below media and market expectations.” Washington’s recent scattergun



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Nearshoring is no longer a prediction in Central America, it’s a reality.

trade policy may be part of the reason for that, but a more fundamental cause is the deep US/Mexico integration that has developed since the implementation of the North American Free Trade Agreement (NAFTA – a precursor to USMCA) in 1994. The two countries have built strong value chain links across a variety of sectors, including automotive, auto parts, medical equipment and chemicals. As a result, it is difficult for new businesses to integrate into established value chains.

“What has actually occurred – and helps explain the increase in FDI – is that most new investment in the past four to five years has taken the form of sizable expansions by foreign companies already established in Mexico,” says Oscar. “Indeed, since 2022 there has been a boom in industrial construction – for example, industrial parks – across Mexico, with

double-digit growth rates driven by these expansions.”

Accelerating trend

Mexico is a more established destination for nearshoring in the region, but Central American markets are also benefiting from the trend to differing degrees. “Nearshoring is no longer a prediction in Central America, it’s a reality, and since early 2025 the trend has accelerated notably,” says Omar.

Proximity to US markets is one reason for that, alongside rising geopolitical and operational risks in Asia, including shipping disruptions and regulatory uncertainty. Multinationals can also tap into a young and relatively skilled workforce across the region. Cost competitiveness is clearly an advantage as well, though the region is increasingly popular for reasons that go beyond cost alone.

“For companies that rely on speed-to-market and regulatory alignment with the US, the shift has proven highly effective,” says Omar. “Firms report lower lead times, more predictable logistics and improved integration with US compliance frameworks.”

Beyond manufacturing

In the past, FDI in Mexico and Central America has flowed into manufacturing. While that is still largely true, the investment base is becoming notably broader.

“Traditionally, the main destination of FDI in Mexico has been the manufacturing sector, averaging more than 50% of the total,” says Oscar. “However, in 2025 we have seen a notable shift in sectoral FDI.”



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From January to September, manufacturing accounted for just 37% of new FDI inflows to Mexico, with financial services and insurance taking 25% and construction 5%. Together, these sectors represent more than two thirds of total FDI in that period.

Similarly in Central America, manufacturing and light assembly, particularly electronics, plastics and textiles, tend to attract the greatest proportion of external investment. But here too, other services are gaining popularity. "Shared services, BPO and financial back-office operations are growing areas for FDI," says Omar. "In these areas, Central America is increasingly competing with the Caribbean."

Other important sectors for FDI in the region include logistics and distribution hubs, which are enjoying increased public investment in port and airport modernisation, and exporting agribusinesses like high-value crops and food processing.

"By contrast, renewable energy investment is advancing but not at the scale the region's potential allows," says Omar. "Tourism-linked real estate projects remain below their pre-2020 dynamism in some markets, due to regulatory hurdles and slow permitting processes."

Challenges to FDI

While FDI inflows are holding up, as Omar suggests there remains significant untapped potential in the region. Trade agreements like the Central America-United States Free Trade Agreement (CAFTA) in the south and USMCA in the north have been a significant help, but more could be done.



The importance of being a locally based firm cannot be overstated, which is why our base of foreign clients has steadily grown.

CAFTA has increased regulatory predictability and investor confidence, while creating a framework that mirrors US commercial standards. That has been good for attracting FDI to Central America, but implementation has not been consistent and varies by country.

"Additionally, recent US initiatives focused on supply-chain resilience have reinforced confidence among multinationals evaluating

nearshoring options," says Omar. "A more coordinated regional strategy, however, would amplify results."

Compliance with both trade regulations and local laws is a challenge for multinationals looking to invest in the region. For example, the Mexican legal system, based on the Napoleonic Code, may be quite different from the Anglo-Saxon common law that many foreign investors will be familiar with.

"Additionally, Mexico is a federal republic, which means companies must comply with both federal and local laws and regulations," says Oscar. "In terms of cultural factors, there are many unwritten rules governing business practices and interpersonal relationships."

In Central America, too, regulatory complexity is an issue, especially where there is inconsistency between countries. Gaps in digitalisation and public sector agility can slow start-up processes in some markets, and differences in infrastructure provision can also create challenges.

Ground support

Against this backdrop, the support of a professional services provider with 'boots on the ground' and an international outlook can

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be invaluable. “We offer clear regulatory guidance and entity-setup support, tailored to each jurisdiction, alongside cross-border tax planning that ensures alignment with both local law and global compliance frameworks,” says Omar. “Outsourced accounting, payroll, and internal control systems give investors operational stability from day one.”

In both Central America and Mexico, financial modelling, risk assessment, and market-entry strategies can help multinationals make informed investment decisions. Ongoing advisory across audit, tax, legal and technology helps organisations scale sustainably after the initial investment has been made.

“Like our UHY partners in the region, UHY Glassman Esquivel y Cía S.C. helps companies navigate these

challenges by combining local expertise with international reach,” says Oscar. “The importance of being a locally based firm cannot be overstated, and this explains why our base of foreign clients has steadily grown.”

FDI opportunity

From Costa Rica to Mexico, nations offering easy access to US markets have a clear opportunity to boost FDI inflows. Washington’s unpredictable trade policies have been a hindrance but may be settling after a tumultuous year.

While FDI inflows are reasonable right now, greater regulatory consistency and infrastructure modernisation could create even more favourable investment conditions for expanding multinationals. The opportunity is there to be grasped. ■



Sources:

¹ Divergentes online news and analysis FDI in Central America, pub. September 2025

UHY Contributors

Oscar Gutiérrez Esquivel, UHY Glassman Esquivel y Cía S.C., Mexico
Omar Pérez, UHY Auditores & Consultores, Central America