High Structural Complexity in a Strategically Critical Market

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Overview

Mexico combines high structural risk with strong strategic relevance. It ranks among the most complex jurisdictions globally for international debt collection, while facing mounting fiscal pressures, political consolidation and heavy exposure to US trade dynamics. At the same time, nearshoring trends, industrial integration and geographic proximity to the United States continue to underpin its long-term attractiveness.

The country's medium-term prospects will largely depend on maintaining policy credibility, strengthening institutional reliability and securing a timely and favorable outcome in the United States–Mexico–Canada Agreement (USMCA) renegotiations scheduled for the first half of 2026.

Severe Debt Collection Complexity

Mexico is ranked second globally after Saudi Arabia in terms of international debt collection complexity and holds a "Severe" rating at the extreme end of the spectrum. International debt collection is almost three times more complex in Mexico than in Germany. Fewer than one out of six countries fall into this category, and Mexico remains there for the fourth consecutive assessment.

A key issue is the absence of a legal framework governing standard payment terms. Although 30-day credit terms from the invoice date are common practice, payments typically occur within 40 to 60 days, and delays of up to 30 additional days are frequent.

Judicial enforcement presents further challenges.

- The court system is structurally complex and is widely regarded as lacking transparency and independence.
- Business disputes are not handled by specialized judges, and fast-track mechanisms intended to simplify straightforward claims cannot be relied upon in practice. Procedural delays and legal costs are significant, making pre-legal action the most effective collection strategy in many cases.
- When debtors become insolvent, recovery prospects deteriorate further. Debt restructuring mechanisms are inefficient and may last for years. Liquidation is therefore the default procedure, yet recovery rates through this channel remain very low.
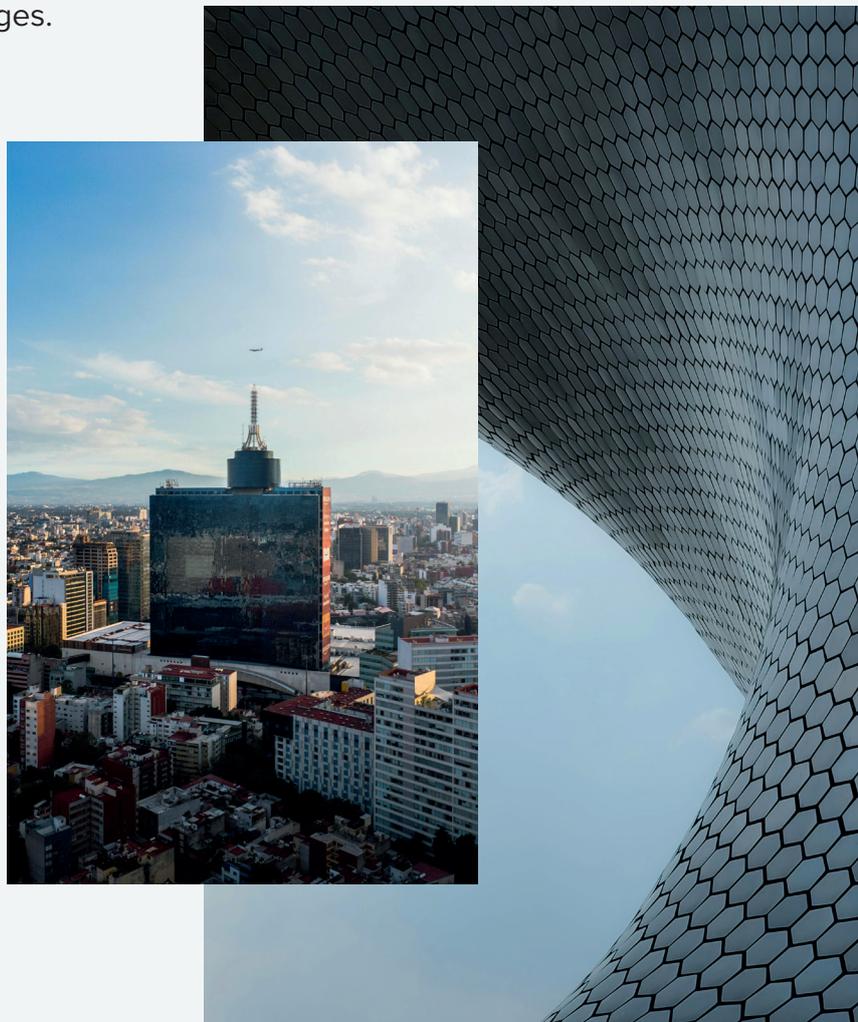
Financing Risk and Macroeconomic Pressures

Mexico's fiscal position is under growing strain. Pension obligations, subsidies and social program expenditures are increasing, while tax revenues remain structurally low at around 17% of GDP. This imbalance adds pressure to public finances and heightens sensitivity to external shocks.

Insolvencies are projected to peak in 2026, particularly in sectors exposed to US demand and tariff volatility, before declining in 2027.

The peso is supported by a narrower interest rate differential with the United States. However, a sharp deterioration in investor sentiment or escalation in trade disputes could trigger currency volatility and capital outflows.

Inflation has moderated but remains a concern. Headline inflation eased to 3.6% year-on-year in October, while core inflation remains above 4%, exceeding the upper limit of the central bank's target range.

Private investment continues to be subdued, reflecting persistent uncertainty. Maintaining access to external financing will depend heavily on policy credibility and the government's ability to navigate uncertainties surrounding the USMCA.

Economic Outlook and Trade Dependence

Mexico's economy has been losing momentum in 2025, primarily due to US tariffs and surrounding uncertainty, compounded by domestic structural issues. Growth is estimated at 0.7% in 2025, with a projected acceleration to 1.4% in 2026 and 2.1% in 2027.

This recovery scenario is explicitly contingent upon the successful completion of USMCA renegotiations in the first half of 2026.

Mexico is one of the world's most exposed economies to the United States.
- More than 80% of its goods exports are directed to the US, representing nearly 28% of GDP. Although blanket tariffs of 25% and sector-specific tariffs exist, the effective tariff rate on Mexican exports is around 5.2% due to exemptions for USMCA-compliant goods.
- Sectoral impacts are uneven. The automotive industry is particularly affected by tariff dynamics, while the electronics sector benefits from strong US demand linked to the AI-driven boom.

The Mexican administration is expected to continue diplomatic efforts to avoid retaliation and preserve trade continuity. However, structural investment challenges remain significant. Persistent security concerns, state intervention in key sectors, weak rule of law and recent concerns over judicial reforms continue to weigh on investor confidence.

AU G-Grade For Mexico

AU G-Grade is a country risk assessment tool designed for Financial Directors and Credit Managers, covering more than 140 countries. It combines evaluations from leading credit insurers to provide a comprehensive risk rating. Businesses use AU G-Grade to monitor country risk trends and manage international credit exposure more effectively.

PREVIOUS G-GRADE 4.75

CURRENT G-GRADE 4.75

SPREAD MIN 4 MAX 6
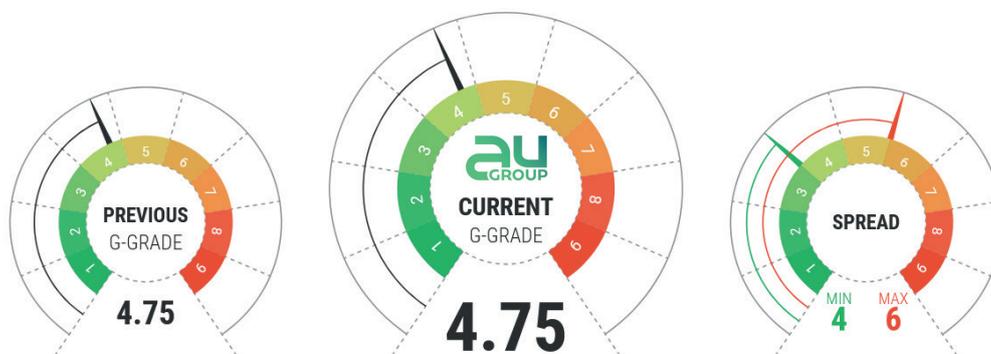
The economy is projected to grow by 1.2% in 2026 and 1.7% in 2027, after 0.7% in 2025. Low unemployment rate around 3,8 and easing inflation will support consumption. Public consumption and investment will remain subdued, given ongoing fiscal consolidation. Exports will be dampened by higher tariffs and uncertainty. General government gross debt is rising, current account balance is -0,5%.

Strategically Indispensable, Operationally Complex

Mexico presents a dual reality. On one hand, it is a critical trade partner for the United States, deeply embedded in North American supply chains and well positioned to benefit from nearshoring trends. On the other hand, it remains one of the most complex environments globally for debt recovery, faces fiscal and insolvency pressures, and operates within a politically and institutionally sensitive landscape.

Its medium-term trajectory will depend on successful USMCA renegotiations, sustained policy credibility and gradual improvement in institutional effectiveness. For exporters and investors, Mexico remains strategically indispensable—but operationally demanding.

SOURCES:

- Allianz Trade – Commercial Debt Collection 2026: Navigating Collection Complexity
- Allianz Trade – Country Report: Mexico
- Atradius – Economic Outlook December 2025
- AU Group-G Grade

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