

## Location Spotlight – Queretaro, Mexico

November 2021: Complimentary Abstract / Table of Contents



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# This report provides perspectives on key aspects of the global sourcing market in Queretaro

Location Spotlight – Queretaro, Mexico

## Queretaro | at a glance



Emerging location in the Latin America region, currently leveraged for transactional IT and voice business process services delivery with potential to evolve into a datacenter and industry 4.0 hub; offers moderate cost arbitrage over Mexico City

### KEY FACTOIDS

16,000-18,000 annual tertiary graduates

Annual operating cost per FTE 60-70% savings over Dallas 10-15% savings over Mexico City

### Current overview

- Queretaro is leveraged by both service providers and GBS organizations to deliver transactional IT and voice business process services
- Some firms also leverage Queretaro as a spoke location, in combination with Mexico City, for supporting global delivery of IT-BP services
- As with other Latin American markets, Queretaro is predominantly leveraged for Spanish and English language bilingual service delivery

### Key drivers

- Favorable low-cost alternative location to Mexico City
- Queretaro is the first Mexican state to receive an investment grade qualification owing to the region's pro-investment business climate
- State government has launched an initiative to promote the development of technologies and innovation to make Queretaro an industry 4.0 hub
- Queretaro offers a three-tier pro-industry climate to facilitate exchanges between the government, academia, and industry

### Key challenges

- Moderate maturity of the global services market is likely to pose a challenge in terms of availability of experienced resources
- Instances of antagonistic central government policies have eroded business confidence in the past few years
- High dependence of Mexico's economy on the U.S. business cycle poses significant concern
- Failed attempts to curb high level of corruption and crime affect both the economic and social status of country

KEY COMPANIES:

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## Queretaro | risk profile (page 1 of 2)

Some concerns exist around central government's policy making decision, high economic dependence on the U.S. business cycle, and limited international connectivity

■ Highly favorable ■ Favorable, some concerns ■ Least favorable

Parameter	Everest Group rating	Comments
Geopolitical	<span style="color: yellow;">■</span>	<ul style="list-style-type: none"> <li>• Mexico ranks 124<sup>th</sup> among 180 countries in the Corruption Perception Index 2020 owing to high level of corruption within municipal and state police forces</li> <li>• Instances of some antagonistic central government policies such as cancelling infrastructure projects, reversing course on privatization in energy sector, and increasing support to highly indebted oil company, are eroding business confidence</li> <li>• Ranked 72<sup>nd</sup> out of 167 countries in the Democracy Index 2020 compiled by the Economist Intelligence Unit (EIU)</li> </ul>
Macroeconomic	<span style="color: yellow;">■</span>	<ul style="list-style-type: none"> <li>• Standard &amp; Poor's credit rating for Mexico stands at BBB with a negative outlook owing to increased pressures on investment climate and weakened public finances related to Pemex</li> <li>• Given high dependence of Mexico's economy on the U.S. business cycle/economy, the country's macroeconomic environment is prone to significant external shocks</li> <li>• While Mexico's GDP declined by 9% in 2020 owing to the global pandemic, the economy is gradually rebounding primarily on account of increased global manufacturing market activity</li> <li>• Due to the COVID-19-driven slowdown in economy and fall in oil prices, Mexican peso saw a decline in its currency value, thereby, giving a further boost to the export services</li> </ul>
Infrastructure	<span style="color: yellow;">■</span>	<ul style="list-style-type: none"> <li>• Both service providers and GBS organizations leverage Queretaro to deliver a mix of business process services                             <ul style="list-style-type: none"> <li>– The country has announced large investment plans to further improve the rail and road network</li> </ul> </li> <li>• While Queretaro offers an international airport, it has limited direct flights to the U.S.</li> <li>• Mexico is ranked 55<sup>th</sup> out of 141 countries in the Global Competitiveness Index (compiled by World Economic Forum) for its infrastructure quality</li> <li>• Ranked 63<sup>rd</sup> out of 134 countries in the Network Readiness Index 2020 signifies a developed telecom and network infrastructure presence in the country                             <ul style="list-style-type: none"> <li>– Broadband speed is largely the same across all the tier-1 locations, with minor variations in peak-time usage</li> </ul> </li> </ul>

Source: Everest Group (2021); inputs from recruitment firms, market players, and investment agencies.

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# Research calendar

## Locations Insider™

■ Published
 ■ Planned
 ■ Current release

### Flagship Locations Insider reports

	Release date
Location Spotlight – Cali, Columbia	March 2021
Global Locations State of the Market 2021: Embracing Uncertainties in a Disrupted World   Risk Watch	March 2021
Location Spotlight – Hungary	June 2021
Location Spotlight – Thailand	July 2021
Location Spotlight – Croatia	August 2021
Location Spotlight – Latvia	August 2021
Location Spotlight – Ghana	August 2021
<b>Location Spotlight – Queretaro, Mexico</b>	<b>November 2021</b>
Location Spotlight – Sri Lanka	Q4 2021
Global Locations State of the Market 2021: Embracing Uncertainties in a Disrupted World   Key Trends Shaping the Landscape	Q4 2021
Global Locations State of the Market 2021: Embracing Uncertainties in a Disrupted World   Locations PEAK Matrix	Q4 2021

### Thematic reports

	Release date
Leading European Locations for Global Delivery of Engineering Services	October 2020
Data & Analytics Handbook – Delivery Location Strategy to Steer Through Digital Disruption	November 2020
LATAM: Emerging Nearshore Destination	May 2021
Talent Handbook on Cybersecurity Skills	June 2021

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