



 OVERHAUL

Mexico Q1-2023 Cargo Theft Report



Table of Contents

Executive Summary	Page 2
Spatial & Temporal Analysis of Cargo Theft in Mexico	Page 3
Regional Analysis	Page 3
Analysis of Top Ten States with the Most Cargo Theft	Page 4
Cargo Theft by Day and Time	Page 4
Cargo Theft by Product Type	Page 5
Cargo Theft by Location	Page 6
Special Report Mexico Q1-2023	Page 6
i. Fuel Theft - Theft of Tanker Trucks	Page 6
Overhaul Recoveries Q1-2023	Page 7
i. Electronics Recovery	Page 7
General Recommendations	Page 7

Executive Summary

Recent challenges in global supply chains, such as the war in Ukraine and the COVID-19 pandemic, have encouraged several international companies to relocate their manufacturing closer to their target markets. This relocation trend is known as *nearshoring*. Mexico is one of the countries that can potentially benefit the most from this transformation. The country currently has a strong movement of freight by land (highway & rail), maritime, and air routes. However, it faces major challenges in security-related issues. This presents a particular challenge for the supply chain, as companies must operate in an unsafe environment that puts the state of their goods at risk while moving from point to point.

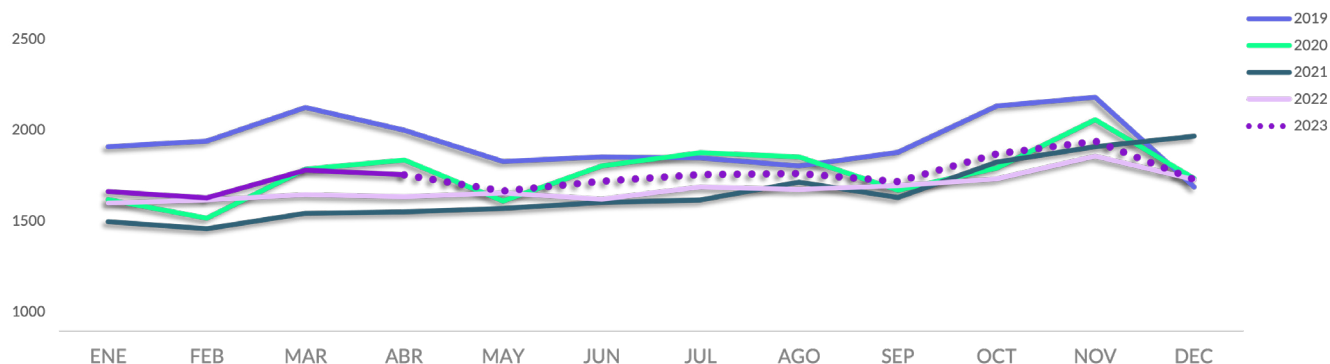
The Mexican Transportation Institute (Instituto Mexicano del Transporte) estimated that 85% of goods in 2022 were transported by road. Being the main mode of freight transportation in the country, this analysis is of vital importance. In this report, Overhaul seeks to portray the situation faced by road freight transportation during the first three months of 2023, with the objective of mitigating the risk of cargo theft affecting the supply chain. This document includes a spatial-temporal analysis of criminal activity, which covers regional and state-level concentrations of cargo theft, theft distribution by time of day, and the types of products most targeted by organized crime. The information registered by Overhaul indicates that the highways with the highest levels of risk, during the first three months of the year, were the MEX-57D, MEX-150D, Circuito Exterior Mexiquense, Libramiento Norte de la Ciudad de México (also known as Arco Norte), and MEX-45D.

Among the trends recorded during Q1-2023, cargo theft continued to be heavily concentrated in the Central region of the country, mainly in the states of Mexico and Puebla. The states of San Luis Potosí, Querétaro, and Puebla showed increases in theft compared to the previous year. The main modus operandi used by criminals was the interception of cargo units in transit. High-powered tactical jammers were used to block the signal of GPS devices in the thefts recorded by Overhaul. These devices are frequently used in the State of Mexico, Puebla, Jalisco, Guanajuato, Querétaro, and Veracruz. The municipality of Leon, Guanajuato showed a high increase in violence directed at drivers. The theft of tanker trucks, or pipa, has also become more frequent; the theft of these vehicles is mainly related to fuel theft. From January to March 2023,



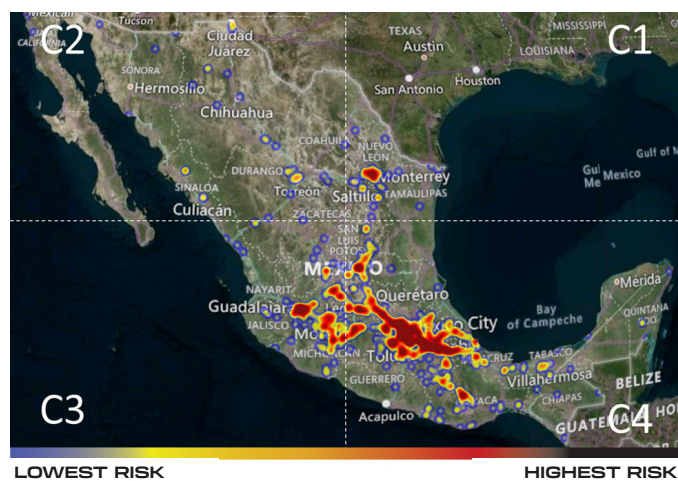
Overhaul recorded a total of 5,068 cargo thefts. This figure is 0.01% lower than the figure predicted by Overhaul's Intelligence Center in December 2022. The total number of thefts corresponds to the stable scenario predicted in last year's annual report. These data appear to indicate recovery from the theft levels recorded in 2019, indicating a return to the levels presented before the pandemic.

Chart 1: Annual Comparison - Cargo Theft in Mexico



Spatial & Temporal Analysis of Cargo Theft in Mexico

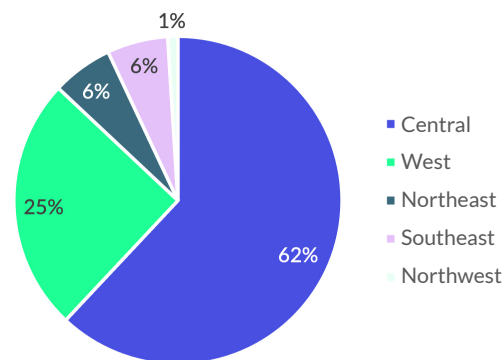
By dividing the country into quadrants, it was identified that 84% of cargo thefts were located in the fourth quadrant (C4), which is comprised of the State of Mexico, Puebla, Querétaro, Hidalgo, Tlaxcala, and Veracruz. It also includes main risk areas in the states of Guanajuato and San Luis Potosí. The Central region is characterized as the midpoint of domestic cargo movements, while the Southeast region is home to the port of Veracruz, one of the most important ports in the country and the main gateway to international goods.



Regional Analysis

In the first quarter of the year, the *Central* region accounted for the highest number of cargo thefts (62%), followed by the *West* region (25%). When compared to the previous quarter, Q4-2022, the *Central* region continues to be the region with the highest number of registered thefts, with an increase of 1 percentage point. Similarly, the *West* region maintains second place with 25% of the national total, which represents a reduction of 2 percentage points. In the *Central* region, the representative states are the State of Mexico and Puebla, which accounted for 53% of all thefts, while in the *Western* region, Guanajuato, Jalisco, and Querétaro accounted for 20% of the events.

Chart 2: Cargo Theft by Region

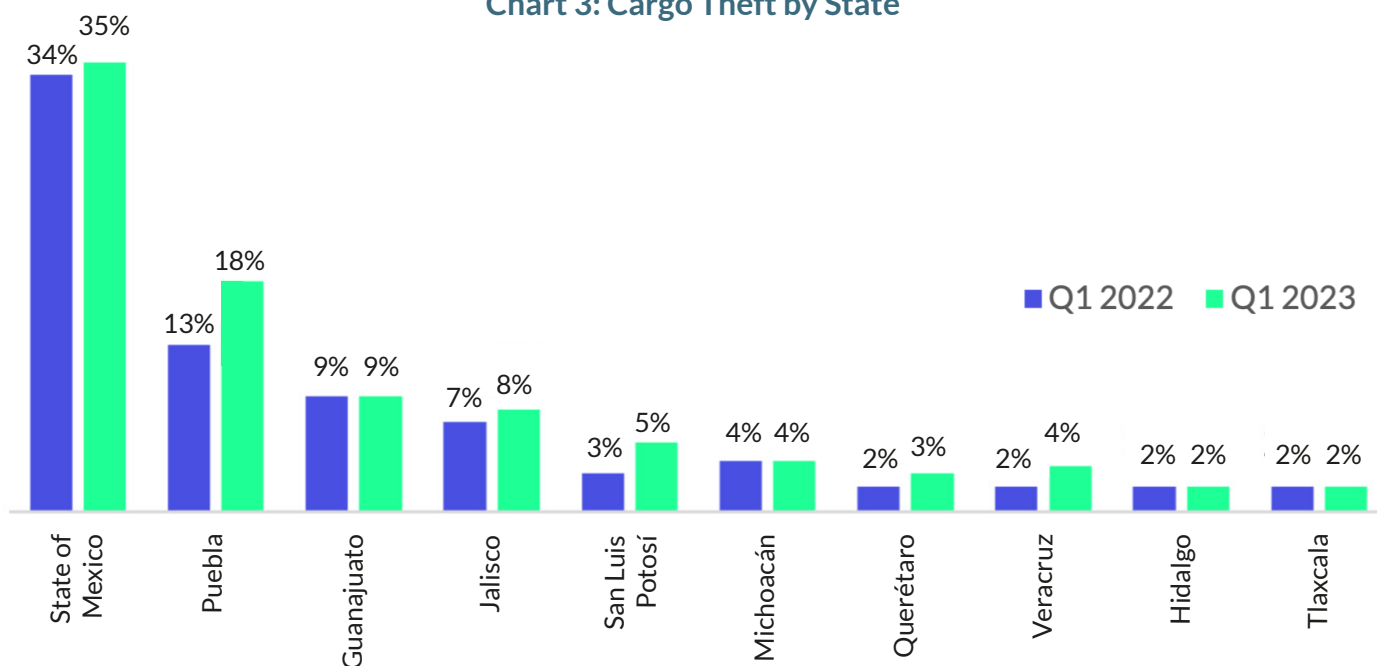




Analysis of Top Ten States with the Most Cargo Theft

The ten states depicted in the chart account for 90% of the thefts recorded by Overhaul during the first three months of the year in Mexico. The states of Puebla, San Luis Potosí, and Querétaro showed the most significant increases in cargo theft during the first quarter of 2023 compared to the same period last year. The increase in thefts in the states of San Luis Potosí and Querétaro is related to the MEX-57D highway, the main route for the transportation of goods between the northern border with the United States and the center of the country. On the other hand, the MEX-150D highway, which connects Mexico City with Veracruz, has the highest number of incidents in Puebla.

Chart 3: Cargo Theft by State



Cargo Theft by Day and Time

During Q1-2023, incidents of cargo theft were most prevalent on weekdays (Monday through Friday), with Tuesdays (17%), Thursdays (19%), and Fridays (17%) having the highest number of thefts. In 2022, Thursdays also had the highest incidence of cargo thefts with 19% of the events. The higher concentration of thefts on workdays speaks to the professional activity of criminal groups oriented to cargo theft.

As for the time of day, Q1-2023 maintained a similar pattern to 2022, with the highest risk of cargo theft occurring in the mornings between 6 a.m. and noon, with an increase of 4 percentage points from 33% to 37%. Thefts registered in the early mornings between midnight and 6 a.m. also presented a change from 22% to 25%. The thefts that occurred in the afternoon between noon and 6 p.m. experienced a decrease of three percentage points compared to 2022. The night hours between 6 p.m. and midnight also registered a decrease of one percentage point. Thus, a temporary displacement of criminal activity was observed.



Chart 4: Cargo Theft by Day of the Week

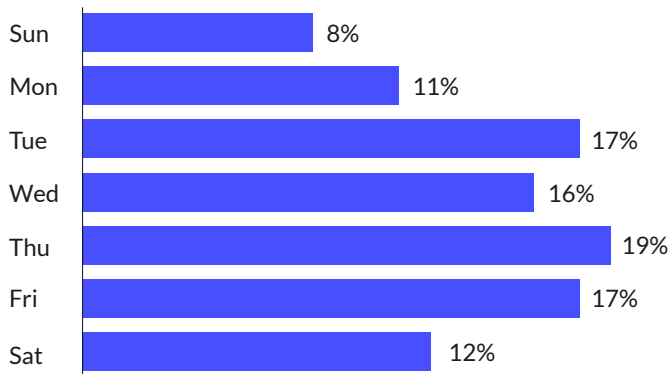
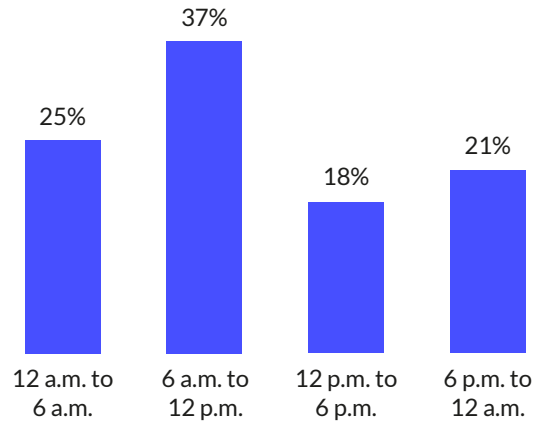


Chart 5: Cargo Theft by Hour of the Day



Cargo Theft by Product Type

Food & Drinks theft continues to be the most stolen product type during the first quarter of the year. The percentage and distribution maintain what Overhaul recorded during 2022. This type of merchandise is positioned as the most sought-after category by criminal groups due to its easy distribution and high demand.

The second most frequently stolen product type corresponds to *Building & Industrial* with 12% of the events recorded. Within this category, the most stolen products are cement, tools, and rebar. The increase in thefts of this type of product is related to the increase in prices of construction materials. Products within the *Home & Garden* category ranked third among the most stolen products in the first three months of the year. Items related to home appliances were the most stolen within this category. As in the case of *Food and Beverages*, household appliances are in high demand in informal markets, which facilitates their sale, thereby generating profits for criminals.

Chart 6: Cargo Theft by Product Type



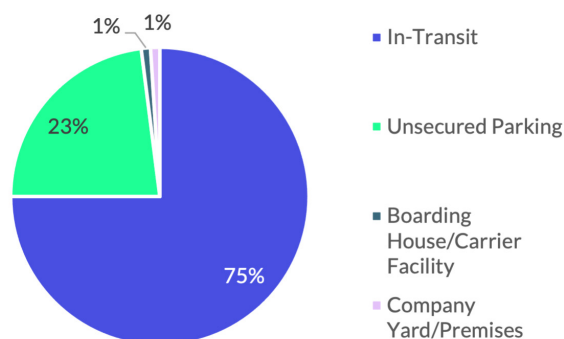


Cargo Theft by Location

The theft of cargo units *In-Transit* continues to be the main mode of operation used by criminals in Mexico. This represents an increase of 7 percentage points compared to 2022.

Theft of units in *Unsecured Parking* (23%) continued to be the second most used mode of operation by criminals in Mexico in the first quarter of 2023.

Chart 7: Cargo Theft by Location



Special Report Mexico Q1-2023

Fuel Theft – Theft of Tanker Trucks

If we compare Q1-2023 with the first quarter of 2022, Q1-2023 showed an increase of 3 percentage points in the theft of *Fuel*. In this category we can find LP gas, diesel, and gasoline. The Overhaul Intelligence Center identified that groups dedicated to fuel theft or “huachicoleros” have expanded their portfolio of criminal activities by intensifying the theft of fuel transported in tanker trucks. In Q1-2023, this type of crime was registered in the states of San Luis Potosí (33%), Estado de México (17%), Puebla (17%), Tamaulipas (8%), Veracruz (8%), Guerrero (8%), and Durango (8%).

This increase became noticeable starting in the second half of 2022 and continued into the first quarter of 2023. In Q4-2022 and Q1-2023, the same amount of tanker trucks was registered as stolen, despite the fact that the last quarter of the year presented an increase in the movement of merchandise and consequently in the number of cargo thefts. The recorded pipeline thefts mainly involved the transportation of *Fuel*. However, there have also been thefts of *Chemicals* such as acetone and *Food & Drinks*, which include the transportation of milk.

Chart 8: Theft of Tankers 2022-2023

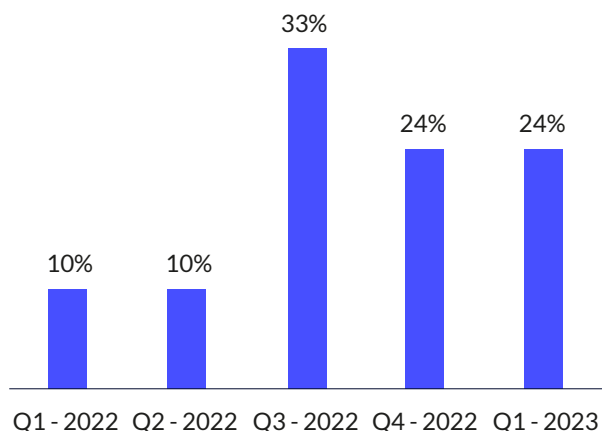
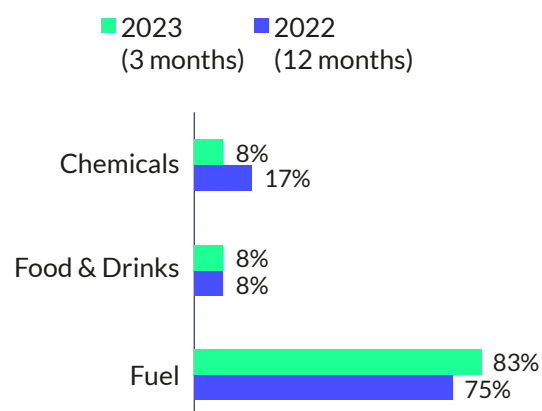


Chart 9: Theft of Pipes by Product Types





Overhaul Recoveries Q1-2023

March 2023, Tlalnepantla, State of Mexico, Electronics Recovery Complete Load

Electronics Recovery

In January 2023, as a result of the monitoring service and prevention strategies implemented by Overhaul, a cargo unit that had been stolen by a criminal group composed of five offenders and at least two vehicles while traveling on the side of a main avenue in Tlalnepantla, State of Mexico, was recovered. The monitoring center immediately detected the risk situation and activated a search operation in conjunction with local and state authorities. The unit was found abandoned 3.2 kilometers from the theft site with the cargo intact. The recovery was possible through the immediate reaction of Overhaul's monitoring center.

General Recommendations

Given the increase in cargo theft, as well as the violence used to carry it out, the Overhaul Intelligence Center considers Mexico to be at SEVERE risk with regard to cargo theft. Criminal groups are expanding their areas of action while increasing the number and specialization of people involved in cargo theft. Due to the assigned risk level, it is recommended to include electronic security and monitoring measures in all cargo units transiting through Mexico.

Merchandise that transits through the *Central* region of the country is at a higher risk due to the permanent criminal activity in the area. This situation requires the strengthening of physical and electronic protection measures in freight vehicles, as well as real-time monitoring services.

For security measures to be effective, all parties involved, including but not limited to carriers, drivers, yard personnel, and cargo owners, must be acquainted with and comply with the security measures in place before, during, and at the end of the route.

