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Capital Currents:

An Overview of Private Investment in Latin America

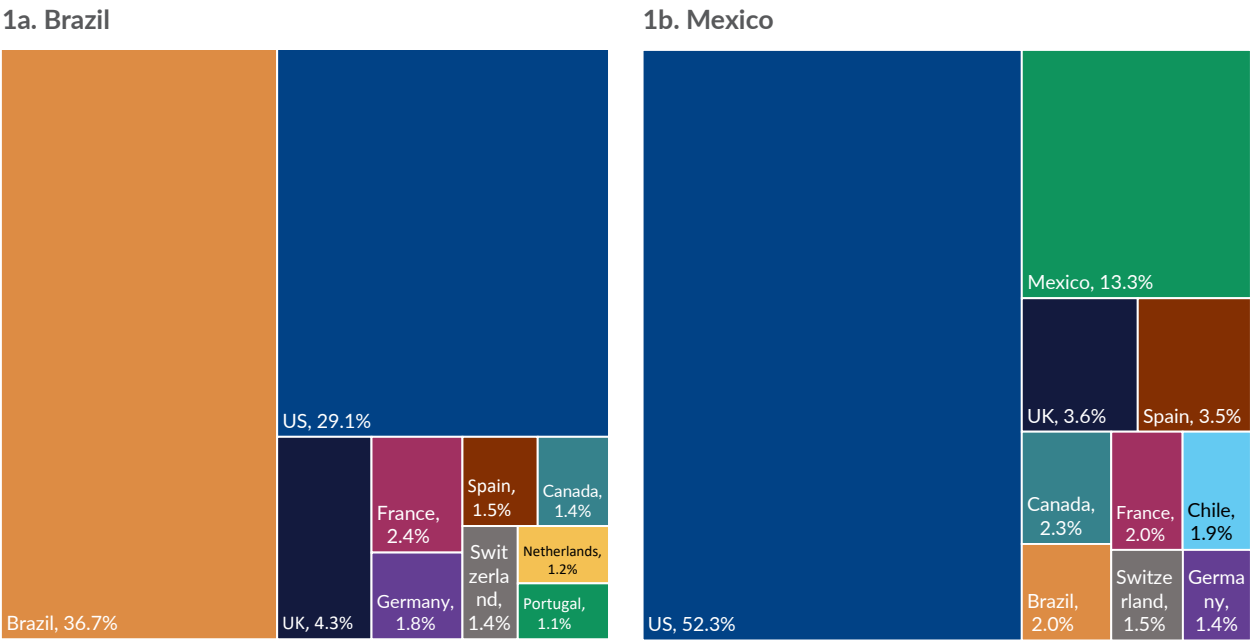
EXECUTIVE SUMMARY

Rapid technological advancement is essential for Latin America's economic growth, and private capital plays a key role in financing innovation. The last decade has seen an accelerated inflow of private capital to Latin America, though investment activity declined in 2023 and 2024. In this report, we provide an in-depth exploration of the private capital dynamics in Latin America with a special focus on the region's two largest economies: Brazil and Mexico.

The structural forces underpinning private capital in Latin America's major economies remain strong. Brazil and Mexico have made strong investments in their workforce talent over the past decades, resulting in an extensive, highly skilled population base. Both countries also boast robust internet penetration rates (84.2 and 81.2 percent in Brazil and Mexico, respectively) that fall above the average of all upper-middle-income countries (78.5 percent).

Several business and institutional factors shape investment environments in Latin America's two largest economies, resulting in different investment patterns in the two countries. Brazil benefits from the strength of its financial services sector and a propensity toward innovation, while Mexico's main advantage is its economic openness, supported by its geographic proximity to the US. These differences are reflected in the geographic origin of their private investors. Over the past decade, 36.7 percent of the investors that provided private capital to Brazil's companies were domestic (Figure 1a). In contrast, Mexican companies draw a larger share of capital from foreign investors, with US investors representing the main source of private capital in Mexico (Figure 1b).

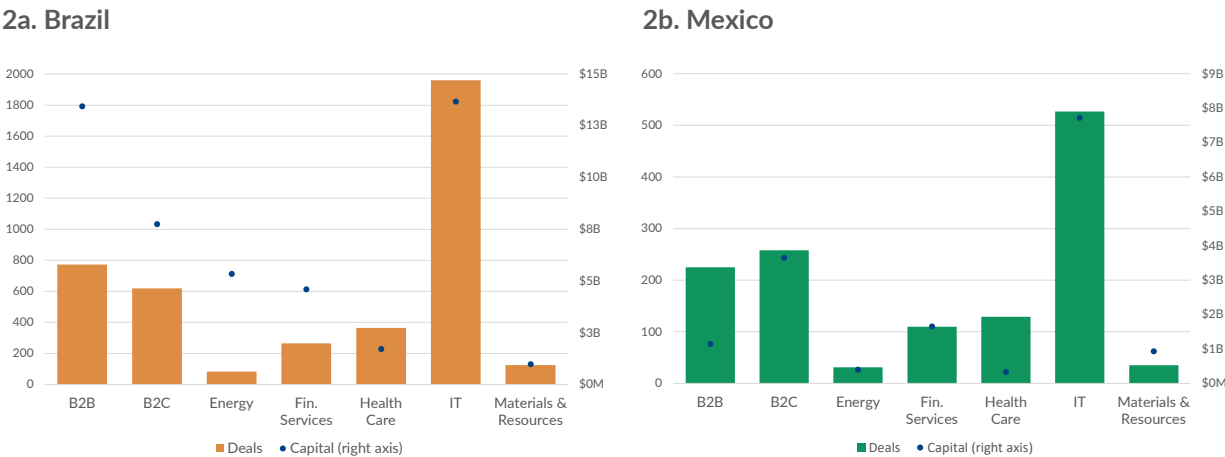
Figure 1. Top 10 Investor Countries, Brazil and Mexico, from January 2016 to June 2025



Source: Milken Institute (2025)

Both countries have recently made efforts to attract additional domestic and foreign capital to support their businesses. In 2023, Brazil implemented a landmark reform to its value-added tax model that is expected to considerably simplify the country’s tax system and boost its productivity. Mexico’s National Commission for the Retirement Savings System increased the limit for investments in structured instruments applied to pension funds (along with a mandate for part of that capital to be invested domestically) in October 2024, which has the potential to increase access to capital for Mexico’s venture capital and private equity investors. Both countries have also made efforts to expand their technological advancements, resulting in IT companies dominating recent private capital activity in Brazil and Mexico (Figure 2).

Figure 2. Deal Count and Capital Invested by Sector, Brazil and Mexico, from 2021 to 2024



Source: Milken Institute (2025)

Three technology verticals—FinTech, AI and machine learning, and clean/climate tech—play important roles in private capital activity in Latin America, and Brazil and Mexico are the regional leaders in these high-growth verticals. From January 2016 to June 2025, Brazilian companies accounted for 44.2 percent of all FinTech transactions in Latin America. Mexican companies accounted for the second-highest share of FinTech private capital transactions in Latin America, capturing 23.7 percent of the deal count. While investment was lower in the other two high-growth verticals, both have seen strong growth in recent years.

Looking ahead, Brazil and Mexico will need to address long-standing challenges—including regulatory complexity, uneven infrastructure, and security concerns—as they strive to attract new investors and capitalize on their growth potential. While both countries have made recent strides in creating an attractive investment environment and encouraging innovation, continued policy efforts and implementation will be key to strengthening their economic competitiveness in future years.

View the full report at:

<https://milkeninstitute.org/content-hub/research-and-reports/reports/capital-currents-overview-private-investment-latin-america>

