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Capital Currents:

An Overview of Private Investment in Latin America

Maggie Switek, PhD, Nathan Jefferson, and Ruben Turok

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Introduction

Private Capital as a Key Factor Driving Latin America's Future Growth

After three years of post-pandemic expansion, Latin America is now facing the prospect of an economic slowdown, with its real GDP growth projected at 1.6 percent or less in the next five years.[1] To boost their economies, Latin American countries will need to invest in sectors with high-growth potential, such as new and emerging technologies. According to simulations from the World Bank Group (WBG), slow technological adoption can explain as much as 83 percent of the divergence in growth between Latin America and advanced economies.[2] Increasing the pace of technological advancement might therefore be key in determining Latin America's future growth trajectory.

Private capital (consisting of venture capital (VC), private equity (PE), and corporate non-control transactions) can be essential to technological advancement. Private investors complement public expenditure by providing financing for entrepreneurs who drive innovation and create jobs that strengthen the economy.[3] In Latin America, access to bank lending is often scarce, increasing the importance of private capital in providing businesses with options for long-term financing.[4] Because of this, a sustained flow of private capital into Latin America is a key factor in determining the region's capacity to invest in high-growth sectors and sustain its economic growth.

The number of private capital transactions that provided investment for companies headquartered in Latin America reached an all-time high in 2022. Since then, both the number of transactions and the private capital value invested in the region have dropped, largely due to a decrease in investments in Brazil and Mexico. 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 by gross domestic product (GDP): Brazil and Mexico. Our goal is to broaden investors' understanding of the key patterns and opportunities for investment in Latin America.

Methods and Definitions

For this report, we rely on data from PitchBook Inc., which includes information on approximately 15,500 private capital transactions and over 9,500 investors who provided financing for companies located in 19 Latin American countries from January 2016 to June 2025.[5] The 19 Latin American countries that constitute the focus for this report are listed in Table 1. Our choice to focus on these 19 Latin American countries is based on their inclusion in the Milken Institute's *Global Opportunity Index* (GOI) 2025 report. The GOI 2025 report discussed the foreign direct investment (FDI) and merger and acquisition (M&A) transactions in these 19 countries. In the current report, we expand and refine our definition of private capital, complementing the discussion and analysis offered in the GOI 2025 report.

Table 1. Latin American Countries Included in Analysis

Argentina	Bolivia	Brazil	Chile
Colombia	Costa Rica	Dominican Republic	Ecuador
El Salvador	Guatemala	Honduras	Jamaica
Mexico	Nicaragua	Panama	Paraguay
Peru	Trinidad and Tobago	Uruguay	

Source: Milken Institute (2025)

To expand and refine our definition of private capital, we use the following criteria for the transactions considered in our analysis:

- Include all private (nongovernmental) investors, regardless of the country in which their headquarters are located. This results in the inclusion of both foreign and domestic investors in our analysis.
- Limit to transactions that provided financing for companies with headquarters in one of the countries listed in Table 1.
- Cover transaction types that fall under one of the following, as listed on PitchBook:
  - Venture capital at all stages, including pre/accelerator/incubator, angel, seed, early-stage VC (mostly Series A and B), and later-stage VC
  - Private equity buyout/leveraged buyout (LBO) and PE growth/expansion
  - Non-control corporate and strategic transactions (i.e., corporate financing in exchange for a minority stake in the company)
- Limit to transactions that have been completed, announced, are in progress, in the bidding process, or are upcoming. This excludes all transactions that have failed, been canceled or postponed, and those that are rumored or speculated.

Unless noted otherwise, when we refer to private capital in this report, we mean all transactions that meet the above criteria.

Throughout the report, we use the terms *transactions* and *deals* as synonyms, referring to them interchangeably. In addition, we sometimes refer to private capital as capital for simplicity. Therefore, whenever the word capital is used without modifiers in this report, it should be understood that we are referring to private capital transactions that meet the criteria as specified above.

We distinguish between two different aspects of private capital activity: (1) the deal count (or number of transactions), and (2) the value of capital (or capital value) involved in these deals, measured in dollars.

While capital value captures the scale of investment, deal count provides a better measure of market depth, especially since capital value can be skewed by outlier transactions and fluctuate significantly. For this reason, the figures presented in the report often emphasize deal count, with capital value incorporated into the discussion to provide additional context.

Our analysis describes the industry sectors (or sectors without modifiers) and industry verticals (or verticals without modifiers) of companies that receive private capital in Latin America. Our definition of sectors is based on the industry sectors, groups, and codes as defined by PitchBook in its data. These sectors tend to correspond to broad groups of companies that operate in the same space (i.e., energy, health care, etc.), such as those outlined by the Bureau of Labor Statistics and other government agencies. However, they do not reflect an official industry classification, such as the North American Industry Classification System.

PitchBook includes information on 58 verticals for the companies involved in deals listed on its data platform (for a list of these verticals, see Table A1 in the Appendix). A vertical is more specific than a sector, as it includes companies that focus on a shared niche or specialized market that may span multiple industry sectors.[6] In addition, a single company may be categorized as operating in multiple verticals. To illustrate the difference between a sector and a vertical, PitchBook gives the example of FinTech: FinTech companies all facilitate financial services traditionally offered by banks, but different FinTech companies may operate in different sectors (e.g., business products and services, consumer product services, financial services, etc.).

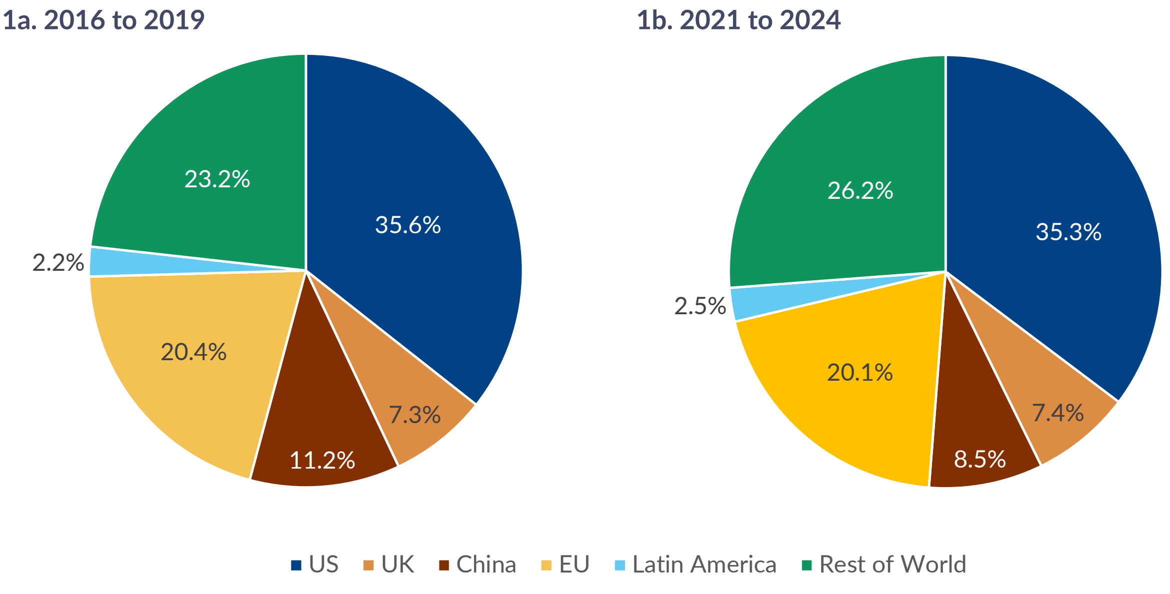
Although not all deals listed on PitchBook include information on the company's vertical, when provided, verticals offer valuable insights into the type of business conducted by companies receiving private capital, especially those operating in advanced technology markets.

An Overview of Private Capital in Latin America

A Global Framework for Understanding Private Capital Trends in Latin America

The regional distribution of private capital activity measured by deal count remained fairly unchanged in the four years following 2020 compared to the four years before the global pandemic (Figure 1). Companies located in the US were by far the most common recipients of private capital, capturing 35.3 percent of all transactions from 2021 to 2024. Companies in the European Union (EU) were the second most common recipient, with 20.1 percent of capital deals from 2021 to 2024, while the share of deals involving Chinese companies decreased from 11.2 percent to 8.5 percent. Latin American companies captured 2.5 percent of the private capital deal count from 2021 to 2024, representing a slight increase compared to the three years before 2020.

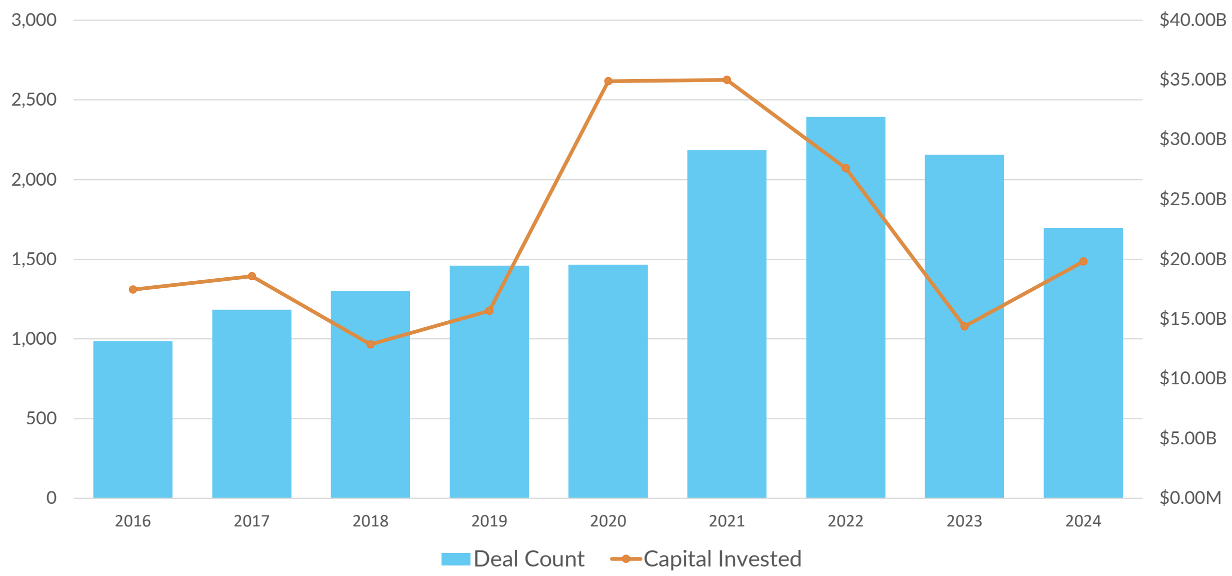
Figure 1. Global Shares of Private Capital Transactions by Destination



Source: Milken Institute analysis based on data from PitchBook Data, Inc. (2025)

Despite its relatively small share globally, private capital activity in Latin America has increased over the past decade, both by deal count and value of capital (Figure 2). The value of private capital invested in Latin American companies reached a peak in 2021, while deal count increased until 2022, after which both declined in 2023. In 2024, deal count decreased for a second consecutive year, although the value of capital invested in Latin American companies increased, but did not reach its 2022 value. Despite this recent decline, the trend in private capital investment in Latin American companies over the past decade is clearly positive. From 2016 to 2024, private capital activity in Latin America grew by 72.0 percent in terms of deal count and 13.4 percent in value of capital.

Figure 2. Deal Count and Capital Invested in Latin America, 2016 to 2024

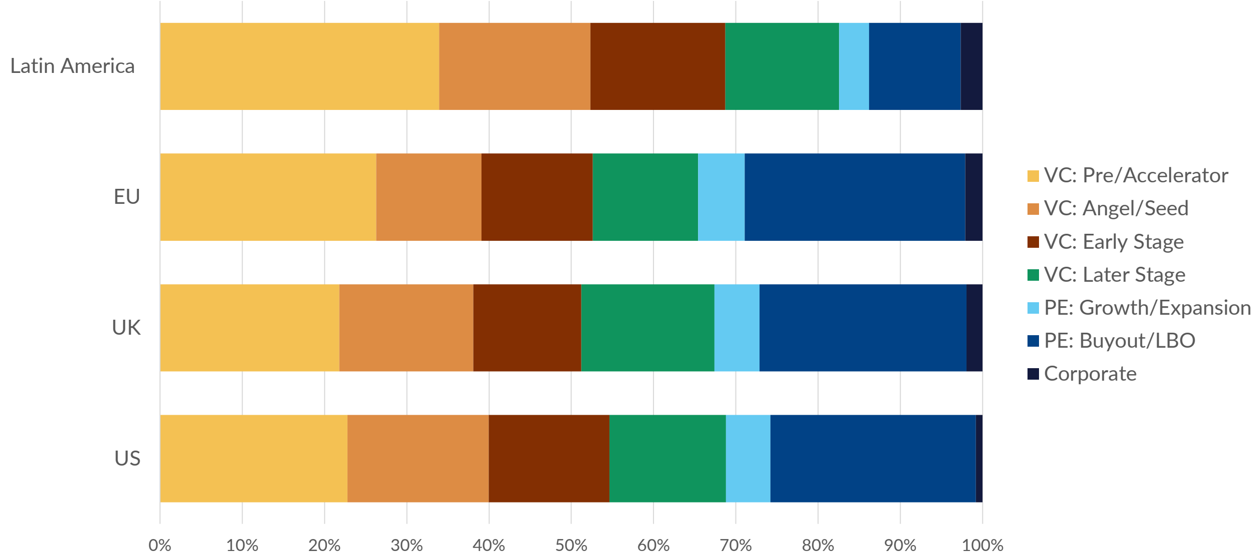


Source: Milken Institute analysis based on data from PitchBook Data, Inc. (2025)

The increase in private capital activity has largely been the result of increased venture capital interest in Latin America. From 2016 to 2022, the number of VC transactions (including all VC stages, from pre/accelerator/incubator to later-stage VC) involving Latin American companies more than doubled, increasing by 111.2 percent. Over the same period, the number of PE (buyout/LBO and growth/expansion) and corporate non-control transactions involving companies in the region also increased, albeit at a more moderate rate of 46.7 percent. While both VC and PE/corporate deal counts have decreased since 2022, they remained above their 2016 levels in 2024 (by 52.6 and 29.2 percent for VC and PE/corporate deals, respectively).

The increase in the number of VC transactions relative to the number of PE and corporate transactions is reflected in the current composition of deal types in Latin America. Compared to developed countries and regions, such as the US, UK, and EU, companies in Latin America are more likely to be involved in VC transactions. From 2021 to 2024, transactions providing accelerator, angel, and seed capital represented more than half (52.3 percent) of all deals involving Latin American companies, while other types of VC deals represented an additional 30.2 percent of transactions. In total, VC accounted for 82.5 percent of private capital deals in Latin America, compared to 68.8, 67.4, and 65.4 percent of deals in the US, UK, and EU, respectively (Figure 3).

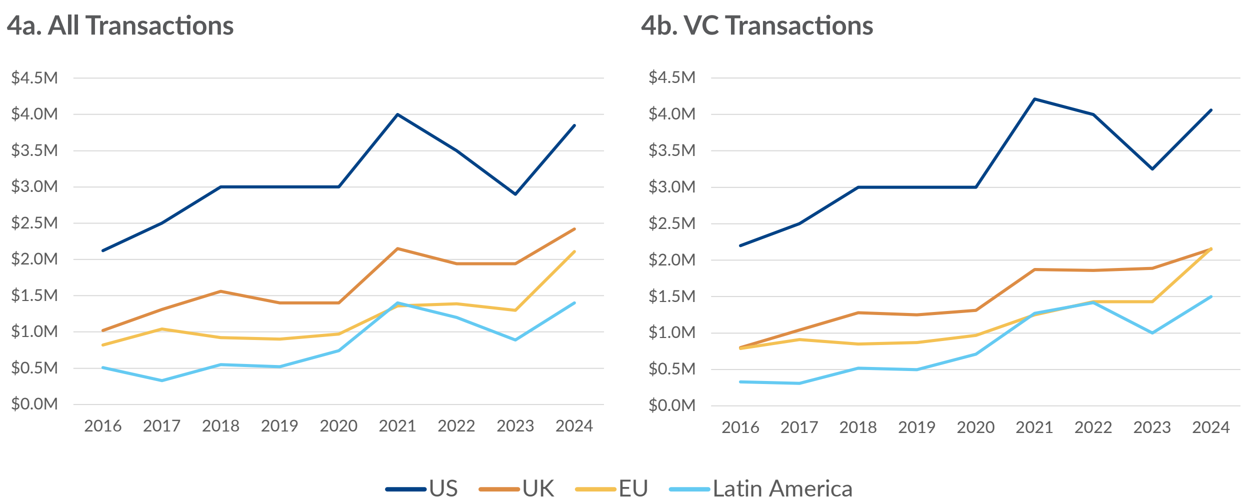
Figure 3. Number of Transactions by Deal Type and Country/Region, from 2021 to 2024



Source: Milken Institute analysis based on data from PitchBook Data, Inc. (2025)

The relatively high propensity for VC transactions—which tend to provide capital to companies at their earlier stage of growth—in Latin America is the result of several different forces. As in most emerging markets, transaction size is limited in Latin America. While the median deal size of private capital transactions involving Latin American companies has increased since 2016, it remained below the median deal size of transactions involving companies in advanced regions and countries such as the US, UK, and EU in 2024 (Figure 4a). While the small median deal size is both a contributor to and the result of the large share of VC deals in the region, isolating VC from other types of deals, the median deal size of transactions involving Latin American companies also falls below that of other countries/regions (Figure 4b).

Figure 4. Median Deal Size by Country/Region



Source: Milken Institute analysis based on data from PitchBook Data, Inc. (2025)

The relatively small median deal size of transactions involving Latin American companies deters large private equity firms from maintaining a presence in the region, with some closing their Latin American offices in recent years.[7] In contrast, VC investors might see the small deal size paired with the entrepreneurial spirit of the Latin American population as an opportunity. The region benefits from a relatively young, highly skilled population with robust internet access.[8] According to data from the WBG, 84.2 and 81.2 percent of the populations in Brazil and Mexico—Latin America's two largest economies—used internet in 2023. These internet penetration rates were considerably above the world average of 67.6 percent and also above the average rates of all upper-middle-income countries (78.5 percent).

Latin America's largest economies have also made strong investments in their workforce talent over the past decades, resulting in a robust, highly skilled population base. From 2015 to 2020, the number of STEM graduates grew by 26.3 and 28.8 percent in Brazil and Mexico, respectively, ranking them sixth and seventh globally by number of STEM graduates.[9] Mexico was also ranked sixth globally by share of new STEM graduates, with its percentage of new STEM graduates at 26 percent in 2020 (above that of the US).

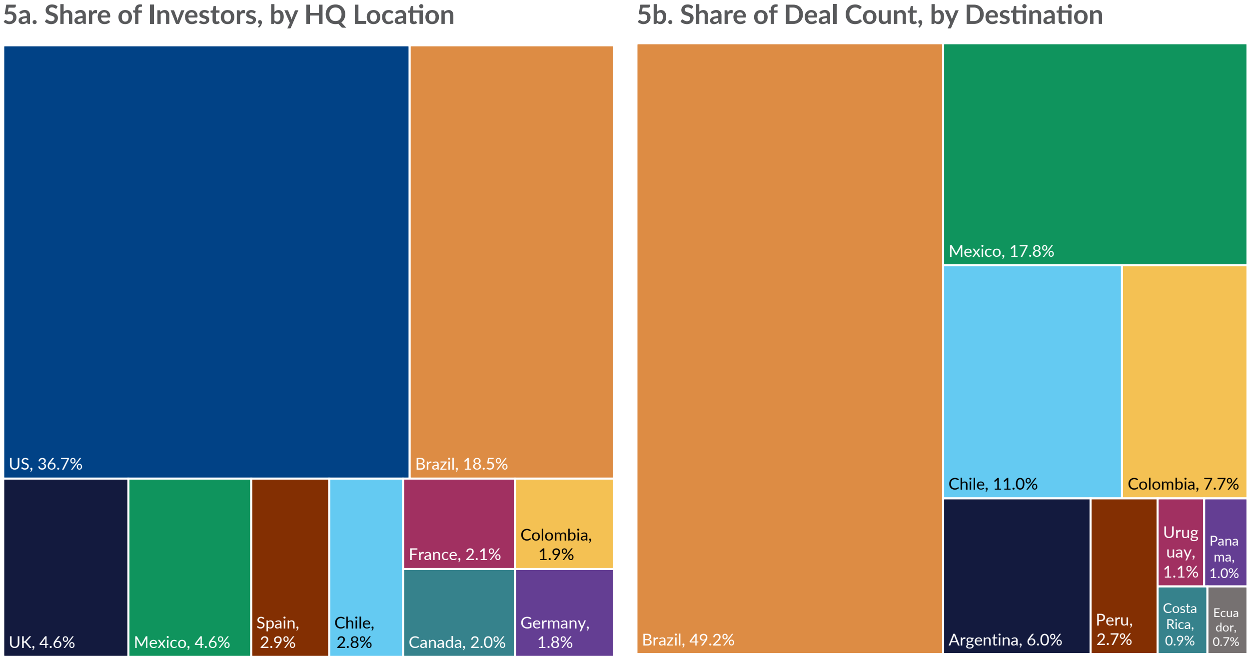
Latin America's relatively high number of STEM graduates, paired with robust access to the internet and a relatively young population, results in an entrepreneurship-friendly environment. As a result, the region has developed a vibrant start-up ecosystem, making it attractive to domestic and foreign VC investors looking for opportunities in emerging markets.[10]

The Main Sources and Targets of Private Capital Investment in the Region

GEOGRAPHICAL ORIGIN AND DESTINATION

The increased interest from VC investors in Latin American companies has resulted in an influx of foreign private capital into the region.[11] About 36.7 percent of investors with deals involving Latin American companies from January 2016 to June 2025 had their headquarters in the US, making US investors the main source of private capital for Latin American companies (Figure 5a).[12] At 18.5 percent, Brazil had the second-highest number of investors targeting Latin American companies, while the UK and Mexico ranked third and fourth, respectively, at 4.6 percent each. Overall, Latin American investors represented about a third (33.0 percent) of all investors with deals providing private capital to companies located in the region.

Figure 5. Origin of Top 10 Investor and Target Countries in Latin America, from January 2016 to June 2025



Source: Milken Institute analysis based on data from PitchBook Data, Inc. (2025)

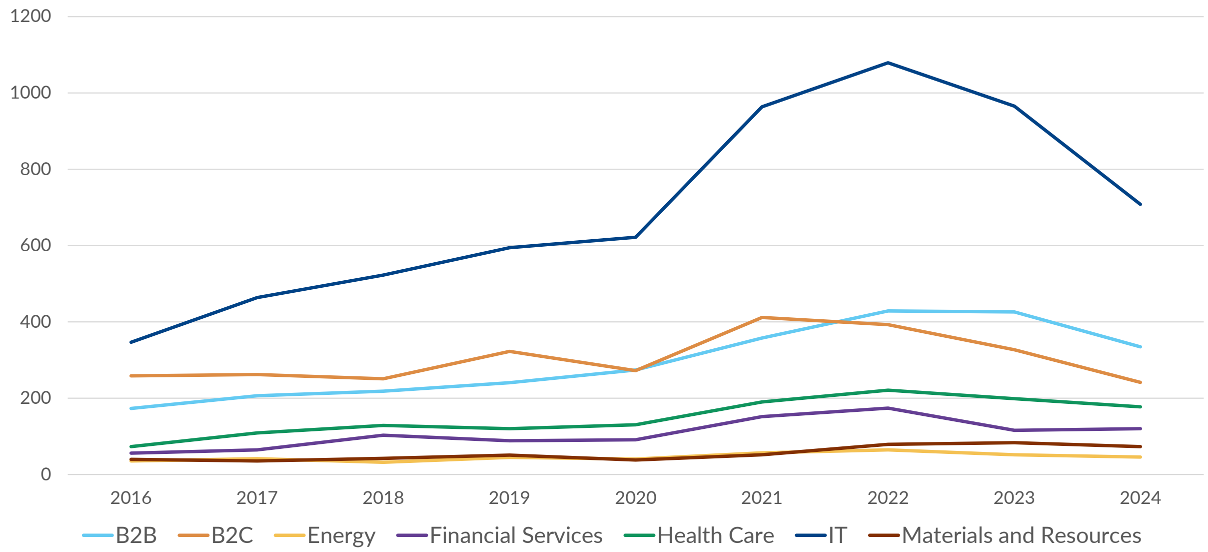
In terms of capital destination, companies located in Brazil and Mexico were the most popular among private capital investors. From January 2016 to June 2025, almost half (49.2 percent) of all private capital deals targeting Latin American countries provided financing for Brazilian companies. Mexico was the second most popular location in terms of private capital deal count, capturing 17.8 percent of transactions during the same period (Figure 5b).

While Brazil was also the biggest destination by capital value, a single outlier deal by Walgreens Boots Alliance that provided $24 billion in financing to a Chilean pharmacy in 2020 shifted the rankings, making Chile the country with the second-largest inflow of capital value since 2016. Removing this single transaction, Mexico reclaims its position as the second most common destination for investments by capital value. This highlights the central role of Latin America's two largest economies—Brazil and Mexico—in attracting private capital to the region.

MAIN TARGET SECTORS

As mentioned above, Latin American countries have relatively robust internet availability and a quickly expanding STEM-educated population base. As a reflection of this technologically friendly environment, the region has experienced a steady increase in private capital deals providing financing to the information technology (IT) sector over the past decade (Figure 6).

Figure 6. Annual Deal Activity by Sector, 2016 to 2024



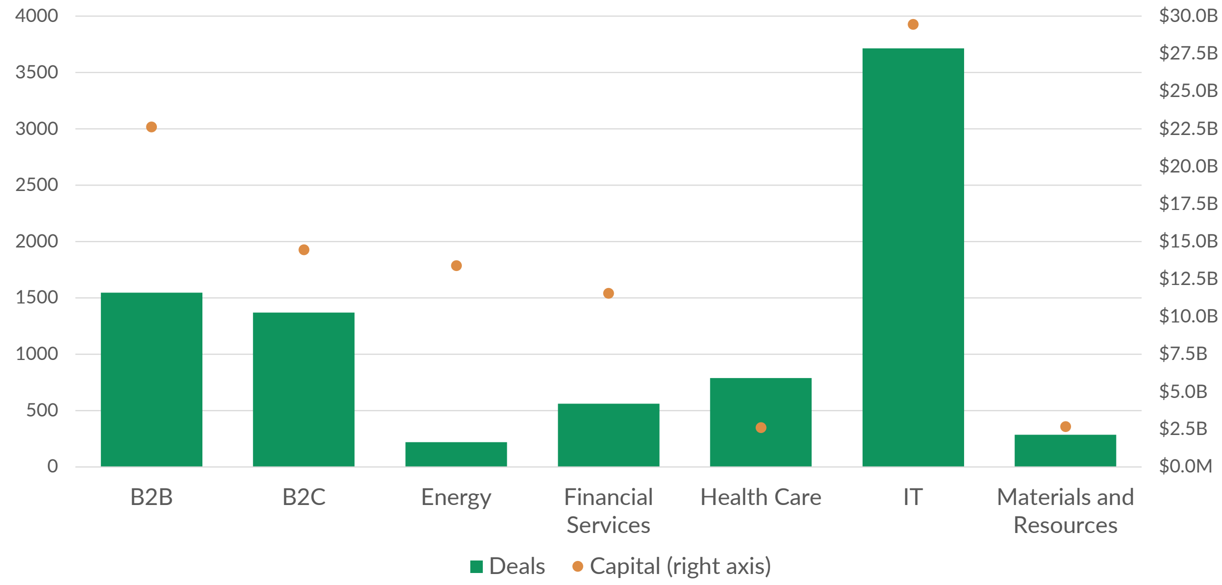
Source: Milken Institute analysis based on data from PitchBook Data, Inc. (2025)

The increase in financing for the IT sector has been largely due to an increase in private capital investment in software companies. From 2016 to 2022, the number of deals providing capital to Latin American software companies more than tripled, while the value of the capital invested in these companies increased more than 11-fold. Since then, both the deal count and the capital value invested in software companies have decreased. Still, by 2024, the number of transactions providing financing to software companies in Latin America was approximately double that of 2016.

Financial services and health care are two other sectors with high and steady increases in private capital deal count over the past decade. Both of these sectors began the period with a relatively low number of private capital transactions in 2016, but more than doubled the number of transactions by 2024. Consistent with the growth in activity in the IT sector, the increase in health-care transactions has been largely driven by growth in health-care technology systems and biotechnology deals, while the increase in financial services has been due to growth in other financial services across verticals such as FinTech, cryptocurrency, and blockchain.

Shifting to a point-in-time comparison, between 2021 and 2024, the IT, business products and services (B2B), and consumer products and services (B2C) sectors had the highest private capital activity, both in deal count and value of capital (Figure 7). The energy and financial services sectors ranked fourth and fifth, respectively, by value of capital, while health care and financial services ranked fourth and fifth by deal count.

Figure 7. Deal Count and Capital Invested by Sector, from 2021 to 2024



Source: Milken Institute analysis based on data from PitchBook Data, Inc. (2025)

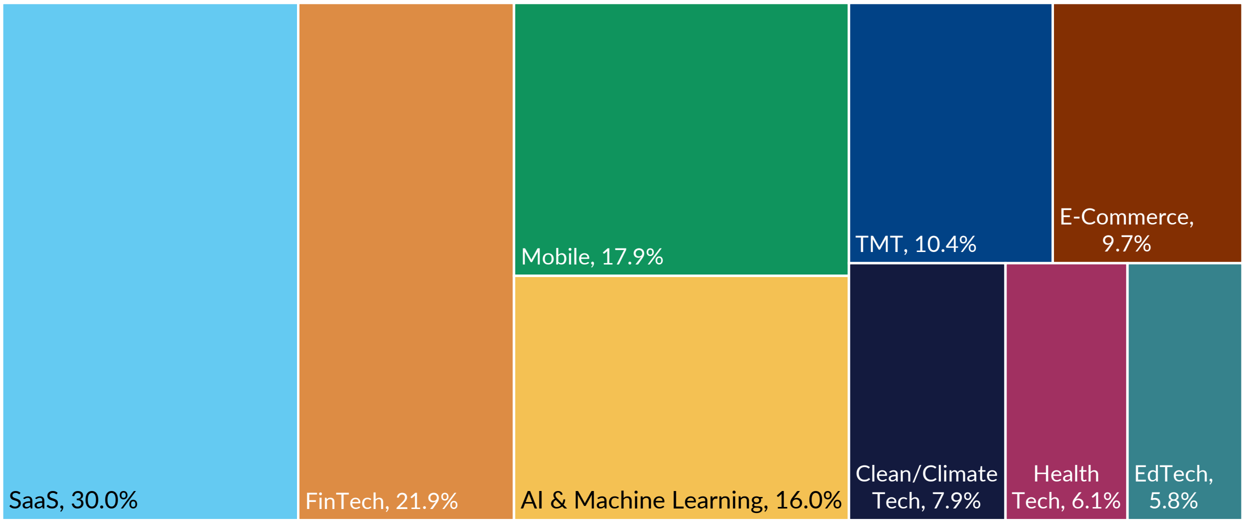
The divergence in sectoral rankings depending on whether capital value or deal count is considered reflects an important difference in the median deal value in the health care and energy sectors. As noted earlier, private capital activity in health care has been mainly driven by investments in health care technology systems and biotechnology. Both of these subsectors have a relatively small median deal size ($1.35 million and $0.3 million in 2024, respectively). In contrast, private capital activity in the energy sector is largely due to investments in exploration, production, and refining projects, which tend to have a much higher deal size (with a median capital value of $115 million per transaction in 2024).

KEY VERTICALS OF COMPANIES DRIVING PRIVATE CAPITAL INVESTMENT

Industry verticals describe business activity in niche and specialized markets, thereby offering valuable insights into the types of business conducted by companies receiving private capital. Out of the 58 verticals used by PitchBook to classify companies, at least 41 have a high-technology component (e.g., 3D Printing, AdTech, AgTech, etc.). Given that a large share of private capital activity in Latin America targets companies in the IT sector, analyzing the verticals of these companies helps further illustrate the types of technologies driving investment in the region.

From January 2016 to June 2025, the most common verticals by deal count among Latin American companies were SaaS, FinTech, mobile, AI and machine learning, and technology, media, and telecommunications (TMT) (Figure 8). Together, these verticals accounted for more than half (52.9 percent) of all private capital deals financing Latin American companies during this period. Other prominent verticals in Latin America included e-commerce, clean/climate tech, and lifestyles of health and sustainability (LOHAS) and wellness.

Figure 8. Top 10 Verticals in Latin America by Private Capital Deal Count, from January 2016 to June 2025

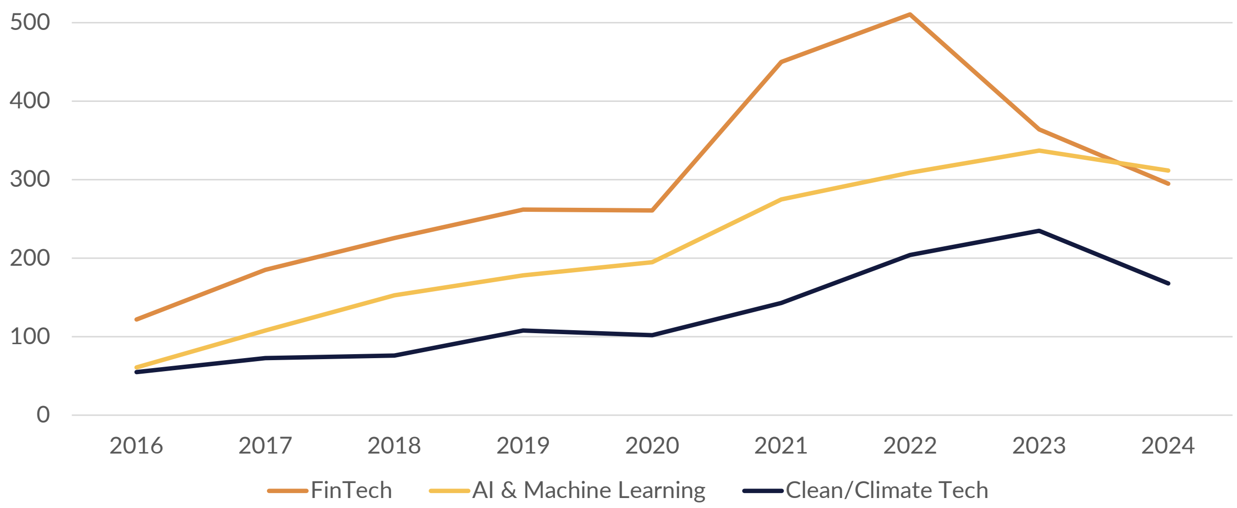


Source: Milken Institute analysis based on data from PitchBook Data, Inc. (2025)

Compared to the US, Latin American companies were more likely to receive financing for companies in the FinTech and mobile verticals. From 2016 to 2025, FinTech and mobile were listed as verticals in 17.7 and 14.5 percent of Latin American deals, respectively. In contrast, in the US, FinTech and mobile were listed in 7.8 and 9.4 percent of transactions, respectively, during the same period. The opposite was true for AI and machine learning, which appeared less frequently in deals involving companies in Latin America than in the US (13.0 percent compared to 17.4 percent).

In terms of market presence, there were only five verticals with 100 or more Latin American companies receiving private capital funding in 2024 listed on PitchBook, with three standing out due to their high growth rates over the past decade. These three high-growth verticals are FinTech, AI and machine learning, and clean/climate tech. Since 2016, the number of transactions involving Latin American companies in each of these three verticals has grown rapidly, more than doubling by 2024 (Figure 9).

Figure 9. Annual Deal Count in Latin America's High-Growth Verticals, 2016 to 2024



Source: Milken Institute analysis based on data from PitchBook Data, Inc. (2025)

Companies in the AI and machine learning vertical have experienced the fastest growth. By 2024, the number of private capital transactions in this vertical was five times higher than in 2016. The clean/climate tech vertical, while still the smallest of the three, saw deal count triple over the same period, while the number of FinTech transactions more than doubled. Although all three high-growth verticals experienced a decline in deal count in recent years, the magnitude of the drop has varied. FinTech, which had the highest deal count of these three verticals in 2016, experienced the steepest decline, ending 2024 with fewer private capital transactions than AI and machine learning.

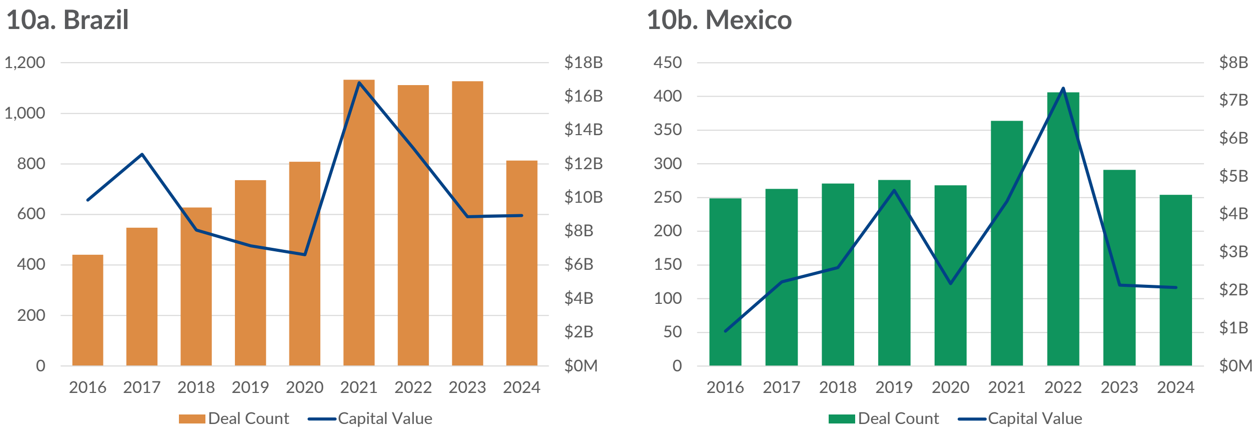
In terms of geographical destination, Brazil and Mexico were by far the most common locations for companies operating in high-growth verticals. From January 2016 to June 2025, companies in these two countries were involved in 66.2 percent of the high-growth verticals' transactions and received 76.7 percent of the value of capital. The high concentration of companies operating in high-growth verticals in Brazil and Mexico reflects the importance of the region's two largest economies to Latin America's growth and technological advancement. The following section focuses specifically on the private capital environment in Brazil and Mexico.

Private Capital in Brazil and Mexico

Trends in Private Capital Investment over the Past Decade

Both Brazil and Mexico experienced an increase in private capital value and deal count in the years following 2020. In Brazil, deal count increased until 2023, although the capital value of these deals declined after 2022. In Mexico, both the deal count and capital value reached their peak in 2022 and dropped in 2023 (Figure 10).

Figure 10. Annual Deal Count and Capital Value, Brazil and Mexico, 2016 to 2024



Source: Milken Institute analysis based on data from PitchBook Data, Inc. (2025)

Before 2020, deal count grew rapidly in Brazil, increasing by 66.7 percent from 2016 to 2019, but capital value decreased after a spike in 2017. In Mexico, there was a smaller increase (10.8 percent) in deal count from 2016 to 2019. However, Mexico experienced a rapid increase in capital value during this period. In 2019, the value of private capital invested in Mexican companies was five times higher than in 2016.

Mexico has a smaller economy than Brazil, with a GDP that was 85.3 percent of Brazil's in 2024. While both countries are classified as upper-middle-income economies by the WBG, Mexico's population is, on average, slightly richer, with a GDP per capita of $25,070, compared to Brazil's $22,270, in 2024. However, private capital investment in Mexico is considerably lower than in Brazil. In 2024, Mexico's companies attracted 254 private capital deals and a total capital value of $2.1 billion, while Brazil's companies attracted 813 deals and a total capital value of $8.9 billion.

Several business and institutional factors shape investment environments in Latin America's two largest economies. As highlighted by the Milken Institute's *Global Opportunity Index* 2025 report, Brazil benefits from the strength of its financial services sector and a propensity towards innovation. Mexico's main advantage is its economic openness, supported by its geographic proximity to the US. Both countries also face challenges, such as security risks, low private savings rates, and the high cost of doing business.

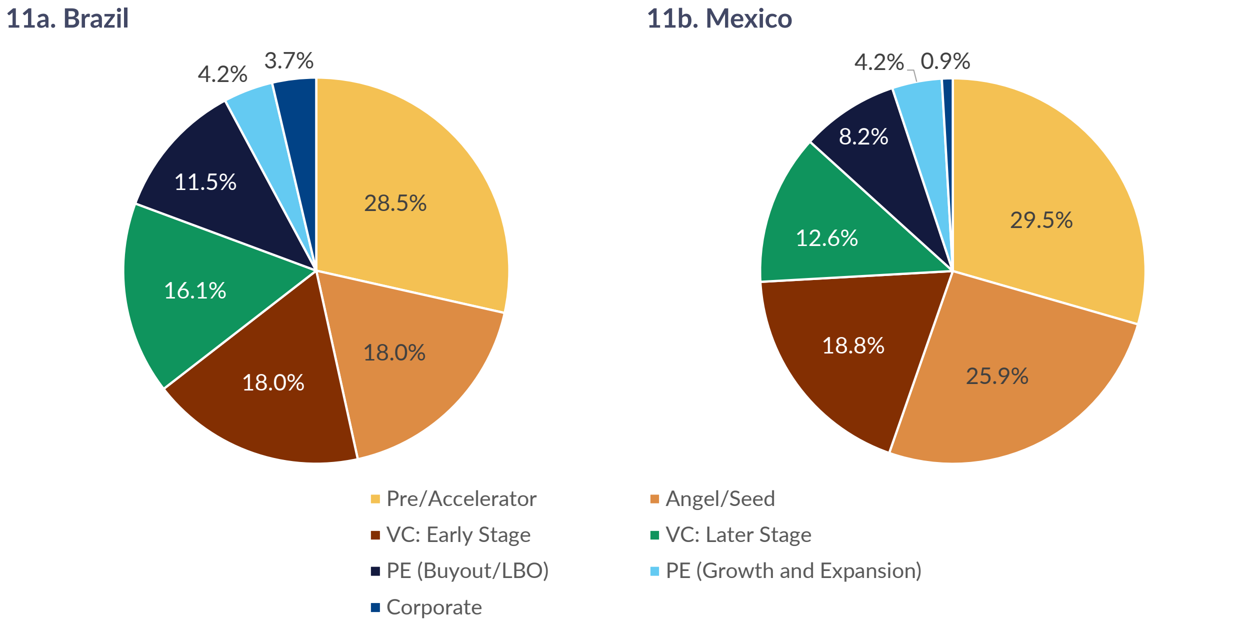
Given the complex investment environments in these two countries, we take a descriptive approach to analyzing private capital types, sources, and destinations in Brazil and Mexico. Throughout the analysis, we also highlight key business, institutional, and regulatory factors that provide context to our findings.

Overview of Private Capital Types, Sources, and Destinations

TYPES OF PRIVATE CAPITAL TRANSACTIONS

Compared to Brazil, Mexico has a higher share of private capital transactions financing companies at their earliest stages of growth, as reflected in its high share of early-stage VC deals. From 2021 to 2024, venture capital was the most common deal type in both countries, accounting for 80.7 percent of transactions in Brazil and 86.7 percent of transactions in Mexico (Figure 11). However, Mexico had a greater proportion of pre/accelerator and angel/seed VC transactions, with these deals—which typically provide financing for companies in their initial stages—representing 55.4 percent of all private capital transactions in the country. Later-stage VC deals were more common in Brazil, accounting for 16.1 percent of transactions, compared to 12.6 percent in Mexico. PE buyout/LBO and corporate non-control transactions were also more common in Brazil.

Figure 11. Share of Transactions by Deal Type, Brazil and Mexico, from 2021 to 2024

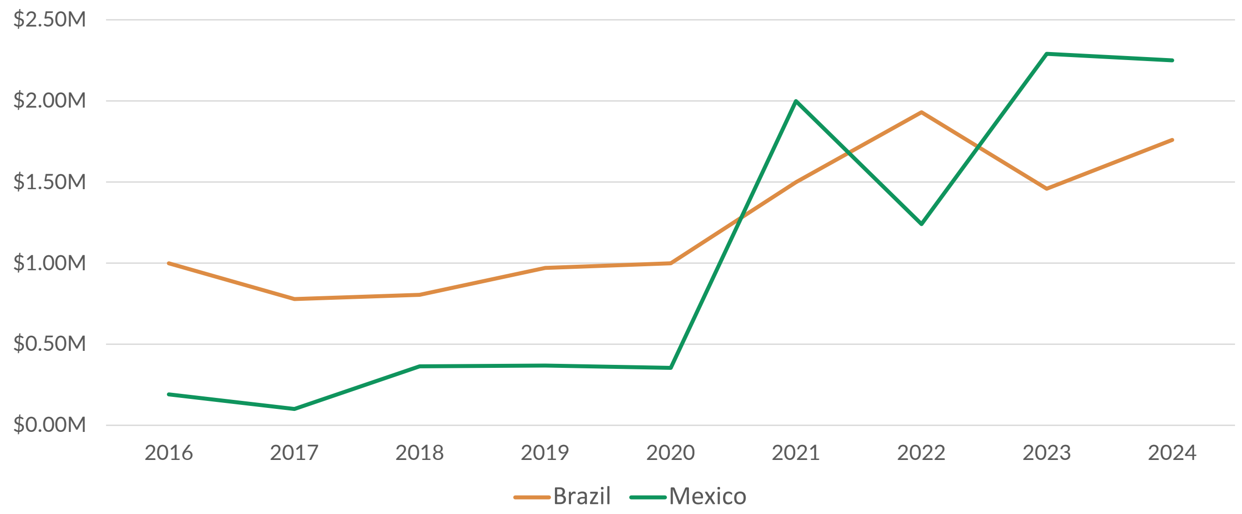


Source: Milken Institute analysis based on data from PitchBook Data, Inc. (2025)

The higher share of VC transactions that finance companies in their initial stages of growth is consistent with a larger share of small businesses in Mexico compared to Brazil. While most companies in both countries are classified as micro, small, and medium enterprises (MSMEs), MSMEs make up a larger portion of the Mexican economy. In 2019, 71.2 percent of Mexico's labor force was employed by MSMEs, as compared to only 54.2 percent in Brazil.[13] Moreover, 69.3 percent of Mexico's private capital transactions involved companies with 60 or fewer employees. In Brazil, the share of transactions involving companies with 60 or fewer employees was lower (at 51.7 percent), while the share of transactions involving companies with 1,200 or more workers was higher (7.4 percent in Brazil compared to 4.6 percent in Mexico).

Given its higher presence of MSMEs, it is not surprising that Mexico has historically had smaller private capital transactions—reflected in a smaller median deal size—compared to Brazil. However, Mexico's median deal size has increased over the past decade (Figure 12). In 2016, the median deal size of transactions involving Mexican companies was well below that of Brazilian companies. By 2021, however, the median deal size of Mexico's companies had surpassed Brazil's, and the two have remained close since.

Figure 12. Annual Median Deal Size, Brazil and Mexico, 2016 to 2024



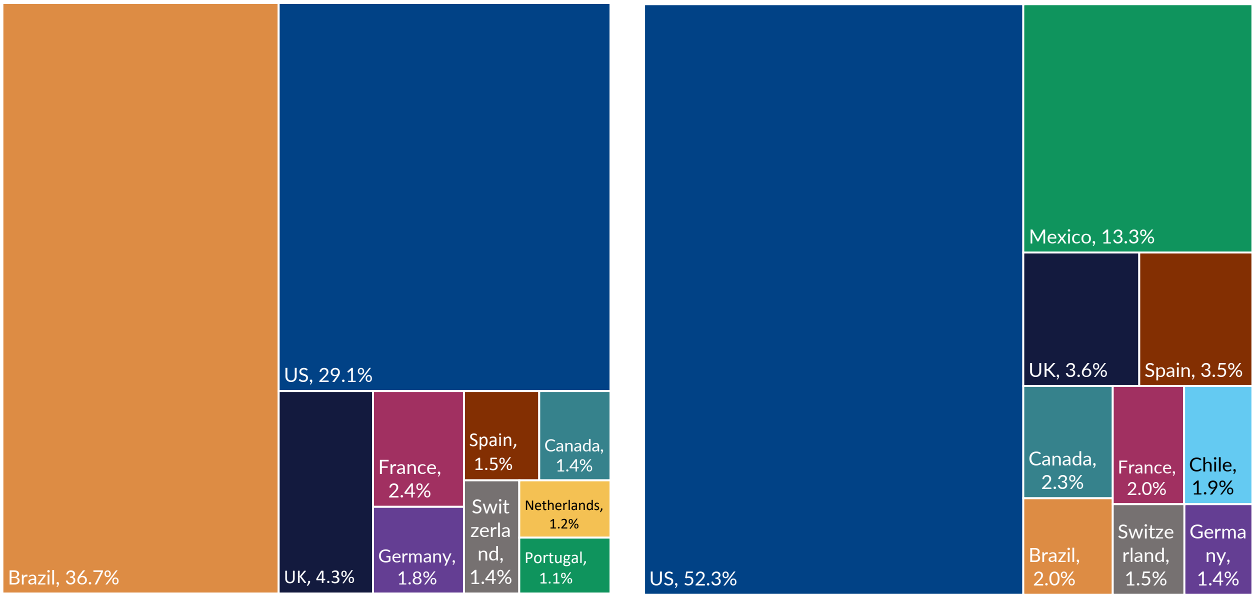
Source: Milken Institute analysis based on data from PitchBook Data, Inc. (2025)

GEOGRAPHIC ORIGIN AND DESTINATION

Brazil and Mexico differ considerably in the geographic origin of their private capital investors. Over the past decade, 36.7 percent of the investors that provided private capital to Brazil's companies were domestic (i.e., had their headquarters located in Brazil, according to PitchBook). This makes domestic investors the main source of private capital investments in Brazil (Figure 13a). In contrast, Mexican companies draw a larger share of capital from foreign investors. From January 2016 to June 2025, 52.3 percent of investors with deals involving Mexican companies had their headquarters in the US, making US investors the main source of private capital in Mexico (Figure 13b).

Figure 13. Top 10 Investor Countries, Brazil and Mexico, from January 2016 to June 2025

13a. Brazil **13b. Mexico**

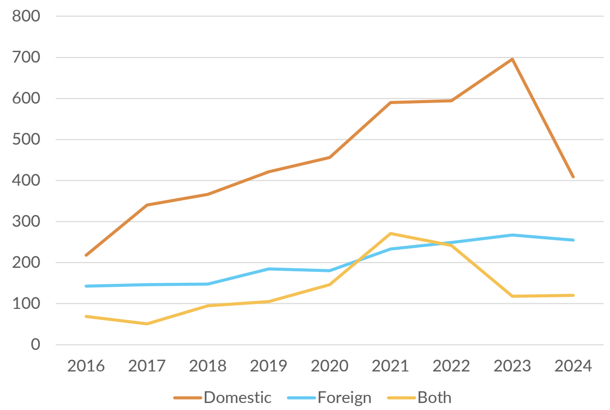


Source: Milken Institute analysis based on data from PitchBook Data, Inc. (2025)

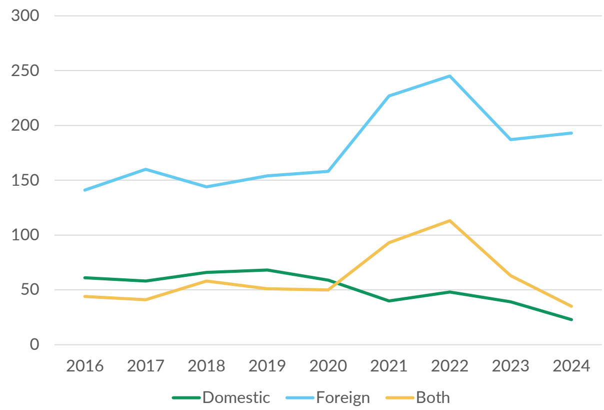
The difference in the geographic origin of private capital investors in Brazil and Mexico mirrors our prior findings about M&A activity in the two countries. As described in the GOI 2025 report, Brazil's relatively high M&A activity since 2021 has been largely due to domestic transactions. In the present report, we confirm that the same is true for other types of private capital (VC, PE, and non-control corporate) transactions. While US investors play a non-negligible role in Brazil, representing 29.1 percent of investors with private capital transactions involving Brazilian companies, domestic capital has driven the bulk of the increase in private capital investments in Brazil since 2016 (Figure 14a). Simultaneously, deals with capital from domestic investors were also responsible for the drop in deal count in Brazil in 2024.

Figure 14. Annual Deal Activity, Brazil and Mexico, by Investors' Origin

14a. Brazil



14b. Mexico



Source: Milken Institute analysis based on data from PitchBook Data, Inc. (2025)

In contrast, the increase in private capital transactions in Mexico after 2020 was due to an increase in deals financed by foreign investors (Figure 14b). While Mexican investors account for 13.3 percent of private capital investors in the country, the number of private capital transactions financed exclusively by domestic investors has dropped over the past decade. Meanwhile, deals financed exclusively by foreign investors grew from 2016 to 2024 despite a dip in 2023, and deals involving both domestic and foreign investors rose sharply in 2021 and 2022 before declining thereafter.

The differences in investor origin between Brazil and Mexico are the result of multiple interconnected forces. Brazil's public investment culture—anchored by institutions like the Brazilian Development Bank (BNDES)—has played a catalytic role in capital formation. With a budget of $22.9 billion in 2023, BNDES has helped de-risk large-scale projects and crowd in domestic private capital.[14] Mexico operates similar development institutions, but with more limited mandates and considerably smaller budgets.[15]

Brazil also benefits from a well-coordinated public-private partnership (PPP) investment model, earning it the first position in a bi-annual ranking of legal frameworks and institutions that optimize PPP investments commissioned by the Inter-American Development Bank.[16] Finally, large institutional investors, such as pension funds, face a more flexible regime in Brazil, allowing them to invest in a greater diversity of domestic private capital instruments, increasing domestic VC and PE investors' access to capital.[17]

Mexico's key advantages lie in its openness to global trade and investments. According to Mexico's Department of Commerce, the country has 30 bilateral investment treaties in force with 31 countries, along with a robust network of free trade agreements.[18] It is also a member of key international institutions like the International Centre for Settlement of Investment Disputes, providing arbitration protections to foreign investors.[19] These factors, coupled with Mexico's geographic proximity to the US, make it an attractive destination for foreign investors looking for opportunities outside of their countries' borders.

Despite the difference in the most common geographic sources of private capital in Brazil and Mexico, both countries have made efforts in recent years to attract additional domestic and foreign capital for their businesses. In 2023, Brazil implemented a landmark reform to its value-added tax (VAT) model that is expected to considerably simplify the country's tax system and boost its productivity.[20] While constitutional law still restricts foreign investment in several sectors of the Brazilian economy (including telecommunications and health care), since 1995, Brazilian companies no longer receive favorable treatment for using only domestic capital, which has expanded the potential for foreign investments.[21]

In Mexico, a new financial technology law came into effect in 2018. This law created a regulatory "sandbox" for start-ups to test the viability of their products and provided a broad rubric for the development and regulation of financial technologies, attracting significant investment in FinTech and mobile payment companies operating in Mexico.[22] Moreover, in October of 2024, 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.[23] This action has the potential to increase access to capital for Mexico's VC and PE investors.

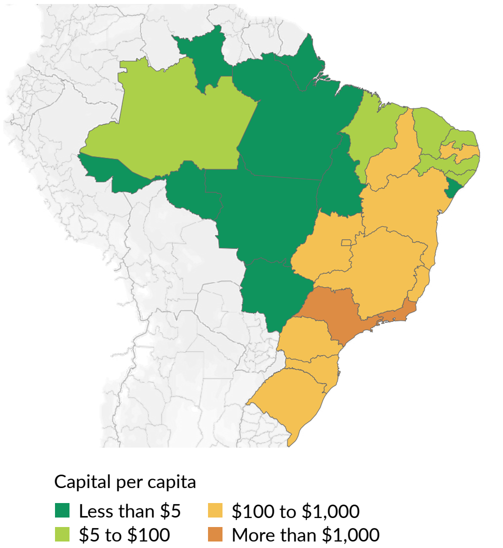
Most recently, in April of 2025, the Mexican administration announced the release of a new digital portal for investors that aims to simplify and reduce bureaucratic transactions and corruption as part of President Claudia Sheinbaum's economic agenda.[24] With these actions, Mexico, like Brazil, has signaled its goal to increase investment for Mexican companies from both domestic and foreign capital sources.

In terms of the geographic destination of investments, both Brazil and Mexico have a highly concentrated regional distribution of private capital, which tends to flow to the countries' major cities. In Mexico, companies located in Mexico City—the country's capital—accounted for 65.2 percent of all private capital transactions and 62.9 percent of total capital value from January 2016 to June 2025. In Brazil, companies in São Paulo were involved in 47.6 percent of transactions and attracted 46.8 percent of capital value in the same period.

At the state (or federal unit) level, only São Paulo and Rio de Janeiro in Brazil have received more than $1,000 of private capital value per inhabitant since 2016 (Figure 15a). Brazil's private capital activity is concentrated in the southeast, in states with geographic proximity to the country's main cities. Companies in most of the states in Brazil's northwest received a negligible amount of private capital (less than $1 per state's inhabitant) during the period, reflecting their low economic and business activity. Interestingly, Amazonas was the only state in northwest Brazil where companies received a material amount of private capital, with the state as a whole attracting almost $400 million from January 2016 to June 2025. This capital activity was mainly driven by four substantial deals involving waste management, energy, and mineral exploration companies.

Figure 15. Private Capital Value per Inhabitant, Federal Units of Brazil and Mexico, from January 2016 to June 2025

15a. Brazil



15b. Mexico

Source: Milken Institute analysis based on data from PitchBook Data, Inc. (2025)

In Mexico, Mexico City is the only federal unit that has surpassed $1,000 of private capital value per inhabitant since 2016 (Figure 15b). While business activity has increased in northern Mexican states bordering the US, such as Nuevo León, companies in these states still capture a relatively small share of private capital value. In 2024, companies in Nuevo León accounted for 10.8 percent of transactions, but only 4.2 percent of the private capital value invested in Mexican companies.

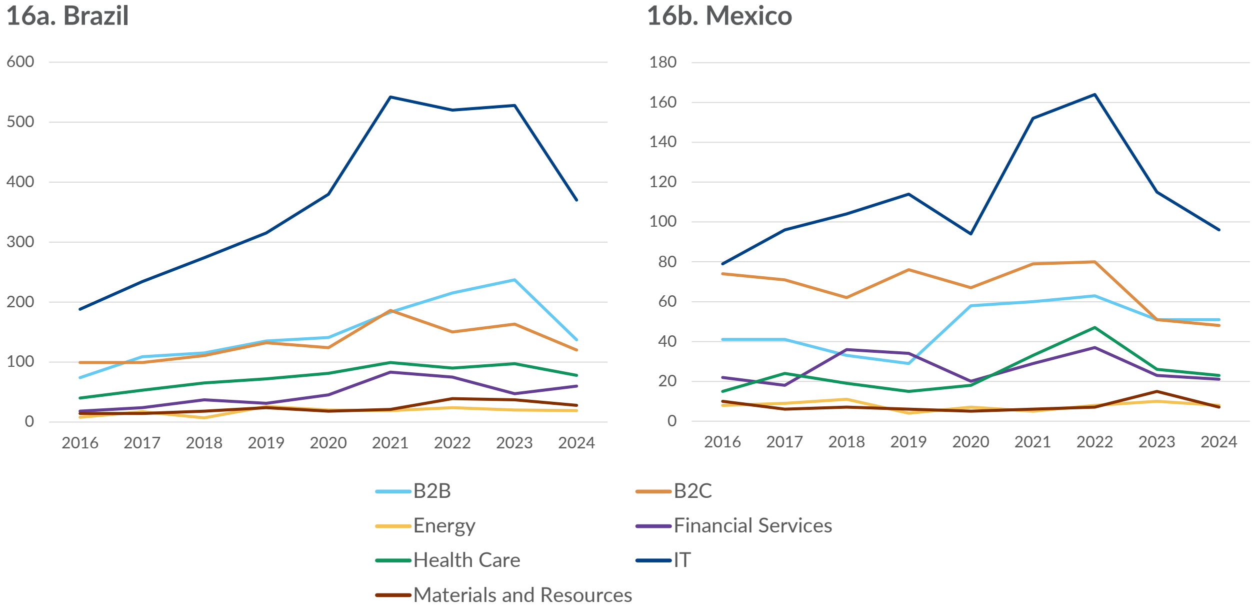
Interestingly, some of the more economically challenged areas of Mexico, such as Veracruz and Guerrero, have also attracted private capital over the past decade (Figure 15b). In recent years, the Mexican government has developed several initiatives to aid economic development in these areas. Currently, Mexico has more than 460 industrial parks across 28 states.[25] These parks are incentivized by the federal government through programs such as the “Industria Manufacturera, Maquiladora y de Servicios de Exportación” (known as IMMEX), which supports manufacturing and maquila operations by allowing duty-free and VAT-free importation of raw materials, components, and equipment.[26] The Mexican government has also designed special economic zones across the country to stimulate economic development through tax incentives and infrastructure development.[27]

Like Mexico, Brazil also has several regional development programs that offer tax incentives for investments in less developed areas of the country. Each of Brazil’s macroregions has an agency dedicated to its regional development (called Superintendências do Desenvolvimento), such as SUDENE for the northeast and SUDAM for the Amazon region.[28] These agencies are responsible for coordinating all public interventions, such as tax and investment credits, in the regions.[29] In 2003, Brazil also launched a National Regional Development Policy (known by its Portuguese acronym, PNDR), whose main objective is to reduce quality of life differences across Brazil’s regions.[30] However, the PNDR has faced financing challenges, making it difficult to implement its policy.[31]

TARGET SECTORS AND VERTICALS

From 2021 to 2024, IT was the sector with the highest private capital activity in both Brazil and Mexico. However, the evolution of this sector's importance to total capital activity has differed in the two countries. In Brazil, the IT sector has stood out for its ability to attract a large number of private capital transactions for over a decade, accounting for 42.6 percent of the deal count in 2016 (Figure 16a). In Mexico, IT competed with the B2C a decade ago, capturing 31.7 percent compared to B2C's 29.7 percent of the deal count in 2016. However, by 2024, activity in the B2C sector had dropped, while the number of private capital transactions targeting IT companies had risen. This resulted in IT companies standing out from other sectors in their deal activity by 2024 (Figure 16b).

Figure 16. Annual Deal Activity by Sector, Brazil and Mexico, 2016 to 2024



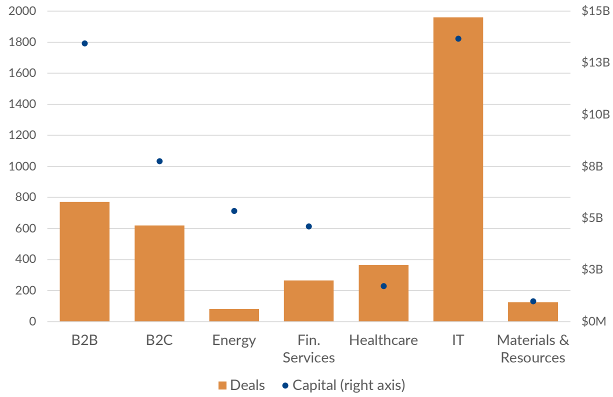
Source: Milken Institute analysis based on data from PitchBook Data, Inc. (2025)

Other sectors that experienced an increase in private capital deal count in Mexico over the past decade are B2B services and health care, driven in part by a rise in deals involving companies in pharmaceuticals and biotechnology. In Brazil, deal count has increased in all sectors, with particularly fast growth in financial services. The growth in Brazil's financial services sector has been accompanied by growth in deals involving companies operating in the FinTech vertical, one of Latin America's key high-growth verticals.

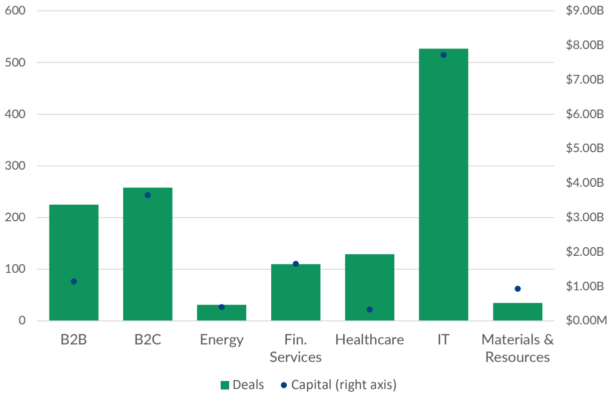
In recent years, IT companies have dominated private capital activity in Mexico, accounting for 40.1 percent of the deal count and 48.6 percent of the capital value of the country's private capital transactions from 2021 to 2024 (Figure 17). In Brazil, IT companies led in deal count but were matched in capital value by companies in the B2B sector. Within B2B, environmental services stood out, with a few deals involving water and sewerage companies attracting substantial capital in 2021 and 2022. B2C and energy companies also captured significant capital activity, accounting for 16.3 and 11.3 percent of total capital value, respectively. Notably, private capital deals in the energy sector often target companies in the clean/climate tech vertical. From 2021 to 2024, 40.2 percent of energy sector transactions in Brazil involved companies in this high-growth vertical.

Figure 17. Deal Count and Capital Invested by Sector, Brazil and Mexico, from 2021 to 2024

17a. Brazil



17b. Mexico



Source: Milken Institute analysis based on data from PitchBook Data, Inc. (2025)

Three high-growth verticals—FinTech, AI and machine learning, and clean/climate tech—play an important role in private capital activity in both Brazil and Mexico. As noted earlier, Brazil stands out among Latin American countries for the strength and maturity of its financial services sector, ranking 29th globally on the financial services category in the 2025 edition of the *Global Opportunity Index*. It is therefore not surprising that Brazilian companies accounted for 44.2 percent of the deal count and 50.7 percent of capital value involved in transactions that financed FinTech Latin American companies from January 2016 to June 2025. Companies operating in the FinTech vertical represent an important share of Brazil's overall capital activity. From 2021 to 2024, FinTech companies were involved in 17.3 percent of all private capital transactions in Brazil and accounted for 14.6 percent of the capital value involved in these transactions.

Mexican companies accounted for the second-highest share of FinTech private capital transactions in Latin America, capturing 23.7 percent of the deal count and 25.6 percent of the capital value. Notably, within Mexico, companies operating in the FinTech vertical accounted for a fourth (25 percent) of private capital deal count and total capital value. The higher share of the FinTech vertical in private capital activity in Mexico than in Brazil is potentially a reflection of the economic openness and strong international integration of Mexico's markets, which may result in knowledge and technological spillover.

Compared to FinTech, the other two high-growth verticals account for a relatively smaller share of private capital activity in both Brazil and Mexico, but companies in both verticals have experienced a steep rise in deal activity over the past decade. From 2016 to 2024, the number of transactions involving companies in the AI and machine learning vertical tripled in Brazil and doubled in Mexico, while the deal count in clean/climate tech grew by 64.7 percent and 37.5 percent in Brazil and Mexico, respectively.

Both countries have made efforts to support the development of their high-growth verticals and general technological expansion. Brazil's government has committed over $30 billion to drive industrial digitalization, including over $1.4 billion in annual incentives for the semiconductor and communications technology sectors.[32] The Central Bank of Brazil has also created a highly successful instant payment system, PIX, which has digitalized the country's retail payments market.[33]

Brazilian companies also receive support from programs such as Brasil Mais Produtivo, which offers digital assistance to help small businesses modernize their administrative processes and expand productivity.[34] Finally, private social organizations also support technological advancement in Brazil. For example, the Brazilian Agency for Research and Industrial Innovation (EMBRAPII) is a nonprofit whose main objective is to spread scientific knowledge generated at private and public institutions by establishing a network of partners interested in promoting scientific advancements.[35]

Similarly, the Mexican government has also prioritized investments in technologically advanced sectors. Plan Mexico, which is the Mexican government's strategy to promote economic growth, has specified support for investment in AI and other advanced technologies as one of its main objectives. Looking ahead, the continued implementation of these and other technological initiatives will be key to strengthening Mexico's global economic competitiveness.

Conclusion

The last decade has seen an inflow of private capital to Latin America, driven by an expansion of venture capital investments and the region's vibrant start-up ecosystem. While deal activity declined in 2023 and again in 2024, the structural forces underpinning private capital in the region—including technological innovation, a growing base of STEM workers, and a young, digitally connected population—remain strong.

Brazil and Mexico are the principal destinations for private capital investment, together accounting for 67.0 percent of deals and 55.3 percent of capital value across Latin America. In Brazil, private capital growth has been driven by strong domestic investments, supported by public institutions such as the BNDES and a robust framework for public-private partnerships. This ecosystem has enabled Brazil to channel investment toward key sectors and verticals, including IT, energy, and clean/climate technology.

Mexico, by contrast, has a private capital market largely fueled by foreign investors drawn to its economic openness, proximity to the United States, and an extensive network of trade and investment treaties. The Mexican private capital market is characterized by a high concentration of MSMEs, which contributes to a predominance of early-stage venture capital deals. The country also has robust investment activity in IT and FinTech, reflecting both the entrepreneurial energy of its start-up ecosystem and the rising international interest in nearshoring and digital innovation.

Looking ahead, sustaining private capital momentum in Latin America will require a focus on technological advancement, particularly in the region's high-growth verticals—FinTech, AI and machine learning, and clean/climate tech. Simultaneously, Latin American countries will need to address long-standing obstacles, including regulatory complexity, uneven infrastructure, and security concerns. Policy reforms that enhance investor confidence and expand access to capital—particularly outside major urban hubs—might be essential to unlocking broader regional growth.

Ultimately, private capital is a critical driver of innovation, job creation, and economic resilience in Latin America. A better understanding of its sources, destinations, and sectoral focus, such as the one presented in this report, can help investors, policymakers, and entrepreneurs align strategies with the region's evolving investment landscape.

Appendix

Table A1. List of Verticals

3D Printing	E-Commerce	Mobile
AdTech	EdTech	Mobile Commerce
Advanced Manufacturing	Esports	Mobility Tech
AgTech	FemTech	Mortgage Tech
AI & Machine Learning	FinTech	Nanotechnology
AudioTech	FoodTech	Oil & Gas
Augmented Reality	Gaming	Oncology
Autonomous Cars	HealthTech	Pet Technology
B2B Payments	HR Tech	Real Estate Technology
Beauty	Impact Investing	Restaurant Technology
Big Data	Industrials	Ridesharing
Cannabis	Infrastructure	Robotics and Drones
Car-Sharing	InsurTech	SaaS
CleanTech	Internet of Things	Space Technology
Climate Tech	Legal Tech	Supply Chain Tech
CloudTech & DevOps	Life Sciences	TMT
Construction Technology	LOHAS & Wellness	Virtual Reality
Cryptocurrency/Blockchain	Manufacturing	Wearables & Quantified Self
Cybersecurity	Marketing Tech	
Digital Health	Micro-Mobility	

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About the Authors

Maggie Switek, PhD, is a senior director of research at the Milken Institute, where she heads all projects related to economic growth and opportunities across regions and communities in the US and abroad. Before joining the Institute, Switek worked in academia and consulting, developing a broad range of expertise in public policy, well-being, labor, antitrust, and intellectual property. Her experience includes working with counsel and enforcement agencies to evaluate the impacts of changes on economic competition and on consumers' welfare. In research, Switek's research interests include regional and labor economics and development. She has published studies on the topics of the US-Mexico commercial relationship, growth and access to economic opportunities across communities in the US, factors driving global investment patterns, and the impact of public support policies and rapid economic growth on well-being across the world. Switek received her PhD in economics from the University of Southern California in 2014.

Nathan Jefferson is a senior associate on the research team at the Milken Institute. In this role, he contributes to the Institute's research on regional economics and international finance. Prior to joining the Institute, he worked in the research department of the Federal Reserve Bank of St. Louis. He holds an MPP from the Harris School of Public Policy at the University of Chicago and a BA from Pomona College.

Ruben Turok is a senior associate on the research team at the Milken Institute. In this role, he primarily supports the Institute's research in health economics, demographics, economic mobility, and capital markets. He previously spent nine years in public policy roles and management consulting. He holds an MSc in political science and political economy from the London School of Economics and a bachelor's degree in political science and public administration from Iberoamericana University in Mexico City.

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