OVERHAUL

Mexico Q2-2023
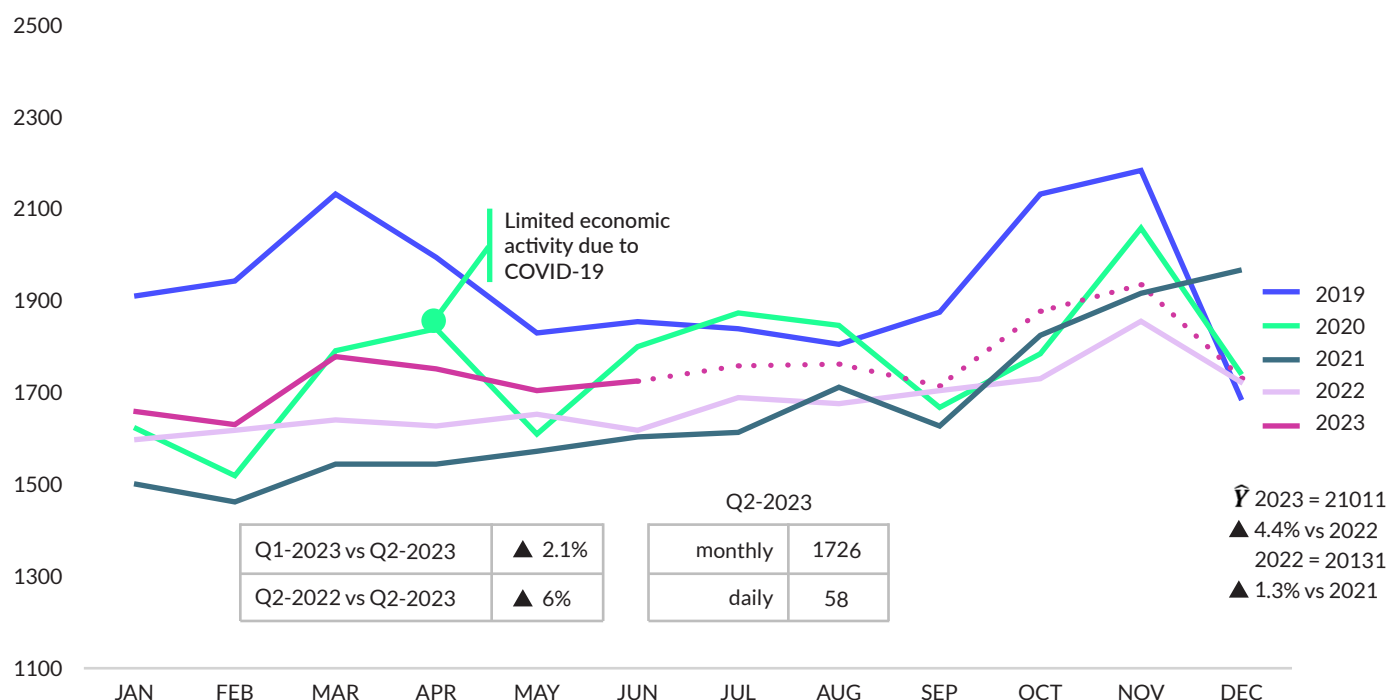# Cargo Theft Report

Table of Contents

Executive Summary

Overhaul identified that Q2-2023 maintained the main cargo theft trends observed during the first three months of the year. The number of thefts with violence, as reported by the National Public Security System, retained the same proportion as in the first quarter (82%). The second quarter of the year recorded 5,178 cargo theft events, which represented an increase of 2.1% compared to the previous quarter.

The Central region remained the region with the highest proportion of cargo theft (62%), while the Northwest and West regions experienced an increase of one percentage point each. Although criminal activity continued to be clustered on workdays, the months of April, May, and June saw a growth in thefts conducted during the night, specifically from 6:00 p.m. to 12:00 a.m. Overhaul constantly monitors criminal activity to present decision-makers with quarterly cargo theft updates. We aim to reinforce the prevention strategies designed by companies and reduce the risks faced by drivers who transit through the different roadways in the country.

In our 2022 Annual Report, Overhaul presented three possible scenarios for cargo theft behaviors in 2023: stable, optimistic and pessimistic. The report predicted that the second quarter of the year would see a total of 5,138 cargo thefts. From April to June, the 5,178 cargo thefts recorded accounted for an increase of 1% against this projection. This variation indicates that what was experienced in the first half of 2023 remains within the optimistic scenario's forecast growth.

Chart 1: Annual Comparison - Cargo Theft in Mexico

Limited economic activity due to COVID-19

| Q1-2023 vs Q2-2023 | ▲ 2.1% |
| Q2-2022 vs Q2-2023 | ▲ 6% |

Q2-2023

| monthly | 1726 |
| daily | 58 |

Legend:
- 2019
- 2020
- 2021
- 2022
- 2023

$\hat{Y}$ 2023 = 21011
▲ 4.4% vs 2022
2022 = 20131
▲ 1.3% vs 2021

Space Time Analysis for Cargo Theft in Mexico

The geographical analysis of the events recorded between April and June in the Mexican territory showed that most of the events were concentrated in the Central and Western regions of the country (88%). A division of the national territory into quadrants locates 80% of cargo thefts in the fourth quadrant. A comparison of Overhaul's heat maps for the first two quarters of the year shows that the West region, which includes the states of Aguascalientes, Colima, Guanajuato, Jalisco, Michoacán, Nayarit, Querétaro and Zacatecas, had a higher incidence of crime in the second half of the year. This change is reflected in the increase in criminal activity in the states of Michoacán and Querétaro.

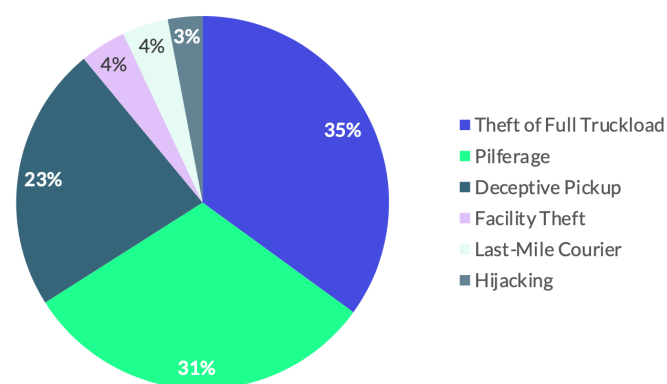LOWEST RISK   HIGHEST RISK

Regional Analysis

The percentage distribution of cargo thefts by region maintained the same proportion as the first three months of 2023. The Central region registered 62% of the events. It is worth noting that this region includes the entities of the State of Mexico (35%) and Puebla (20%), both of which contain more than 50% of cargo theft events in Mexico.

In the second quarter of 2023, the Southeast region showed a decrease in its percentage points from 6% to 4%. These two percentage points shifted to the West (+1%) and Northwest (+1%) regions. It is important to clarify that these percentage point variations are indicative of a geographic shift in criminal activity, not a reduction of criminal activity.

Chart 2: Cargo Theft by Region

- Theft of Full Truckload
- Pilferage
- Deceptive Pickup
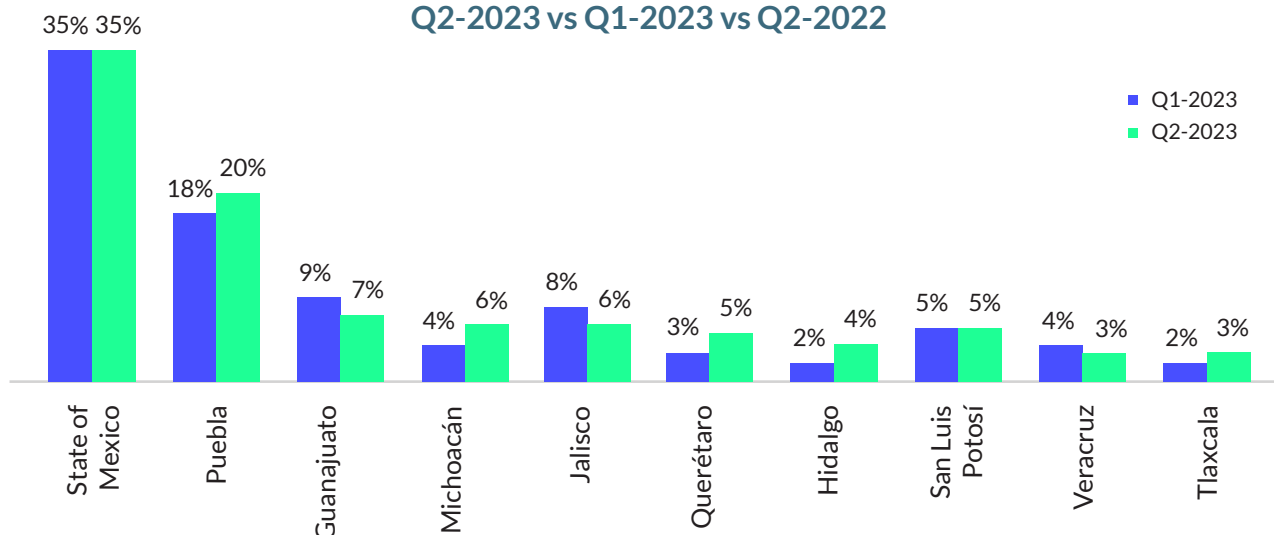- Facility Theft
- Last-Mile Courier
- Hijacking

Analysis of the Top 10 States with the Most Cargo Theft

94% of Mexico's 5,178 cargo theft events were located in ten states. The states of Estado de México and Puebla stood out, accounting for 55% of the thefts nationwide. The states of Puebla, Michoacán, Querétaro, and Hidalgo registered a growth of two percentage points in the second quarter of 2023. This increase is reflected in the increase in thefts registered on Mexico City's Libramiento Norte (Arco Norte), in the sections that correspond to the state of Hidalgo.

Chart 3: Cargo Theft by Top 10 States
Q2-2023 vs Q1-2023 vs Q2-2022

Legend: ■ Q1-2023 ■ Q2-2023

State	Q1-2023	Q2-2023
State of Mexico	35%	35%
Puebla	18%	20%
Guanajuato	9%	7%
Michoacán	4%	6%
Jalisco	8%	6%
Querétaro	3%	5%
Hidalgo	2%	4%
San Luis Potosí	5%	5%
Veracruz	4%	3%
Tlaxcala	2%	3%

Cargo Thefts by Day and Time

During Q2-2023, the majority of cargo theft events continued to be concentrated on weekdays, with more than half of the criminal activity occurring on Tuesdays (16%), Wednesdays (21%), Thursdays (18%), and Fridays (16%). This distribution is similar to that of the previous quarter.

The hours with the highest risk for cargo transportation are between 6:00 am and noon (28%). This window of time also concentrated the highest number of cargo thefts during the first quarter of the year. It is worth noting that 29% of all thefts registered in the State of Mexico during the second quarter were during these hours.
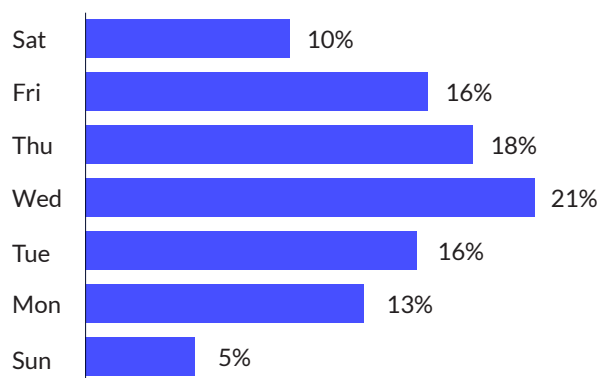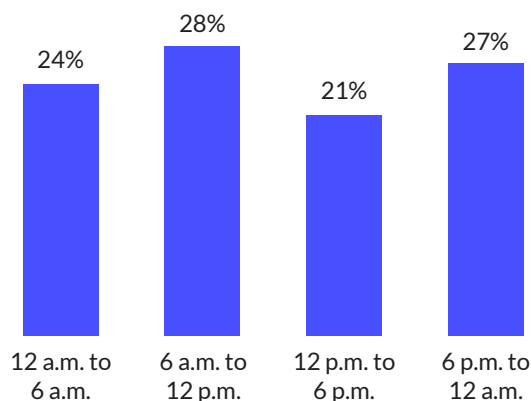
Chart 4: U.S. Cargo Theft by Day of the Week

Day	Percentage
Sat	10%
Fri	16%
Thu	18%
Wed	21%
Tue	16%
Mon	13%
Sun	5%

Chart 5: Cargo Theft by Time of Day

Time	Percentage
12 a.m. to 6 a.m.	24%
6 a.m. to 12 p.m.	28%
12 p.m. to 6 p.m.	21%
6 p.m. to 12 a.m.	27%

The most relevant change occurred between 6:00 p.m. and midnight, with an increase of 6 percentage points compared to the previous quarter. Thefts that occurred in the afternoon between noon and 6:00 p.m. maintained the same proportion as that reported in the first quarter of 2023.

Cargo Theft by Product Type

The top three most stolen product categories in the second quarter of 2023 consisted of *Food & Beverages* (30%), followed by *Building & Industrial* (12%) and *Miscellaneous* (12%).
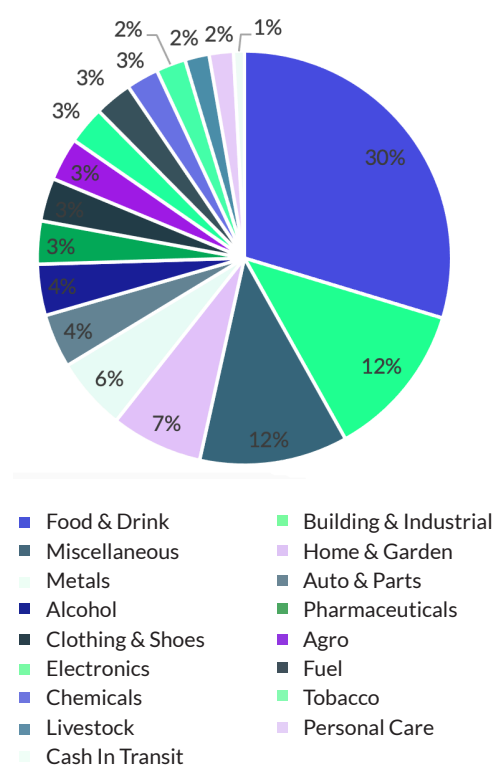
Product types that showed increases were in the *Personal Care* (2%), *Tobacco* (2%) and *Pharmaceuticals* (3%) segments.

Within the *Personal Care* category, *Hygiene & Toiletries* accounted for 50% of the thefts, followed by *Cosmetics* with 33%.

The *Tobacco* category experienced the second highest growth. Most of the offenses occurred in the states of Jalisco and Querétaro, which accounted for 90% of the *Tobacco* theft events recorded in the second three months of 2023.

The thefts related to the *Pharmaceuticals* category identified between April and June 2023 showed that the biggest share of stolen items in the category corresponded to *Medications* with 54% of thefts.
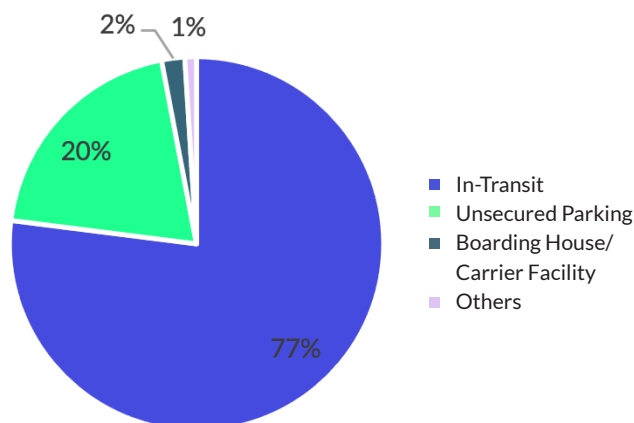
Chart 6: Cargo Theft by Product Type

Legend:
- Food & Drink
- Miscellaneous
- Metals
- Alcohol
- Clothing & Shoes
- Electronics
- Chemicals
- Livestock
- Cash In Transit
- Building & Industrial
- Home & Garden
- Auto & Parts
- Pharmaceuticals
- Agro
- Fuel
- Tobacco
- Personal Care

Cargo Theft by Event Location

During the second quarter of 2023, the main mode of operation for criminals remained the interception of units *In-transit* at 77%. Theft from parked units decreased by three percentage points.

Chart 7: Cargo Theft by Location

Legend:
- In-Transit
- Unsecured Parking
- Boarding House/Carrier Facility
- Others

However, it retained a representative share of 20%. 67% of the theft of detained units occurred at high-risk detention points such as *huachicoleras*, places where illegal fuel is commercialized, and *cachimbas*, or sites with high risks of theft where cargo drivers usually go for mechanical repairs.

Theft of units *In-transit* increased by two percentage points and theft of units within a *Boarding House/Carrier* Facility increased by one percentage point.
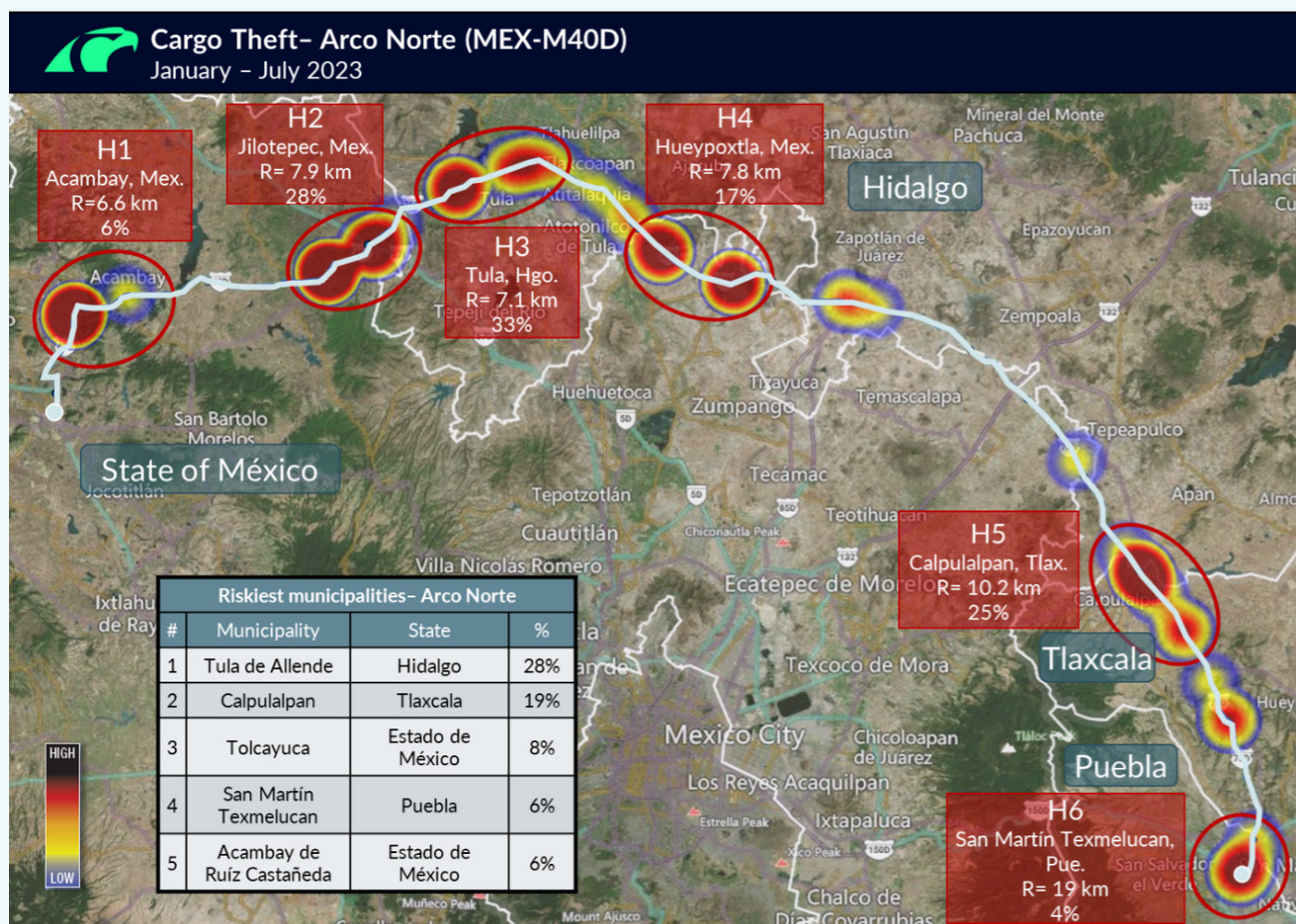
Special Report MX Q2-2023
Cargo Theft in the Arco Norte highway

The Arco Norte highway (MEX-M40D) was one of the five highways with the highest rate of thefts recorded by Overhaul in the first half of 2023. For this reason, we are including a brief analysis of this highway, which runs through the states of Estado de México, Hidalgo, Tlaxcala and Puebla.

During the second quarter of the year, Overhaul published several warnings concerning overtly violent criminal groups operating on the MEX-57D highway between the states of Hidalgo and Estado de Mexico. Although violent modes of operation are not limited to a specific highway, at least six drivers were injured in thefts along the Arco Norte, two by firearms and four by severe beatings. Additionally, at least one operator died as a direct result of criminal groups operating on this highway.

When analyzing cargo thefts in the first six months of the year, Overhaul identified that 27% of the events occurred in the sections belonging to the state of Hidalgo, particularly in the Tepeji del Río-Atitalaquia section (28%), followed by the State of Mexico with 27%, Tlaxcala with 22%, and Puebla with 14%. The municipality with the highest risk is also located in the State of Hidalgo and corresponds to the municipality of Tula de Allende. The states of Tlaxcala, Mexico, and Puebla corresponded to Calpulalpan (19%), Tolcayuca (8%), and San Martin Texmelucan (6%) respectively.

Cargo Theft– Arco Norte (MEX-M40D)
January – July 2023

#	Municipality	State	%
1	Tula de Allende	Hidalgo	28%
2	Calpulalpan	Tlaxcala	19%
3	Tolcayuca	Estado de México	8%
4	San Martín Texmelucan	Puebla	6%
5	Acambay de Ruíz Castañeda	Estado de México	6%

Overhaul Q2-2023 Cargo Recovery

June 2023, Puebla, Agrochemicals

Shortly after starting the route, the driver of a cargo unit traveling on the Mexico-Puebla highway (MEX-190) near Huejotzingo in Puebla reported that a white Aveo vehicle had tried to block his path. The Overhaul Monitoring Center immediately initiated an emergency protocol and established a telephone communication line to accompany the driver, who managed to continue on his route but temporarily lost sight of the white car.

Through the open phone line, the Monitoring Center personnel heard when the criminals approached the operator as he was driving on the MEX-150D toll highway in San Martin Texmelucan. This immediately triggered a reaction operation and established contact with the authorities in the area.
The Monitoring Center was in constant contact with the authorities, which allowed them to share the most updated information on the cargo unit despite the use of a signal jammer by the criminal group. Thanks to the joint efforts of the State Police and the Puebla National Guard, the cargo unit was fully recovered, and the driver was secured.

This success story was made possible through Overhaul's prevention strategy, which was tailored to the client's specific needs. This prevention strategy focused on the risk present in the areas in which they traveled and involved constant monitoring that allowed them to immediately address the risk situation. Another key element in the recovery was the driver's adherence to the security protocols previously established for the client. Combining prevention strategies with strong communication from the carriers, who maintain good operational discipline and report risk situations as they arise, lowers the risk and increases the likelihood of recovery in the event of theft.

Recommendations

Although the percentage of thefts with violence remained the same during the first and second quarters of 2023, the level of violence used by criminals to commit the crimes escalated. The Overhaul Intelligence Center considers Mexico to be at SEVERE risk for cargo theft. Criminal groups are expanding their areas of action while increasing the number and specialization of people dedicated to cargo theft. Due to the assigned risk level, Overhaul recommends including physical and electronic security measures in cargo vehicles, as well as security monitoring for units circulating in the country.

Transportation of merchandise through the Central region is at greater risk due to the constant criminal activity in the area. This situation requires the strengthening of physical and electronic protection measures in cargo units, as well as a real-time monitoring services. It is important to emphasize that the modes of operation and specialization of criminal groups dedicated to cargo theft vary in the different regions of the country. For this reason, Overhaul prioritizes establishing targeted prevention and mitigation strategies that are adapted to the needs and the particular operating schemes of each of our customers.

The effectiveness of security measures depends on the full cooperation and participation of all the parties implicated in the supply chain, which is not only limited to shipping lines, drivers, yard personnel and freight owners. It demands a prevention and safety awareness culture in which the parties involved are aware of and respect the safety strategies implemented before, during, and at the end of the route.