

## Mexico's Automotive Industry – \$35 Billion in Investment

Between 2000 and the end of 2015, foreign automakers have announced over \$35 billion in investments in Mexico.



 These states are home to two of Mexico's key transportation corridors, Routes 45 and 51.

*Disclaimer: Facts based on news reports up to early February, 2016. Company names and logos are intended for informational/educational purposes only and do not in any way constitute an endorsement of Entrada Group or its services.*

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## Strengths

- ▶ A strong heritage of automotive manufacturing and exporting has made Mexico the world's 7<sup>th</sup>-largest automaker (up from 10<sup>th</sup> in 2009) and 4<sup>th</sup>-largest exporter.
- ▶ 8 of the 10 major global automotive OEMs have operations in Mexico, accounting for \$35 billion in investments from 2000 to 2015. These OEMs are supported by a strong network of established global Tier One suppliers.
- ▶ Mexico offers an attractive and cost-effective production platform for the Western hemisphere – a necessity for today's regionalized manufacturing.
- ▶ A strong logistical network facilitates import and export by rail, road and sea.

## Challenges

- ▶ Managing cost increases, particularly in regions such as on the U.S. border and parts of Central Mexico, will be a key part of any supplier's growth strategy.
- ▶ Competition for skilled technical staff is intensifying, contributing to recruitment and retention difficulties. This makes building and investing in training programs critical.
- ▶ While 2015 was a record year for U.S. auto sales, a downturn in U.S./Canadian consumer markets could heavily impact production in Mexico.

### MEXICO - KEY REGIONAL PRODUCTION PLATFORM

Mexico's open trade philosophy makes it an ideal manufacturing hub for the region, as 2014 year-end light-vehicle export data shows.



Country	2014 Exports
USA	1,875,575
Canada	267,371
Brazil	102,828
Germany	86,037
China	74,176
Colombia	60,864
Argentina	25,720
Saudi Arabia	23,308
Chile	12,410
Peru	11,776

## Opportunities for Growth

- ▶ Expansive trade agreements have made Mexico a hub for global manufacturing. Mexico's free trade agreements with 45 countries make it the ideal manufacturing hub for the Western hemisphere.
- ▶ Increasingly, automakers are looking beyond their compatriots and using suppliers, irrespective of nation of origin, with a physical presence in Mexico. Suppliers that establish operations in Mexico can sell to the full range of international OEMs and Tier Ones setup there.
- ▶ Mexico's engineering and technical capabilities are becoming increasingly sophisticated. Similarly, the range of vehicles produced in Mexico has expanded to include high-value luxury cars, no longer merely subcompacts. The result is rising demand for a broader range of components.

## On the Horizon

- ▶ To lower costs and, more importantly, meet ever-increasing requirements of the Mexican government for local value-add, OEMs and Tier Ones in Mexico are striving to generate local invoices and develop their in-country supply base.
- ▶ Government commitment to technical education is swelling the ranks of qualified personnel. Mexico now provides nearly 114,000 graduates per year in engineering, manufacturing, and construction, ranking 8<sup>th</sup> globally.
- ▶ Light vehicle production should continue to accelerate. In 2014, Mexico produced 3.2 million units. By 2020, that number is projected to grow by over 50%, to about 5 million.

***“BMW said Mexico's 'large number of international free trade agreements – within the NAFTA area, with the European Union and the MERCOSUR [South American trade bloc] member states, for example – was a decisive factor in the choice of location.’”***

– Automotive News