

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

Since 2000, foreign automakers 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, 2018. 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.

Foreign Investment in the Past 5 Years:

- ▶ Audi – Puebla
- ▶ Audi – San Jose
- ▶ BMW – San Luis Potosí
- ▶ Daimler/Nissan – Aguascalientes
- ▶ Honda – Guanajuato
- ▶ Kia – San Luis Potosí
- ▶ Mazda – Guanajuato
- ▶ Toyota – Guanajuato
- ▶ Volkswagen – Puebla

JOHN PAUL MCDARIS
 Director, Business Development
 Tel (US): +1 512-300-8383
 Tel (Mex): +52 (493) 114-0590
 jpmcdaris@entradagroup.com

DOUG DONAHUE
 VP, Business Development
 Tel: +1 210-828-8300
 ddonahue@entradagroup.com

GABRIELE SCHWINGHAMMER
 Business Development, Europe
 Tel: +49 (0)89-54 44 46 42
 gschwinghammer@entradagroup.com

Strengths

- ▶ A strong heritage of automotive manufacturing and exporting has made Mexico the world's 7th-largest automaker (up from 10th in 2009) and 5th-largest exporter.
- ▶ 11 global OEMs have operations in Mexico, producing 40 brands and 500 models. These OEMs account for \$35 billion in investments since 2000, and 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 2017 saw exports from Mexico to the US grow by 9.4% and over 2.3 million units cross the border, the threat of NAFTA still looms.

MEXICO - KEY REGIONAL PRODUCTION PLATFORM

Mexico's open trade philosophy makes it an ideal manufacturing hub for the region, as 2017 year-end light-vehicle export data shows.

Total exports numbered 3,102,604 with the USA and Germany as the largest markets.

Country	2017 Exports
USA	2,335,245
Germany	96,753

Sources: IHS Automotive, Boston Consulting Group, Pro Mexico, NearShore Americas, El Universal, Mexico New Daily, Export.Gov, Center for Automotive Research

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 8th globally.
- ▶ Light vehicle production should continue to accelerate. In 2017, Mexico produced 3.77 million units, with the 2018 forecast at 4.44 million units. By 2020, that number is projected to be about 5 million.

"[Manufacturing in Mexico] underscores our commitment to the NAFTA region. With a planned annual capacity of 150,000 units for the new plant in Mexico, the BMW Group will be even better positioned to take advantage of the growth potential in the entire region."

– Harald Krüger
BMW AG Board of Management