

**MEXICO *NOW***

**Mexico's Industrial & Logistics Location Summit**

Manufacturing - Logistics - Real State

**Mexico City**  
**August 6-7, 2014**

# Automotive Industry Location Trends



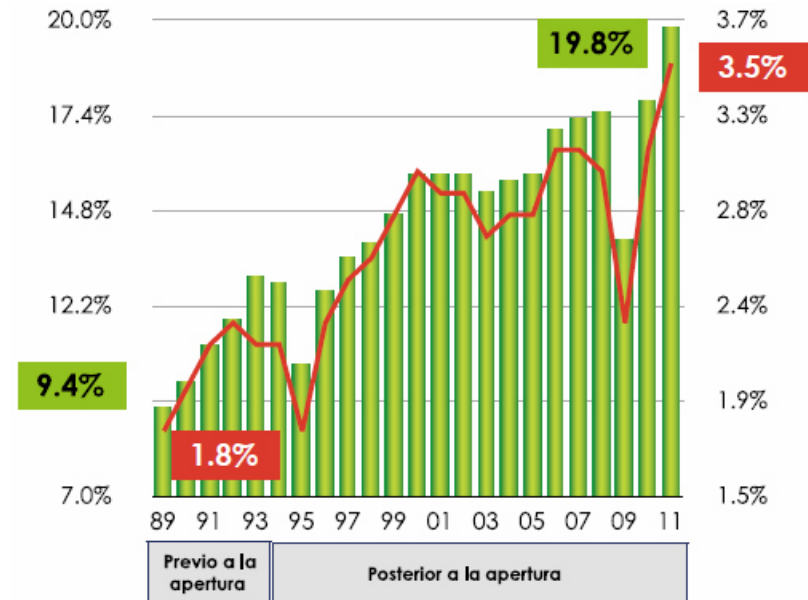
MEXICO CITY  
AUGUST 6-7, 2014  
Expo Bancomer Santa Fe  
[www.mexicoindustriallocation.com](http://www.mexicoindustriallocation.com)

**Fausto Cuevas Mesa**  
General Director  
Asociación Mexicana de la  
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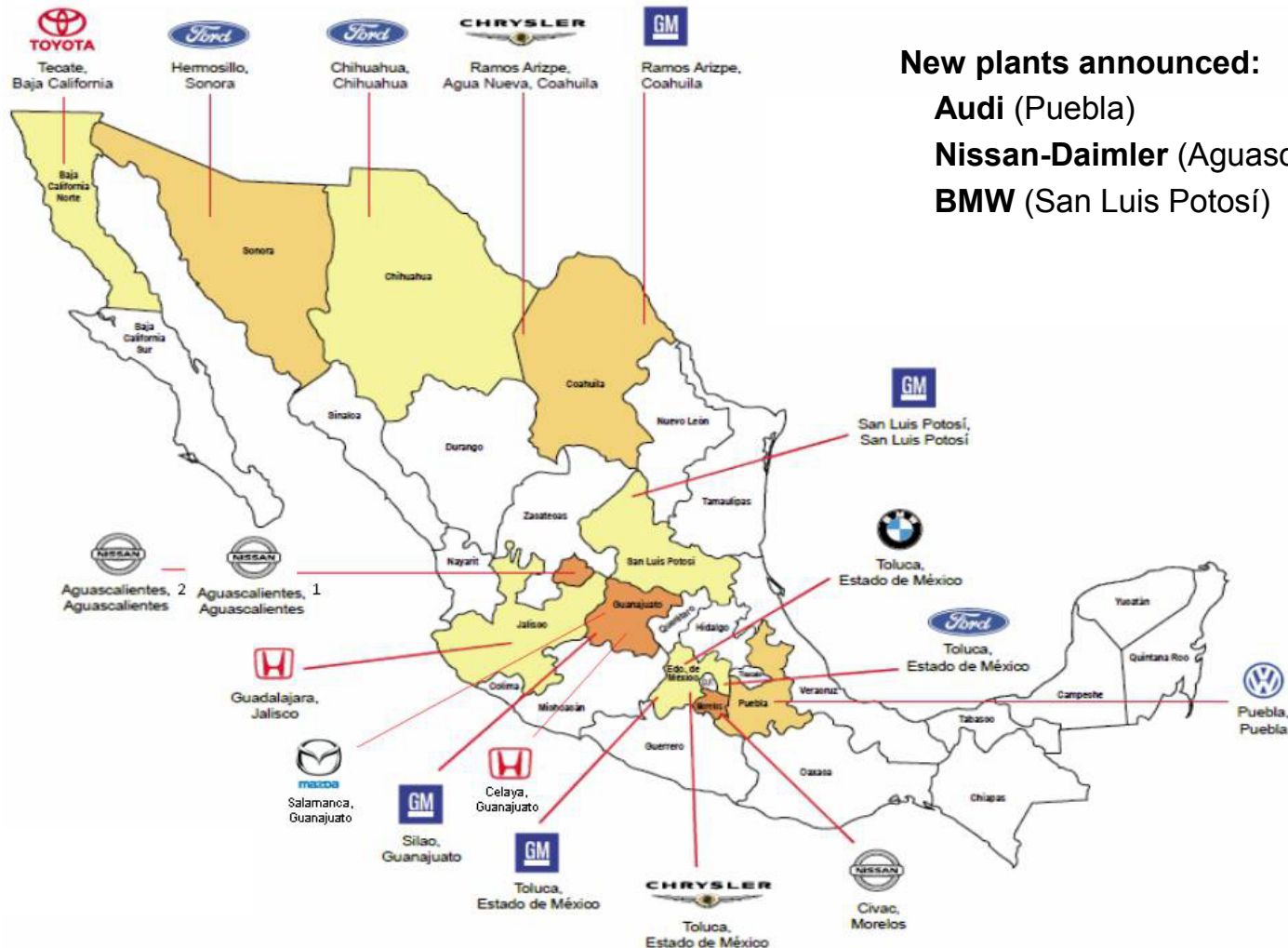
# Mexican Automotive Industry

- Contributes with 3.5% of total GDP and 19.8% of manufacturing industry GDP.
- Impacts more than 23 industrial sectors.
- Employs 13.4% of total industrial labor (2010).

Automotive GDP in Mexico



# Light Vehicles Assembly Plants in Mexico



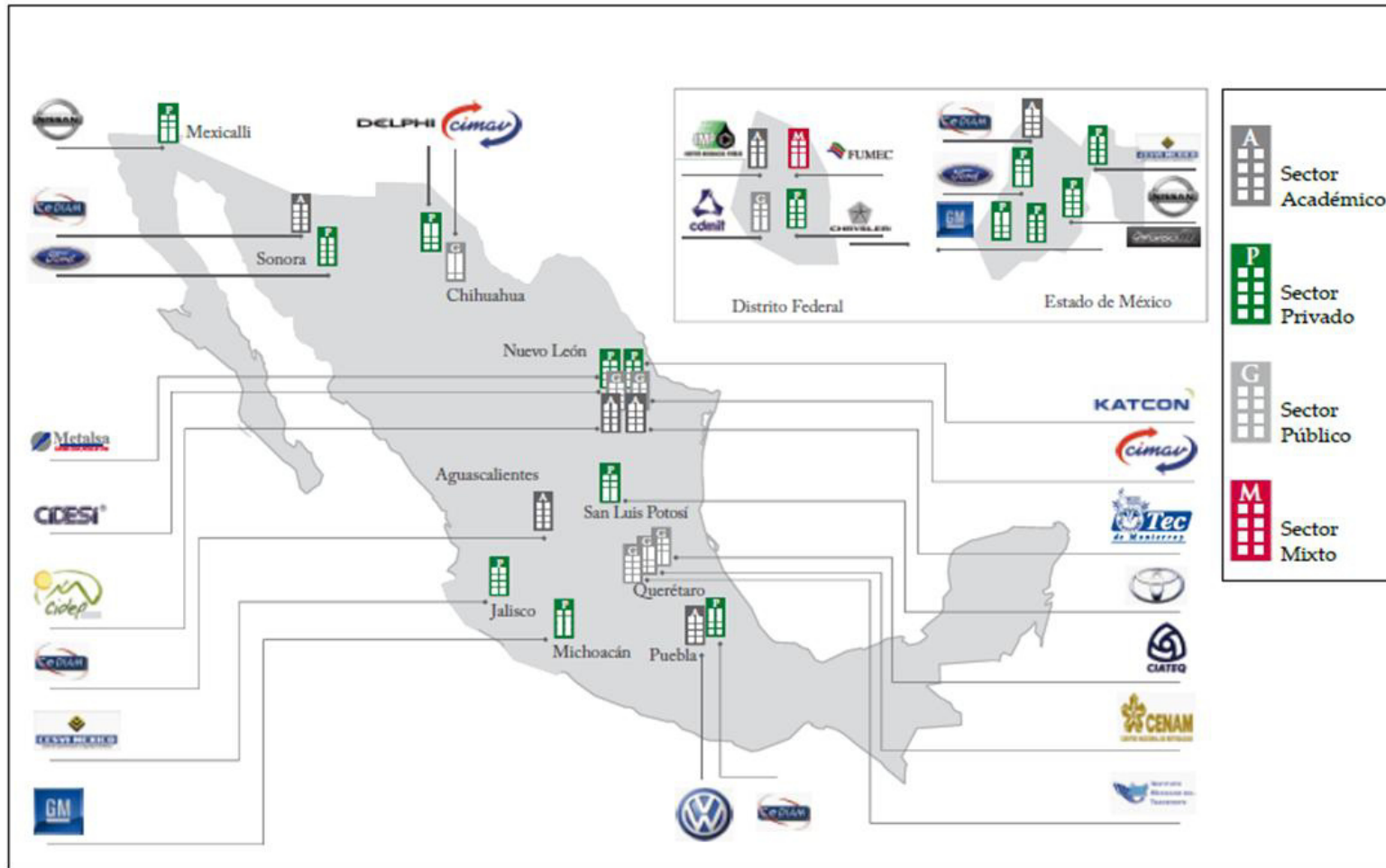
## New plants announced:

**Audi (Puebla)**

**Nissan-Daimler (Aguascalientes)**

**BMW (San Luis Potosí)**

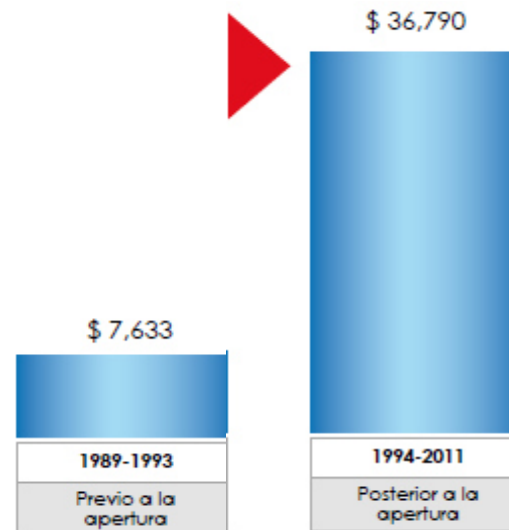
# Research Centers and Auto Test Tracks in Mexico



# Investment

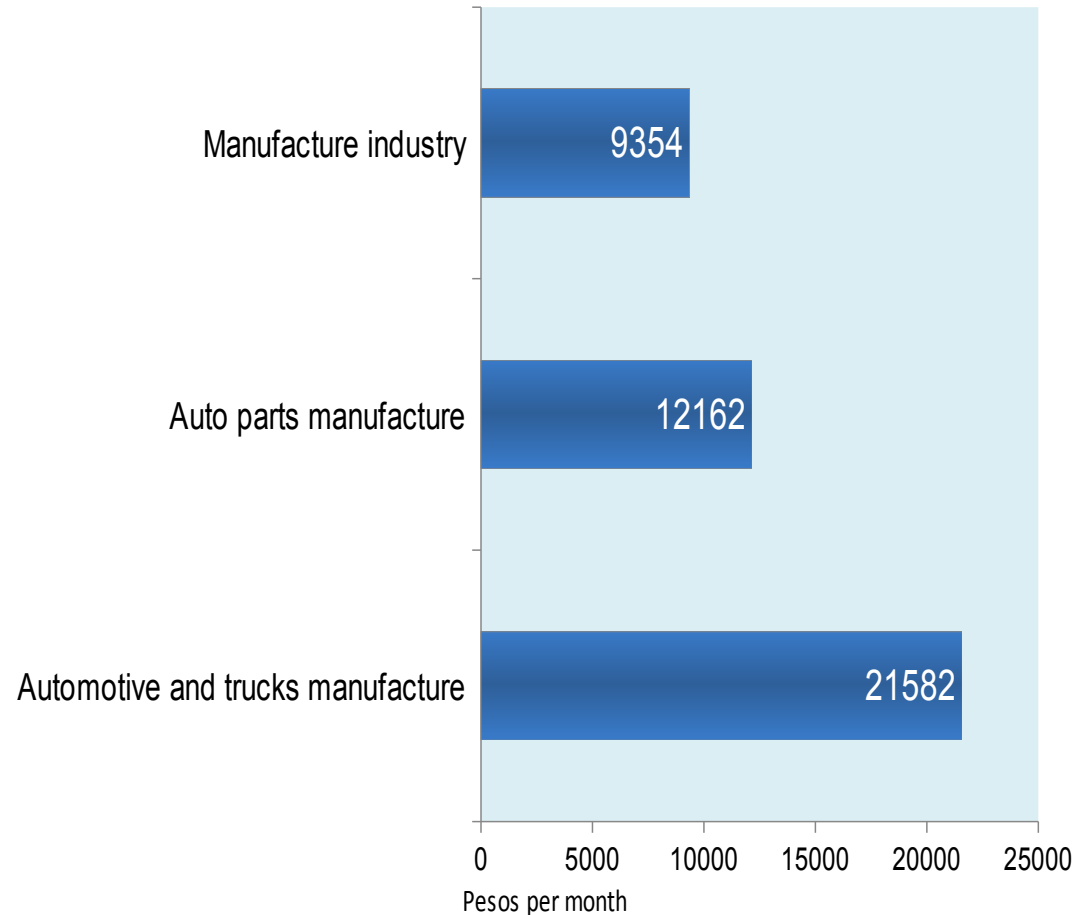
- Mexico's automobile and auto parts manufacturers generated 20.8% of total foreign direct investment (FDI) in 2012.
- Automotive industry new investments during 2006-2012 period added 13.283 billion dollars, an 8.8% share of total FDI received in Mexico during that period.

**Automotive Foreign Direct Investment  
(million dollars)**



# Remunerations

Automotive industry remunerations are more than double of average salaries paid within the manufacturing sector.

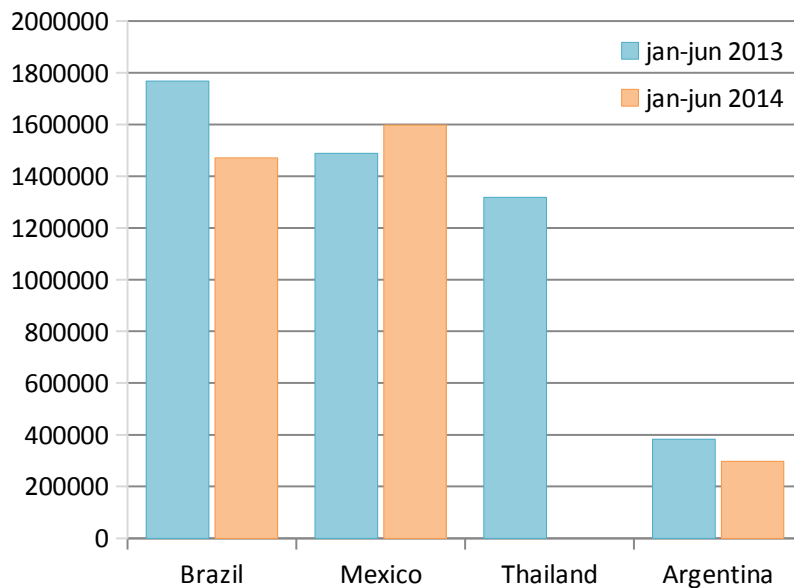


Source: INEGI. Censos económicos 2009.

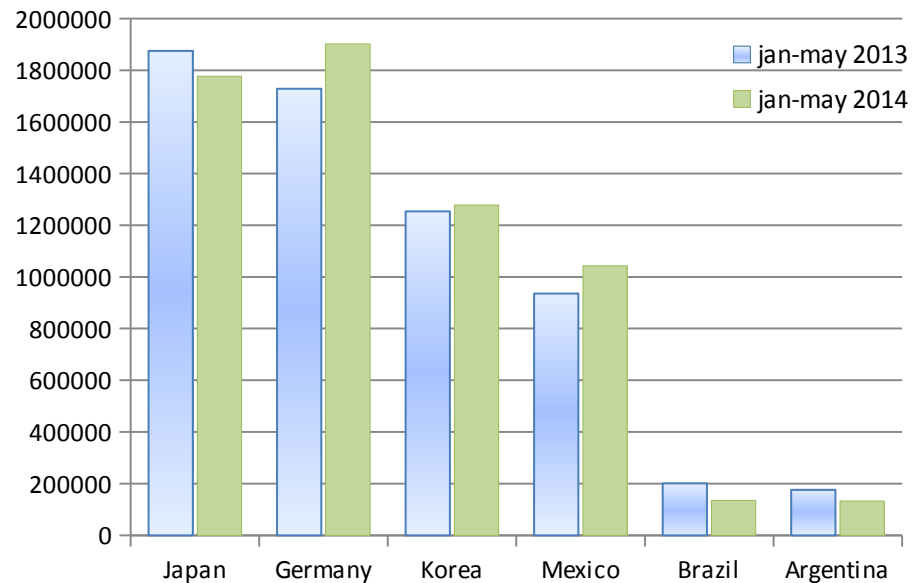
\* Las remuneraciones consideran el promedio de todo el personal ocupado incluido en nómina, incluye sueldos salarios y prestaciones.

# Production and Exports

- Mexico is ranked as the 8<sup>th</sup> vehicle manufacturer and the 4<sup>th</sup> exporter in the world.



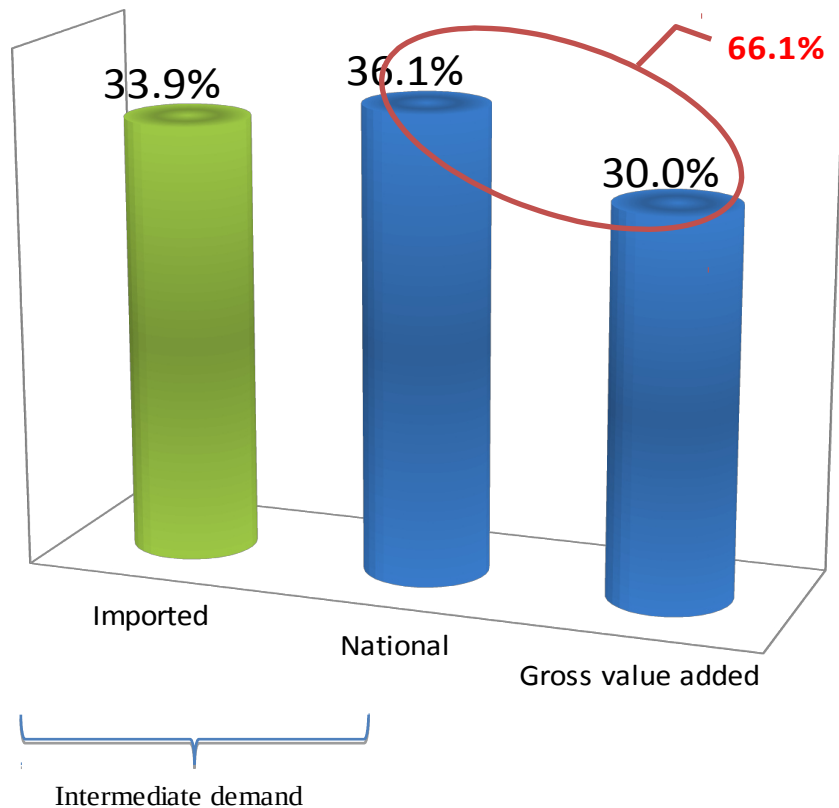
Source: ANFAVEA, AMIA, FOURIN y ADEFA.



Source: JAMA, VDA, KAMA, AMIA, ANFAVEA y ADEFA..



# Production of vehicles and trucks



- 66.1% of the value of all vehicles produced in Mexico is added within our own Country.

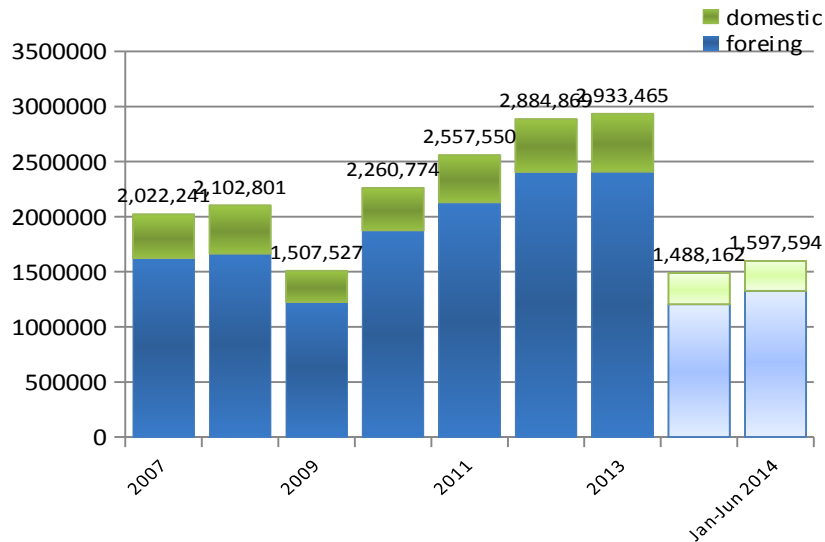
**Source:** INEGI. Sistema de Cuentas Nacionales. Matriz de Insumo-Producto. Matriz simétrica a precios básicos, 2008.

\* Production Value = Intermediate demand + Gross value added

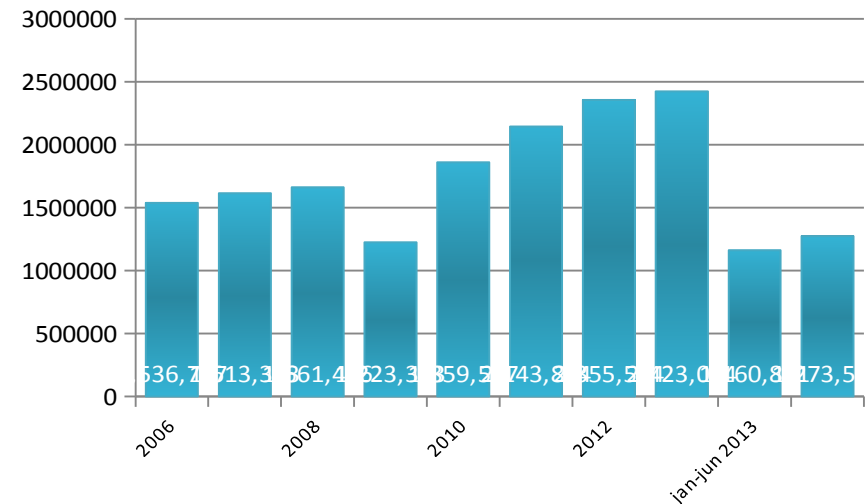
# Production and Exports

- 2013:
  - More than 80% of total production goes to foreign markets.
  - Contributed with 22.5% of total value of Mexican industry sector exports.

Light vehicle production



Light vehicle exports



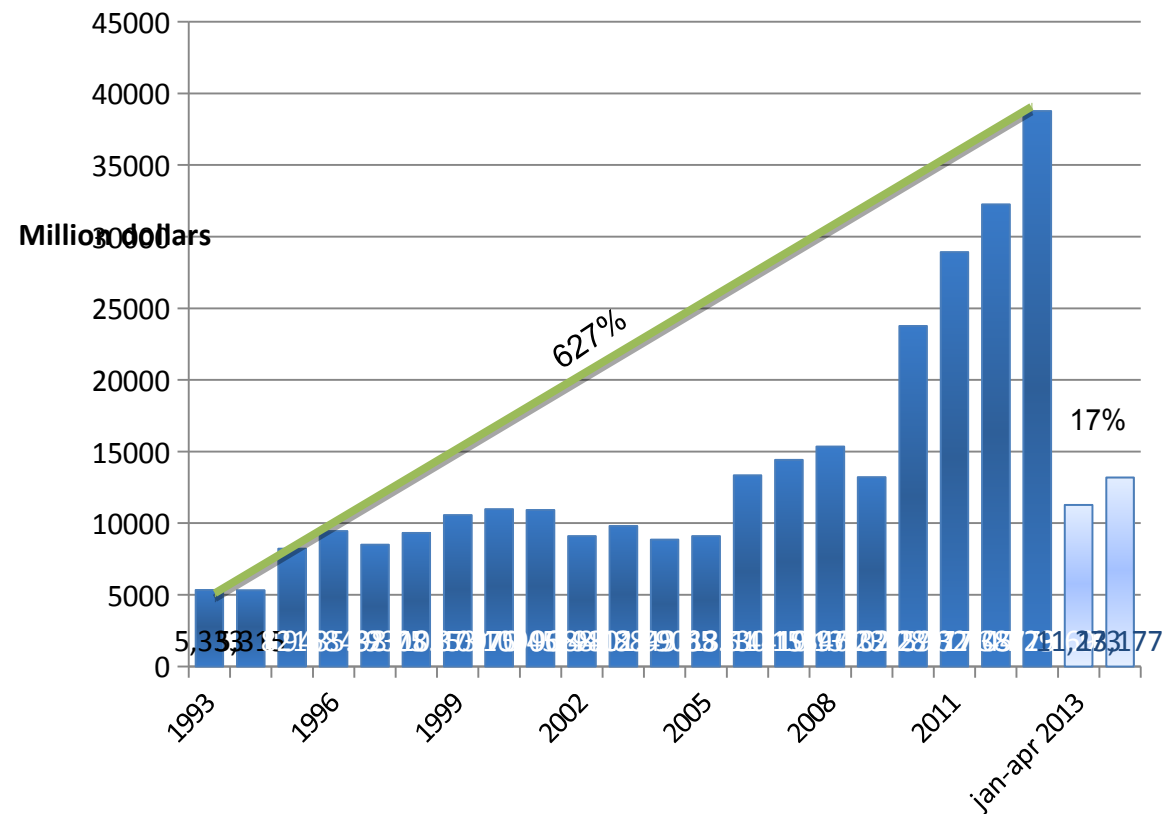
Source: AMIA, with member's data.

# Production and Exports

- Mexico has become the second major supplier of light vehicles for US market
- 11.1% of US domestic market is supplied with Mexican vehicles (January-June 2014)
- Mexico is second vehicle supplier only after Canada, (January-June 2014)

# Automotive Trade Balance

- 2013 Automotive Trade Balance surplus was 38.77 billion dollars.
- Automotive exports value was 1.7 times crude oil exports and 3.3 times of remittances.
- Automotive Trade Balance surplus was 4.5 times higher than the one resulting from oil products exports.



Source: BANXICO.

\* Automotive includes: 8702 - Vehículos automóviles para el transporte => 10 personas; 8703 - Automóviles tipo turismo; 8704 - Vehículos para transporte de mercancías; 8706 - Chasis con motor; 8707 - Carrocerías; 8708 - Partes y accesorios de vehículos; y 8711 - Motocicletas.

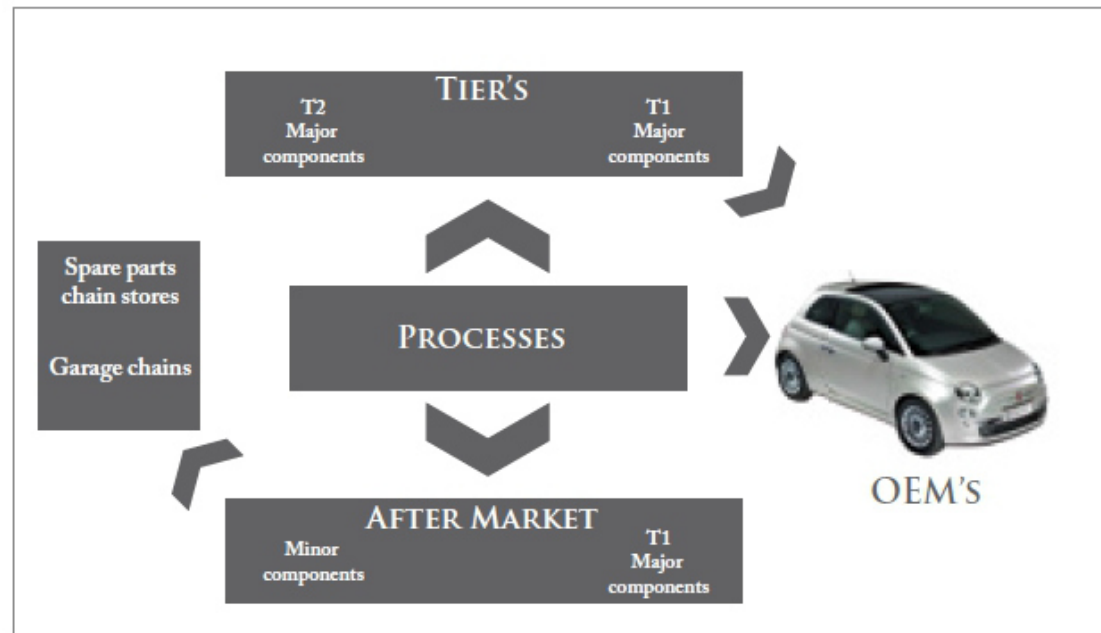
# **Why do OEM's decide to invest in Mexico?...**

# Elements that make Mexico attractive for major investments

- i. Geographic Location.
- ii. Network of free trade agreements with major regions around the world - Zero tariffs in major markets -
- iii. Automotive supply chain strength
- iv. Human resources, young and eager to learn (technicians and engineers).
- v. Economic Stability.

*...and very important: the Government is a major partner to help land investments!*

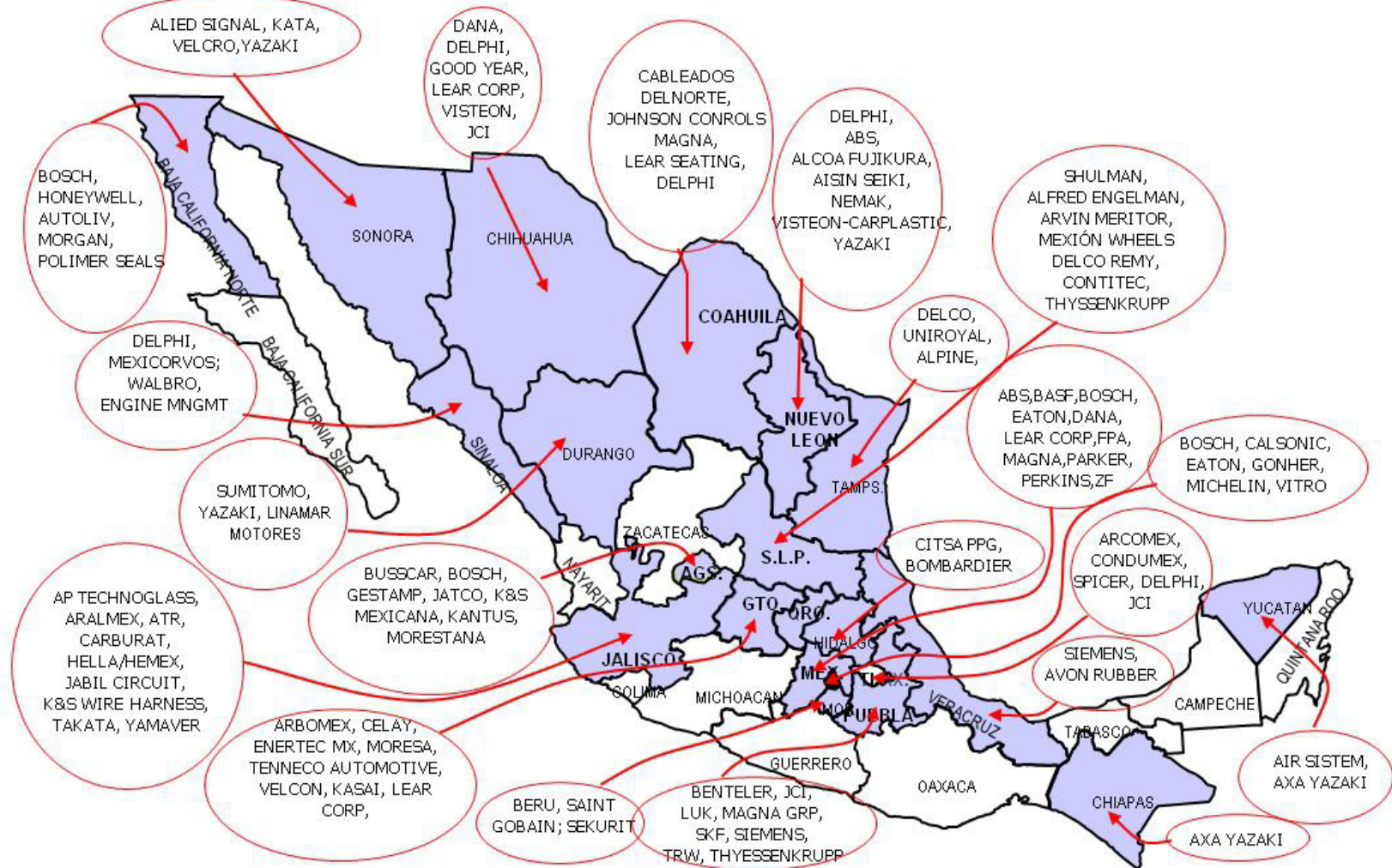
# ... and the opportunity in the supply of auto parts.



Source: Created by ProMexico

# Tier 1 Suppliers

## ■ Illustrative ■





# Supply Capacity

## CNC MACHINING



## PRESSURE INJECTION/DIE CASTING



## WELDING



## FOUNDRY



# Supply Capacity

## INJECTION MOLDING (PLASTIC)



## STAMPING



## ASSEMBLIES



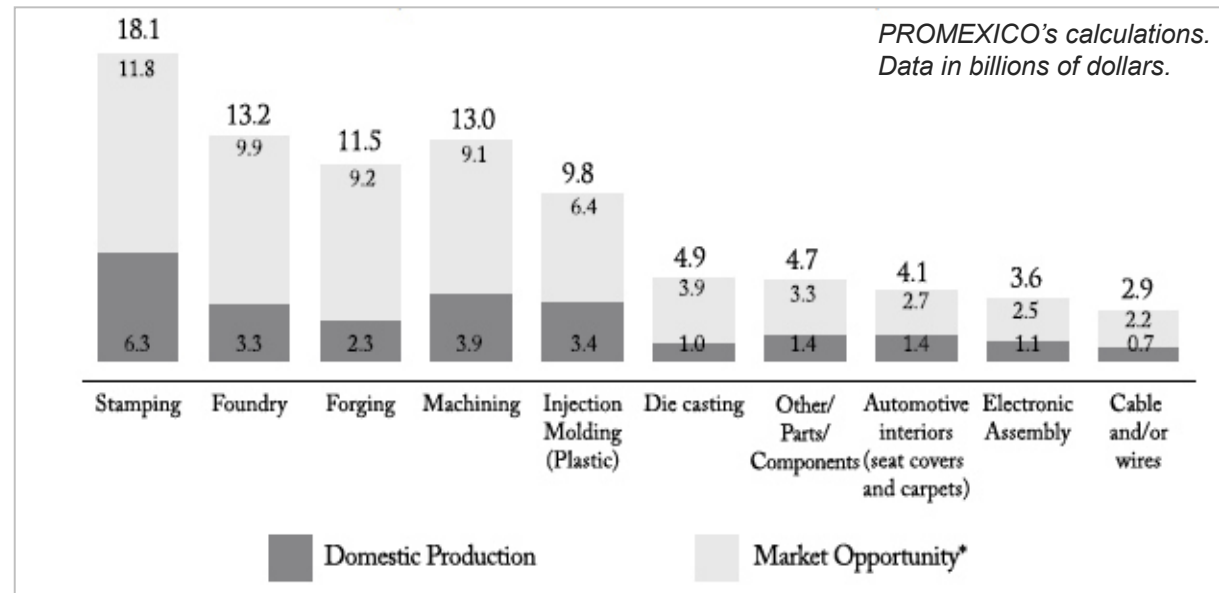
## SURFACE TREATMENTS



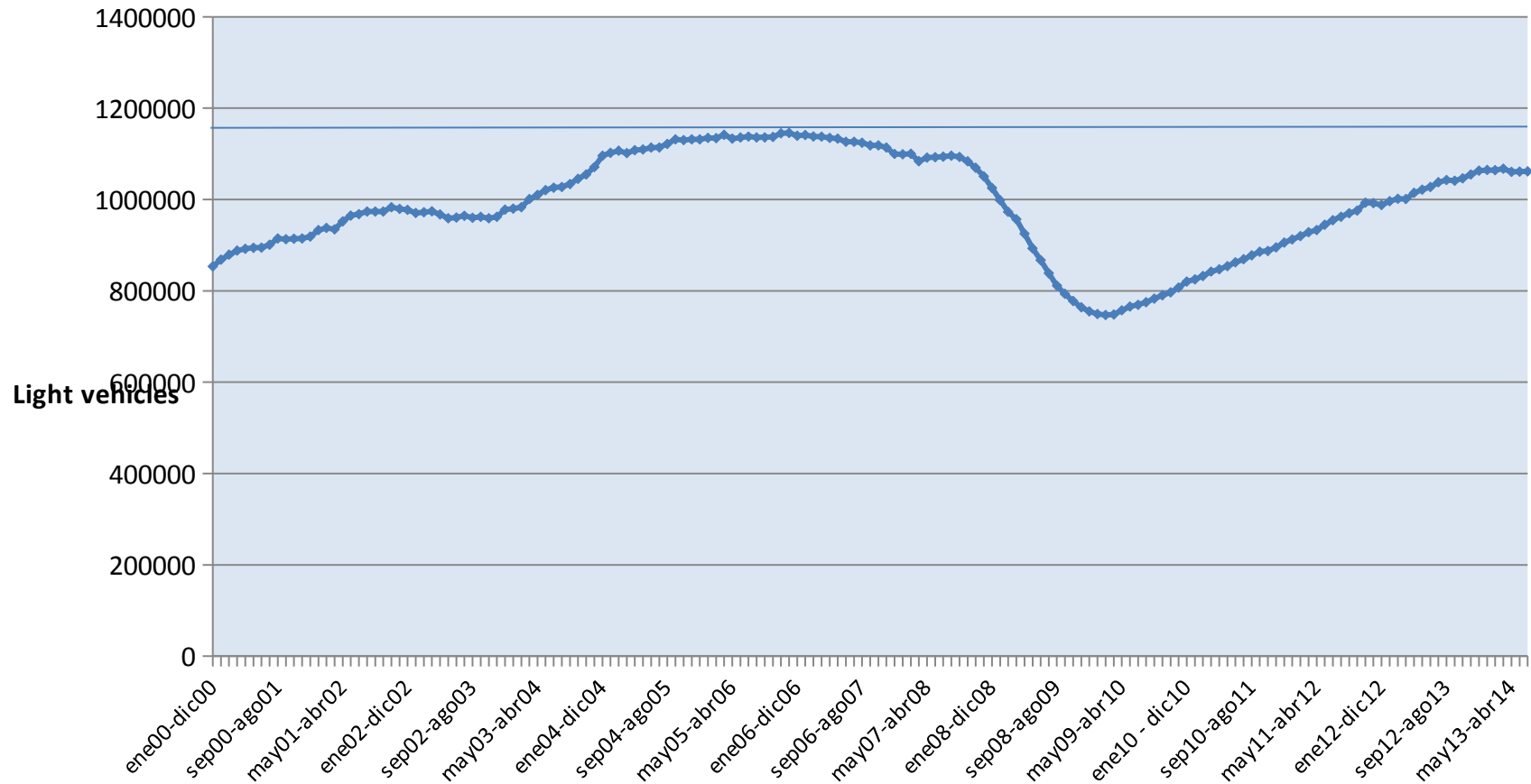
# Market value and investment opportunity in the supply chain in Mexico

- 71% of total demand for processes is imported, therefore, there are huge investment opportunities for foreign companies.
- Some of the most demanded processes are stamping, casting, forging and machining.

The opportunity described in the top ten supply processes for the automotive industry, which account for 85% of the opportunity identified by ProMéxico.



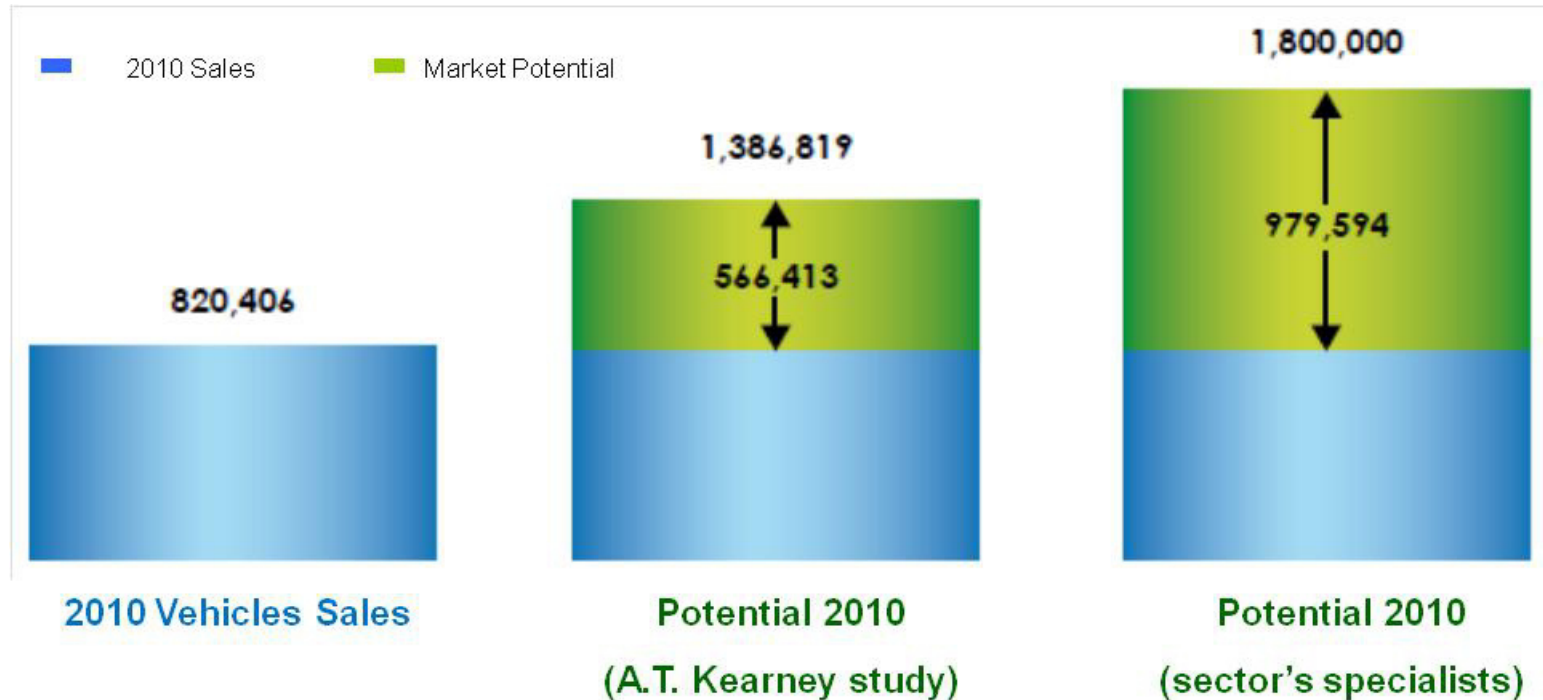
# Domestic yearly sales



# Domestic market: similar countries

— Argentina — Brasil — México  
Vehículos por cada mil habitantes

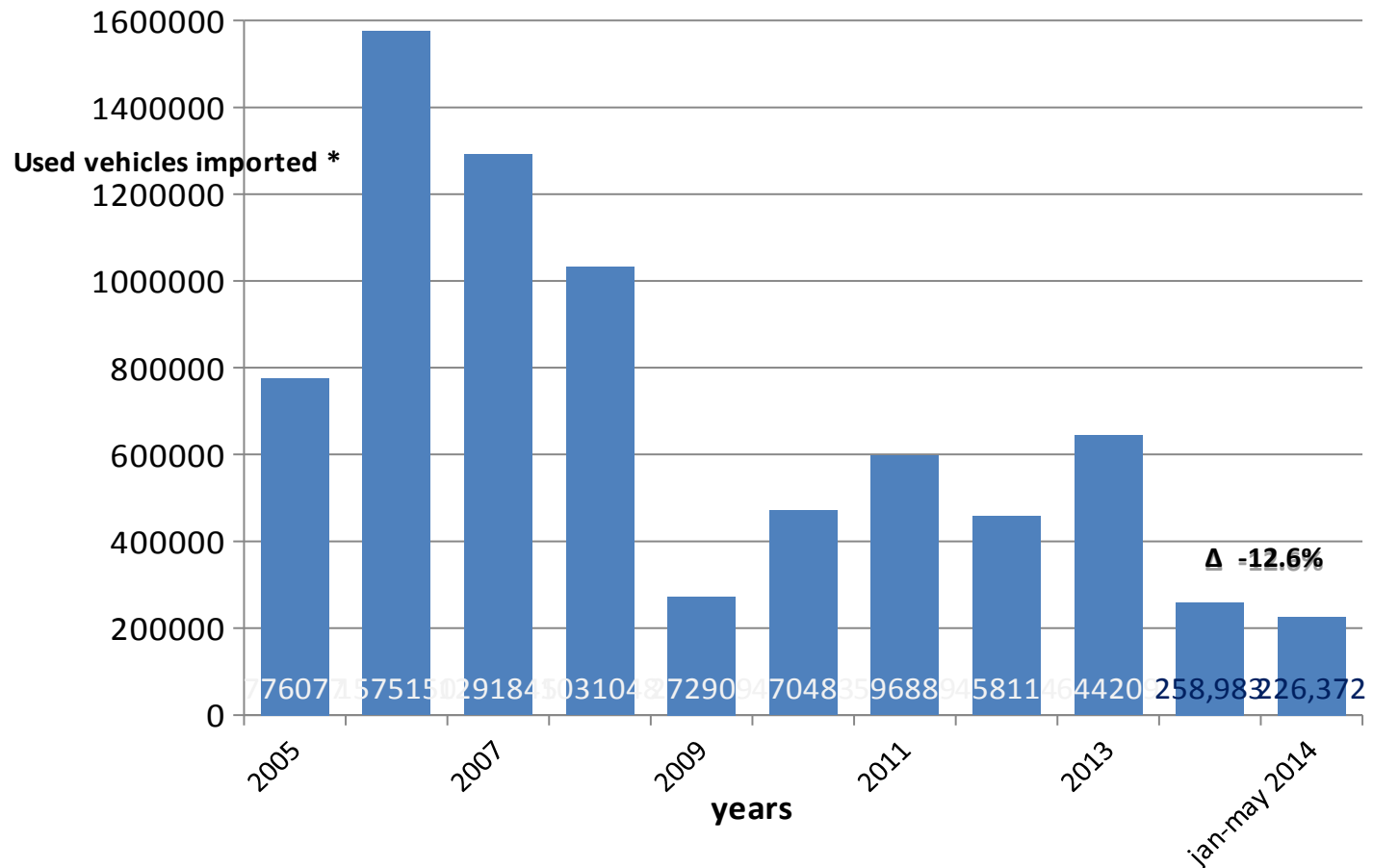
# Main Challenge: Domestic Market



**Main reasons explaining the gap between sales and market potential:**

- **Indiscriminate imports of used vehicles from USA**
- **Low financing levels for vehicles sales**

# Imported used vehicles



Source: AMIA whit SAT data.

\* Consider used vehicle imported on the border, pick ups and general vehicles.

# Challenges and opportunities ahead

- Mexican automobile domestic market potential is 2 million vehicles
- Mexico will remain as an important world's export base, manufacturing highly competitive vehicles.
- Auto parts industry will keep its place as a major exporter. However, local supply chain still needs to be strengthened (tier 2 and tier 3).



**¡ T H A N K   Y O U !**

**Fausto Cuevas Mesa**

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