

La industria
global de México



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Mexico's Manufacturing Environment

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April 2015

WHICH MEXICO ARE WE TALKING ABOUT?

McKinsey Global Institute

A tale of two Mexicos:

Growth and prosperity in a two-speed economy

March 2014

- There is a modern Mexico, a high-speed, sophisticated economy with cutting-edge auto and aerospace factories, multinationals that compete in global markets, and universities that graduate more engineers than Germany.
- And there is traditional Mexico, a land of sub-scale, low-speed, technologically backward, unproductive enterprises, many of which operate outside the formal economy.

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March 2014

- ✓ Productivity has grown 5.8% a year in large modern firms
but has fallen 6.5% a year in traditional firms
- ✓ Small traditional firms were 28% as productive as large modern ones in 1999,
and 8% as productive in 2009
- ✓ 53% of small and mid-sized Mexican firms are underserved by the banking industry

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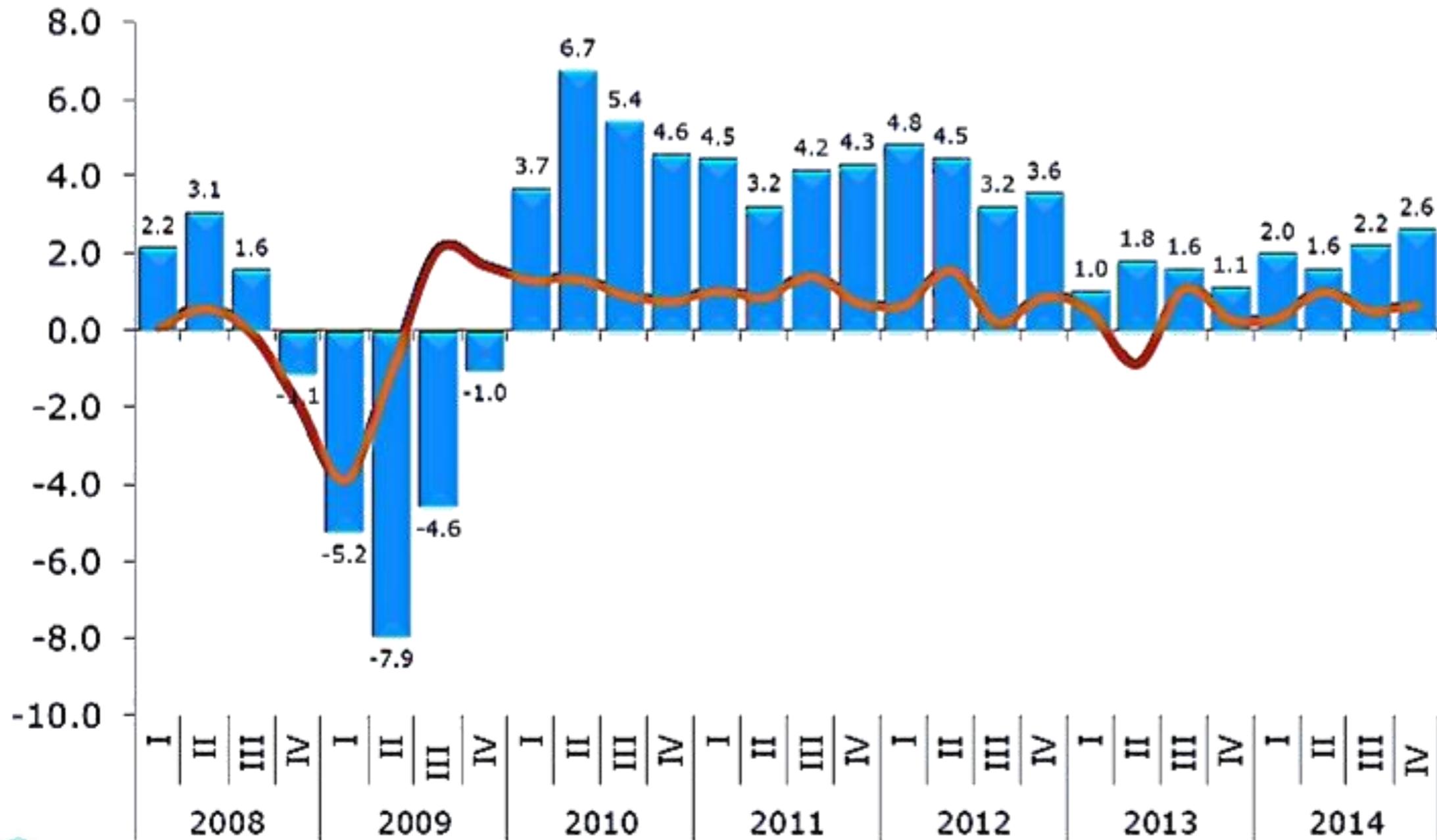
March 2014

*Manufacturing in Mexico is the combination of a First World Culture
with all LCC advantages.....*

.....and disadvantages.

THE POSITIVE SIGNS OF MEXICO

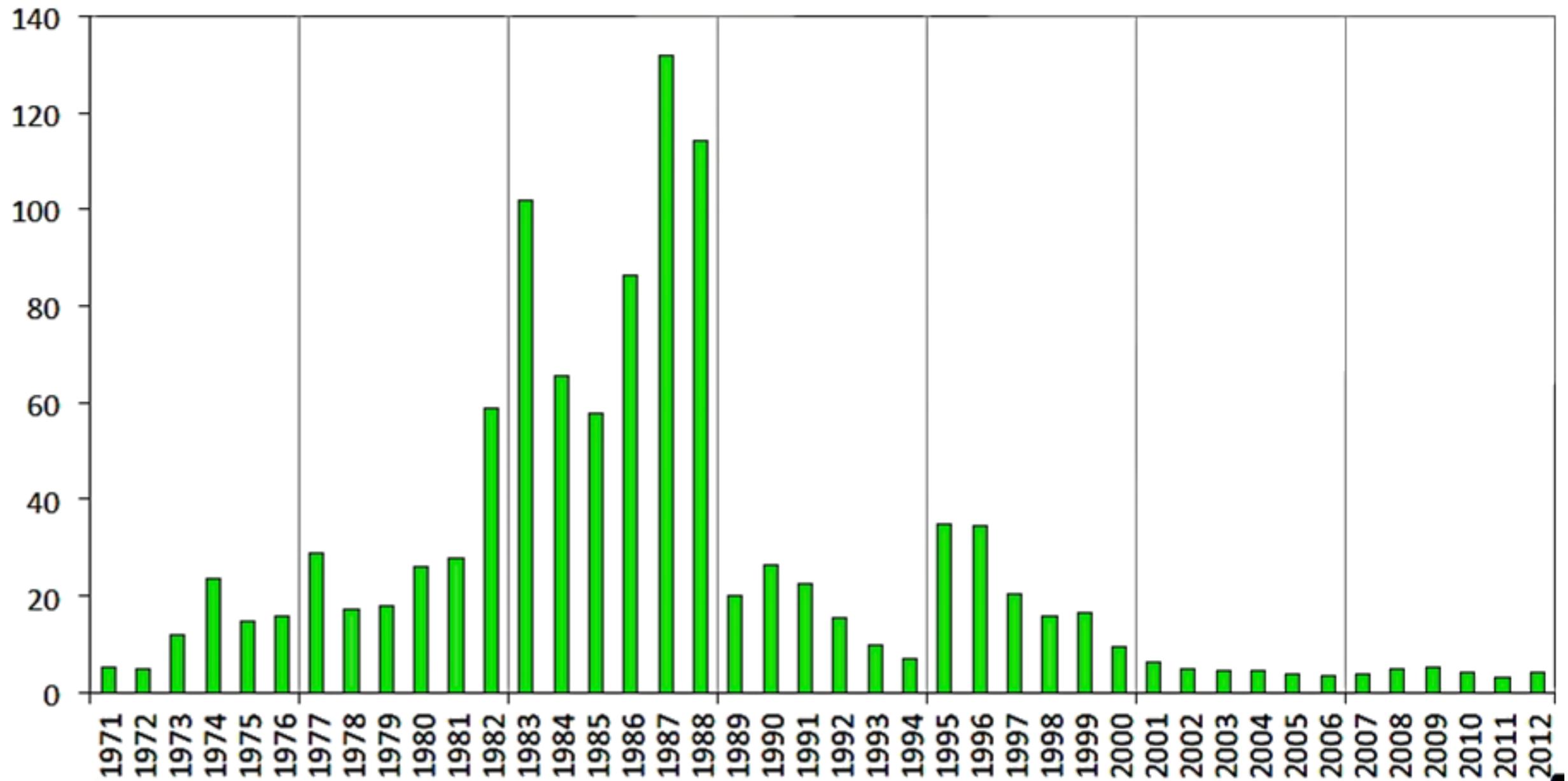
GDP GROWTH (Annual Variation %)



SOURCE: INEGI, GEA Group.

THE POSITIVE SIGNS OF MEXICO

CONSUMER PRICE INDEX (Annual Variation %)



SOURCE: INEGI, GEA Group.

THE IMMEX SECTOR IN NUMBERS

METRIC	MONTH	SAME MONTH PREVIOUS YEAR	VARIATION %
Direct Employment IMMEX	Dec. 2014 2,529,598	Dec. 2013 2,389,943	+ 5.8%
IMMEX Stablishments	Dec. 2014 6,138	Dec. 2013 6,175	- 0.59%
IMMEX Exports per Employee (Millions of Dollars)	Dec. 2014 \$8,808	Dec. 2013 \$7,237	+ 21.7%
US Manufacturing GDP (annualized)	Dec. 2014 4.9%	Dec. 2013 1.47%	+ 233%
IMMEX Imports (Millions of Dollars)	2014 \$172,547	2013 \$159,727	+ 8.0 %
IMMEX Exports (Millions of Dollars)	2014 \$222,816	2013 \$195,909	+ 13.7 %
IMMEX Trade Balance (Millions of Dollars)	50,269	36,182	+ 38.9 %

THE IMMEX SECTOR IN NUMBERS

TOP 5 EMPLOYERS	
INDUSTRY	JOBS
Automotive	733,900
Computers, Communication and Electronics	255,791
Electrical Equipment	158,770
Plastic	143,061
Food Products	130,316
TOTAL	2,242,865

TOP 5 JOB GENERATORS IN 2014		
INDUSTRY	JOBS GENERATED	% OF TOTAL
Automotive	93,541	69.1%
Capital Goods	15,384	11.4%
Plastic	10,799	8.0%
Metalmechanics	8,419	6.2%
Electrical Equipment	7,304	5.4%
TOTAL	135,447	100%

THE IMMEX SECTOR IN NUMBERS

TOP 5 JOB JOB GENERATORS IN 2014 RELATIVE TO OWN INDUSTRY

INDUSTRY	JOBS GENERATED	% GROWTH
Capital Goods	15,384	22.2%
Automotive	93,541	14.6%
Chemical	5,976	10.7%
Plastic	10,799	8.2%
Metalmechanics	8,419	8.1%
TOTAL	134,119	

BOTTOM 5 JOB JOB GENERATORS IN 2014 RELATIVE TO OWN INDUSTRY

INDUSTRY	JOBS GENERATED	% GROWTH
Textiles	(12,009)	-48.6%
Leather products	(4,869)	-16.1%
Wood products	(214)	-3.6%
Apparrel	(3,862)	-3.4%
Computers, Communication and Electronics	(8,065)	-3.1%

AUTOMOTIVE IN THE DRIVER SEAT OF GROWTH

7° World's largest vehicle producer in the world

7° Worldwide producer of heavy vehicles

8° Worldwide producer of light vehicles

4° Exporter of heavy vehicles ⁸

4° Exporter of light vehicles



More than 300 Tier 1 suppliers established in Mexico.



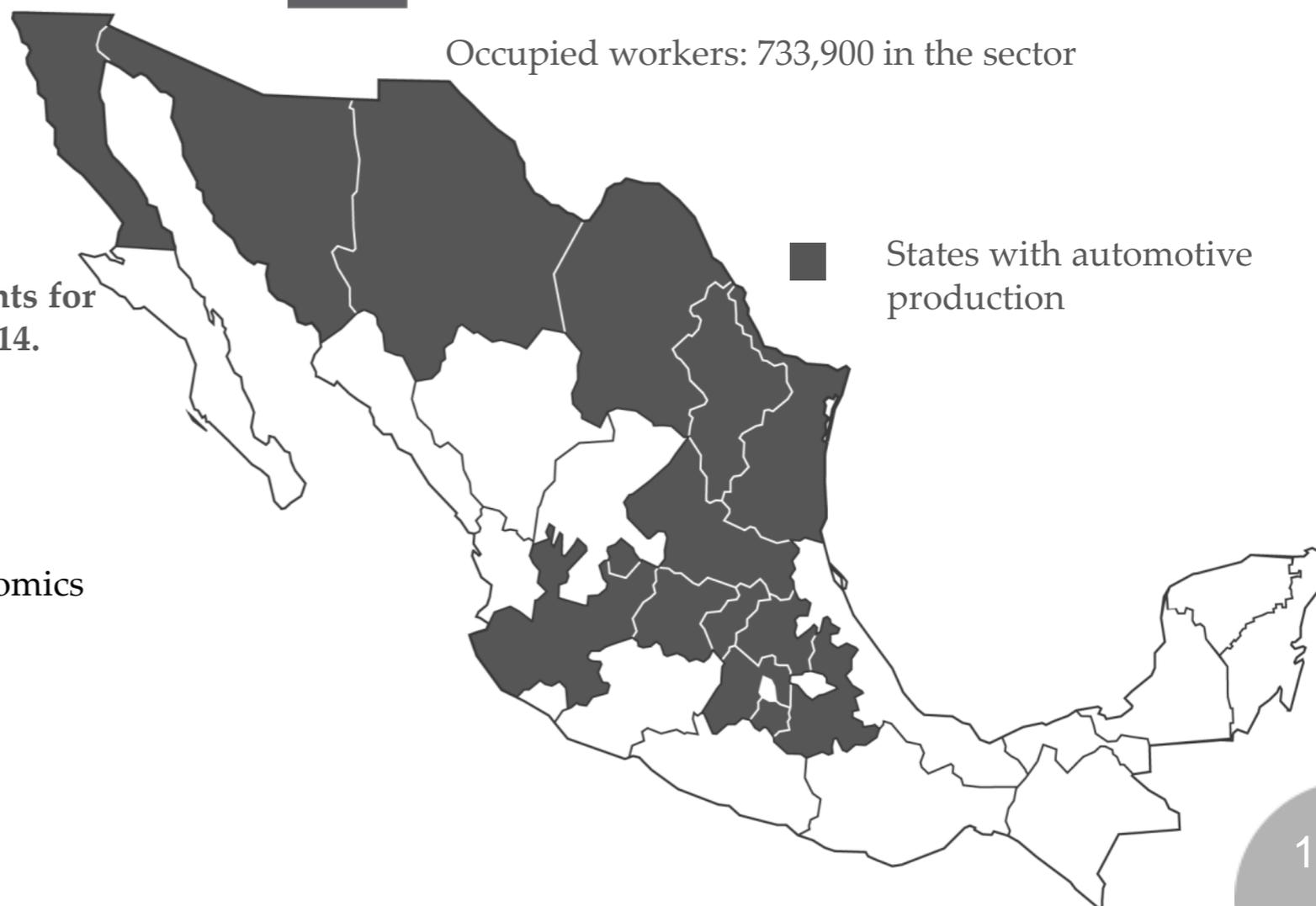
19 of the top leading automakers are located in 15 states of Mexico

Occupied workers: 733,900 in the sector



The automotive industry in Mexico accounts for 70% of the growth of Manufacturing in 2014.

States with automotive production

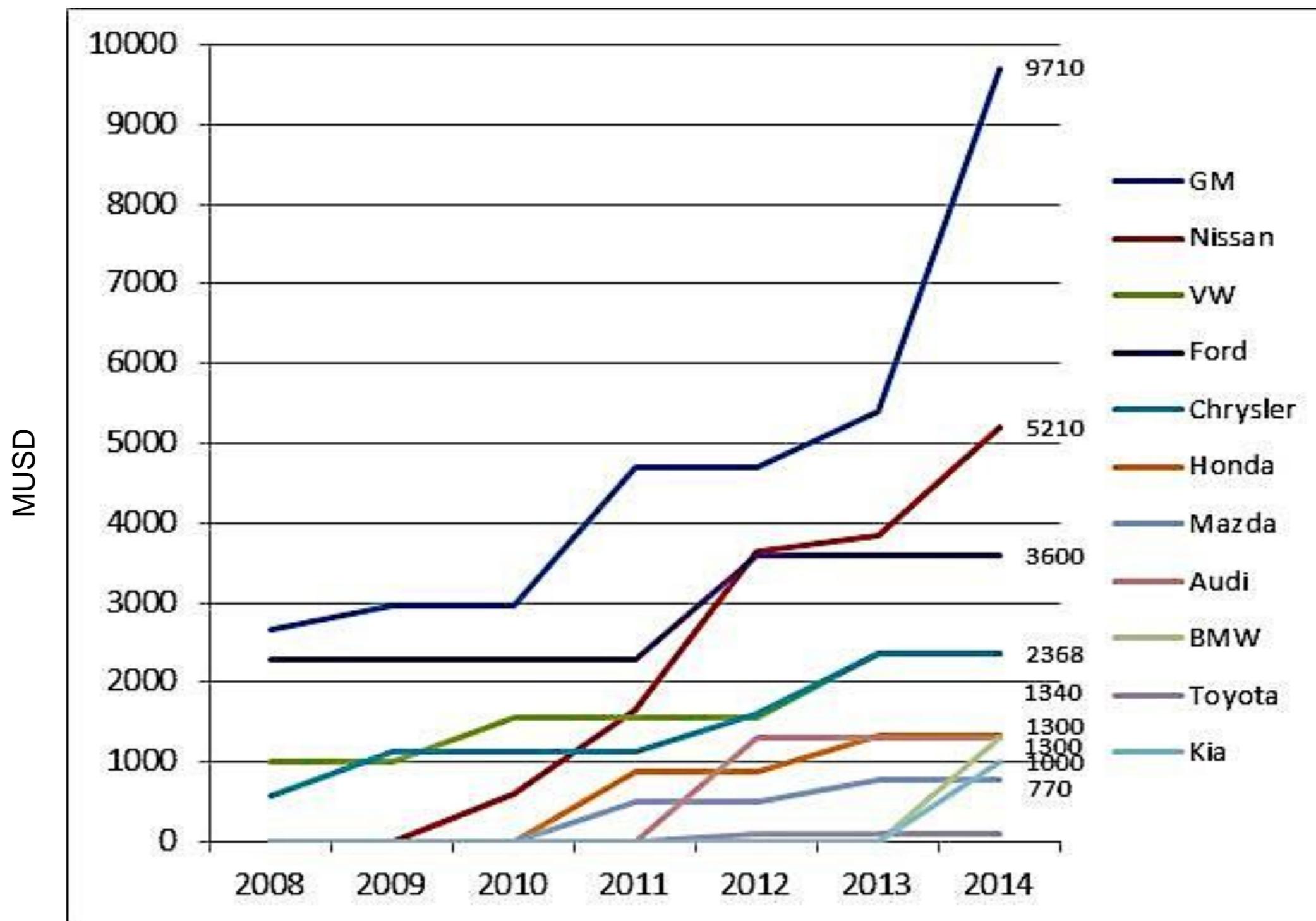


⁴ Source AMIA ⁵ Souce: OICA ⁶ Source: Ministry of Economics

⁷ Source: INEGI ⁸ ANPACT

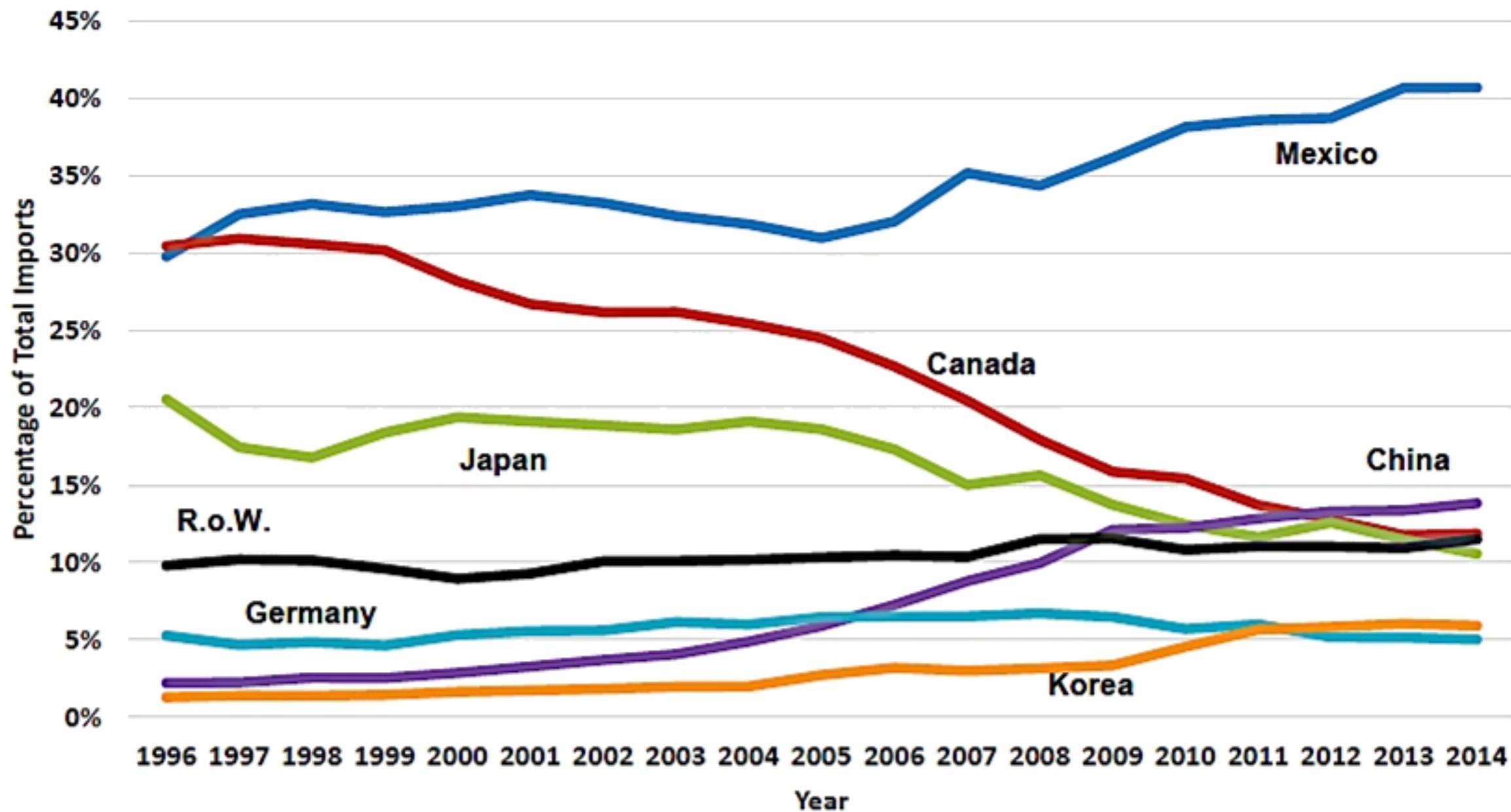
⁹ ProMexico with information from Global Trade Atlas

AUTOMOTIVE IN THE DRIVER SEAT OF GROWTH



AUTOMOTIVE IN THE DRIVER SEAT OF GROWTH

U.S. motor vehicle parts imports (%)



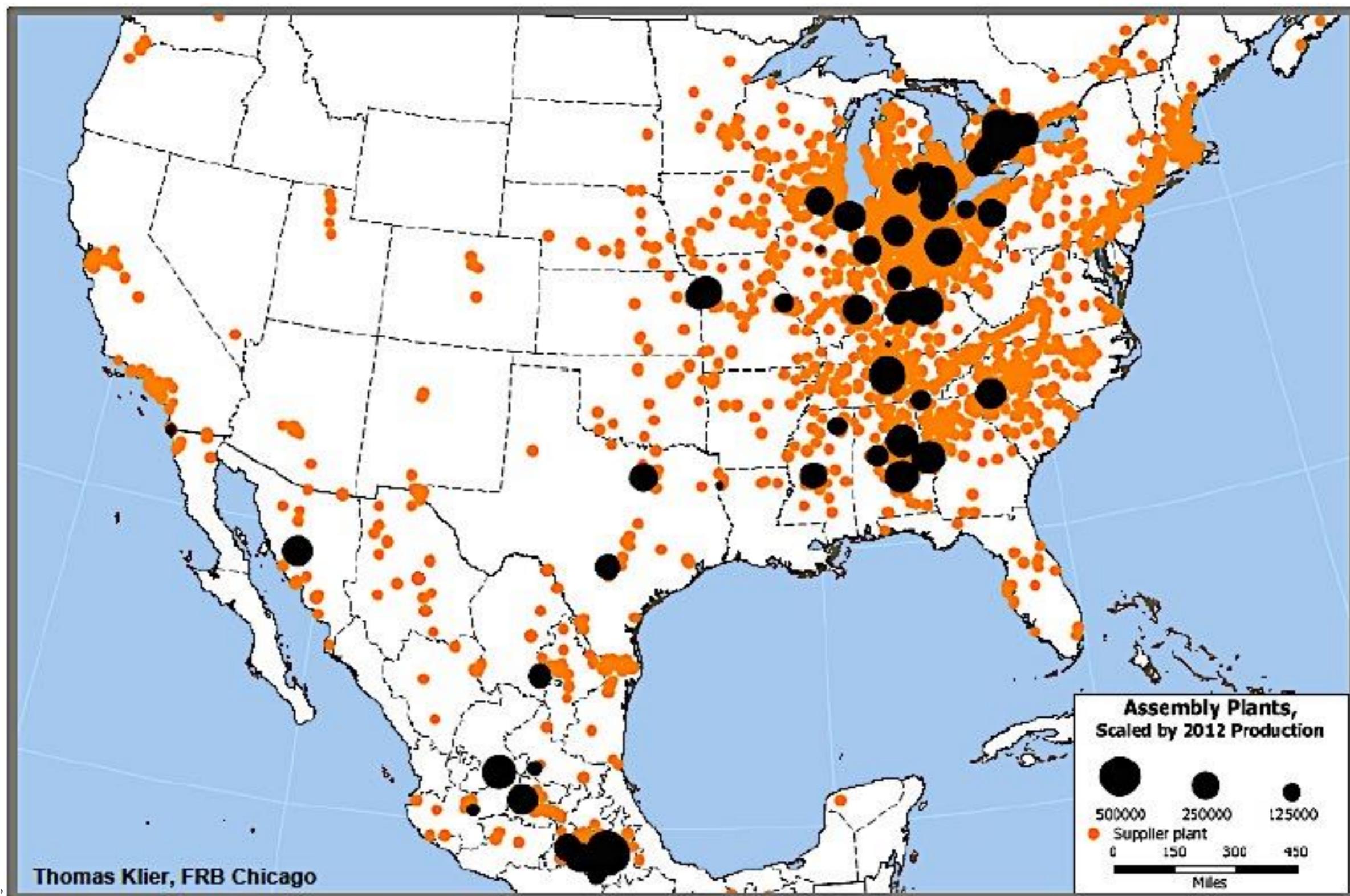
Source: AMIA, INA

WHAT TO EXPECT FOR THE FUTURE?

Mexico will continue to grow in High/Mid Mix – Low/Mid Volume industries.

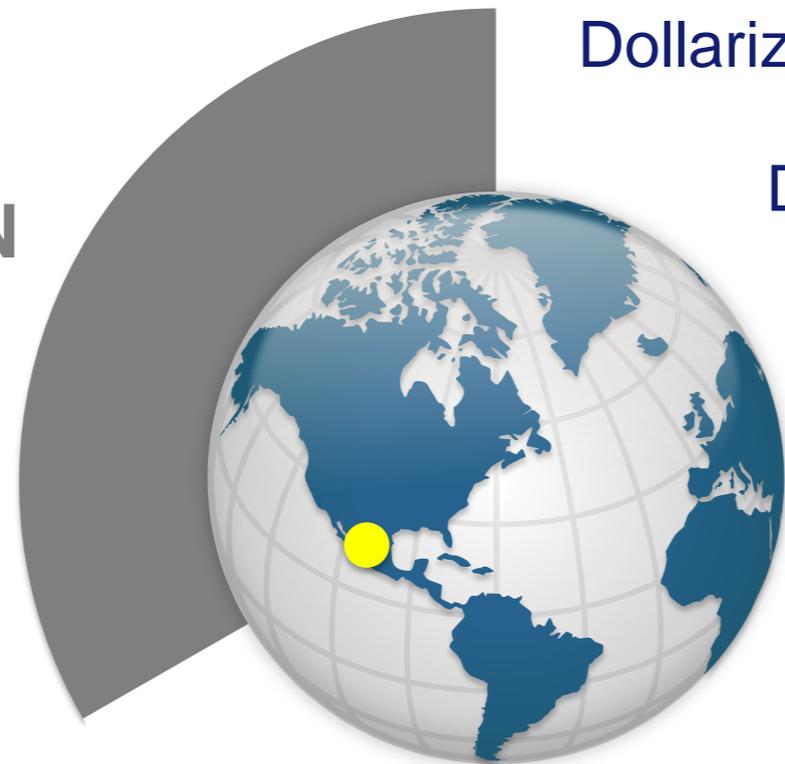
Automotive, Appliances, Aerospace, Commercial Truck, Construction Equipment, Oil and Gas, Capital Goods, Electronics, Medical and Aerospace industries will continue to be the main drivers of growth.

WHAT TO EXPECT FOR THE FUTURE?



WHY MEXICO AS PART OF YOUR STRATEGY

LOCATION



Stable economy

Dollarized economy

Distance to US market

Speed of goods to market

Time zone advantage

Many location options

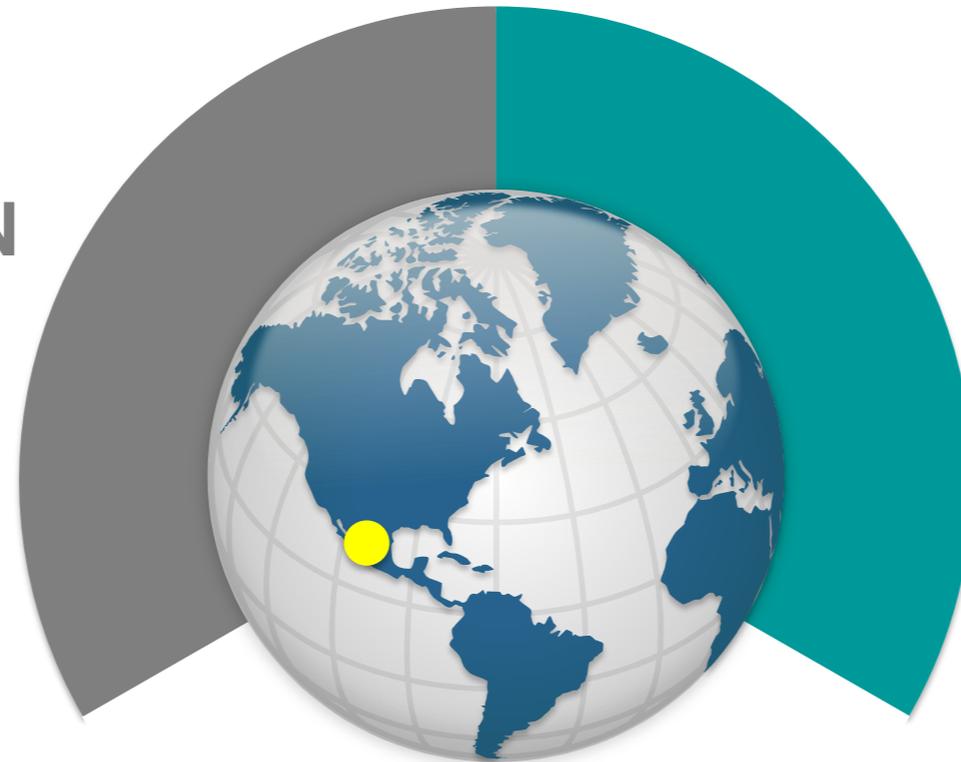
Good industrial infrastructure

Excellent support services for industry

Many foreign companies already established

WHY MEXICO AS PART OF YOUR STRATEGY

LOCATION



PEOPLE

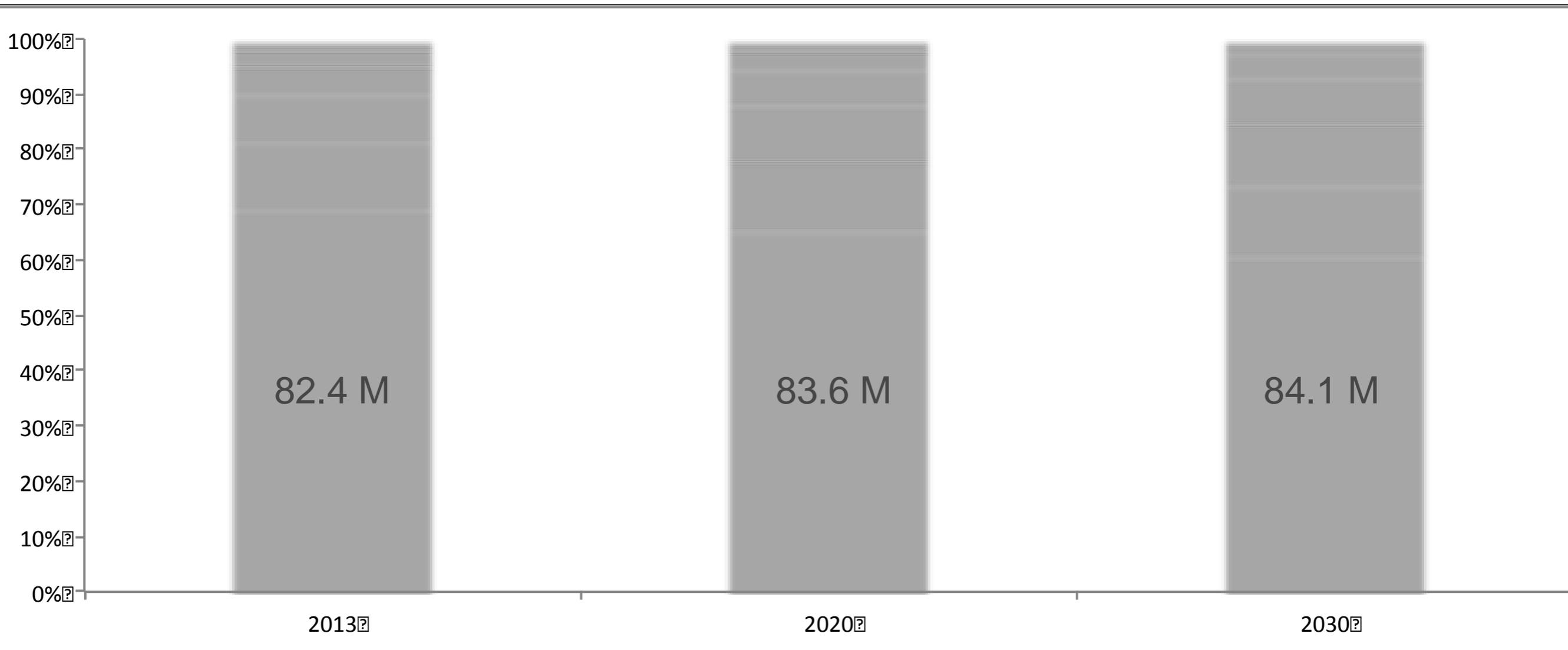
**Manufacturing
is the Employment
Of Choice**

**The Cost
Advantage
is Here to Stay**

**Many
People Available**

WHY MEXICO AS PART OF YOUR STRATEGY

DISTRIBUTION OF POPULATION



74% of Mexicans are 39 years old or younger.

Largest demographic bonus EVER!

WHY MEXICO AS PART OF YOUR STRATEGY

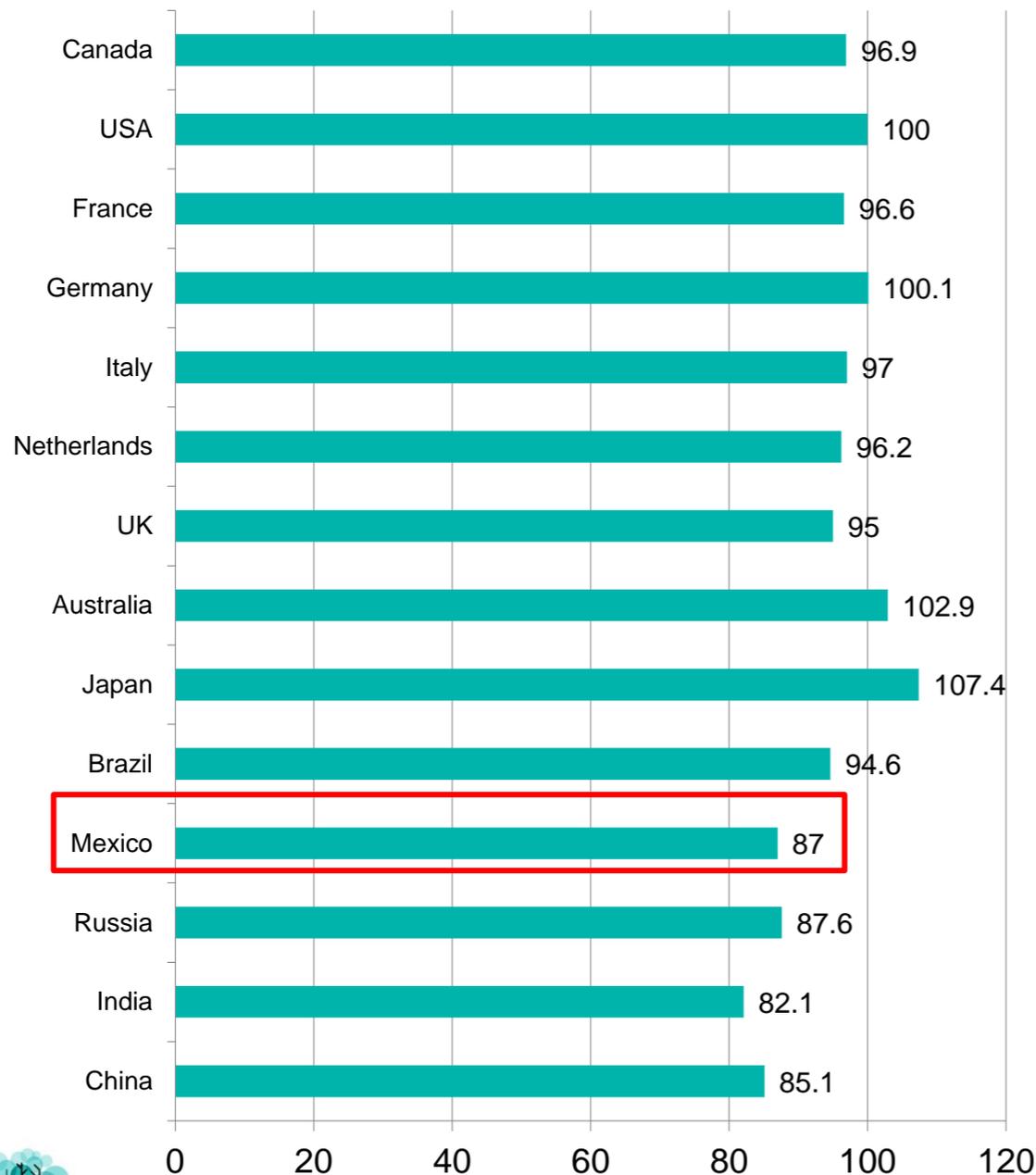
LABOR POOL FACTS IN MEXICO



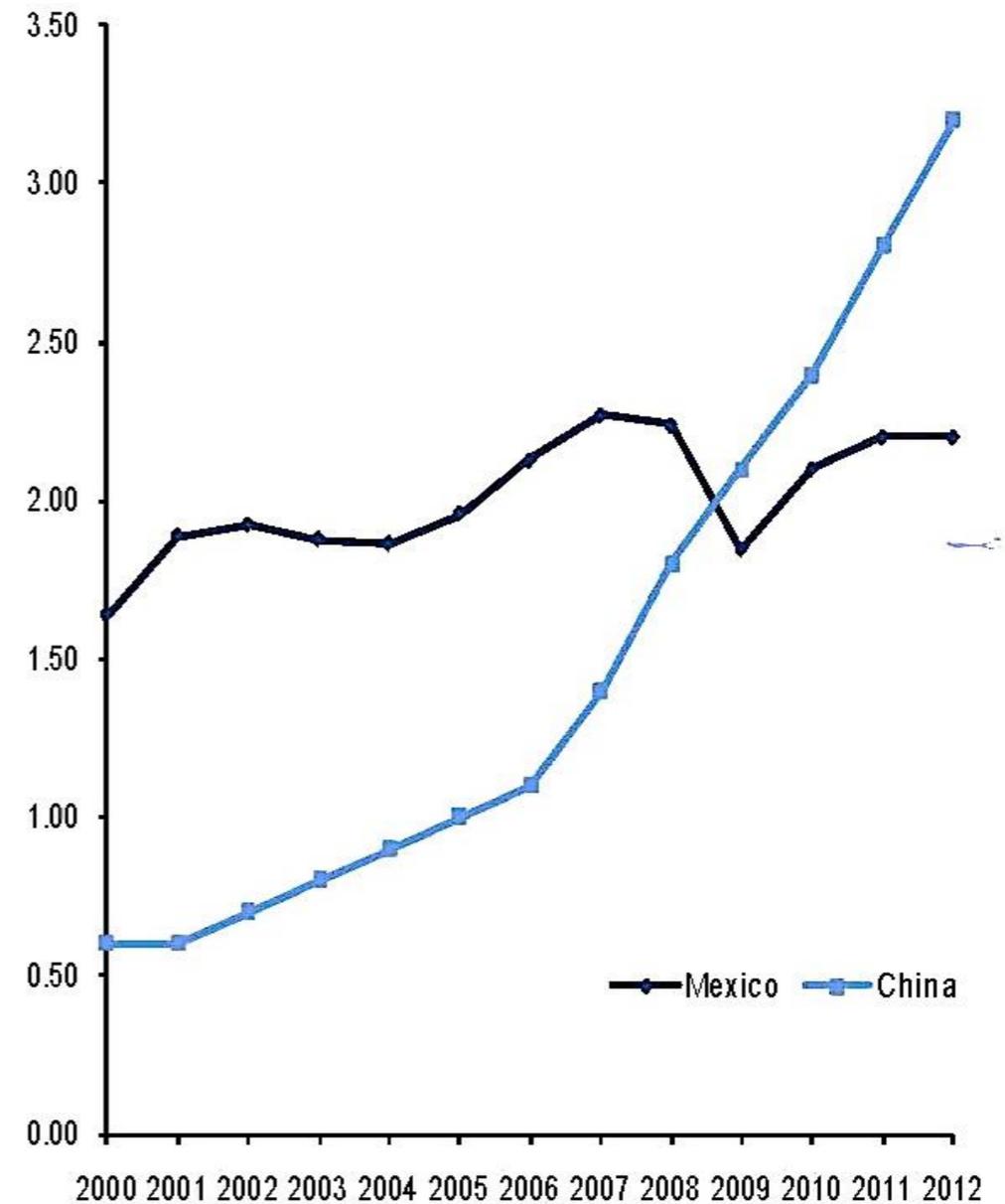
WHY MEXICO AS PART OF YOUR STRATEGY

LABOR COST IN MEXICO

Manufacturing Cost Index



Cost of Labor in USD\$/hr



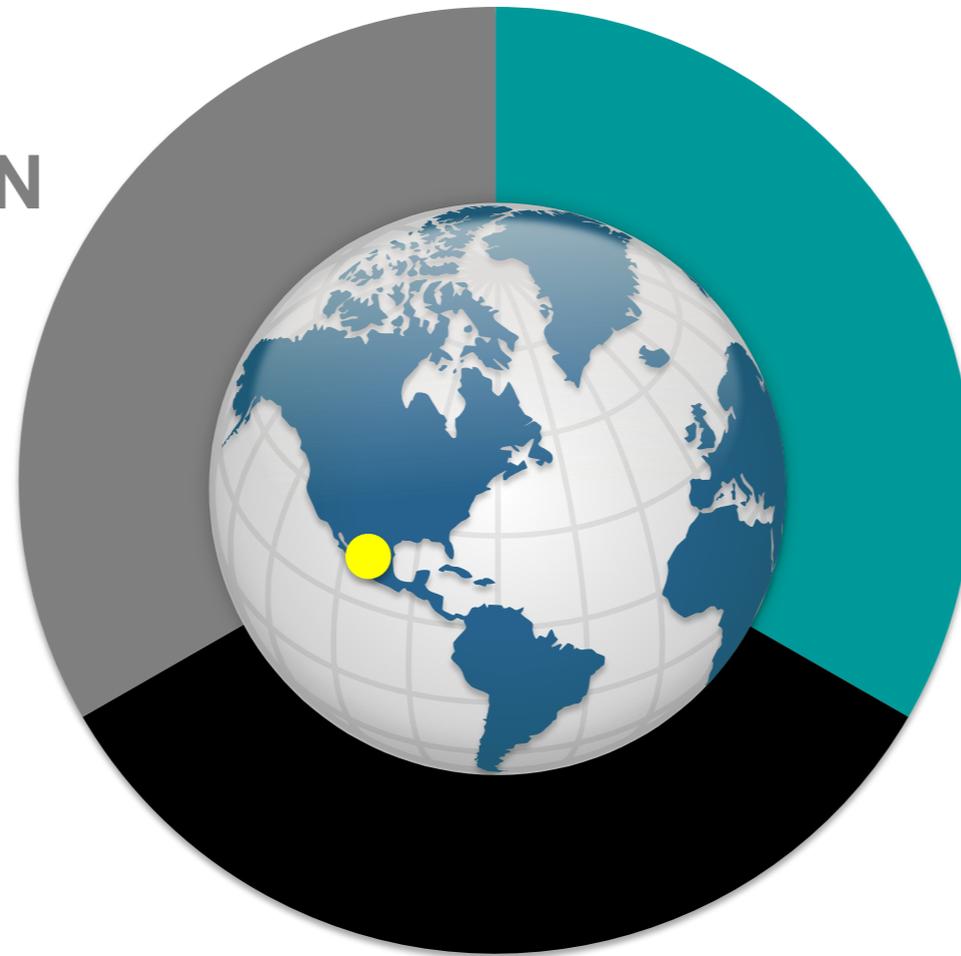
WHY MEXICO AS PART OF YOUR STRATEGY

FACTS IN MEXICO

1. There is plenty of people available for today and the future.
 2. The cost of labor advantage is here for many years to come.
 3. You have to become EXCELLENT at training.
 4. You will not be the first one to do it.
-
1. We look to manufacturing as a GREAT EMPLOYMENT OPPORTUNITY.
-
1. Aligned manufacturing culture.
 2. Productivity is increasing every year.

WHY MEXICO AS PART OF YOUR STRATEGY

LOCATION



PEOPLE

**POTENTIAL TO GROW
YOUR BUSINESS**

WHY MEXICO AS PART OF YOUR STRATEGY

MANUFACTURING ON THE RISE

1. Mexico will continue to grow in High/Mid Mix – Low/Mid Volume industries.
2. We estimate that Automotive, Appliances, Aerospace, Commercial Truck, Construction Equipment, Oil and Gas, Capital Goods, Electronics, Medical and Aerospace industries will continue to be the main drivers of growth.
3. Many OEM's have already some presence in Mexico.
 1. Over US\$170,000,000,000.00 of raw material and component imports per year.
 2. Less than 20% local content on raw materials and components.
 1. Localize the supply chain is the number one priority for companies in Mexico today.
 2. Great potential to diversify markets for suppliers willing to establish operations in Mexico.

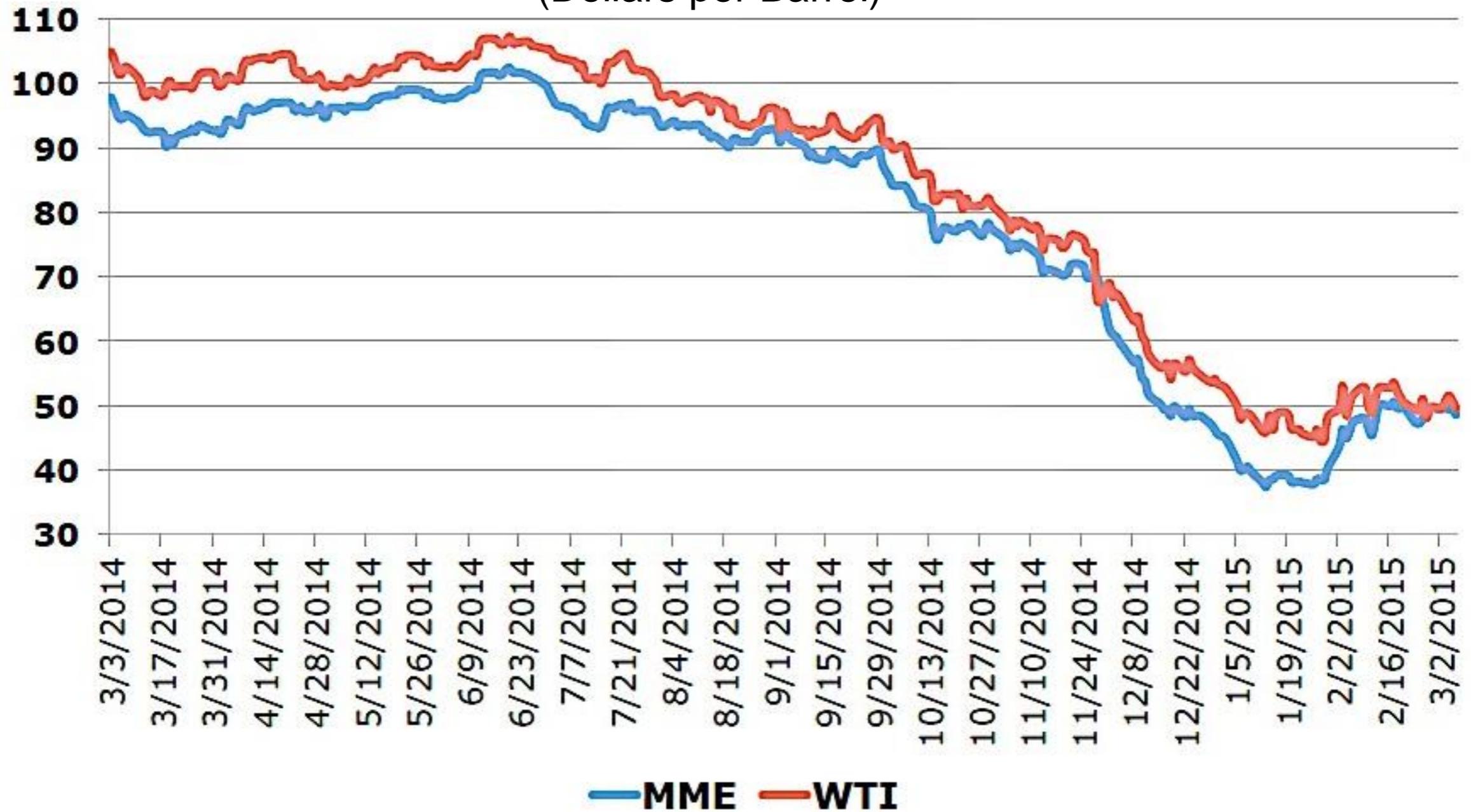
THE MAIN CHALLENGES OF MEXICO

INCREASE COMPETITIVENESS FOR MANUFACTURERS

1. Continue to work on security and security perception.
2. Control the economy with a low price of oil.

THE MAIN CHALLENGES OF MEXICO

OIL PRICE (Dollars per Barrel)



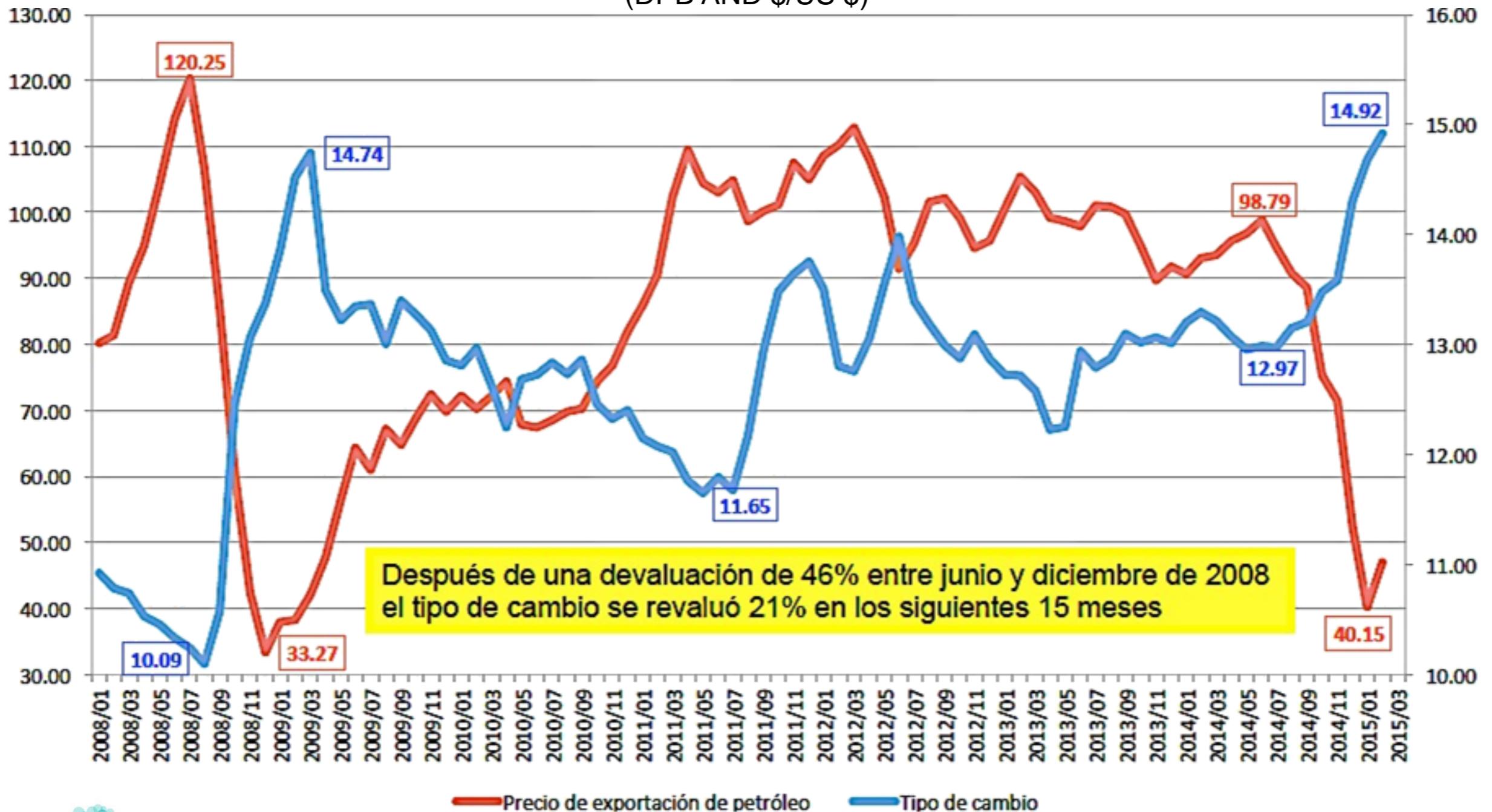
THE MAIN CHALLENGES OF MEXICO

INCREASE COMPETITIVENESS FOR MANUFACTURERS

1. Continue to work on security and security perception.
2. Control the economy with a low price of oil.
3. Volatility of exchange rate.

THE MAIN CHALLENGES OF MEXICO

OIL PRICE VS EXCHANGE RATE (DPB AND \$/US \$)



THE MAIN CHALLENGES OF MEXICO

INCREASE COMPETITIVENESS FOR MANUFACTURERS

1. Continue to work on security and security perception.
 2. Control the economy with a low price of oil.
 3. Volatility of exchange rate.
 4. Continue to simplify the legal framework (for Trusted Exporters).
1. Continue to improve logistics and work closely with CBP to expedite border crossing time for Trusted Exporters.
 2. Increase the amount of qualified people to work in world class manufacturing.
 3. Develop programs to support supply chain development.
 4. Materialize the Energy Reform.

These are the main actions on Index Strategic Plan

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Thank you!

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