Mexican Automotive Industry Outlook towards 2020

Eduardo J. Solís Sánchez
Executive President
Mexican Automotive Industry Association

October 6th, 2016
Mexico City
Automotive Sector Economic Relevance:

- Top generator of foreign reserves. With a foreign trade surplus of 52.5 billion dollars in 2015
- Contributes with 3.1% of total GDP and 18.3% of manufacturing industry GDP
- Mexico has become the 7th largest manufacturer of vehicles and the 1st in Latin America
- 25% of manufacturing exports
- 4th largest exporter in the world
- 5th largest automotive parts exporter and first supplier for the United States
Producción y Exportación

- Contributed with 3.7% of total world production.
- More than 80% of total production is directed to foreign markets.

Source: AMIA.
Automotive Industry GDP

From 2008 to 2015, Mexican automotive industry has consolidated as one of the most important in the Mexican economy increasing its share of total GDP by 58% and its share of manufacturing sector GDP by 53%

... the automotive industry impacts 84 economic activities of manufacturing industry and 73 of trade and services.

Notas: P se refiere a datos preliminares. Automotriz considera Fabricación de automóviles y camiones, Fabricación de carrocerías y remolques, Fabricación de partes para vehículos automotores, Fabricación de otro equipo de transporte.
Manufacturing sector in Mexico

- Into manufacturing sector, the automotive industry is the second GDP generator.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentages</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Agroindustry</td>
<td>24.1</td>
<td>20.2</td>
<td>22.7</td>
<td>23.6</td>
<td>22.6</td>
</tr>
<tr>
<td>Automotive industry</td>
<td>11.2</td>
<td>13.5</td>
<td>12.1</td>
<td>16.9</td>
<td>18.3</td>
</tr>
<tr>
<td>Chemistry industry</td>
<td>9.4</td>
<td>11.1</td>
<td>12.6</td>
<td>11.6</td>
<td>9.0</td>
</tr>
<tr>
<td>Basic metal industry</td>
<td>3.3</td>
<td>4.5</td>
<td>6.4</td>
<td>5.8</td>
<td>5.4</td>
</tr>
<tr>
<td>Beverages and tobacco industries</td>
<td>4.5</td>
<td>4.7</td>
<td>5.5</td>
<td>5.1</td>
<td>5.2</td>
</tr>
<tr>
<td>Other industries</td>
<td>47.5</td>
<td>46.0</td>
<td>40.7</td>
<td>37.0</td>
<td>39.6</td>
</tr>
</tbody>
</table>

Source: INEGI – Sistema de Cuentas Nacionales.
The automotive industry employs **730,923** people directly, representing 14.4% of total manufacturing sector employment.

Automotive industry exports represent more than oil products exports, remittances income and tourism income together.
Automotive industry exports in the world

During 2014 Mexico was the 4th largest exporter in the world, above counties like Canada and Korea.
Production value

Vehicles and trucks production

55.4%
national production

Source: INEGI.
Mexico’s production of vehicles by state

![Bar chart showing the production of vehicles by state in Mexico](chart.png)

- Sonora: 16.2%
- Coahuila de Zaragoza: 15.9%
- Puebla: 13.6%
- México: 12.7%
- Guanajuato: 10.4%
- Nuevo León: 8.6%
- Aguascalientes: 6.8%
- Resto de los estados: 15.8%

*Fuente: INEGI. Censos económicos 2014.*
Railway System

Source: Secretaría de Comunicaciones y Transportes.
### Mexican exports by railway system 2014 value

<table>
<thead>
<tr>
<th>Category</th>
<th>2014 Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computadoras</td>
<td>4.6%</td>
</tr>
<tr>
<td>Cable...</td>
<td>2.8%</td>
</tr>
<tr>
<td>Video Muestra</td>
<td>3.9%</td>
</tr>
<tr>
<td>Teléfonos</td>
<td>3.9%</td>
</tr>
<tr>
<td>Coches</td>
<td>8.2%</td>
</tr>
<tr>
<td>Piezas-Repuestos</td>
<td>5.7%</td>
</tr>
<tr>
<td>Camiones De Reparto</td>
<td>5.7%</td>
</tr>
<tr>
<td>Tractores</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

**Automotive industry:** 22%

*Source: MIT Observatory of Economic Complexity.*
Vehicles trade through maritime ports (January-July 2016)

Source: Secretaría de Comunicaciones y Transportes.
NAFTA vehicle production

- From 1994 to 2015 production vehicle of NAFTA región increased 14.5%.

Fuente: elaborado por AMIA con datos de Ward’s Automotive y OICA. Data in vehicle units.
Vehicle production in the world

<table>
<thead>
<tr>
<th>Country</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHN</td>
<td>25.0</td>
<td>22.0</td>
<td>20.0</td>
</tr>
<tr>
<td>EEUU</td>
<td>20.0</td>
<td>18.0</td>
<td>16.0</td>
</tr>
<tr>
<td>JPN</td>
<td>12.0</td>
<td>10.0</td>
<td>8.0</td>
</tr>
<tr>
<td>GER</td>
<td>5.0</td>
<td>4.0</td>
<td>3.0</td>
</tr>
<tr>
<td>KOR</td>
<td>4.0</td>
<td>3.0</td>
<td>2.0</td>
</tr>
<tr>
<td>IND</td>
<td>3.0</td>
<td>2.0</td>
<td>1.0</td>
</tr>
<tr>
<td>MEX</td>
<td>2.0</td>
<td>1.5</td>
<td>1.0</td>
</tr>
<tr>
<td>ESP</td>
<td>1.5</td>
<td>1.0</td>
<td>0.5</td>
</tr>
<tr>
<td>BRA</td>
<td>1.0</td>
<td>0.5</td>
<td>0.3</td>
</tr>
<tr>
<td>CAN</td>
<td>0.3</td>
<td>0.2</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Fuente: elaborado por AMIA con datos de OICA.
Light vehicles production and forecast 2020

![Bar chart showing light vehicle production from 2000 to 2020.]

Fuente: 2000 a 2015 registro de AMIA. 2016^ a 2020^ corresponde a estimación de la asociación suponiendo una tasa de crecimiento del 3% y con base en los anuncios publicados.
Considering new investments, our forecast is that Mexico will be producing more than 5 million vehicles in 2020 (hard forecast)

**NAFTA:** 17.95 million vehicles.

* Assuming that United States and Canada maintain the same production level of 2015.
Mexico has increased 12.7% its share in NAFTA production during the last 21 years.

* Assuming that United States and Canada maintain the same production level of 2014.

With an increase to 5.1 million vehicles in next 5 years, Mexico could increase its share by 6.2%.
... and the opportunity in the supply chain
Market value and investment opportunity in the supply chain in Mexico

- 74% of total demand for processes is imported, therefore, there are huge investment opportunities for foreign companies.
- The most demanded processes are stamping, foundry, forging, machining, plastic injection and casting.

Source: PROMEXICO. The Auto Parts Industry, Business Intelligence Unit.
Domestic Market
• New vehicle sales keep its growing up trend. September 2016 sales stand as the best this month as well as January-September.
Similar countries

Light vehicles sales for each 1,000 people

GDP per capita (constant US$, 2005)

Source: ACARA, AMIA, ANAC, ANFAVEA.

<table>
<thead>
<tr>
<th>Year</th>
<th>Brazil</th>
<th>Mexico</th>
<th>Argentina</th>
<th>Chile</th>
<th>Colombia</th>
</tr>
</thead>
<tbody>
<tr>
<td>January - August 2015</td>
<td>1,691,804</td>
<td>833,577</td>
<td>388,804</td>
<td>177,114</td>
<td>185,531</td>
</tr>
<tr>
<td>January - August 2016</td>
<td>1,305,562</td>
<td>987,663</td>
<td>462,834</td>
<td>187,219</td>
<td>157,231</td>
</tr>
<tr>
<td>change</td>
<td>-22.8%</td>
<td>18.5%</td>
<td>19.0%</td>
<td>5.7%</td>
<td>-15.3%</td>
</tr>
</tbody>
</table>

Source: ADEFA, ANAC, ANFAVEA y AMIA.

* Light vehicle units.


* 2014 se estima con publicación del FMI.
Imported used vehicles

Used vehicles imports decreased 60.6% during 2015 and the first eight months of 2016 it decreased 5.8%.
**Credit sales**

- **New vehicle sales**
- **Sales of new vehicles through credit** *

*Nota: considera la mayoría de las instituciones crediticias.
Fuente: AMIA y AMDA con datos de JATO Dynamics.

---

At least 65.8% of January – June new vehicles sales were sold through credit.

---

* Nota: considera la mayoría de las instituciones crediticias.
Fuente: AMIA y AMDA con datos de JATO Dynamics.
Research and development in the automotive industry
Automotive Industry Group of Universities and Research Centers

1. Human resources

3. Infrastructure

4. Collaborative projects

5. Government incentives

6. Legislative agenda

Source: AMIA.
¡THANK YOU!

Eduardo J. Solís Sánchez
Executive President
Mexican Automotive Industry Association
+52 (55) 5272-1144
esolis@amia.com.mx

@AmiaMexico

Asociación Mexicana de la Industria Automotriz ac