

THE AUTOMOTIVE SECTOR

GLOBAL INDUSTRY

The value of the automotive industry's light vehicle production was **1,221,834 million USD**. It is expected that by 2016 the industry's value will reach to 1,582,234 million USD representing a **compound annual growth rate of 6.7%** from 2012. A total of **80.0 million units were produced**.¹

The value of the automotive industry's production of heavy vehicles was **211,510 million USD**. According to forecasts, the value of the production of this segment by 2016 will be 289,727 million USD, representing a **compound annual growth rate of 8.18%**. A total of **4.1 million units were produced**.¹

According to the ranking of 40 countries, generated by the International Organization of Motor Vehicle Manufacturers (OICA) and using the production of vehicular units as a parameter, for the second consecutive year, **Mexico ranked eighth place** among the principal global producers, ranking above countries such as Spain, France, Russia, the United Kingdom and Belgium.¹

The production difference between Mexico (8th place) and Brazil (7th place) diminished from 715,863 units in 2011 to 319,670 units in 2012.¹

The ten most important automobile producers are in the following order: China the United States, Japan, Germany, South Korea, India, Brazil, Mexico, Spain and France.¹

The companies with highest global sales were:


TOYOTA

 235,364
 Billion dollars

 221,551
 Billion dollars

 150,276
 Billion dollars

Source: Fortune Global 500, 2012

MEXICO

PRODUCTION

The country is the second largest producer of vehicles in Latin America.¹

National vehicle production was 2.88 million units in 2012, representing a growth of 12.8% over the previous year.²

According to estimations, Mexico will produce more than 3.7 million vehicles by the end of 2016, a growth of 28.5% from the 2012 production level.³

In 2012, the auto parts industry reached its highest production level with 74,795 million USD. Electrical auto parts contributed 22% of the production in 2012, the highest participation by component in the industry.⁴

In 2012, Mexico was the 5th largest producer of auto parts around the world.⁴

MAJOR COMPANIES ESTABLISHED IN MEXICO

AUTO PARTS

Delphi, Nemak, Magna International, Continental, Lear Corporation, Metalsa, Autolive, TRW Automotive, Johnsons Controls, Valeo, Bosch, Faurecia and Denso.

VEHICLE AUTOMAKERS

GM, Ford, Chrysler, Volkswagen, Nissan, Daimler, Honda, BMW, Toyota, Mazda, Volvo y Mercedes-Benz.



MEXICO

CONSUMPTION

In 2012, more than 987,747 light vehicles were sold in Mexico. It is estimated that the sales of light vehicles will reach 1,141,155 units by 2016.⁵

During 2012, Mexico was the country with the highest market growth rate in Latin America, a 9.8% higher than the previous year.

INTERNATIONAL TRADE

In 2012, Mexico became the 4th largest light vehicle exporter in the world. In addition, Mexico was ranked as the 5th worldwide exporter of auto parts.⁶

The automotive industry represents 27% of all national exports.⁶

80% of the value of Mexican vehicles and auto parts exports went to the United States.⁶

In 2012, 90% of Mexican auto parts exports went to the United States.⁶

1/3 of the total value of U.S. imports of auto parts comes from Mexico. As a result, Mexico is the principal auto part supplier to the United States.⁷

In 2012, the US remained as the main market for the Mexican light vehicle exports, with 64%.²

Latin America was the second largest destination for Mexican exports. The main importers were Brazil, Argentina, Colombia and Chile.⁶

MEXICAN LIGHT VEHICLES EXPORTS

Destination	2012 (vehicle units)	% share 2012
United States	1,504,364	63.9
Canada	160,086	6.8
Latin America	366,133	15.5
Africa	34,734	1.5
Europe	212,792	9.0
Asia	46,640	2.0
Others	30,815	1.3
Total	2,355,564	100

Source :AMIA

FDI (FOREIGN DIRECT INVESTMENT)

In Mexico, the automotive sector represented 21% of the total direct foreign investment (FDI) in 2012.⁸ This shows that the country is an attractive destination for investment in the sector.

During 2012, investment in the auto parts sector reached a total of 1,770 million USD.⁸

Source: ProMéxico based on media information

COMPANY	2007-09	2010	2011	2012	ACCUM.
Daimler	871	--	--	--	871
GM	3,870	435	540	420	5,265
VW	1,053	1,020	--	--	2,073
Ford	3,000	--	--	1,300	4,300
Fiat/Chrysler	--	550	620	--	1,170
Nissan	--	600	--	2,000	2,600
Honda	--	--	800	--	800
Mazda	--	--	500	--	500
Audi	--	--	--	1,300	1,300
Total	8,794	2,605	2,460	5,020	18,879

1. Source: ProMéxico with data from OICA 2. Source:AMIA 3. Source: Global Insight 4. Source: Industria Nacional de Autopartes (INA) 5. Source: Business Monitor International 6. Source: ProMéxico with Global Trade Atlas information. 7. Source: U.S. Census Bureau. 8. Source: Ministry of Economy



THE AUTOMOTIVE SECTOR



SUCCESS STORIES

For the third consecutive year, two Mexican plants were ranked as the top producers in North America. Volkswagen, Puebla occupied the first place with 596,615 vehicles produced. Meanwhile, Nissan in Aguascalientes ranked fourth with 458,442 units produced in 2012.⁹

Mexico is the leader in systems manufacturing, featuring electrical parts, transmissions, gears and engine parts. A few examples are:

In 2012, luxury automaker **Audi** announced plans to build a new plant in San Jose Chiapa, Puebla. The new plant will manufacture Audi's Q5 sport-utility vehicle starting in 2016.¹⁰

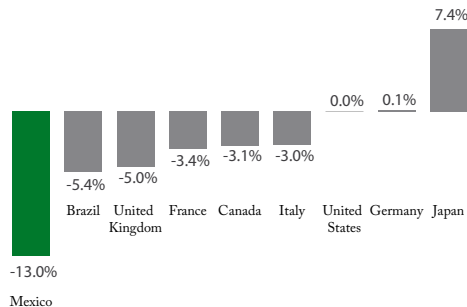
Also, Mexico has shifted from being a strong manufacturer to an innovative designer: it is home to **30 automotive design centers**.¹⁰

Nissan-Jatco will invest **220 million dollars** to install a continuously variable transmission (CVT) manufacturing plant for various auto models, creating 200 jobs in Aguascalientes.¹⁰

As a result of the evolution and relevance of the Mexican automotive industry, companies in the sector are investing in projects like the manufacturing of models like: Ford's Fusion, Fiesta, and Lincoln MKZ; Nissan's Note, Sentra, Versa and March; Chevrolet's Trax, Captiva and Silverado; Chrysler and Fiat Journey, Freemont and Fiat 500; Mazda's 2 and 3; GM's Sierra, Cadillac SRX; Honda's CR-V and Fit; Volkswagen's Golf VII, Beetle and Jetta, among others.¹⁰

COMPETITIVENESS

According to estimations from AlixPartners in 2012, Mexico is the most competitive country worldwide in terms of manufacturing costs, approximately 21% less than USA, 11% less than China and 3% less than India.¹¹



In 2012, according to KPMG, Mexico offered 13% more savings in automotive parts manufacturing costs compared to the United States.¹²

According to the World Bank, **Mexico** is ranked 48th in the world for doing business, **over the BRICs** and leading the TIMBIs.¹³

Only **9 days** and **6 procedures** are required to start a new business, which makes this process much easier than in the BRICs.¹³

In 2012, more than 110 thousand engineering and technology students graduated from Mexican institutions.¹⁴ In 2010, Mexico had 18% more graduates in manufacturing, engineering and construction per capita than in the United States.¹⁵

A MESSAGE FOR INVESTORS

There are **19 vehicle OEM's (Original Equipment Manufacturers)** located in 15 states across the nation and **3,000 suppliers** in 24 states.

In the automotive sector, Mexico has an internal growth market, which will increase by 8.0% between 2013 and 2016.¹⁶

89 out of the top 100 auto parts companies in the world operate in Mexico.¹⁷

A MESSAGE FOR INVESTORS

As a result of Free Trade Agreements (FTAs) signed with **44 countries**, Mexico has access to a potential market of **1,200 million consumers** and more than 60% of the world's GDP, positioning it as an important export platform.

According to **The Atlas of Economic Complexity**, Mexico ranks **20th from 128 countries**. Mexico is the best positioned country in Latin America and the Caribbean region, and over the BRICs.

Mexico is a safe place for foreign investment. Our country has signed **28 IPPAs** (Investment Promotion and Protection Agreements) and **DTTs** (Double Taxation Treaties) with more than 40 countries.¹⁸

Shelter Services: these allow businesses to start operations more easily, as they issue the necessary permits for them to begin operations without having to worry about customs, legality and administrative topics.

INDUSTRY INCENTIVES¹⁸

Automotive Decree: Its objective is to place productive investments in national territory, provided that they include:

- Expansion or construction of installations.
- Training and job generation.
- Investment in R&D from businesses in the sector.

Its **benefits** are:

- The inclusion of manufacturing companies under the Customs and Manufacturing Law under the Sectorial Promotion Program (PROSEC) for the automotive and auto parts industry.
- Offering their vehicles, directly or by way of authorized distributors through documentation for each procurement tender.
- Importing 10% of the production of the previous year with zero ad-valorem taxes.

Sectorial Promotion Program (PROSEC) It is an instrument designed for manufacturers, to import their materials with preferential tax arrangements or exemptions, with the objective of maintaining their competitiveness.

Manufacturing, Bonded Assembly and Export Services Industry (IMMEX) It simplifies the procedures and requirements for companies which have a structured business plan, allowing for the import of goods and services used in industrial processes for the development, transformation (modification) or repair of merchandise imported from abroad.

CHAMBERS & ASSOCIATIONS

The National Auto Parts Industry (INA)

Created in 1961 to represent the automotive sector vis a vis international organizations, governmental authorities, sectorial chambers and academia. It has 950 members.

The Mexican Association of the Automotive Industry (AMIA)

Is a civil association comprised of vehicle manufacturing companies, which was founded in 1951. Its objective is to have exclusive representation for this industrial sector. It represents the ten major automakers in the country.

The National Association of Producers of Buses, Trucks and Tracto-Trucks (ANPACT)

Founded in 1992. It represents the 13 heavy vehicle manufacturers (more than 6.3 tons) and diesel engines and is focused on promoting the development of the Motor Vehicle Transportation Industry in Mexico.