

The Mexican Automotive Industry

Automotive production represents one of the most dynamic and competitive industries in Mexico. Thus, Mexico has become an important player in the automotive and auto parts sector at the global level. Over recent decades, Mexico has attracted the attention of the automotive industry's main actors due to its sustained growth in the production of vehicles and auto parts, as well as the strength and growth prospects of its domestic market. Today the Mexican automotive industry is once again at the center of attention on the global stage because it is experiencing a transition from a profile oriented mainly toward manufacturing to one in which innovation and design play a dominant role.

The automotive industry provides more than 3% of the national gross domestic product (GDP) and 18% of the manufacturing GDP, generating currencies above 52 billion dollars per year, and it is responsible for around 900,000 direct jobs in the whole country. With these indicators, Mexico is the seventh producer and fourth exporter of light vehicles on a global level. One of the reasons Mexico's automotive industry is so attractive to investors are the country's liberal economic policies.

This sector has received the higher proportion of direct foreign investment in Mexico in the last six years; 21 billion dollars have been invested in the automotive industry resulting in the start of operations of six new vehicle and motor assembling plants, the production capacity expansion of five plants already in the country, and the attraction of a bigger number of direct suppliers around the new developments. The competitive advantages Mexico has to offer in terms of supply chains, skilled labor, geographical location and preferential access to international markets has established the country as one of the world's leading vehicle producers and exporters.

In an international context, Mexico has proven to be a valuable ally in the global business strategies of vehicle manufacturers, as evidenced by the high levels of foreign direct investment in the sector in recent years by companies like Honda, Mazda, Chrysler, General Motors, Kia, Ford, Toyota and Volkswagen, while luxury brands like Mercedes-Benz, Infiniti and BMW have also announced plans to invest in the country's auto industry in the near future.

Mexico was ranked the world's fourth-largest exporter of light vehicles in 2015. The segment has over 100 export destinations, positioning Mexico as a leading global operations and logistics center. Although the United States remains the country's main export market, eight out of every 100 light vehicles made in Mexico were exported to Latin America in 2015, mainly Brazil, Colombia, Argentina, Chile and Peru.

Mexico produced 3.4 million light vehicles in the period, which represents growth of 5.6% compared to 2014. This trend is expected to continue, with production reaching 4.9 million units by 2020.

The auto parts industry in Mexico keeps a sustained growth tendency. In the last five years, the sector has reached record figures as in production (82 billion dollars per year) as in exports (65 billion dollars per year). Currently, Mexico is the sixth largest producer and the expectation is that the country will advance several positions. Mexico's terminal and auto parts sectors attracted 5.8 billion dollars in foreign direct investment in 2015, an amount equivalent to 20% of total foreign direct investment in the country in the period.

This growth is the result of a combination of factors, among them, the opening of new manufacturing plants, the country's geographic location and the industry growth in the United States, the main destination for Mexican auto parts exports.

Based on the light cars manufacturing forecasts in the North American Free Trade Agreement (NAFTA) region, we can anticipate that for 2020, the auto parts production in Mexico will reach a value of 100 billion dollars, which will set us in the fourth place in production globally, behind China, the United States and Japan, and surpassing countries like South Korea and Germany.

Furthermore, by 2020 the Mexican automotive industry is expected to produce nearly five million light vehicles for 13 brands in more than 30 production facilities. In recent years the country has shifted from its maquiladora-style manufacturing to becoming a powerhouse in the global automotive industry, creating opportunities for both local and international suppliers and service providers support the industry's rapid development.