2016 Top Markets Report Automotive Parts
Country Case Study

Mexico

Type: Large Market; Large Share

In 2015, Mexico was ranked as the largest export market for U.S. auto parts overall, supplanting Canada. The size of its market and the shared border provides an excellent market for U.S. OE and aftermarket parts. Auto sales have shown consistent growth since 2010, from 820,406 units in 2010 to over 1.3 million units in 2015, which is a record high. Nissan was the best-selling brand, followed by General Motors and Volkswagen. But while U.S. exports of new passenger vehicles grew from 129,128 units in 2010 to 153,738 units in 2013, exports declined to 137,023 units in 2015.

Original Equipment Rank	Aftermarket Rank
2	2

Today, Mexico, which produced 3.4 million vehicles in 2015, is ranked the seventh largest vehicle producer in the world and the first in Latin America. According to the Mexican Association of the Automotive Industry, Mexico may surpass Korea by 2020, becoming the sixth largest worldwide vehicle producer with more than 5 million vehicles. The auto sector accounts for 18.3 percent of Mexico's manufacturing sector and 3.2 percent of national GDP. Furthermore, Mexico's auto parts industry is closely tied to its American counterpart and economic growth in the United States. Low labor costs and extensive free trade agreements have provided incentives for vehicle manufacturers and its suppliers to establish plants in Mexico to export to the world, contributing to Mexico's production growth.

Overview of the Automotive Parts Market in Mexico

Since 2009, U.S. auto parts exports to Mexico have more than doubled from $12.1 billion to over $26.5 billion in 2013, over $29 billion in 2014 and over $30 billion in 2015. Exports to Canada, the second largest market for U.S.-made parts, also showed growth from $19.6 billion in 2009 to $31.8 billion in 2012, but exports to Canada have declined each of the last three years to $29.4 billion in 2015. Combined, our North American Free Trade Agreement (NAFTA) partners account for about 75 percent of all U.S. parts exports. Trade between the United States, Canada and Mexico is bound by the terms of NAFTA. As a result, there are no duties on Canadian and Mexican imports of automotive parts that meet the NAFTA rule of origin.

According to the National Auto Parts Industry (INA), Mexico is the sixth largest auto part producer. Production has grown from $41.2 billion in 2009 to over $76.8 billion in 2013 with production exceeding $85 billion in 2015. The growth of vehicle production will further lead to increased demand for the auto parts industry and for a wider range of products for assembly companies' production lines. In addition, the continuing growth in the number of vehicles sold

Figure 1: 2015 Mexico Automotive Market	
Sales (units)	1,380,889
U.S. Auto Parts Exports	$30,059,032,686
Total Auto Parts Imports	$46,466,469,150
Total Domestic Vehicle Production	3,589,142
Passenger Vehicles in Operation	26,972,225
U.S. Auto Parts Export Growth 2009-2015	+149%

domestically will increase the demand for aftermarket parts. More than 80 percent of Mexican vehicle production is exported abroad.

Challenges and Barriers to Automotive Parts Exports

Mexico's pursuit of free trade agreements with dozens of countries across North and South America, Europe, and Asia has made it an increasingly competitive market for manufacturing. Mexico also joined the Trans Pacific Partnership recently. These "FTAs combined with low labor rates and close proximity to the United States open the door for U.S. aftermarket companies to set up cost effective production facilities within Mexico and then to export finished products to the United States, Latin America and worldwide markets."[i] For example, according to INA, Mexico offers 10 percent savings in auto parts manufacturing when compared to costs in the United States.

Mexico is the sixth largest auto part producer in the world, so the market is already competitive. There are 198 auto part plants in the northeast region of Mexico, 70 plants in the northwest region, 142 plants in the west and 101 plants in the central region. In total, Mexico has around 2,559 auto parts companies, with 65 percent being foreign owned companies. Tier 1 and tier 2 suppliers that already supply OEMs in Mexico will likely be enticed or pressured to follow these customers with new investments of their own in order to secure their supply contracts. Nineteen percent of the foreign owned auto parts companies already established in Mexico are from the United States, with Japan accounting for 18 percent, followed by Germany at 12 percent. Examples of the suppliers already operating in Mexico include Bosch, Magna, Hitachi Automotive Systems, Delphi, Michelin, Denso and TWO Automotive, among many others.

The United States is the leading exporter of auto parts to Mexico with 53 percent, followed by China with 13 percent, Japan with 6.8 percent, and Canada, Korea, and Germany with 4 percent each. While the United States exported over $30 billion in auto parts to Mexico in 2015, it imported over $50 billion in parts from Mexico. This is almost triple ($18.1 billion) the imports from the second largest source of U.S. imports, Canada.

Mexico accepts both U.S. and European safety standards, increasing competitive pressure from European parts companies.

Opportunities for U.S. Companies

Original Equipment Parts

There are currently 10 passenger vehicle manufacturers in Mexico, including General Motors, FCA Group, Ford, Nissan, Honda, Toyota, VW, Mazda, Kia and Audi. This manufacturing base produces more than 40 brands and 500 models in 23 manufacturing plants and has a network of 1,700 dealers. BMW is investing $1 billion in a new plant in central Mexico and will begin production in 2019. Audi's new plant is expected to come online in 2016 with a capacity of 150,000 vehicles. Nissan and Daimler have signed a joint venture agreement and are investing over $1 billion in a new plant that is expected to begin production in 2017 with an initial capacity of 230,000 units. Kia has also invested $1billion in a Mexican auto plant that is expected to begin production in the first half of 2016 and will have capacity to build 300,000 vehicles annually. In April 2015, Toyota announced that it would invest $1 billion to build a new plant in Mexico producing the Corolla. The plant is expected to begin production in 2019 with a capacity of 200,000 Corollas per year. Ford is planning to double its vehicle production in Mexico, and it will invest $1.5 billion in a new plant that will build 350,000 cars annually. Previously, Ford announced its plans to invest $2.5 billion for two new engine and transmission plants and an expansion of its diesel engine production in Mexico.

In late 2014, General Motors announced it was investing $5 billion through 2018 to double capacity at its four plants in Mexico. In 2014, Mazda opened a new small-car assembly plant in Mexico that has an annual capacity of 200,000 vehicles. Mexico's growth in passenger vehicle production will inevitably create an increased demand for original equipment parts.

Aftermarket Parts

Mexico has a large number of older cars, providing opportunities for repair and aftermarket parts and accessories. More than fifty percent of total vehicles are 10 years old or older. The average Mexican consumer owns a 14-year-old vehicle. The combination of the ages of the vehicles with poor road conditions that put excessive strain on vehicles provides a prime market for aftermarket parts. In the aftermarket, there are business opportunities for gasoline and diesel engines, transmissions and parts, collision and repair parts, electric parts, maintenance, and repairing equipment.

The Mexican car fleet is fairly similar to the U.S. car fleet, thereby making aftermarket parts from the United States an attractive option. Popular models include Chevrolet's Aveo, Spark and Sonic; Nissan's Versa, March, Tsuro and Sentra; and Volkswagen's Jetta and Vento. In 2015, Nissan was the best-selling brand with a 25.7 percent market share, followed by General Motors (19 percent market share), Volkswagen (13.3 percent), Toyota (6.3 percent), Ford (6.5 percent) and Honda (5.4 percent). Combined, the geographic proximity, similar fleets, and large number of vehicles reaching prime aftermarket age should provide plenty of opportunities for U.S. companies to export aftermarket parts to Mexico.

For additional information on this market, please visit: http://www.export.gov/mexico/ .

[i] http://www.searchautoparts.com/aftermarket-business/international-news/mexico-still-thriving-market-automotive-aftermarket