



# BTMU Focus Latin America

## Mexico: Export Profile



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# Mexican Exports – Profile Structure

- Four areas of focus to assess Mexico's export structure.



# Mexican Exports – Growth Momentum (1)

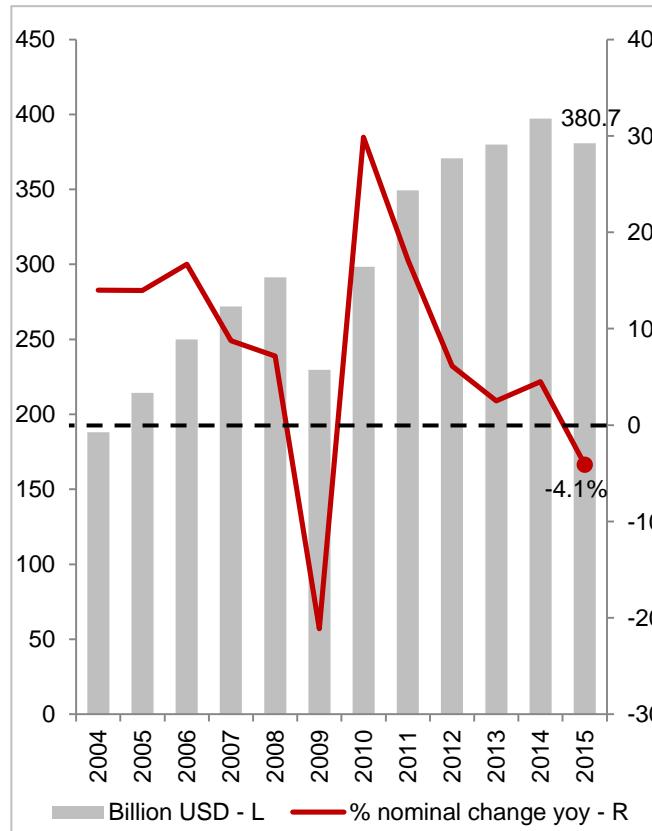
- Weak demand from the US and low oil prices put a big dent in Mexico's exports in 2015.

Low oil prices and anemic demand from its major trading partners, in particular the US, put a big dent in Mexico's exports. They amounted to \$380.7bn in 2015, around 4% lower than last year's number. It was the first contraction in export earnings since 2009.

Weak demand from the US (owing to a timid recovery in its industry sector) and low global oil prices will probably continue to weigh on Mexico's exports in 2016.

## Mexico's Exports of Goods

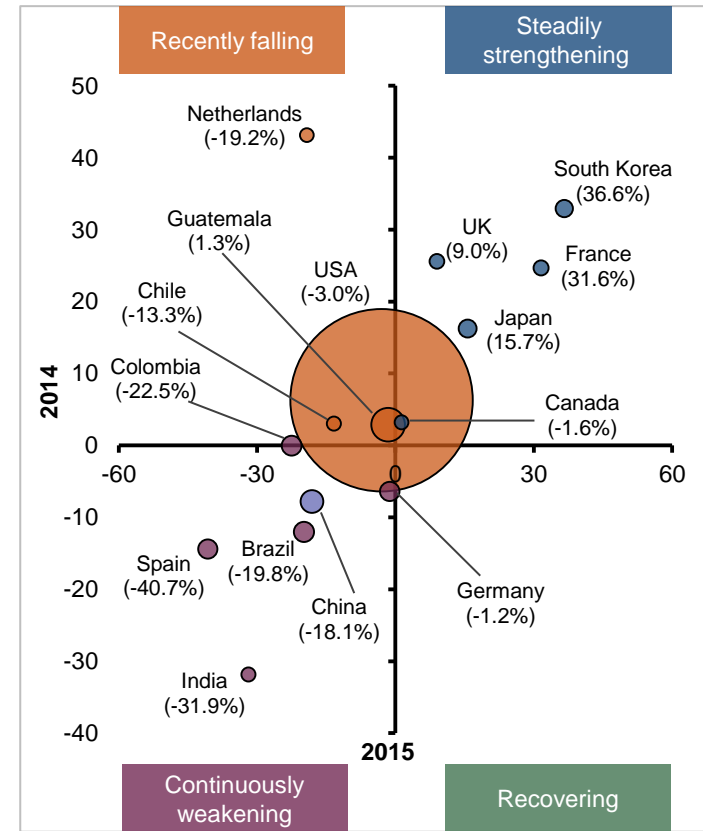
USD billion / % nominal change yoy



Source: UN Comtrade; BTMU

## Mexico's Exports to Main Trading Partners

% nominal change yoy / ( ) denotes change in 2015 / Size of bubbles indicates the share in Mexico's total exports



Source: UN Comtrade; BTMU

# Mexican Exports – Growth Momentum (2)

- Exports to its top 5 markets dropped in 2015.

Mexico's exports to 17 of the top 30 trading partners contracted in 2015, reflecting not only low oil prices, but also weak global demand.

Exports to the US slipped by 3% in 2015, as a result of feeble demand and low oil prices. Similarly, exports to Canada, the other member of NAFTA, also shrank last year.

## Mexico's Exports of Goods by Top Markets

% nominal change yoy / USD billion

Partners	2015 %	2014 %	2015 USD bn
Total	↓ -4.1	↑ 4.5	380.7
Top 5	↓ -3.7	↑ 5.5	332.0
Top 15	↓ -4.0	↑ 5.0	356.3
USA	↓ -3.0	↑ 6.3	309.1
Canada	↓ -1.6	↑ 2.9	10.5
China	↓ -18.1	↓ -7.8	4.9
Brazil	↓ -19.8	↓ -12.0	3.8
Colombia	↓ -22.5	↓ 0.0	3.7
Spain	↓ -40.7	↓ -14.4	3.5
Germany	↓ -1.2	↓ -6.4	3.5
Japan	↑ 15.7	↑ 16.2	3.0
South Korea	↑ 36.6	↑ 32.9	2.8
France	↑ 31.6	↑ 24.7	2.1
UK	↑ 9.0	↑ 25.6	2.0
Chile	↓ -13.3	↑ 3.0	1.9
India	↓ -31.9	↓ -31.8	1.8
Netherlands	↓ -19.2	↑ 43.1	1.8

Source: UN Comtrade; BTMU

Partners	2015 %	2014 %	2015 USD bn
Guatemala	↑ 1.3	↑ 3.2	1.8
Switzerland	↑ 18.7	↑ 33.6	1.8
Peru	↓ -4.6	↓ -2.3	1.7
Italy	↑ 1.3	↑ 30.2	1.6
Belgium	↓ -6.1	↑ 53.6	1.6
Argentina	↑ 15.0	↓ -33.8	1.5
Venezuela	↓ -21.3	↓ -28.0	1.2
Australia	↑ 4.1	↑ 2.1	1.1
Panama	↑ 5.4	↓ -5.5	1.0
Costa Rica	↓ -3.2	↑ 1.9	1.0
Nicaragua	↑ 11.0	↑ 8.9	0.9
Hong Kong	↓ -25.4	↑ 7.5	0.8
El Salvador	↑ 5.2	↓ -5.4	0.6
Honduras	↑ 7.0	↓ -5.7	0.6
Ecuador	↓ -40.0	↓ -1.3	0.5
Singapore	↓ -1.2	↓ -8.3	0.5
Saudi Arabia	↓ -45.2	↑ 30.7	0.4

# Mexican Exports – Growth Momentum (3)

- Oil exports plummeted in 2015 and growth of manufacturing exports slowed sharply.

## Mexico's Exports of Goods by Top Markets

% nominal change year-over-year / USD billion

Of the top 30 export goods, 24 reported positive rates of growth in 2015. And yet total exports dropped by 4.1%. The reason: oil exports plunged by 47.6%.

Mexico saw weaker demand for its manufactured products as well. Almost all its top export goods showed lower rates of growth last year.

Code*	Products	2015 %	2014 %	2015 USD bn
	Total	-4.1	4.5	380.7
	Top 5	-12.3	2.1	116.9
	Top 15	-7.6	2.3	199.4
8703	Cars (incl. station wagon)	1.4	0.0	32.8
8708	Parts of motor vehicles	10.1	11.2	25.1
8704	Trucks	1.2	22.5	21.8
2709	Crude oils	-47.6	-16.1	18.8
8471	Data processing machines	-11.4	19.2	18.4
8528	Television receivers	-0.5	1.1	16.8
8517	Telephone sets	0.7	-12.4	15.9
8544	Insulated wire/cable	2.8	9.3	11.4
8701	Tractors	14.5	39.7	8.9
9018	Electro-medical apparatus	9.1	14.3	6.4
9401	Seat & parts	0.6	18.4	6.3
8418	Refrigerators, freezers, etc.	4.6	0.5	4.7
7108	Gold unwrought	-8.0	-19.3	4.3
8409	Part for motor engines	1.6	12.5	4.1

Code*	Products	2015 %	2014 %	2015 USD bn
2710	Oils (not crude)	-31.6	-0.7	3.9
8537	Boards & panels with switches	-1.1	10.1	3.8
8407	Spark-ignition engines	0.3	6.1	3.6
8536	Electric apparatus for switching	0.7	4.2	3.4
8606	Railway freight cars	16.9	41.1	3.2
8501	Electric motors & generators	4.7	7.0	3.0
8415	Air conditioning machines	0.4	33.1	2.9
8504	Electric transformers	1.6	1.9	2.8
2203	Beer made from malt	5.4	9.0	2.5
8481	Taps, cocks & valves for pipes	6.3	10.1	2.4
8414	Air or vacuum pumps	1.8	9.2	2.4
9032	Automatic controlling apparatus	2.4	11.4	2.3
8421	Centrifuges	4.3	8.1	2.3
8411	Turbojets & other gas turbines	1.0	21.8	2.2
9405	Lamps & lighting fittings	8.4	28.1	2.0
8512	Electrical lighting equipment	10.2	11.4	2.0
0804	Edible fruit	18.2	19.2	2.0

\*Harmonized System codes  
Source: UN Comtrade; BTMU

# Mexican Exports – Diversification and Market Share (1)

- Mexico is by far the largest exporter in Latin America. Its exports were twice as much as Brazil's.

Mexico was the world's largest exporter of trucks in 2015. It ranked second in tractors and seventh in cars.

Cars became Mexico's top export product in 2015, overtaking oil.

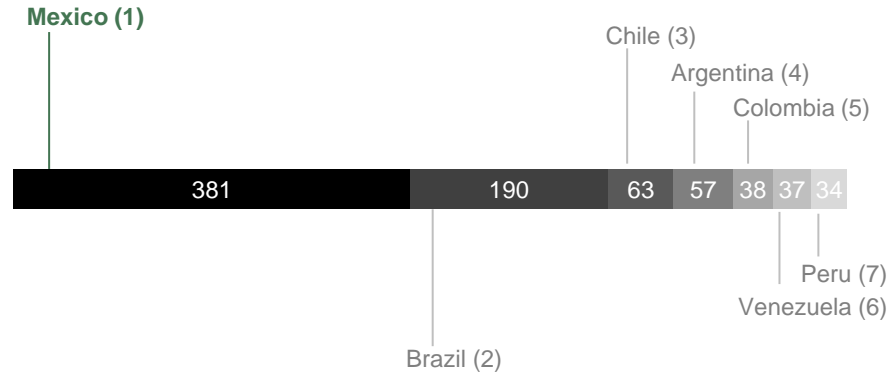
Mexico has one of the highest exports-to-GDP ratios among Latin American economies. Around 33% in 2015.

Mexico has a share of around 37% in Latin America and the Caribbean's exports, and about 2% in global exports.

Mexican exports are unconcentrated in terms of products. It had a HHI\* score of 0.1325 in 2014

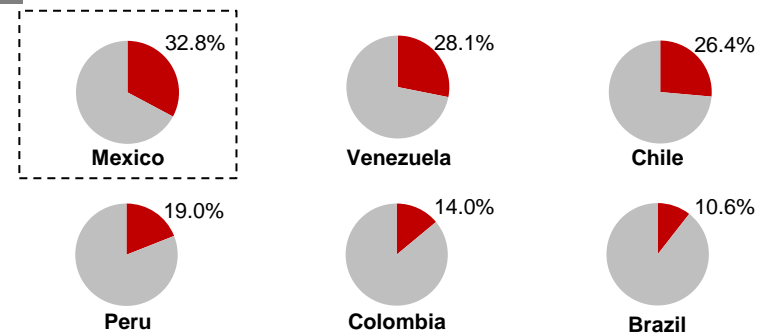
## Latin America's main exporters in 2015\*

USD billion, free on board



## Export Goods-to-GDP ratios in 2015\*

% of GDP



\*HHI refers to the Herfindahl-Hirschman normalized concentration index, which ranges from 0 to 1. Classification: <0.15 (unconcentrated); 0.15-0.25 (moderately concentrated); >0.25 (highly concentrated)

Source: INTradeBID; World Bank; UN Comtrade; BTMU

\*Estimated for Colombia and Venezuela

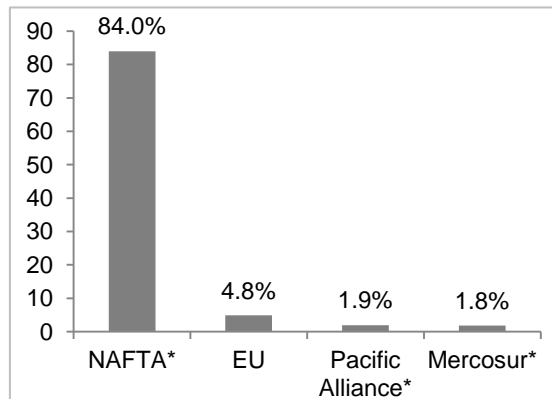
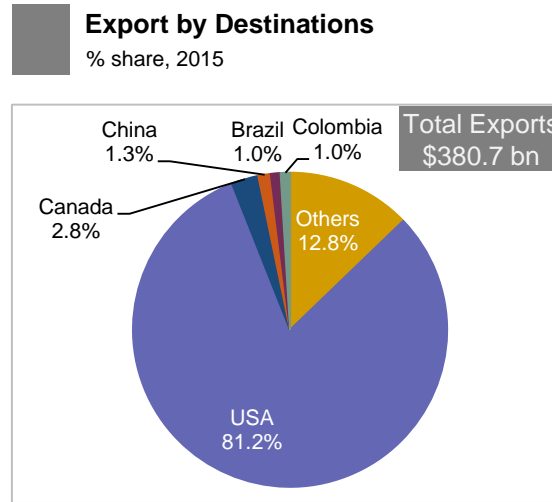
Source: UN Comtrade; WEO Database Oct. 2015; Consensus Economics; BTMU

# Mexican Exports – Diversification and Market Share (2)

- Mexican exports are heavily dominated by manufactured products.

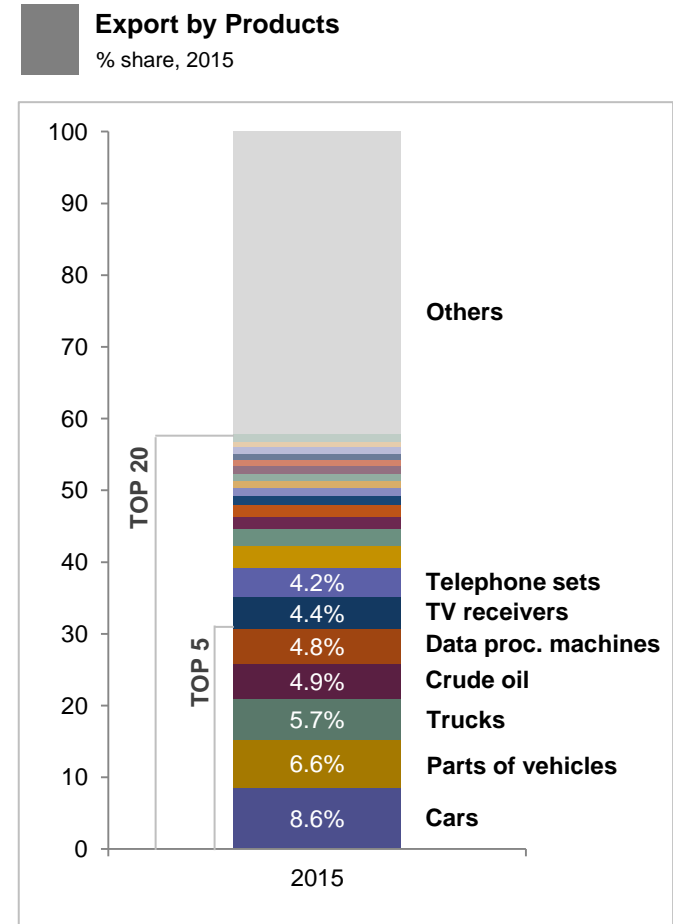
The US, a member of NAFTA, is by far the biggest market for Mexican exports. It made up more than 80% in 2015. The second most important is Canada (2.8%), followed by China (1.0%) and Brazil (1.0%).

Mexican exports are concentrated in manufactured products, driven by industries such as automotive and consumer electronic. Crude oil used to be the country's main export item, with an average share of 10.9% between 2012 and 2014. Last year, it only made up 4.9% due to low international oil prices.



\*Mercosur: Argentina, Brazil, Paraguay, Uruguay and Venezuela; \*NAFTA: Canada, Mexico and USA; \*Pacific Alliance: Chile, Colombia, Mexico and Peru.

Source: UN Comtrade; BTMU



# Mexican Exports – Diversification and Market Share (3)

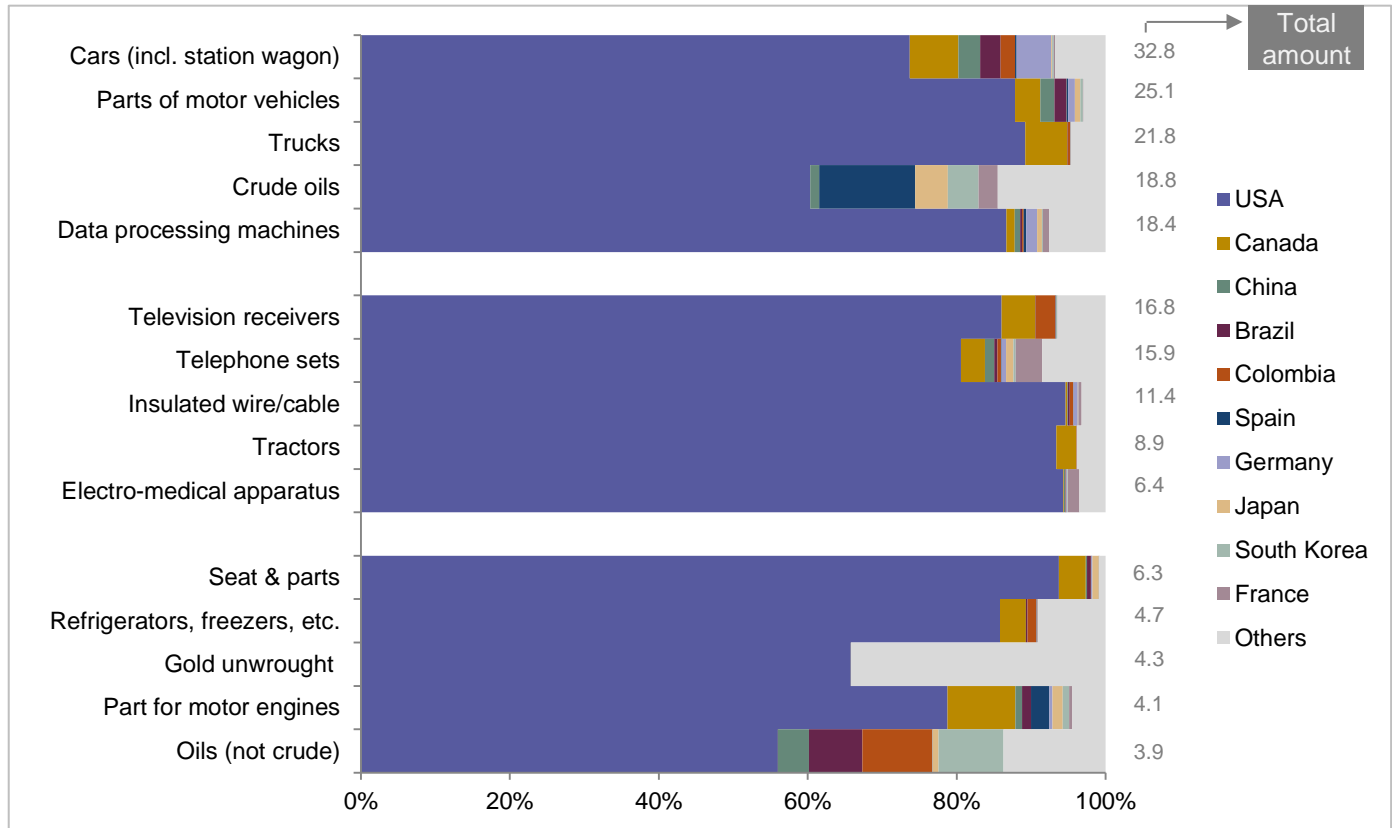
- The US is the primary destination for Mexico's main export products.

## Mexico's Top Export Products by Destination in 2015

US\$ billion, free on board

Exports to the US market are diversified, ranging from minerals (e.g., crude oil) to manufacturing goods such as cars, trucks or electronic equipment.

The main markets for Mexican cars and trucks in 2015 were the US (79.9% share), Canada (6.2%), Germany (2.8%) China (1.8%), Brazil (1.7%), and Colombia (1.3%).



Source: UN Comtrade; BTMU



# Mexican Exports – Market Access

## ■ Mexico has a vast array of FTAs, comparable to those of Chile and Peru.

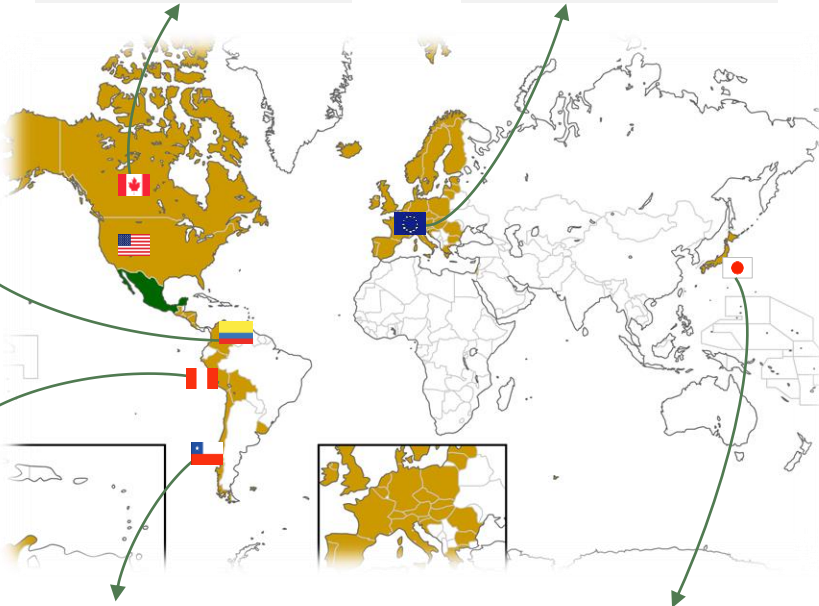
- USA: FTA entered into force in January 1994, as part of NAFTA.
- Exports to the US slowed to \$309.1bn in 2015, about 3% lower than in 2014.

- CANADA: FTA entered into force in January 1994, as part of NAFTA.
- Exports to CANADA hit \$10.5bn, accounting for 2.8% in 2015.

- EUROPEAN UNION: FTA entered into force in October 2000.
- Exports to the EU reached \$18.4bn in 2015, making up 4.8% of total.

- COLOMBIA: member of the Pacific Alliance.
- Exports to Colombia plunged by 22.5% to \$3.7bn in 2015.

- PERU: member of the Pacific Alliance.
- Exports to Peru hit \$1.7bn in 2015, mostly television receivers, cars and precious metal ores.



- CHILE: member of the Pacific Alliance.
- Exports to Chile totaled \$1.9bn in 2015, mainly television receivers, cars, and trucks.

- JAPAN: FTA entered into force in April 2005.
- Exports to Japan amounted \$3.0bn in 2015, mainly oil, meat, and parts of motor vehicles.

Mexico has a relatively vast array of free trade agreements (FTA), even comparable to those of Chile and Peru. But despite having favorable access conditions to key markets, more than three-quarter of its exports are sent to the US. In 2011, Mexico joined Colombia, Chile and Peru to set up the Pacific Alliance, a regional integration initiative, to foster deeper economic and financial integration, especially in trade and investment. The country also signed a free-trade agreement with Panama in April 2014. It entered into force in July 2015.

### Duties related to Exports

Weighted average effectively applied tariffs (%), 2014

Export Country	China	India*	Japan	USA	# of FTA
Mexico	5.56	0.98	4.91	0.02	10
Argentina	4.23	4.49	4.91	1.76	5
Brazil	2.57	8.23	2.05	1.53	5
Chile	0.11	2.96	1.18	0.01	18
Peru	0.23	6.13	0.30	0.13	13

\*Data available for 2013  
Source: World Bank, WITS; BTMU

Source: OAS; UN Comtrade; BTMU

# Mexican Exports – Business Environment

- Mexico ranks 59<sup>th</sup> in the ease of trading across borders, relatively more competitive than Chile and Peru.

## Trading Across Border Ranking 2016



Source: Doing Business 2016; BTMU

Mexico stands at 38 in the World Bank's ranking for ease of doing business, the highest position among Latin American countries. Its strengths lie in a robust bankruptcy system and good access to credit. On the other hand, key hurdles to improve its business environment include: (i) high transaction cost for registering property and dealing with construction permit; (ii) complex tax rules; and (iii) excessive electricity costs.

## Time and Cost Needed to Export a Shipment of 15 Metric Ton of Top Export Product\*

Measure		Mexico	Argentina	Brazil	Chile	Colombia	Peru
<b>Time</b>	Documentary compliance (hours)	8	30	42	24	60	48
	Border compliance (hours)	20	21	49	60	112	48
	Domestic transport (hours)	27	22	11	9	44	1
<b>Cost</b>	Documentary compliance (US\$)	60	60	226	50	90	50
	Border compliance (US\$)	400	150	959	290	545	460
	Domestic transport (US\$)	1217	1700	1159	345	1525	278

\*See Doing Business 2016 report for detailed methodology.

Source: Doing Business 2016; BTMU

Mexico ranks 59<sup>th</sup> of 189 countries in the ranking for ease of trading across borders. According to Doing Business, the time and cost needed to export a shipment of 15 metric ton of goods are 56 hours and US\$1677, respectively.

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