

# BTMU Focus Latin America

## Mexico: Export performance in 2014

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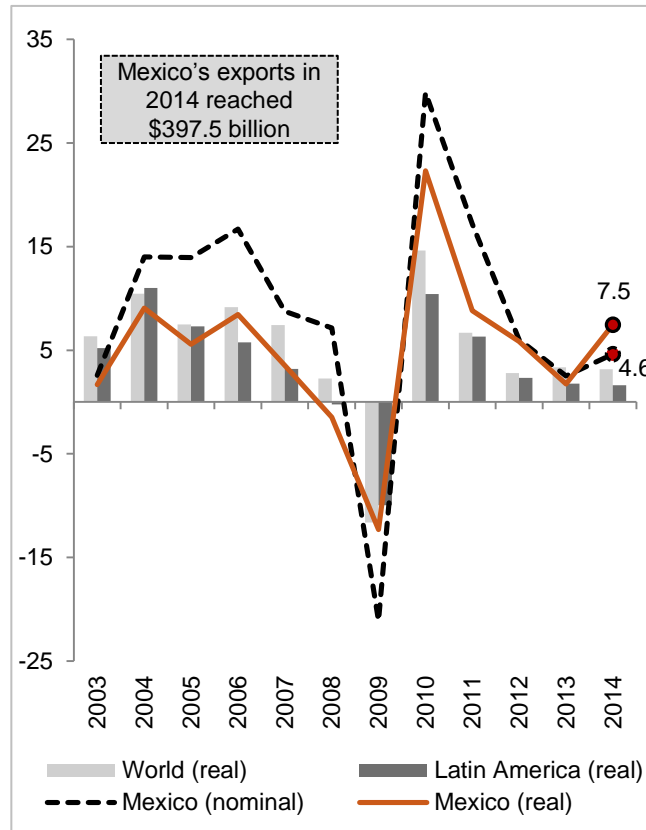
# Mexico – Growth Momentum (1)

## Robust US demand helped speed up Mexico's export growth

- Despite being hindered by the sudden global plunge in oil prices, Mexican exports rose for a fifth consecutive year in 2014, both in real and nominal terms. Exports grew 4.6% last year in nominal terms (up from 2.5% in 2013), mainly on the back of a robust US demand for manufacturing goods such as automobiles and electronic equipment. Likewise, the strong recovery in several relevant markets helped boost Mexico's exports and offset weaker demand from Brazil, China and Spain. But there should be no doubt that the fate of Mexico's trade sector is closely tied to the health of the US economy. In real terms, the picture is even more encouraging: exports posted a growth rate of 7.5%, up from 1.8% in 2013.

### Exports of Goods

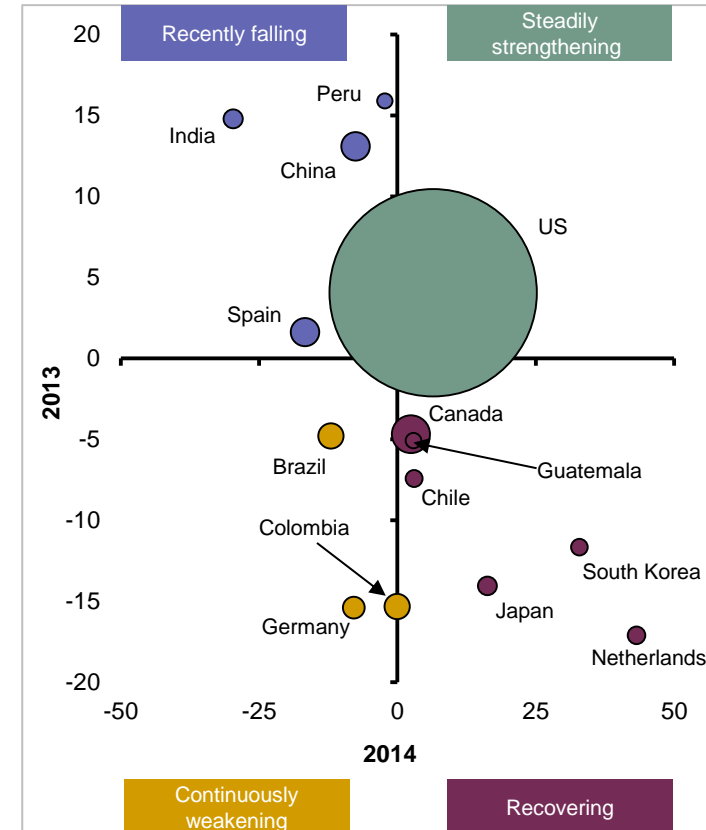
% change year-over-year



Source: IMF, WEO Database Apr. 2015; UN Comtrade; BTMU

### Mexico's Exports to Main Trading Partners

% nominal change year-over-year



\*Size of bubbles indicates the share in Mexico's total exports  
Source: UN Comtrade; BTMU

# Mexico – Growth Momentum (2)

## Higher demand for Mexican manufacturing goods outpaced the impact of lower oil exports.

- There are three facts to be stressed here. First, exports to the US rose for five consecutive years. Last year's pace of growth of 6.5% was even faster than in 2013. Second, the boost from higher demand for manufacturing goods such as parts of motor vehicles, trucks and data processing machines was strong enough to offset the impact of lower oil exports (a drop of around 15%) and softer gold prices. Third, Mexico's car exports halted last year, in sharp contrast to trucks, which continued to show strong growth momentum. The difference was explained by falling demand for cars in Brazil, Germany and Argentina; and specially by weaker demand from the US (about 70% of Mexico's car exports), which slowed to 0.9% last year from 22.8%.

### Mexico's Exports of Goods by Top 15 Markets

% nominal change year-over-year / USD billion

Partners	2014		2014 USD bn
	%		
Mexico - Top 5	↑ 5.2	↑ 3.7	346.5
Mexico - Top 15	↑ 5.0	↑ 2.5	371.8
US	↑ 6.5	↑ 4.0	319.2
Canada	↑ 2.4	↓ -4.7	10.7
China	↓ -7.6	↑ 13.1	6.0
Spain	↓ -16.7	↑ 1.6	5.9
Brazil	↓ -12.0	↓ -4.8	4.7
Colombia	↓ 0.0	↓ -15.3	4.7
Germany	↓ -7.9	↓ -15.4	3.5
India	↓ -29.7	↑ 14.8	2.7
Japan	↑ 16.3	↓ -14.0	2.6
Netherlands	↑ 43.2	↓ -17.1	2.3
Chile	↑ 3.0	↓ -7.4	2.1
South Korea	↑ 32.9	↓ -11.7	2.0
UK	↑ 25.6	↓ -44.8	1.8
Guatemala	↑ 2.9	↓ -5.1	1.8
Peru	↓ -2.3	↑ 15.9	1.7

Source: UN Comtrade; BTMU

### Mexico's Exports of Goods by Products

% nominal change year-over-year / USD billion

Code*	Products	2014		2014 USD bn
		%		
	Mexico - Top 5	2.4	1.8	133.7
	Mexico - Top 15	2.5	1.3	216.1
2709	Crude oils	-15.2	-8.7	36.2
8703	Cars (incl. station wagon)	0.0	11.0	32.4
8708	Parts of motor vehicles	11.2	7.7	22.8
8704	Trucks	22.5	18.7	21.5
8471	Data processing machines	19.2	-5.6	20.7
8528	Television receivers	1.1	-6.1	16.9
8517	Telephone sets	-12.4	4.6	15.8
8544	Insulated wire/cable	9.3	14.8	11.1
8701	Tractors	39.7	-7.8	7.8
9401	Seat & parts	18.4	13.4	6.2
9018	Electro-medical apparatus	14.3	8.6	5.8
2710	Oils (not crude)	-0.7	14.2	5.7
7108	Gold unwrought	-19.3	-27.1	4.7
8418	Refrigerators, freezers, etc.	0.5	7.4	4.5
8409	Part for motor engines	12.5	-3.2	4.0

\* Harmonized System codes  
Source: UN Comtrade; BTMU

# Mexico – Growth Momentum (3)

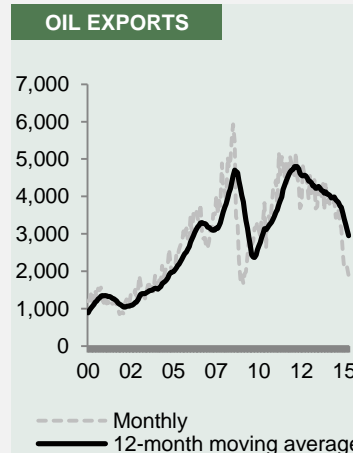
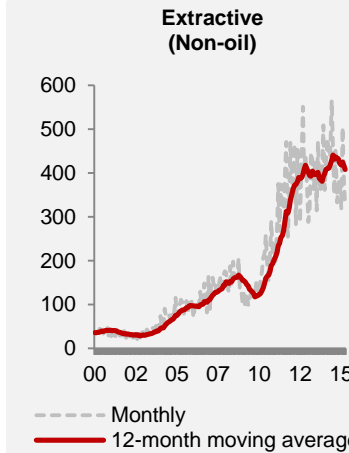
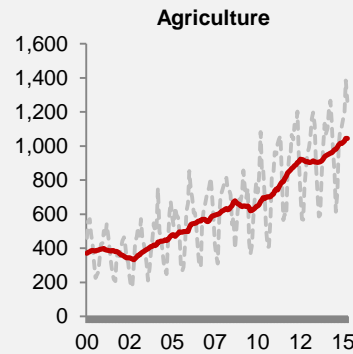
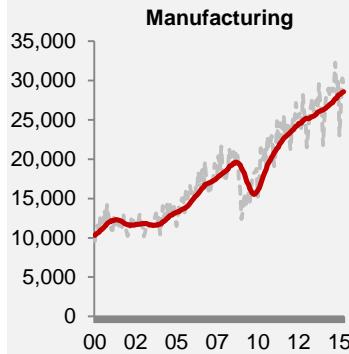
Exports will probably rise this year, supported by a solid US demand and a weaker peso.

Mexico's oil production has been falling steadily over the last decade, and the situation is unlikely to change this year in spite of recent energy reform and the new discovery of large oil fields in the shallow waters of the Gulf of Mexico. That, coupled with low oil prices, may put a brake on export growth this year. In fact, the impact is already visible: oil exports (10% of total exports in 2014) dipped by 45.5% yoy in 1Q/2015. Despite that, there are reasons to believe that Mexico's exports will increase slightly. For starters, the US demand for manufacturing goods remains robust, with no signs of feebleness. Indeed, manufacturing exports rose by 6.1% yoy in the first quarter. Also, a weaker currency will further boost exports.

## Exports of Goods by Products

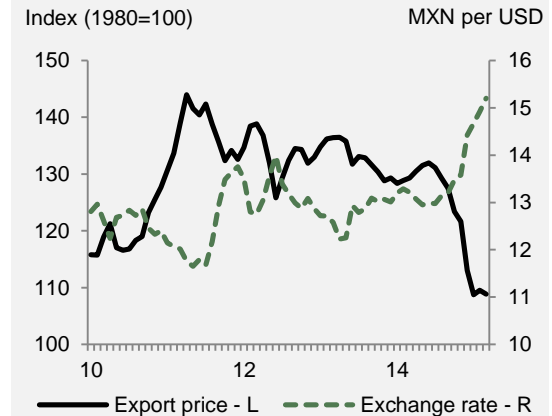
US\$ million

### NON-OIL EXPORTS



Source: Banco de Mexico; BTMU

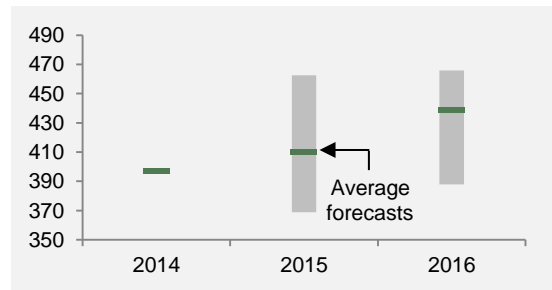
## Export Prices and Exchange rate



Source: Banco de Mexico; BTMU

## Outlook: Exports

Private Forecasts, FOB, US\$ billion



Source: Consensus Economics; BTMU

# Mexico – Diversification and Market Share (1)

## ▪ Mexico is by far the largest exporter in Latin America.

Mexico was the world's largest exporter of trucks in 2014. It ranked seventh in cars.

Motor vehicles for transport of persons were Mexico's second export products in 2014, right behind crude oil, making up 8.1% of its total exports. The US is the main destination.

Mexico has one of the highest exports-to-GDP ratios among Latin American economies. Around 31% in 2014.

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

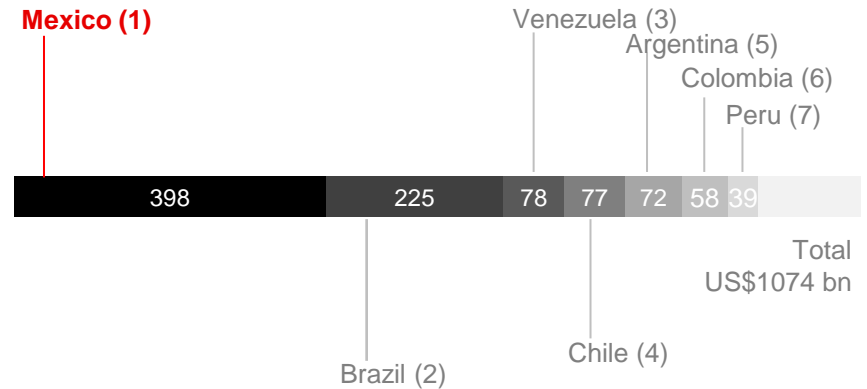
Mexico's exports are unconcentrated in terms of products. It had a HHI\* score of 0.1325 in 2014.

\*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

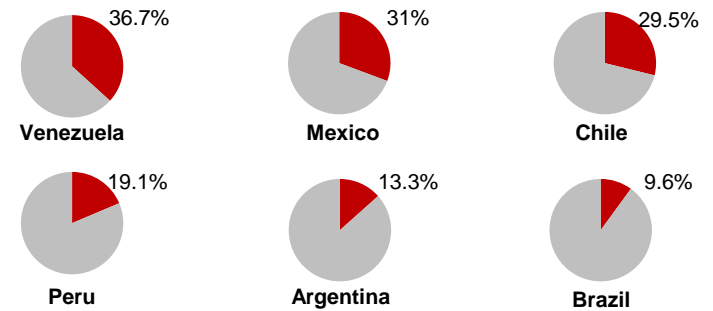
### Latin America's main exporters in 2014\*

FOB, USD billion



### Exports-to-GDP ratios for major Latin American economies in 2014\*

% of GDP



\*Estimated for Argentina, Chile, Peru and Venezuela.

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

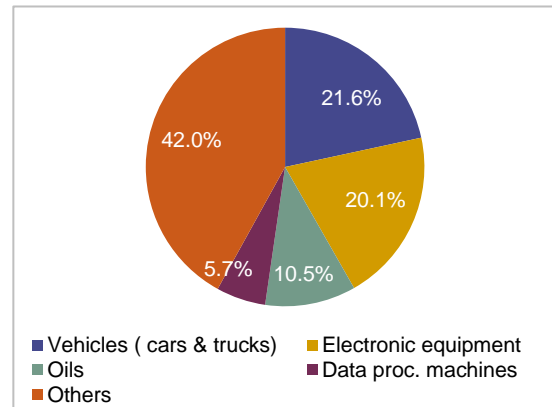
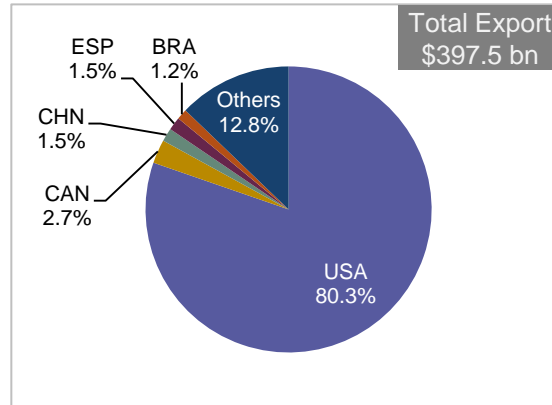
# Mexico – Diversification and Market Share (2)

## More than 80% of Mexico's exports went to the US in 2014.

- 10 markets accounted for around 91% of Mexico's exports in 2014. In contrast, 10 products amounted to 48.2%. Those figures reveal that level of concentration is particularly high as regards to destinations, but not in terms of products.
- The US is by far the largest export market for Mexico, making up more than 80% of its total exports. Exports to the US are diversified, ranging from minerals to manufacturing goods such as automobiles or electronic equipment.
- Canada, the other member of NAFTA, is the second market for Mexico. Exports to Canada reached to \$10.7 billion last year, about 2.4% higher than in 2013.

### Export by Destinations and Products

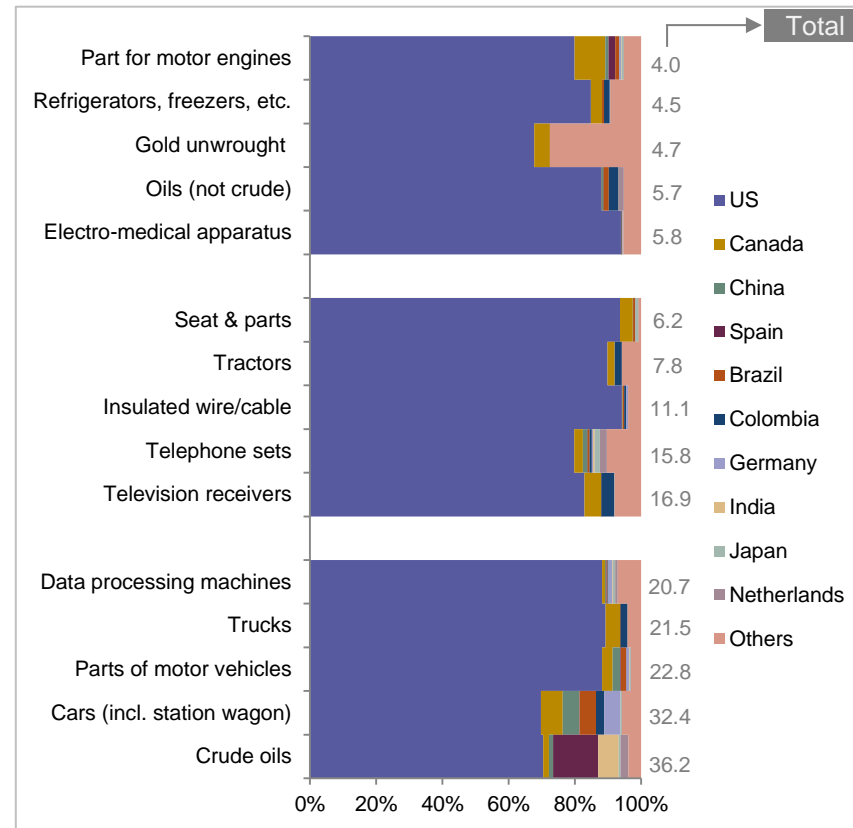
2014



Source: UN Comtrade; BTMU

### Mexico's Top Export Products by Destination in 2014

FOB, US\$ billion



Source: UN Comtrade; BTMU

# Mexico – Market Access

## Export destinations remain highly concentrated on the US despite a vast array of FTAs.

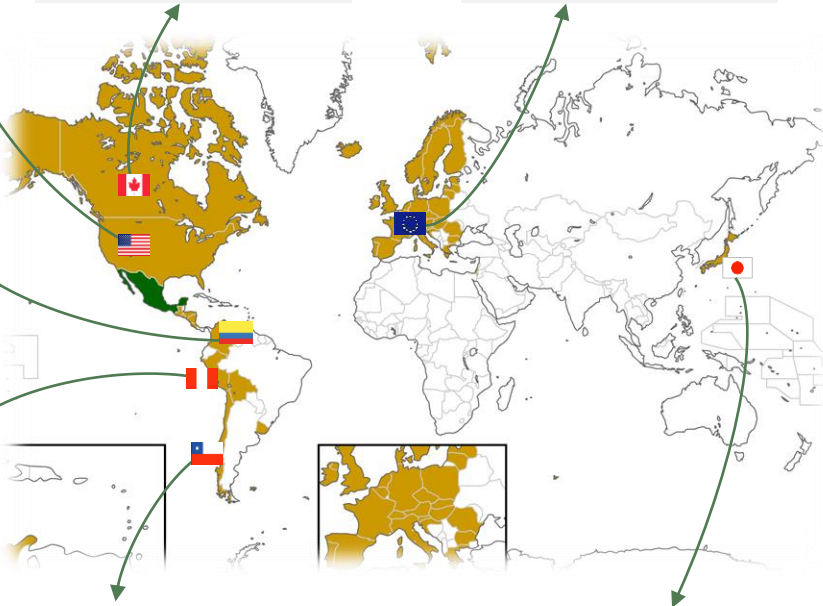
- USA: FTA entered into force in January 1994, as part of NAFTA.
- The US is by far Mexico's top trading partner, making up 80.3% of total.

- CANADA: FTA entered into force in January 1994, as part of NAFTA.
- Exports to CANADA hit \$10.7 billion, accounting for 2.7%.

- EUROPEAN UNION: FTA entered into force in October 2000.
- Exports to the EU hit \$20.4 billion, representing 5.1% of total.

- COLOMBIA: FTA entered into force in January 1995.
- Exports to Colombia slowed to \$4.7 billion in 2014, about 15.4% lower than in 2012.

- PERU: FTA entered into force in February 2012.
- Exports to Peru rose by around 35% (from \$1.3 to \$1.7 billion) since then.



- CHILE: FTA entered into force in August 1999.
- Exports to Chile totaled \$2.1 billion in 2014, mainly television receivers, cars and molybdenum ores.

- JAPAN: FTA entered into force in April 2005.
- Exports to Japan totaled \$2.6 billion in 2014, mainly meat, telephone sets and oil.

- Mexico has a relatively vast array of free trade agreements (FTAs), even comparable to those of Chile and Peru. But despite having favorable access conditions to key markets, its exports are highly concentrated in terms of destinations. The US, its top trading partner, accounts for more than three-quarter of its exports. In 2011, Mexico joined Colombia, Chile and Peru to set up the Pacific Alliance, a regional integration initiative similar to Mercosur, to promote deeper economic integration, especially in trade and investment.

### Duties faced by Mexico's Exports

Weighted average effectively applied tariffs (%)

Import Countries	Export Countries			
	Mexico	Brazil	Chile	Colombia
US	0.02	1.67	0.51	0.06
Canada	0.09	1.85	0.33	0.08
China	4.06	2.37	0.23	0.40
Brazil	2.30	-	0.50	0.29
Japan	5.81	2.09	1.99	0.83

Source: World Bank, WITS; BTMU

Source: OAS; UN Comtrade; BTMU

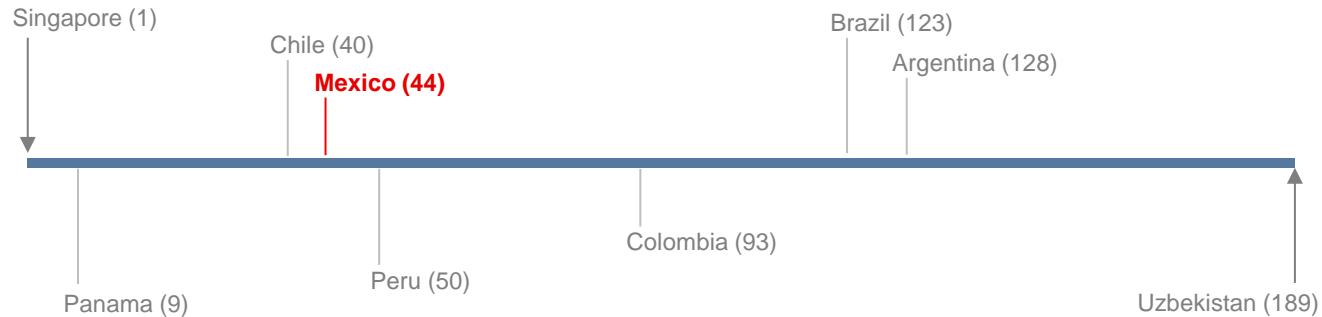


# Mexico – Business Environment

▪ Mexico holds a leading position among Latin American economies in the ease of trading across borders.

- Mexico ranks third among Latin America economies in the World Bank's ranking for ease of doing business, right behind Colombia (34) and Peru (35). However, it stands at 39 in the world, which is far from the positions of the other two NAFTA members: the US (7) and Canada (16). Main barriers to enhance Mexico's business environment include: (i) limited access to reliable and affordable electricity; (ii) high transaction cost for registering property and dealing with construction permits; (iii) and complexity in tax rules.
- Mexico stands at 44 in the ranking of 189 economies in the ease of trading across borders. But it holds a leading position among major economies of the region. According to Doing Business, exporting a standard container of goods requires 4 documents, takes 12 days and costs \$1499.3.

## Trading Across Border Ranking 2015



Source: Doing Business 2015; BTMU

## Documents, Days and Cost Needed to Export a Standard Container

Country	Documents	Days*	Cost**
<b>Mexico</b>	<b>4</b>	<b>12.0</b>	<b>\$1,499.3</b>
Brazil	6	13.4	\$2,322.8
Chile	5	15.0	\$910.0
Peru	5	12.0	\$890.0
Colombia	4	14.0	\$2,355.0
Argentina	6	12.0	\$1,770.0

Source: Doing Business 2015; BTMU

\* Does not include sea transport time; \*\* official cost only

### What do those indicators cover?

#### Documents

Bank, customs clearance, port and terminal handling, and transport documents

#### Days & Cost

Submitting all the documents  
Inland transport and handling  
Customs clearance and inspections  
Port and terminal handling

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