



MUFG Focus Latin America

Mexico: Export Profile



MUFG UNION BANK
Economic Research (New York)

Karen Martinez

Latin America Economist

kmartinez@us.mufg.jp | +1(212)782-5708

Updated October, 2017

Mexican Exports – Profile Structure

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



Mexican Exports – Growth Momentum (1)

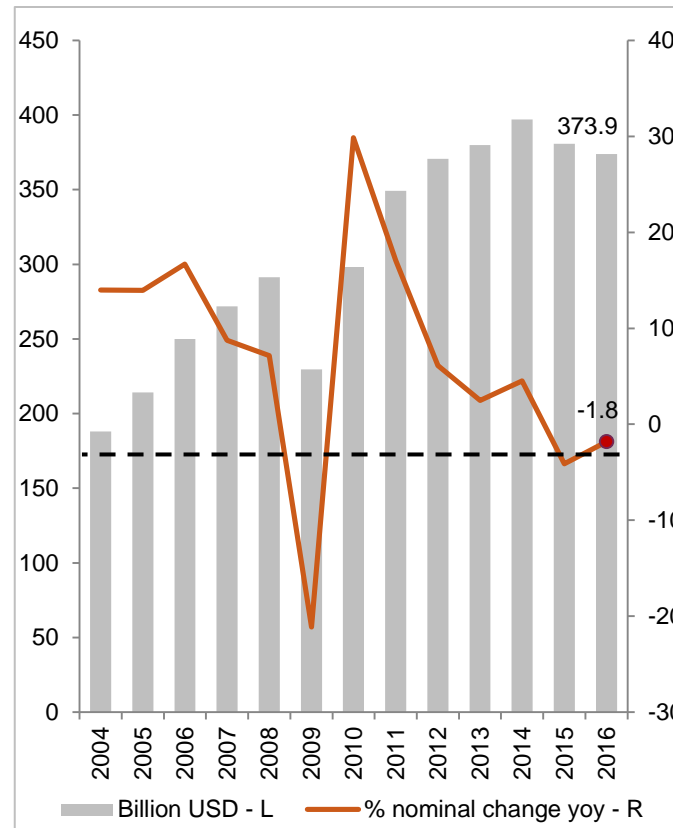
- Weak demand from the US affected Mexico's exports in 2016.

The continued low demand from its major trading partners, in particular the US, affected Mexico's exports in 2016. Mexico's total exports were almost \$374bn in 2016, around 2% less than in 2015. It was only the second contraction in export earnings since 2009.

A recovery in demand from the US, in addition to an increase in global oil prices, will likely lead to an expansion in Mexico's exports in 2017.

Mexico's Exports of Goods

USD billion / % nominal change yoy

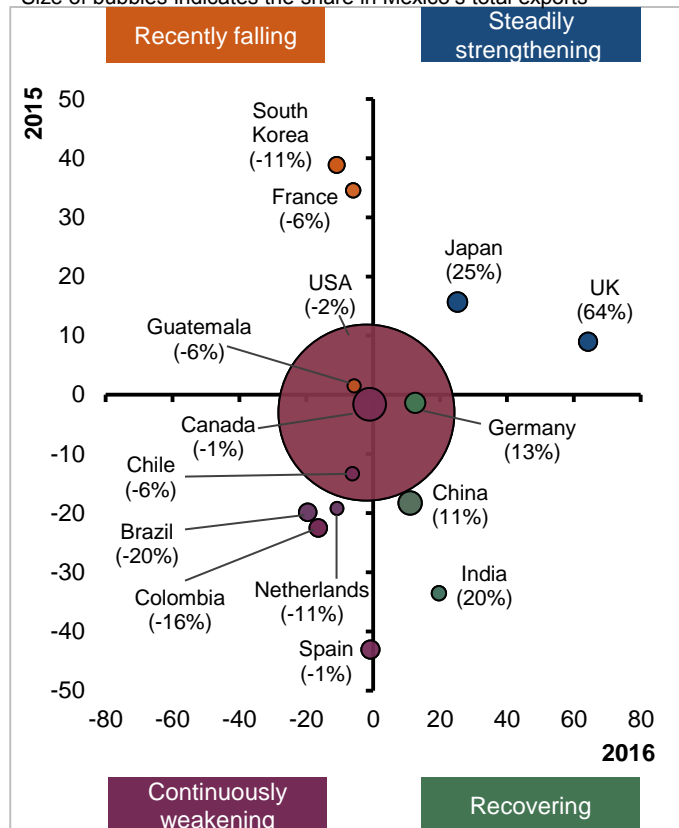


Source: UN Comtrade; MUFG

Mexico's Exports to Main Trading Partners

% nominal change yoy / () denotes change in 2016 /

Size of bubbles indicates the share in Mexico's total exports



Source: UN Comtrade; MUFG

Mexican Exports – Growth Momentum (2)

- Exports to its top 2 markets dropped once again in 2016. Preliminary information for 2017 shows that exports will recover and could have a notable increase by the end of the year.

Mexico's Exports of Goods by Top Markets

% nominal change yoy / USD billion

Partners	2016		2015		2016 USD bn	Jan-Aug 2017		Jan-Aug 2016		Jan-Aug 2017 USD bn
	%		%			%		%		
Total	↓	-1.8	↓	-4.1	373.9	↑	10.1	↓	-4.4	265.5
Top 5	↓	-1.7	↓	-3.7	326.5	↑	10.3	↓	-3.6	232.2
Top 15	↓	-1.5	↓	-4.0	350.8	↑	10.2	↓	-4.1	248.8
United States	↓	-2.0	↓	-3.0	302.9	↑	9.1	↓	-3.8	213.7
Canada	↓	-1.1	↓	-1.6	10.4	↑	6.2	↓	-2.8	7.3
China	↑	11.0	↓	-18.3	5.4	↑	39.4	↑	0.6	4.4
Germany	↑	12.6	↓	-1.4	3.9	↑	76.1	↓	-5.1	4.2
Japan	↑	25.2	↑	15.7	3.8	↑	11.4	↑	15.1	2.5
Spain	↓	-0.8	↓	-43.1	3.3	↑	34.7	↓	-20.3	2.7
United Kingdom	↑	64.2	↑	9.0	3.2	↓	-34.1	↑	87.2	1.5
Colombia	↓	-16.4	↓	-22.5	3.1	↑	7.2	↓	-15.1	2.1
Brazil	↓	-19.6	↓	-19.8	3.1	↑	13.6	↓	-32.4	2.2
South Korea	↓	-11.0	↑	38.9	2.5	↑	35.3	↓	-20.7	2.0
India	↑	19.7	↓	-33.5	2.1	↑	53.8	↓	-19.8	1.5
France	↓	-6.0	↑	34.6	2.0	↓	-5.3	↓	-7.4	1.3
Chile	↓	-6.3	↓	-13.3	1.7	↑	7.8	↓	-8.3	1.2
Guatemala	↓	-5.7	↑	1.5	1.7	↓	-0.6	↓	-6.2	1.1
Netherlands	↓	-10.8	↓	-19.2	1.6	↓	-10.5	↓	-10.1	1.0

Note: The ranking was made based on 2016 figures.

Source: Central Bank of Mexico; MUFG

Mexico's exports to 10 of its 15 top trading partners contracted in 2016, reflecting weak global demand.

Exports to the US slipped by 2% in 2016 as a result of feeble demand. Similarly, exports to Canada, the other member of NAFTA, also contracted last year.

Preliminary data show that out of the top 15 trading partners, exports to 11 registered an increase from Jan-Aug 2017 on a YoY basis, and exports to the US reported a 9% YoY increase during the same period.

Mexican Exports – Growth Momentum (3)

- Oil exports continued to drop in 2016 and cars exports fell.

Mexico's Exports of Goods by Top Products

% nominal change yoy / USD billion

Code*	Products	2016	2015	2016	Jan-Aug 2017	Jan-Aug 2016	Jan-Aug 2017
		%	%	USD bn	%	%	USD bn
	Total	-1.8	-4.1	373.9	10.1	-4.4	265.5
	Top 5	1.3	-12.6	118.0	18.4	-1.5	88.4
	Top 15	-5.5	-7.7	188.1	13.3	-6.5	134.5
8703	Cars (incl. station wagon)	-4.3	1.4	31.4	31.6	-12.3	25.7
8708	Parts of motor vehicles	4.2	10.1	26.2	3.8	5.7	17.7
8704	Trucks	7.5	1.2	23.4	11.1	1.7	16.4
8471	Data processing machines	11.9	-11.4	16.5	18.5	3.8	15.4
8517	Telephone sets	3.9	0.7	15.8	27.9	-0.6	13.1
2709	Crude oils	-15.6	-48.5	15.5	25.5	-31.3	11.7
8528	Television receivers	-20.5	-0.5	12.3	0.5	-15.6	7.3
8544	Insulated wire/cable	-1.1	2.8	11.3	-0.8	-0.3	7.4
8701	Tractors	-38.3	14.5	6.5	-0.8	-30.6	4.1
7108	Gold unwrought	13.1	-8.0	6.3	-11.1	11.1	2.9
8418	Refrigerators, freezers, etc.	0.4	4.6	5.3	1.9	-0.4	3.1
8407	Spark-ignition engines	17.0	0.3	5.2	-11.3	14.4	2.4
8409	Part for motor engines	-1.9	1.6	4.9	4.2	-3.3	2.7
8537	Boards & panels with switches	-1.6	-11.6	4.9	5.0	-4.4	2.3
8536	Electric apparatus for switching	-1.6	0.7	4.0	5.0	-4.4	2.3

*Harmonized System codes

Note: Yellow highlight suggest a contraction. The ranking was made based on 2016 figures.

Source: Central Bank of Mexico; MUFG

2016 was another year of weak demand for Mexico's manufactured products.

Of the top 15 exported goods, 7 reported positive rates of growth in 2016, yet total exports dropped by 1.8%. The reason: Car exports fell by 4.3% and oil exports continued to fall (15.6% in 2016).

Preliminary information shows that so far, car exports increased over 30% YoY (from Jan-Aug 2017) and oil exports increased 25% YoY in the same period.

Mexican Exports – Diversification and Market Share (1)

- Mexico is by far the largest exporter in Latin America but its exports are not that diversified.

Mexico has the highest export-to-GDP ratio among Latin American economies. Around 35% in 2016.

Mexico has a share of around 30% of Latin America and the Caribbean's total exports, and about 2% of global exports.

Mexico produced 3.5 million vehicles in 2016 and is the largest vehicle producer in Latin America

In 2016, 12.2% of vehicles in the US were imported from Mexico

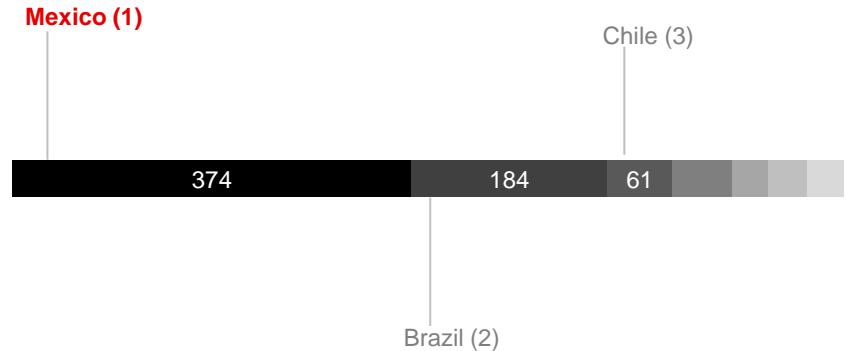
Mexican exports are concentrated in a few product groups. It had a HHI* score of 0.55 in 2015. This score has been increasing over the last 3 years

*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: World Bank; UN Comtrade; Ward's Automotive, Mexican Association of the Automotive Industry, MUFG

Latin America's main exporters in 2016

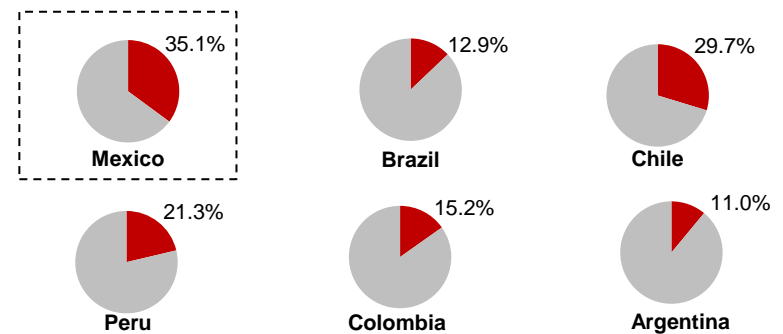
USD billion



Source: World Bank; MUFG

Goods Export-to-GDP ratios in 2016

% of GDP



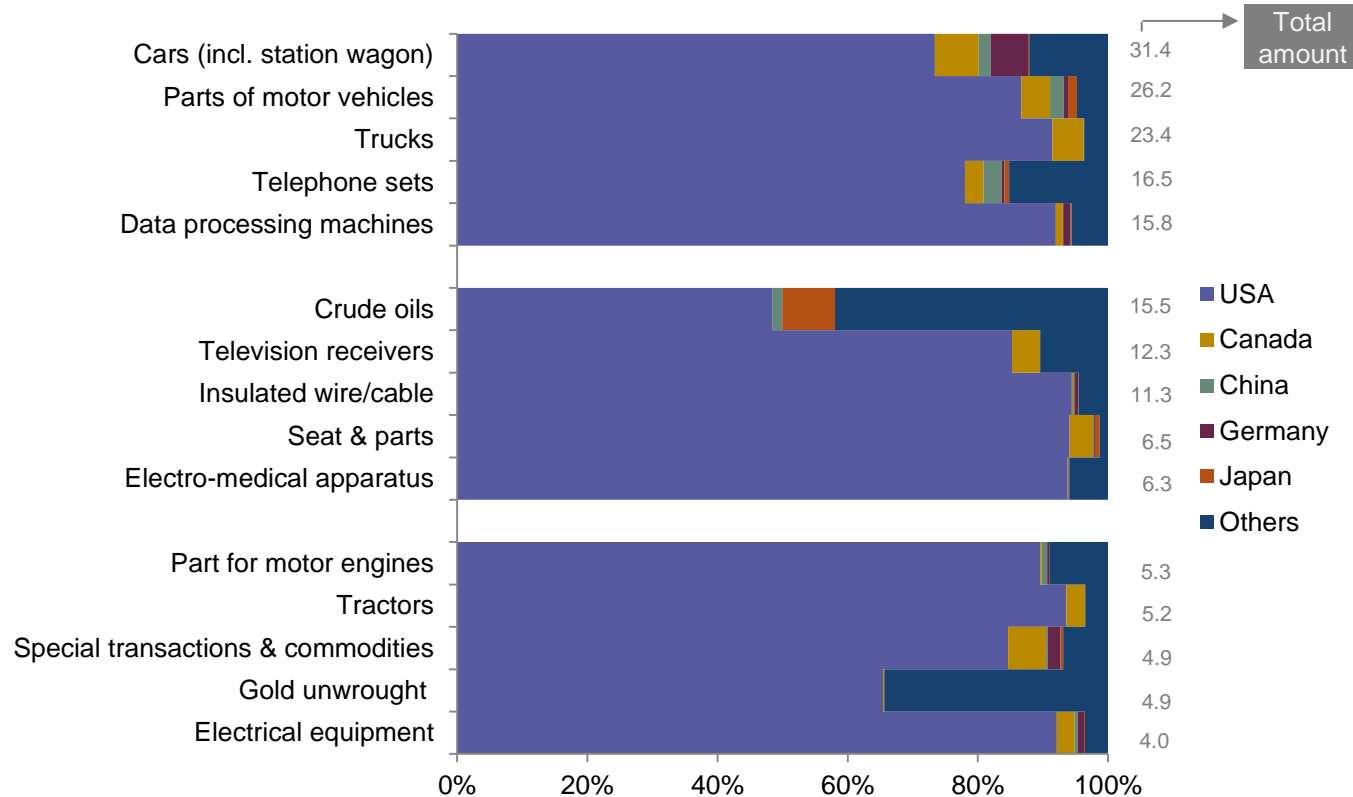
Source: World Bank; MUFG

Mexican Exports – Diversification and Market Share (2)

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

Mexico's Top Export Products by Destination in 2016

USD billion



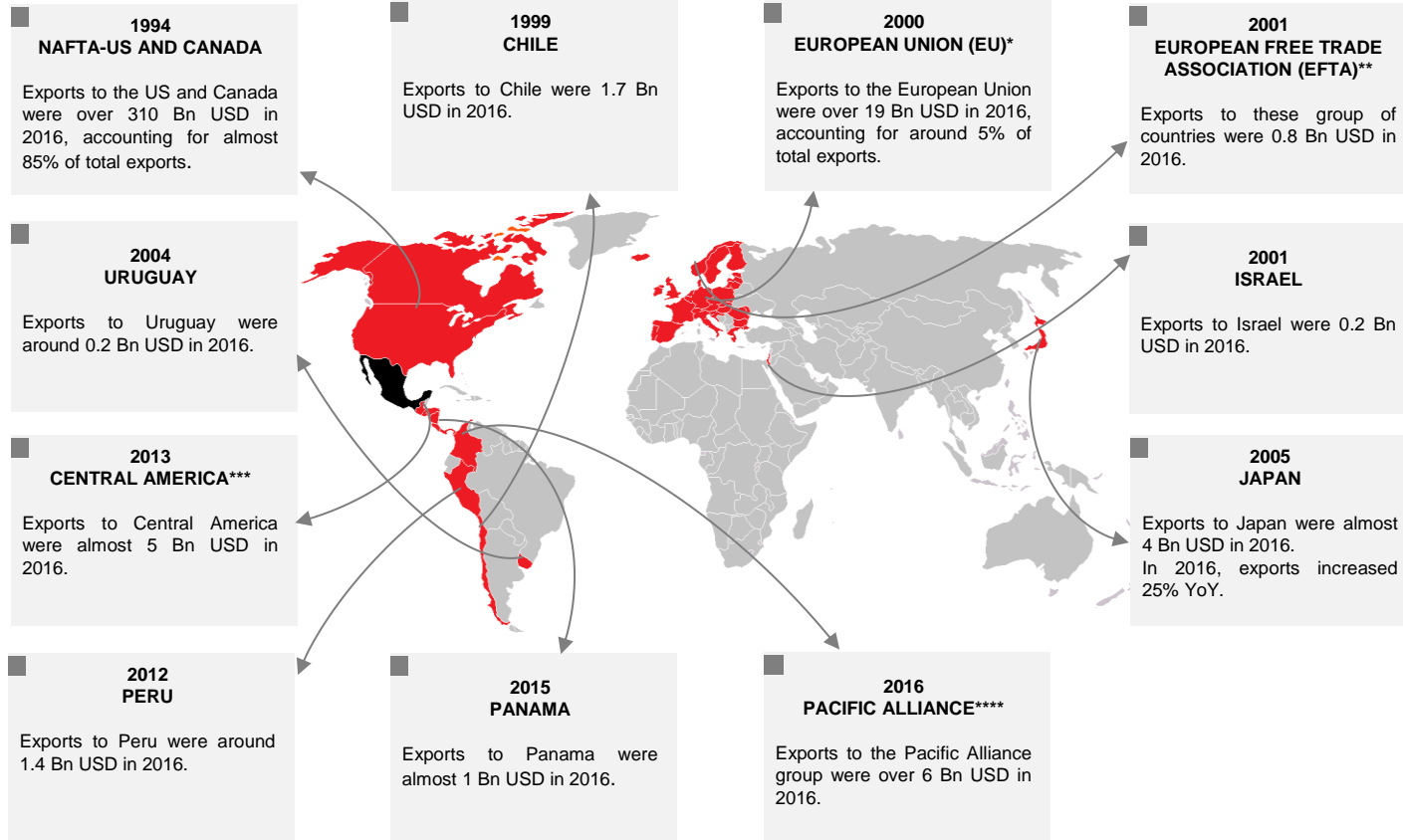
Source: UN Comtrade; MUFG

Mexican exports are concentrated in manufactured products, driven by industries such as automotive and consumer electronics. Exports to the US market are diversified, ranging from minerals (e.g., crude oil) to manufacturing goods such as cars, trucks and electronic equipment.

The main markets for Mexican cars and trucks in 2016 were the US (81.1% share), Canada (5.9%) and Germany (3.3%).

Mexican Exports – Market Access

▪ Mexico has a vast array of FTAs, although its highly dependent on the US.



Mexico has a vast array of free trade agreements (FTA). However, despite having favorable access conditions to key markets, more than three-quarters of its exports are sent to the US.

On August 2017, the US, Canada and Mexico began a renegotiation of the North American Free-Trade agreement (NAFTA). Four rounds of negotiations had been conducted so far and the next round is scheduled to be in Mexico in November, 2017.

*28 member countries **Iceland, Liechtenstein, Norway and Switzerland ***Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua

****Colombia, Chile and Peru

Source: ProMexico; Organization of American States; MUFG

Mexican Exports – Business Environment

- Mexico ranks 63th in the ease of trading across borders, relatively more competitive than most of the countries in Latin America.

Trading Across Border Ranking 2018



Source: Doing Business 2018; MUFG

Mexico stands at 49 in the World Bank's ranking for ease of doing business, the highest position among Latin American countries. Its strengths lie in good access to credit, resolving insolvency and enforcing contracts. On the other hand, key hurdles to improve its business environment include: (i) high transaction costs for registering property and dealing with construction permits; (ii) complex tax rules; and (iii) excessive electricity costs.

Time and Cost Needed to Export a Shipment of 15 Metric Tons of Top Export Product*

Measure		Mexico	Argentina	Brazil	Chile	Colombia	Peru
Time	Documentary compliance (hours)	8	30	12	24	60	48
	Border compliance (hours)	20	21	49	60	112	48
Cost	Documentary compliance (US\$)	60	60	226	50	90	50
	Border compliance (US\$)	400	150	959	290	545	460

*See Doing Business 2018 report for detailed methodology. Data in Doing Business 2018 is current as of June 1, 2017

Source: Doing Business 2018; MUFG

Mexico ranks 63rd of 189 countries in the ranking for ease of trading across borders. According to Doing Business, the time to export a shipment of 15 metric tons of goods in Mexico is the shortest among Argentina, Brazil, Chile, Colombia and Peru.

- **This report is intended only for information purposes and shall not be construed as solicitation to take any action. In taking any action, readers are requested to do so on the basis of their own judgement.**
- **This report is based on information believed to be reliable, but we do not guarantee its accuracy. The contents of this report may be revised without notice.**
- **This report is a literary work protected by the copyright act. No part of this report may be reproduced in any form without express statement of its source.**