

After Recession Pitstop, Is Mexico's Auto Industry Racing Ahead?

Since peaking in late-2008, the auto industry in Mexico has been just one of the casualties in the global economic crisis: by January of 2009, production of passenger vehicles and light trucks at Mexican manufacturing facilities had dropped by more than half - a situation that continued throughout much of 2009. As the crisis has abated, however, and consumer demand has returned, a number of indications exist that Mexico's automotive industry has not only largely recovered, but may accelerate in 2011 and beyond:

- As seen at right, during the first six months of 2010, Mexico's production of passenger vehicles and light trucks has turned around - averaging nearly 180,000 vehicles per month, and over 1 million vehicles so far this year;
- Also, despite recent negative reports about foreign investment generally, investors have actually brought more than US\$15.7 billion in auto industry investments to Mexico between 2000 and 2009 - 86% of which flowed into just eight states of Mexico (including DF), making for a highly-concentrated market of OEMs and their suppliers.

More encouraging are new numbers that have significant implications for Mexico's automotive future: OEMs like **Chrysler**, **Ford**, **GM**, **Nissan** and **Volkswagen** have all announced increased capacity expansions and/or retrofits in Mexico during 2010 - leading some industry analysts to estimate that Mexico's share of auto production will grow to nearly one-fifth of all North American vehicles by the end of this decade.

Two examples of this future growth: **Volkswagen's** mid-July announcement of a three-year, US\$1 billion expansion of their Puebla manufacturing site (one that may also gain even more investment: North America's newest engine plant); and **BMW's** announcement in June to increase auto supply purchases from approximately US\$615 million in 2009 to US\$2.4 billion by 2012 - a high-octane boost to suppliers (and industry stabilization) in Mexico.

Look for Crossborder's more-detailed Mexico auto industry report available online September 1, 2010. For more information or assistance with Mexico's industries and opportunities, contact the binational research and consulting staff of Crossborder Group at Answers@CrossborderBusiness.com.

