

Market Research

Automotive Sector

Mexico will rank 5th in Automotive Production

Report Date: 11/27/2006
Expires: 4/13/2007

Summary

Mexico is currently eleventh in the world in automotive production and by 2011 will rank fifth, competing with stronger economies such as India, United States, China and Slovakia. In a report, PricewaterhouseCoopers affirms that this competition must have a sustained growth by the U.S. companies in the sector, and that they must use with better efficiency, the supplies, trade agreements, geography and customs benefits provided by Mexican government.

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Overview

Mexico is currently eleventh in the world in automotive production and by 2011 will rank fifth, competing with stronger economies such as India, United States, China and Slovakia. In a report, PricewaterhouseCoopers affirms that this competition must be sustained in the flexible and diversified growth of the U.S. companies in the sector and that they must use, with better efficacy and efficiency, the supplies, trade agreements, geography and customs benefits provided by Mexican government.

There is no doubt, the report says, that Mexico is an attractive choice for automotive industry looking to reduce and improve processes, without forgetting quality and value added that the world market calls for. In the document, which is part of the annual study Global Automotive Financial Review, PricewaterhouseCoopers foresees that in the next few years, the largest growth in the world will take place in economies of the BRIC block (Brazil, Russia, India and China). These economies will represent more than 40% of global increase forecasted for light vehicles assembly and 52% of the expansion of global capacity expected for this industry.

Mexico has been expanding as of late. Recently, the American car manufacturer, DaimlerChrysler, opened a plant in Coahuila. DaimlerChrysler invested a reported 52 million dollars in the plant to open it, and the contract signed is worth up to 360 million dollars. This was just the latest of the plant openings in Mexico. Other major carmakers with large plants in Mexico are General Motors, Ford, Renault-Nissan and Volkswagen.

Large American car makers, such as GM and Ford, have struggled holding on to market share in the United States car market. This, however, has not had any affect on production in Mexico. In fact, production has picked up in Mexico as the problems have risen for the American car companies.

Assembly plants are now requiring that their suppliers be as close as possible to them in order to reduce inventory volumes and to facilitate just-in-time delivery during the assembly process. This shift in production areas has forced many U.S. first- and second-tier suppliers to move to these new areas so that they can produce at lower costs, reduce freight and handling expenses, and deliver parts and components very quickly in a JIT program.

This, however, opens a new field of opportunity to U.S. suppliers of production machinery and equipment, materials, pre-assembled components, molds and tooling, cutting tools and chemicals, automation process equipment, raw materials, engineering and design, and in many cases, finished parts and accessories sold through local representatives or distributors