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INTERNATIONAL LOGISTIC SOLUTIONS

Understanding the Mexican market: an overview

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The Mexican Market

Overview

Mexico has a population of just over 126 million people, a rich cultural history, great geographic diversity, favorable geography, and abundant natural resources. It is one of the fifteen largest economies in the world and the second largest in Latin America. The country has strong macroeconomic institutions, is open to trade, and has a diversified manufacturing base linked to global value chains.

Mexico stands out as a strategic hub for global business expansion without the need to relocate. With its advantageous geographic location, robust trade agreements, skilled workforce and well-developed infrastructure, Mexico offers numerous opportunities for foreign companies looking to expand their operations. Currently, Mexico has a solid and mature industrial base, mainly in sectors such as metal-mechanical, automotive, aerospace, and electrical-electronic, among others. As a result, Mexican exports of manufactured goods, especially those with high added value, have experienced a notable increase compared to petroleum products and raw materials.

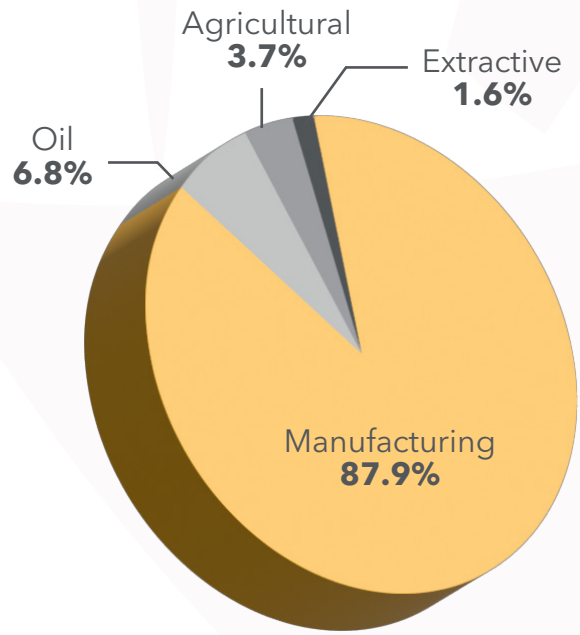
Mexico is usually at the top of the list of Latin American countries that are good for doing business and protecting intellectual property. That's why Mexico has a high potential to attract investment from companies looking to relocate their operations to North America. This represents a significant opportunity to spread the benefits of trade throughout the country and create stronger and more valuable links in value chains.

Did you know that? The U.S.-Mexico border spans more than 2,000 miles, making cross-border trade efficient and cost-effective. Businesses can benefit from reduced shipping times and lower transportation costs, enabling faster market response and improved supply chain efficiency.

Mexican market: growth and trends

In 2021, the total value of exports was 494,596 million, while the value of imports was 506,565 million, of which 2,716 products were exported to 139 countries and 3,707 products were imported from 215 countries.

In 2022, the value of merchandise exports was 578,193 million dollars, representing an annual increase of 16.9%. Meanwhile, the value of total imports was 604,615 million dollars, 19.6% higher than the amount reported in 2021.

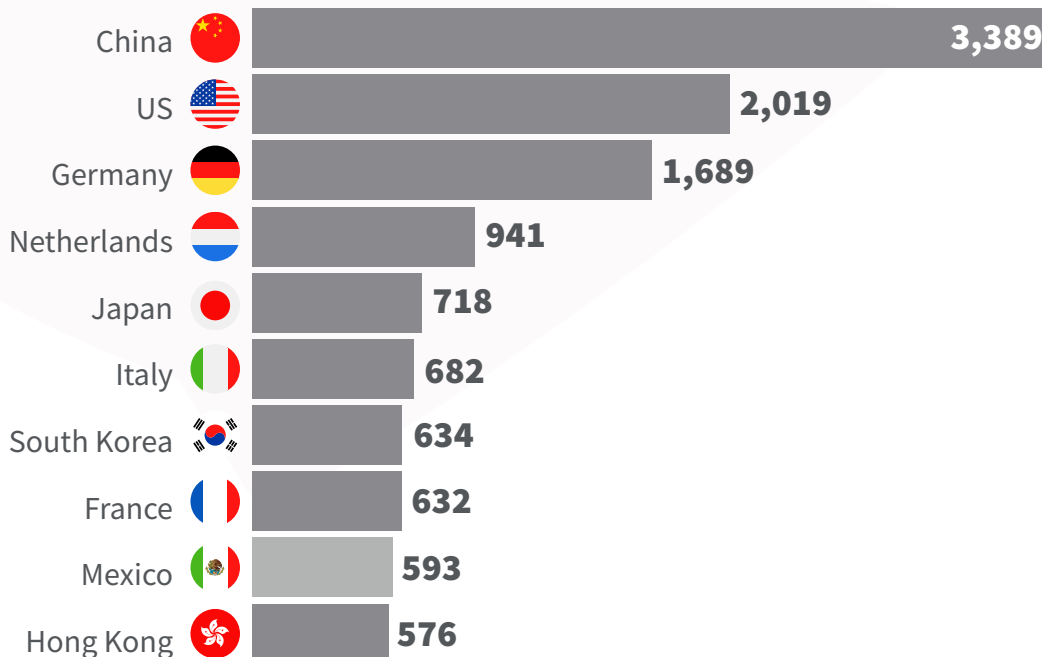


Mexican exports, 2022

Source: Banco de Mexico

2023 was a good year for the country, as it remained the United States' top trading partner for most of the year and managed to position itself among the largest exporters globally. The value of its exports was 592.9 million dollars, while its imports were 598.4 million dollars.

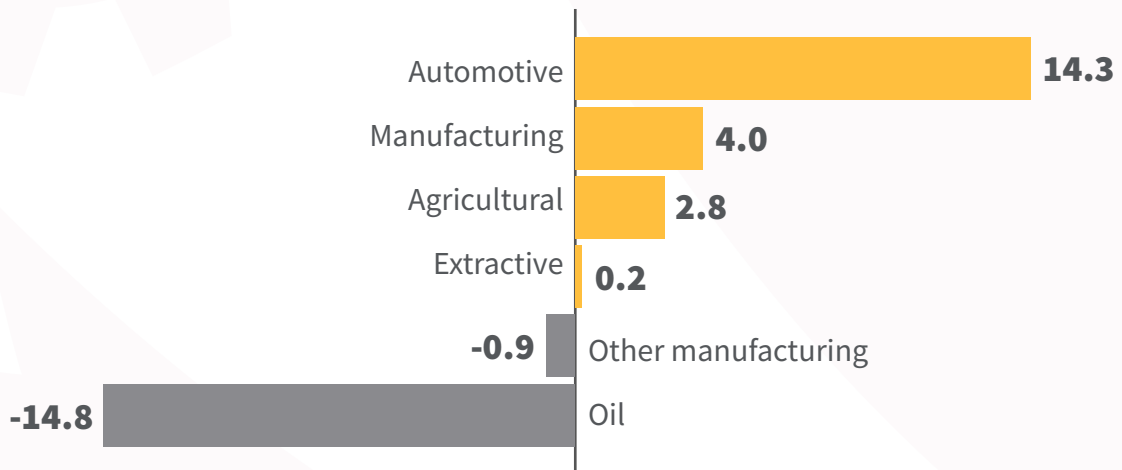
Mexico among the world's top 10 exporters by 2023, in billion dollars



Source: El Economista

Automotive exports grew 14.3 percent annually in 2023, marking three years of double-digit growth. Total manufacturing exports grew 4.0 percent, and non-auto exports fell 0.9 percent annually. Petroleum exports fall 14.8 percent.

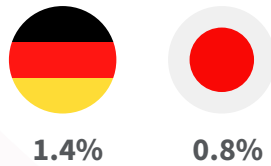
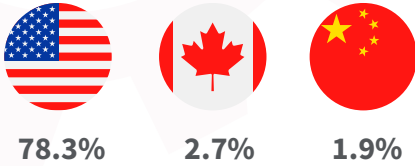
Type of export in 2023 (percentage)



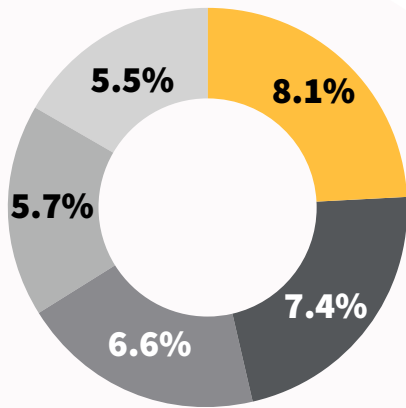
Source: INEGI

TOP Trade Partners in 2022 Source: Comtrade

Main Customers

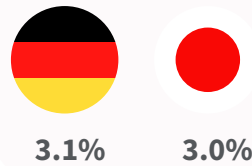
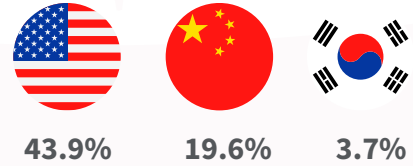


Main exported products

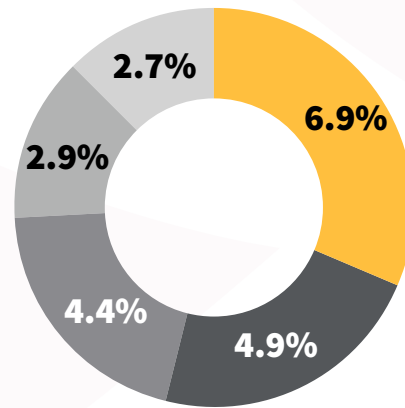


- Passenger cars and other vehicles for the transport of persons
- Automatic data processing machines
- Parts and accessories of tractors, passenger cars, transport of goods
- Vehicles for the transport of goods
- Crude petroleum oils or oils obtained from bituminous minerals

Main Suppliers



Main imported products



- Crude petroleum oils or oils obtained from bituminous minerals
- Parts and accessories of tractors, passenger cars, transport of goods
- Integrated circuits and electronic microstructures
- Petroleum gas and other gaseous hydrocarbons
- Electrical apparatus for wired telephony

Mexico's entries and exits to the world

TOP Cargo movement at Mexican Ports, 2023 (in TEUs)



Source: Gobierno de Mexico

Mexico's entries and exits to the world

TOP Air Cargo movement in Mexico, 2023 (tons)



Trade Agreements and Market Access

Mexico has made many trade agreements with other countries to make it easier for companies from around the world to do business. Mexico makes it cheaper to sell things to people from different countries by making the process easier and less expensive.

Mexico has Free Trade Agreements (FTAs) with 13 countries that allow it to trade goods without paying additional taxes. These countries include the United States, the European Union, Japan, and other countries in Latin America. Mexico is part of the Pacific Alliance, a group of countries that trade together. The alliance was formed in 2011 by Mexico, Chile, Colombia, and Peru.

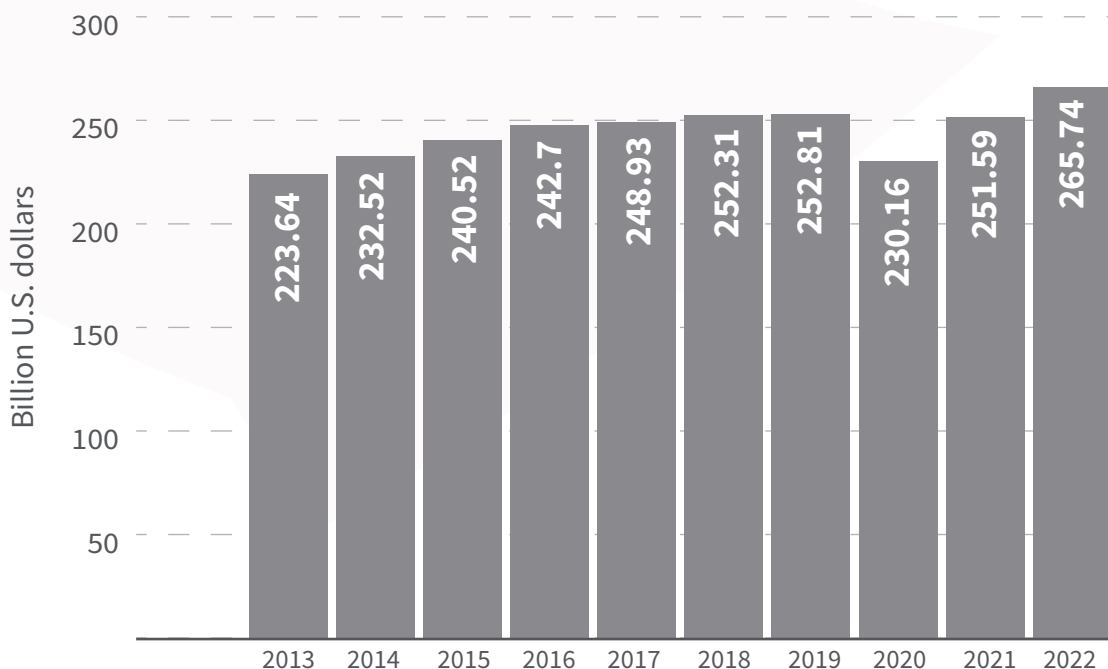
The Strength of Mexico's Manufacturing Ecosystem

Mexico's manufacturing sector is diverse and dynamic, encompassing industries such as automotive, aerospace, electronics, and pharmaceuticals. Foreign companies can benefit from established supply chains, local suppliers, and a collaborative business environment.

Mexico's manufacturing industry accounts for more than 18% of GDP and is the main export sector at 87%.

These results are partly due to the fact that Mexico's skilled workers are a very important part of its growing manufacturing industry. A skilled group of workers who are good at making a variety of things, from small electronic parts to precise machinery, is the foundation of Mexico's success. This group of skilled workers is essential for the manufacturing industry.

Value added to GDP by the Manufacturing sector in Mexico

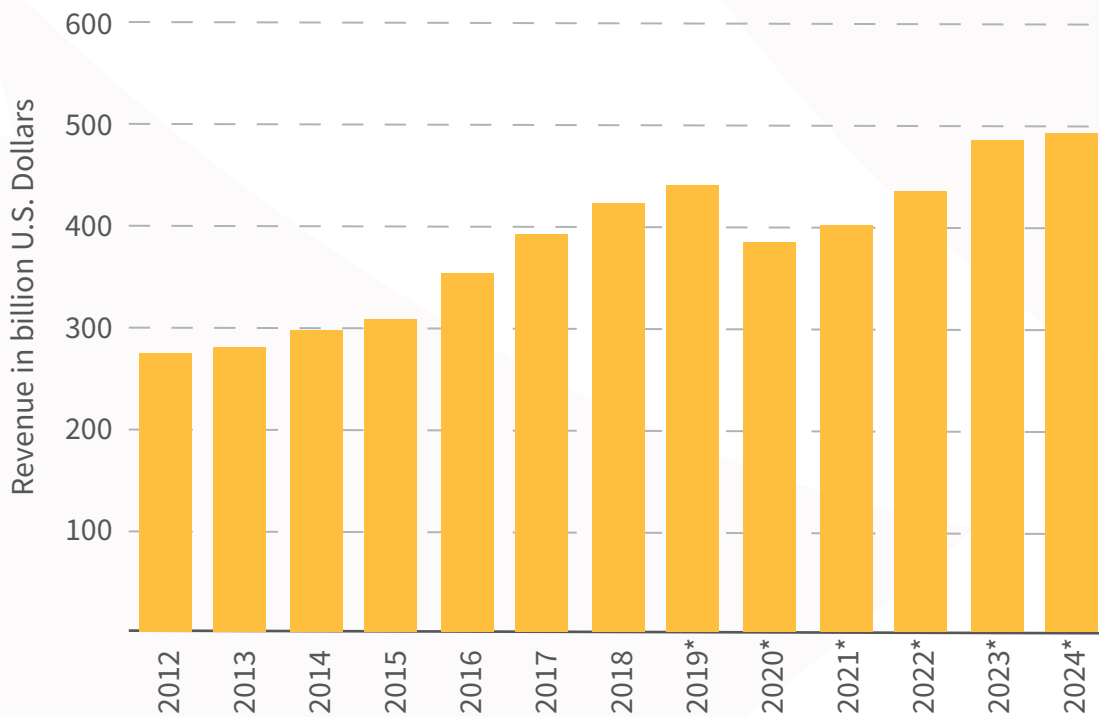


Source: Statista, 2024

There are several alternatives for a foreign company to begin operations in Mexico, besides the IMMEX. Those not willing to make significant investments to establish a wholly owned manufacturing facility can opt for a VMI or shelter business model.

The integration of cutting-edge manufacturing technologies and extensive research and development (R&D) activities highlight the importance of innovation in Mexico's manufacturing sector. According to Statista forecasts, the manufacturing sector in Mexico is expected to generate value added of US\$181.00 billion in 2024, and it is expected to grow at a compound annual growth rate (CAGR) of 3.30% between 2024 and 2028. These numbers demonstrate a setting that is ideal for fresh innovations and improvements in quality.

Industry revenue of “Manufacturing” in Mexico from 2012 to 2024



Source: Statista, 2020

*Estimations

Navigating Mexico's Customs and Regulatory Framework

Mexico has made significant progress in modernizing its customs and regulatory framework to facilitate international trade. Initiatives such as the Ventanilla Única (Single Window) streamline customs procedures, reducing administrative burdens and speeding up clearance times.

Mexico offers several incentive programs to encourage foreign investment and manufacturing activity. The IMMEX (Manufacturing Industry, Maquiladora, and Export Services) program allows companies to temporarily import goods and services duty-free if they are used in the production of export goods.

The complexities and how to have success

Despite their reputation for being time-consuming and complicated, customs procedures are essential to global trade, and the US-Mexico border is no exception. Every day, about 35,000 trucks pass through it; this number is projected to rise as businesses look for ways to cut expenses, increase flexibility, and improve their ability to respond to market demands.

Certain product categories have unique regulations, requiring special permits or certifications before they can enter the country. But don't worry – Mexico Customs has detailed guidelines for all of this.

- Duty exemption policies

Duty exemption policies vary based on products and their origin countries. Knowing if your items qualify for exemptions could save you some serious cash.

- Faster transit times with freight time-critical shipping service

If time is money for you (and isn't it always?), consider using services like the ones we offer at The ILS Company. Our guaranteed Time-Critical shipping service promises faster transit times when transporting goods from Mexico. This kind of reliability makes it an excellent choice when urgency meets necessity.

The role of Customs declaration forms in International shipping

This document plays an essential role, detailing the contents, origin, and destination of your shipment. But there's more to it than that.

Customs officials use these forms as a roadmap when shipping across borders. It contains product descriptions, quantities, and values for duty purposes – all the details needed to determine if goods can legally enter their country.

The sender signs off on this information, attesting to its accuracy. This is a vital step because misdeclaration could mean delays at customs checkpoints, negatively affecting customer service experiences.

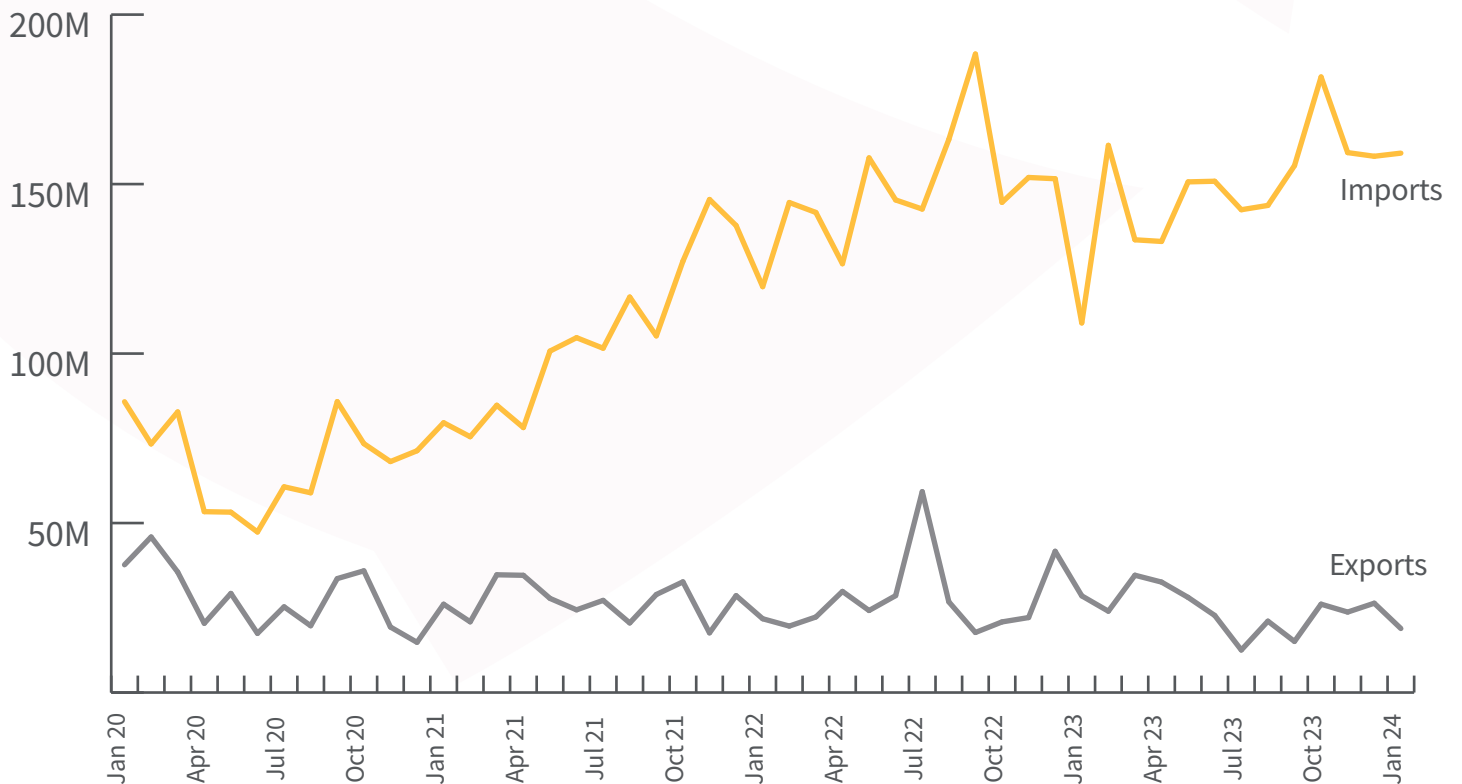
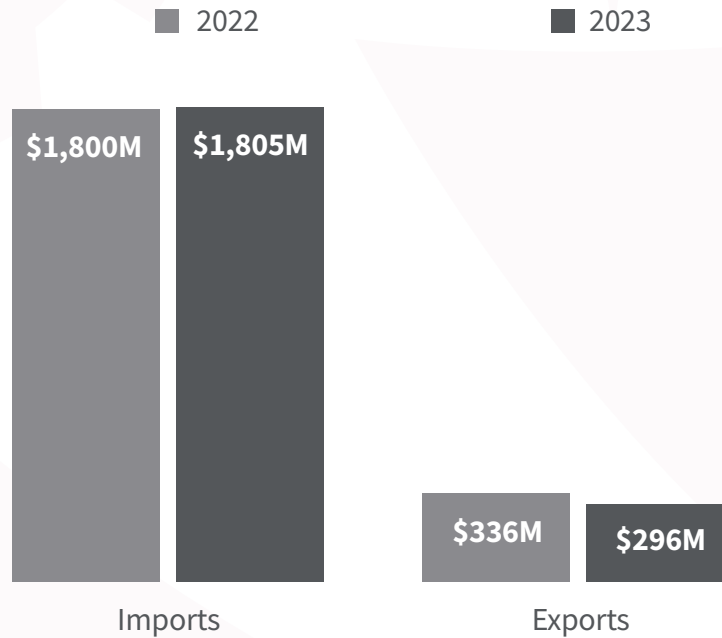
Accuracy matters when filling out the customs declaration form guide. This helps ensure that your items sail through inspection processes by border protection agencies without any hitches.

Cross-border operations come with complex, ever-changing rules, which make staying updated on regulatory changes regularly imperative. A precise customs declaration form ensures smooth sailing through inspections, avoiding unnecessary hold-ups and potential fines or seizures. Staying updated on ever-changing regulations can be tricky, but with expert guidance from a logistics partner for Mexico-USA shipments, navigating this regulatory maze becomes less daunting.

Discovering the Mexican market from Turkey

Trade balance

Trade balance (million dollars)



Source: Gobierno de Mexico

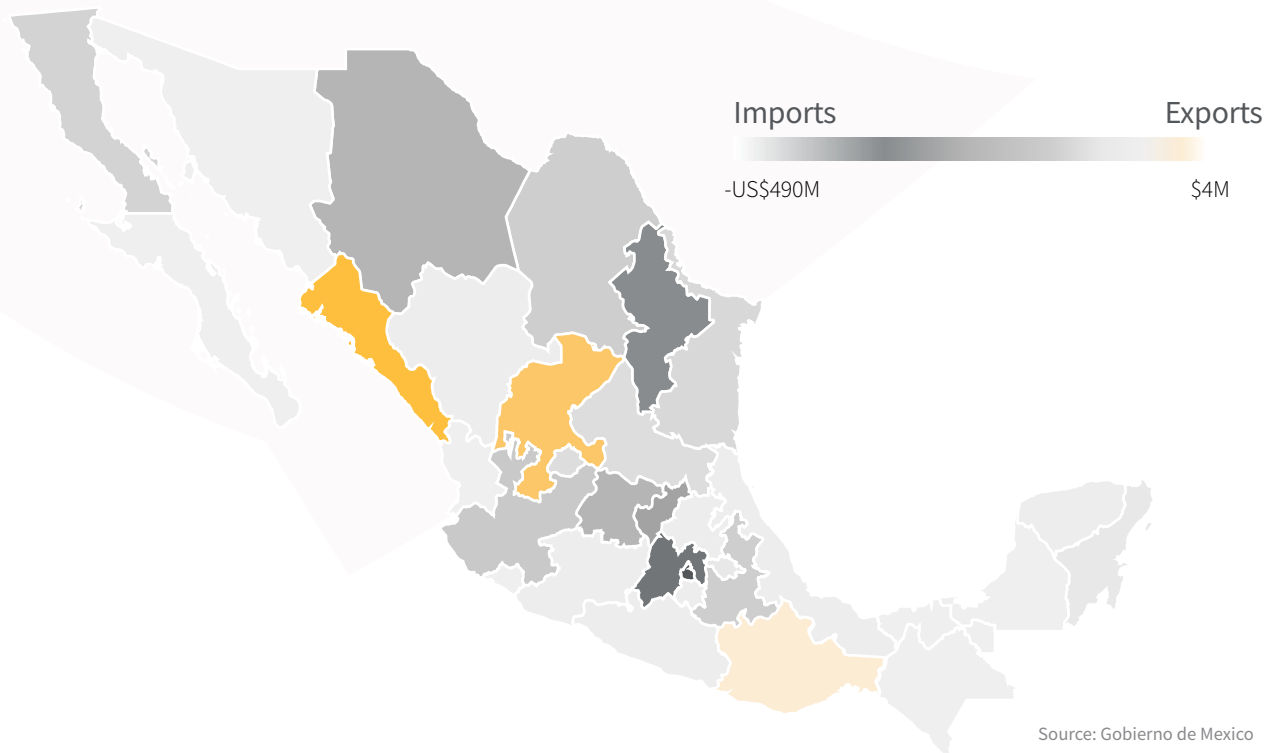
Turkey is Mexico's 37th partner in international trade and 30th supplier of Mexican imports.

Turkey's exports to Mexico have grown at an average annual rate of 14 percent over the past five years.

The sector in which Turkey's exports to Mexico were highest was automobiles, which recorded an average annual growth of 9 percent over the last five years and reached \$169.2 million. The second sector with the highest volume of exports from Turkey to Mexico was machinery and mechanical parts, which recorded an average annual growth of 15 percent over the last five years and reached \$109.8 million.

The products that Turkey imported the most from Mexico were electrical appliances, products of the automotive industry, plastics and their products, optics, and machinery and machine tools. The two countries have significant potential for cooperation in the textile and clothing, electrical and electronics, food, air conditioning, chemicals, machinery, automotive, furniture, construction materials, carpets and rugs, mining, health, renewable energy, contracting, and television series sectors.

The graph shows the net trade exchange by geographic level: colors closer to blue indicate that the area has a higher level of international sales, while colors closer to red indicate that the area has a higher level of international purchases. In 2023, the states with the highest trade exchange (sales minus international purchases) with Turkey were Sinaloa (\$4.21 million), Zacatecas (\$4.03 million), and Oaxaca (\$70.9 million)



The origin and destination of trade

Among the most important ports are the ports of Assan, Mersin, Izmir, Samsun, Mardas, Marport, Gempport, Aliaga, Gemlik, Ambarli, Istanbul, and Kumport. This port is located in the south of Turkey and is connected to the Mediterranean Sea.

More than 68% of the exported goods go to the ports of Altamira and Veracruz in Mexico.

8 key reasons to export from Turkey to Mexico: A Business Guide

From Istanbul, you can reach more than 50 countries in just four hours by plane. Turkey has a geo-economic importance that has made it the focus of important business opportunities.

Turkey is a key country for the West and the European Union. It is a member of the G-20; it is a co-sponsor of the United Nations-led Alliance of Civilizations; and it was a candidate for one of the non-permanent seats allocated to the Western European and Others Group (WEOG) of the United Nations Security Council for this year's 2015-2016 term.

Therefore, here are 8 key factors to consider when establishing a business relationship with Mexico.

1. **Growing market:** Mexico is one of the largest economies in Latin America and has a young and growing population. This means potentially high demand for a wide variety of products.
2. **Trade agreements:** Mexico has an extensive network of trade agreements, including the North American Free Trade Agreement (NAFTA), now the Mexico-United States-Canada Agreement (T-MEC), as well as agreements with several Latin American countries. These agreements facilitate trade and can make exporting products to Mexico more attractive.
3. **Geographic proximity:** Turkey and Mexico are relatively close geographically compared to other countries. This can reduce transportation costs and facilitate the logistics of exporting products.
4. **Market diversification:** Exporting to Mexico can help diversify a Turkish company's markets, which can be beneficial in reducing the risk associated with relying on a single market.
5. **Sectoral Opportunities:** Mexico has a diverse economy that includes sectors such as automotive, electronics, food and beverages, tourism, and others. A Turkish company can identify specific opportunities for its products in these sectors.
6. **Competitive costs:** Depending on the nature of the product, Turkey may have competitive costs for the production of certain goods compared to other countries.
7. **Culture and affinity:** Turkish and Mexican cultures have some similarities, which could facilitate the acceptance of Turkish products in the Mexican market.
8. **Technology and experience:** It is not for nothing that companies from different regions of the world turn to Mexico to invest or relocate because of its high-quality products that have been proven in different markets.



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