THE AUTOMOTIVE INDUSTRY IN MEXICO

2025

PRODENSA

THE AUTOMOTIVE INDUSTRY IN MEXICO

Over the last several decades, the automotive industry in Mexico has emerged as a significant player on the global stage. Today, it plays a pivotal role in the world economy. With a strategic location, a skilled workforce, and a favorable business environment, Mexico has become a key hub for automotive manufacturing.

Mexico's trade liberalization efforts mean that the market is one of the most open and competitive in the world. Mexico is a global leader in automotive manufacturing.

AUTOMOTIVE INDUSTRY QUICK FACTS

7th largest manufacturer or passenger vehicles	**2nd** largest exporter of passenger vehicles to the U.S.	**4th** Largest manufacturer of automotive parts	**1st** in automotive parts exports to the U.S.
6th largest manufacturer of heavy trucks	**1st** in exports of heavy duty trucks to the U.S.	**2nd** largest export market of U.S.-made heavy-duty trucks.	**+15** passenger car OEMs* produce in Mexico

Sources: bea.gov, Auto Innovators, Business Roundtable, Brookings Institute, trade.gov, AMIA
*Includes the announced Tesla factory (trade.gov)

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The Mexican Automotive Industry Association (AMIA) estimates that Mexico will become the **5th largest global vehicle producer by the end of 2025**.

+1 million workers	**+26 R&D Centers**	**Exports 87% of Production**	**79% Exports go to USA**

Source: AMIA, 2024

Mexico is a key ally and asset to U.S.-based high-technology manufacturing including semiconductors and electric vehicles, contributing to the construction of **resilient supply chains in North America**.

INSIGHTS - EVOLUTION OF THE AUTOMOTIVE INDUSTRY

During the 3 decades since NAFTA, Mexico's light vehicle production more than tripled – from 1.1 million units in 1994 to 3.98 million in 2024. Exports from Mexico increased from 579,000 to just under 3.5 million over the same period (Federal Reserve Bank of Chicago).

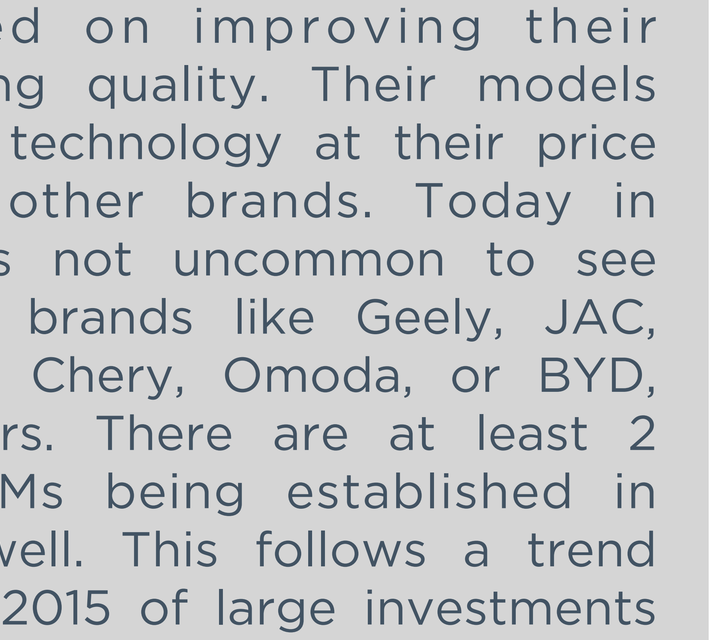
Alongside the auto assembly plants came secondary industries like autoparts and materials. These built up smaller communities and created hubs in Mexico that facilitated infrastructure developments and services. This represented prosperity through honorable jobs in Mexico.

Education in engineering and technical skills increased as more advanced manufacturing facilities invested in Mexico. Today, we see a secondary influx of Research & Development, including technical and software centers that establish alongside manufacturing operations in Mexico.

The Mexican automotive industry has always been very tied and reliant on the U.S. consumers. A great impact was felt in Mexico as well as the United States with the 2008 economic crisis and bankruptcies. After some market volatility related to the pandemic and semiconductor chip shortage, we see the industry at a shifting point again.

Per new agreements like the USMCA and the U.S. Inflation Reduction Act, the industry has sped forward in its transition to electromobility. This has impulsed investment and reinvestment in automotive production and assembly facilities in Mexico. Ford, General Motors and Stellantis have announced plans to grow their production of electric vehicles in Mexico. Tesla has announced the construction of their Gigafactory as well.

Additionally, Chinese automakers are making a great effort to bring their products to the Mexican market. China has focused on improving their manufacturing quality. Their models offer better technology at their price point than other brands. Today in Mexico, it is not uncommon to see Chinese car brands like Geely, JAC, SAIC Motor, Chery, Omoda, or BYD, among others. There are at least 2 Chinese OEMs being established in Mexico as well. This follows a trend since about 2015 of large investments from Japanese and Korean automotive supply chains following the Mazda and



Carlos Alvarado

VP & SR. PARTNER, STRATEGIC ADVISOR

GLOBAL MARKETPLACE AND THE AUTOMOTIVE INDUSTRY IN MEXICO

In recent years, Mexico has solidified its position as a significant player in the global automotive industry. The country accounts for a substantial percentage of the world's automotive production. According to data from the International Organization of Motor Vehicle Manufacturers (OICA), Mexico consistently ranks among the top ten countries in total vehicle production, with a share that has steadily increased over the past decade. It is an integral component of the Mexican domestic economy. It accounts for:

4% of Mexico's GDP

20% of Mexico's manufacturing GDP

Source: AMIA, 2024

Mexico is the **4th largest vehicle exporter** globally after Germany, Japan and the United States. Mexico is also the 7th largest manufacturer of vehicles in the world. Over 95% of the automotive production in Mexico is light (passenger) vehicles and 5% heavy trucks.

PASSENGER VEHICLE INDUSTRY IN MEXICO (BILLIONS)

	2020	2021	2022	2023	2024*
Total Local Production (units)	3.040	2.979	3.308	3.526	3.989
Total Exports (units)	2.681	2.706	2.865	3.071	3.479
Total Imports (units)	.765	.991	1.176	1.360	N/D

Source: INEGI, AMIA, trade.gov. *Includes preliminary, estimated numbers at time of publication. Billions of US dollars.

In 2024, total production of automobiles in Mexico **reached 3,989,403 units**, marking a 5.56% increase over 2023.

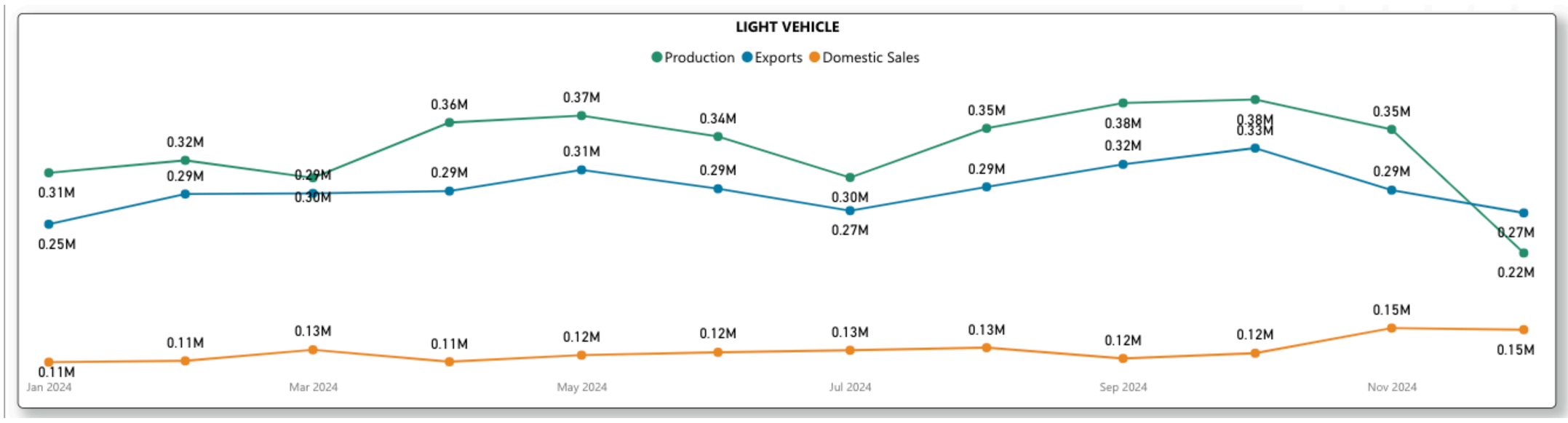
Automobiles 23.8% of Total

SUV's & Trucks 76.2% of Total

Electric Vehicles 5.2% of Total

Source: AMIA, 2024

AUTOMOTIVE PRODUCTION, EXPORT & SALE OVER 2024



Source: own elaboration with data from INEGI via Tukan

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AUTOMOTIVE PRODUCTION & EXPORT BY OEM 2024

OEM	Units Produced	% Change from 2023	Units Exported	% Change from 2023
General Motors	899,072	23.0%	830,820	15.1%
Nissan	669,941	8.8%	456,866	24.5%
Stellantis	419,426	-10.3%	353,307	-14.14%
Ford	386,776	5.9%	379,849	2.4%
Volkswagen	382,312	9.5%	326,217	4.6%
KIA	270,700	5.7%	206,246	8.3%
Toyota	245,009	2%	245,121	-6.5%
Mazda	209,303	3.4%	141,933	-7.1%
Honda	194,612	3.4%	232,433	50.7%
Audi	144,223	-17.6%	143,783	-19.4%
BMW	95,151	-19%	98,712	-11.3%
Mercedes Benz	57,487	-15.3%	63,799	-4.5%
JAC	25,391	12.8%	N/A	N/A

Source: Directorio Automotriz, 2024

PRODENSA

During 2024 a **total of 205,746 heavy vehicles** were produced in Mexico, with over 77% of them being exported from Mexico. The primary destinations for the exports were the United States (+95%), Canada (3%), Columbia (<1%) and the rest of the world (<1%).

HEAVY VEHICLE PRODUCTION & EXPORT 2024

OEM	Units Produced	% Change from 2023	Units Exported	% Change from 2023
Freightliner	117,054	-7.8%	99,702	-11.6%
International	65,093	6.2%	52,584	-10.3%
Kenworth	20,501	11.4%	7,011	14.9%
Mercedez-Benz Bus	3,180	-17.6%	N/A	N/A
Volkswagen Truck & Bus	1,779	-6.4%	0	0
Hino	1,134	-6.4%	0	0
Isuzu	1,782	25.8%	N/A	N/A
Foton	1,225	-10.9%	N/A	N/A
Volvo Buses	1,170	9.2%	169	141.4%
SHACMAN	0	-100%	N/A	N/A
Dina	322	427.9%	0	0
MAN	1	-50%	0	0

Source: Directorio Automotriz, 2024

In 2025, ANPACT (National Association of Bus, Truck, and Tractor Manufacturers) will prioritize strengthening Mexico's domestic market through fleet renewal with safer, eco-friendly vehicles, along with efforts in vehicle scrapping and decarbonization. A key focus will be reducing imports of used, low-quality heavy vehicles from the U.S. Additionally, ANPACT emphasizes the importance of North American economic integration and free trade agreements, which are crucial for industry growth and regional development. The heavy vehicle sector remains a vital driver of jobs and prosperity. Original note in Mexico Business News.

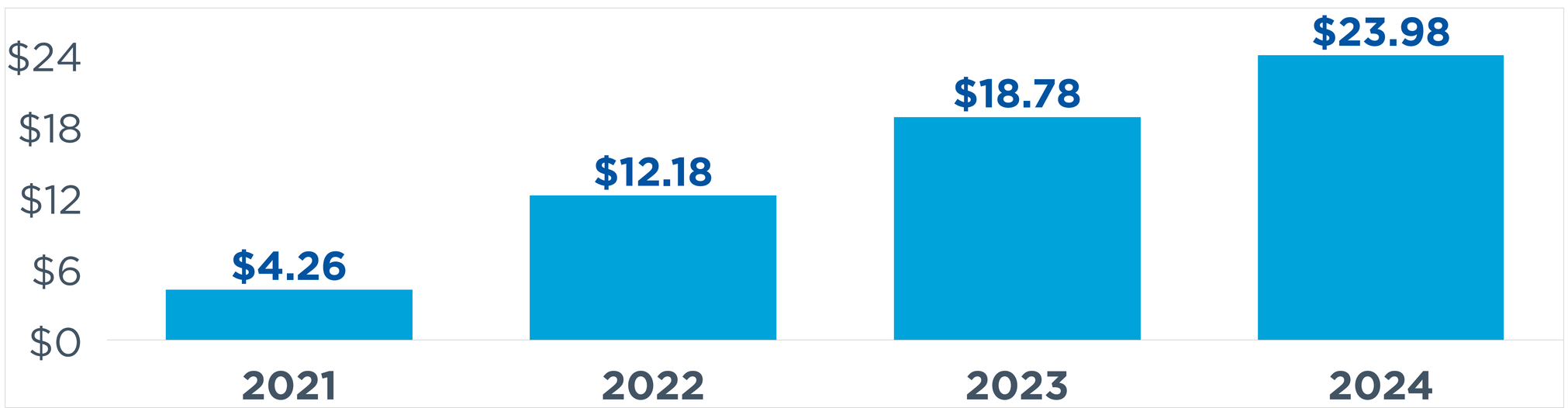
GLOBAL TRADE AND INVESTMENT

One of the key factors contributing to Mexico's success is its network of free trade agreements. These agreements have facilitated seamless cross-border trade, creating a favorable environment for automotive manufacturers to establish operations in Mexico. The most prominent among Mexico's free trade agreements is the **United States-Mexico-Canada Agreement (USMCA)**, which replaced NAFTA. Some features of the USMCA that affect the automotive industry in Mexico include:

- **Regional Content Rules:** The USMCA includes updated rules of origin that require a higher percentage of vehicle content to be manufactured within North America to qualify for tariff-free treatment. This could incentivize automakers to source more parts locally, promoting regional economic integration.
- **Labor Provisions:** The agreement addresses labor issues, particularly in Mexico. This includes requirements for higher wages and increased workers' rights, potentially improving conditions for Mexican autoworkers.
- **Investment Certainty:** The USMCA provides certainty for investors by establishing a framework for trade and investment in North America. This stability may encourage automotive companies to make long-term investments and strategic decisions in Mexico.
- **Market Access:** The agreement preserves duty-free access to the North American market, providing Mexican automakers with continued access to the large U.S. and Canadian markets. This could be crucial for the competitiveness of the Mexican automotive industry.
- **Dispute Resolution Mechanisms:** The USMCA includes mechanisms for resolving trade disputes, which could provide a more stable and predictable environment for the automotive industry, reducing uncertainty and the risk of trade disputes.

The automotive industry is the sector with the highest proportion of Foreign Direct Investment (FDI) in Mexico.

AUTOMOTIVE INVESTMENT IN MEXICO (BILLIONS)



Source: Directorio Automotriz with information from Cluster Industrial, 2024. Billions of US dollars.

PRODENSA

AUTOMOTIVE FOREIGN DIRECT INVESTMENT 2024

During 2024, **$23.984 billion dollars** of Foreign Direct Investment was announced in Mexico. There were a total of 202 projects from 18 different countries.

27.6% Increase in FDI compared to 2023	**75.7%** New investments	**56.5%** Autoparts investments	**111,853** New jobs created
33.6% Electromobility projects	**18.8%** Of FDI from the United States	**21.4%** Located in Nuevo León	**52.4%** Growth over 2023 in construction

Source: Directorio Automotriz with information from Cluster Industrial, 2024

PRODENSA

INSIGHTS: OUTLOOK 2025

2025 will be a year marked by uncertainty in the automotive industry. The potential implementation of tariffs poses significant challenges for supply chains, increasing costs and slowing nearshoring and foreign investment.

The decline in exports and the automotive sector's contribution to manufacturing GDP, coupled with employment risks in both Mexico and the U.S., further exacerbates economic concerns. Additionally, disruptions to the USMCA framework could weaken North America's competitiveness against Europe and Asia.

This year will mark a crucial window for diplomatic negotiations between Mexico and the U.S., which is essential for ensuring long-term trade stability and regional economic growth.

Marco Kuljacha

PRESIDENT

Read our Insights on Chinese investment in Mexico

AUTOMOTIVE FOREIGN DIRECT INVESTMENT BY MEXICAN STATE 2024

STATE	2024 FDI (Billions)	# of Projects	# EV Projects	Workers	Size - M2
Nuevo León	2.997	17	8	8,125	659,000
Puebla	2.016	5	4	850	139,500
Guanajuato	1.951	38	13	4,865	367,158
Coahuila	1,875	26	10	14,594	1,551,850
Estado de Mexico	1.662	5	2	480	39,900
Querétaro	931	31	10	7,421	154,723
San Luis Potosí	607	11	6	4,227	271,237
Aguascalie-ntes	514	12	5	5,995	63,800
Baja California	490	5	2	650	58,440
Durango	443	2	2	1,300	100,000
Jalisco	288	5	2	5,529	52,100
Campeche	160	1	1	2,200	13,400
Sonora	44	2	2	2,570	9,700
Tamaulipas	23	2	1	384	7,990
Tlaxcala	15	1	0	213	N/D
Chihuahua	N/D	2	0	N/D	15,500
Hildago	N/D	1	1	180	14,000
Yucatán	N/D	1	0	250	8,400

Source: Directorio Automotriz, 2024

USMCA REVIEW IN 2026: WHAT'S AT STAKE?

Mexico's ascent as a dominant force in automotive manufacturing is undeniable. With skilled labor, competitive costs, and geographic proximity, the country has solidified its position as the top U.S. supplier, surpassing China.

Mexico's Role in Trade

In 2024, Mexico's exports to the U.S. exceeded $500 billion, representing over 15% of total U.S. imports. This growth highlights Mexico's increasing importance in global supply chains and its role in strengthening regional trade integration.

Ongoing Trade Disputes

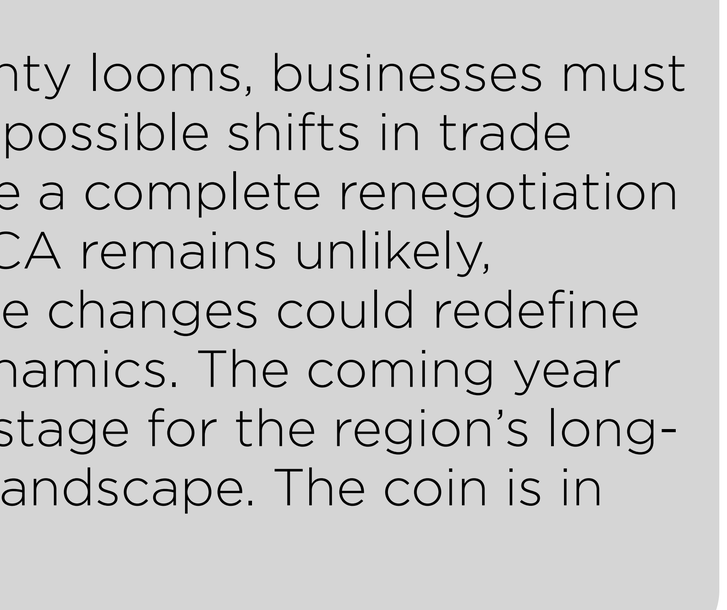
While the USMCA has deepened economic ties, it has also introduced new complexities. Disputes over Mexico's energy policies and agricultural restrictions, as well as labor rights concerns in the auto sector, have triggered more than a dozen cases under USMCA dispute mechanisms. The ongoing conflict over automotive rules of origin, where Mexico and Canada won a panel ruling against the U.S., remains unresolved. The U.S. has not complied with the ruling, and Mexico has yet to respond with trade retaliation.

With recent application and escalation of tariffs among USMCA countries, the entire dynamic of the region is at stake, despite overwhelming evidence of interdependence.

2025: A Decisive Year

With trade tensions escalating, 2025 will be a decisive year, as negotiations for the 2026 USMCA review take shape. The discussions could address unresolved disputes or further strain relationships, making the political outcomes in Mexico and the U.S. especially critical. The trajectory of these negotiations will shape the future of regional economic stability and competitiveness.

As uncertainty looms, businesses must prepare for possible shifts in trade policy. While a complete renegotiation of the USMCA remains unlikely, targeted rule changes could redefine industry dynamics. The coming year will set the stage for the region's long-term trade landscape. The coin is in the air.



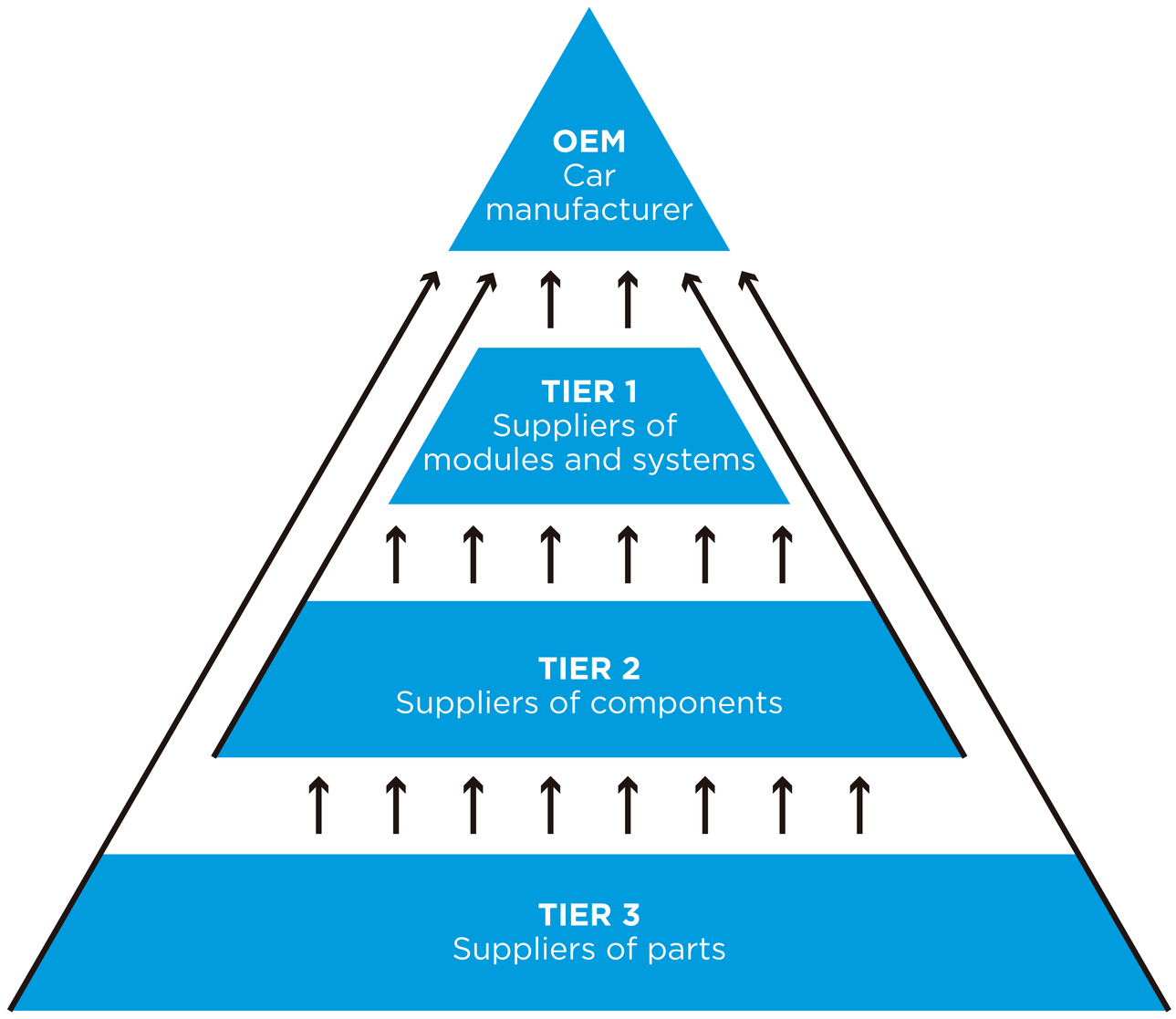
Monica Lugo

INSTITUTIONAL RELATIONS DIRECTOR

MEXICAN AUTOMOTIVE SUPPLY CHAIN

The U.S.-Mexico partnership in the automotive sector is vital for their economic relationship. Mexico, with its cost-effective manufacturing base and abundant labor pool, has become essential for U.S. automakers. The interlinked supply chains boost the competitiveness of North American automakers globally. In 2024, the autoparts sector in Mexico **contributed 8%** to the country's national manufacturing GDP (INA).

Major U.S. automobile companies have invested significantly in the Mexican automotive industry, enhancing cost-effectiveness and maintaining competitiveness in the global market. Established automakers in Mexico include Audi, BMW, Ford Motor Company, General Motors, Honda, Hyundai, Jac by Giant Motors, Kia, Mazda, Mercedes Benz, Nissan, Stellantis, Toyota, Volkswagen, and Tesla (announced). In addition to major OEMs, the automotive industry in Mexico boasts a robust and intricate supplier base structured into three tiers.



Tier 1 suppliers directly provide parts and systems to automaker original equipment manufacturers. These Tier 1 suppliers in Mexico often collaborate extensively with OEMs, offering complex components like engines, transmissions, and advanced electronics.

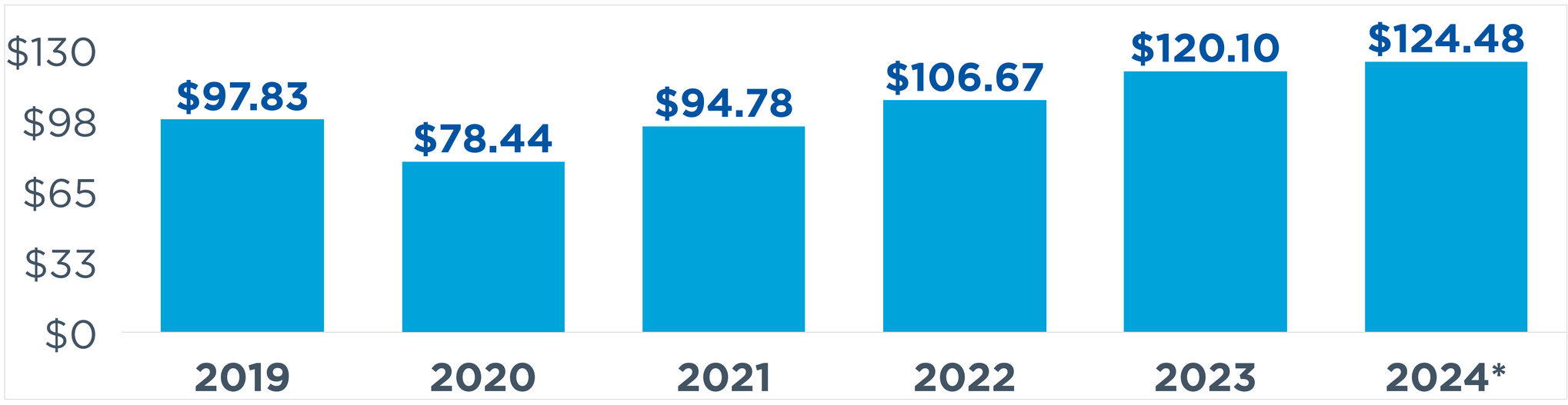
Tier 2 suppliers furnish components and sub-assemblies to Tier 1 suppliers, playing a crucial role in the production chain. These entities are integral to maintaining a seamless flow of parts to the final assembly line.

Tier 3 suppliers form the foundation of the supplier network, providing raw materials, essential components, and services to Tier 2 suppliers.

Mexico's automotive industry, with its integrated ecosystem and expanding supplier network, has grown significantly. This tiered system has bolstered its position on the global stage and increased competitiveness by promoting collaboration and innovation across the supply chain.

Mexico is the **4th largest producer of autoparts** in the world, and the 1st to the United States. More than half of the imported autoparts to Mexico are destined to compliment the local manufacturing lines. Much of this is then exported back to its original country. The primary countries of origin include the United States, China, Germany and Japan.

MEXICAN AUTOPARTS PRODUCTION GROWTH (BILLIONS)



PRODENSA

Source: INA, Billions of USD. *December estimated at time of publication.

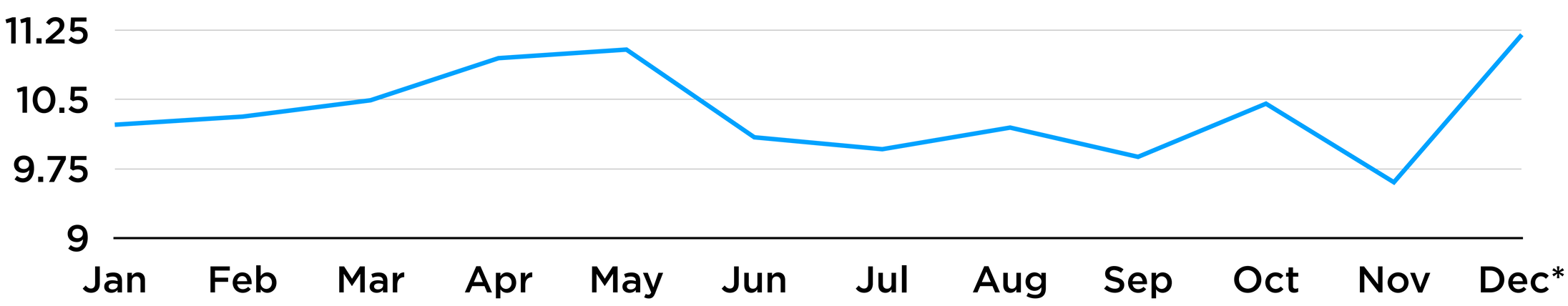
AUTOPARTS INDUSTRY IN MEXICO (BILLIONS)

	2020	2021	2022	2023	2024*
Total Local Production	$77.93	$92.91	$104.84	$121.15	$124.4
Total Exports	$64.8	$78.50	$65.60	$105.56	$95.88
Total Imports	$44.25	$52.78	$36.70	$68.08	$69.50

PRODENSA

Source: Banco de Mexico, Deloitte, INA, Billions of USD *December estimated at time of publication.

AUTOPARTS PRODUCTION IN 2024 (BILLIONS)

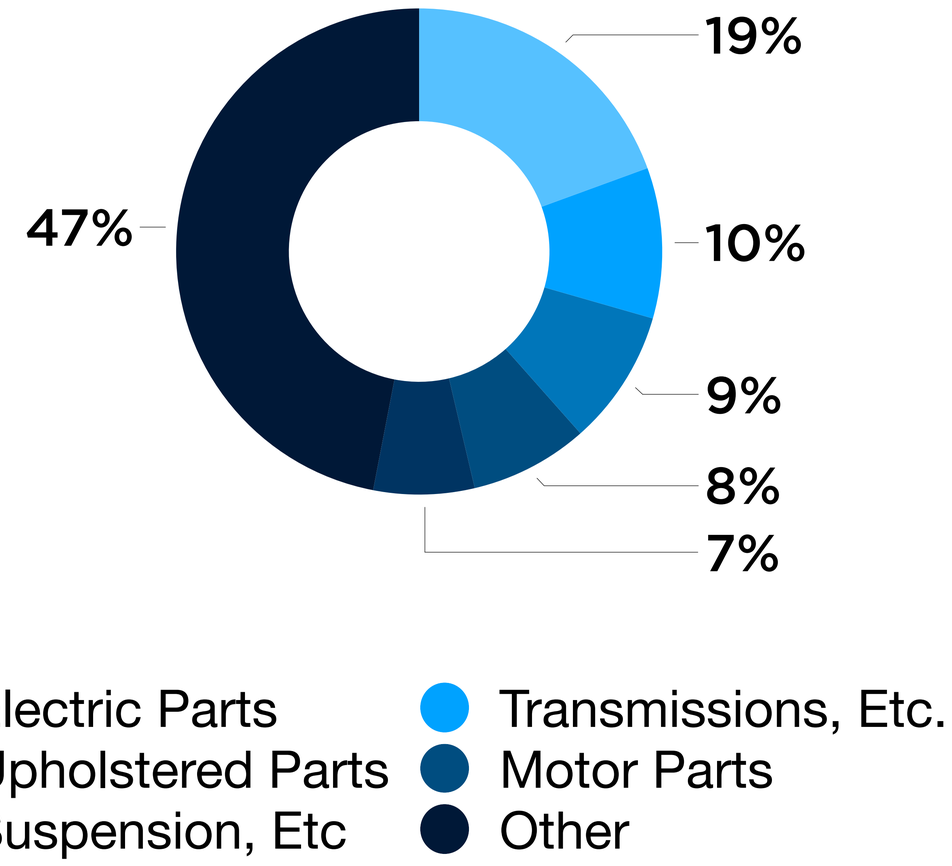


PRODENSA

Source: INA, Billions of USD *December estimated at time of publication

Suppliers are continuing the expansion of EV engines, which lack integral parts of an ICE vehicle such as gas tanks, exhaust valves, transmissions, fuel pumps, and carburetors.

TOP AUTOPARTS MADE IN MEXICO



Source: INA

Mexico supplies the United States with **43% of its imported autoparts**.

These are primarily:

(1) spark plug wire sets
(2) engine parts
(3) body parts and accessories
(4) brakes and their components
(5) automatic transmissions
(6) lighting devices
(7) axles with differential
(8) combustion engines
(9) rims
(10) shock absorbers.

One of the biggest challenges for Mexico will be batteries, electronics and electrical motors. Today, much of this content is brought from China for final assembly in Mexico. Primary, Chinese imports to Mexico consist of audio / video parts, body parts and accessories, and tires. Mexico imports about 35% of total autoparts imported into North America, with the United States importing more than 53% of the total.

Additionally, new materials are being created to serve different weight and efficiency requirements of an electric vehicle. This is creating new market opportunities for local suppliers and entrepreneurs.

DESTINATION OF EXPORTS 2024

87% Autoparts are Exported to the United States

3% Autoparts are Exported to Canada

Source: INA

ORIGIN OF IMPORTS 2024

53% Autoparts are Imported from the United States

14% Autoparts are Imported from China

Download the Mexico Electromobility e-book

TECHNOLOGY ADOPTION IN SUPPLIER MANAGEMENT: 4 WHEELS

Modern supply chains are complex, global and vulnerable to disruption. Building a robust, shock-proof supply chain hinges on strategic technology adoption. Yet, many companies struggle to translate awareness into action. The "Four Wheels" methodology provides a roadmap for organizations seeking to close the gap on supply chain competitiveness in today's world.

Diversification. Risk mitigation demands diversification at multiple levels - suppliers, transportation routes, and even regional production networks. Technology manages a crucial role in identifying, evaluation, managing, and optimizing a distributed supply chain footprint.

Compliance. Regulatory requirements are ever-evolving, in all countries, from fiscal standards to new requirements in import/export. Technology can increase visibility for time-sensitive and often critical changes, providing company focus to turn to agile adaptation.

Visibility. Real-time supply chain visibility is no longer a luxury, but a necessity. Additional to materials, suppliers must be mapped so a high level of communication and decision-making can be achieved. As consumers' preferences change, so too do supply chains.

Agility. Supply chain agility entails flexibility at every stage, from demand forecasting and sourcing to logistics and last-mile delivery. Technology fosters responsiveness to threats to business continuity, and also provides a route to identify new opportunities.

The "Four Wheels" methodology is synergetic. Diversification without visibility leaves blind spots. Compliance without agility limits responsiveness. The time to invest in these transformative technologies is not tomorrow - its today.

Click here for information about **Cattenna**, the transparent, quality supply chain community.

Kurt Schmidt

VP OF CONSULTING

EMPLOYMENT IN THE MEXICAN AUTOMOTIVE INDUSTRY

The growth of the automotive industry in Mexico has significantly contributed to the country's employment landscape. The sector has become a significant employer, providing jobs to a large, skilled workforce.

There are approximately 1 million automotive workers in Mexico	About 22% of all manufacturing employees are auto workers	About 3% of all employment in Mexico is in the automotive sector
Nearly 100 thousand employees work in OEM's Mexico	There are +26 R&D Centers with +15,000 engineers in Mexico	About 156,000 technicians and engineers graduated in 2024

Sources: INA with information from INEGI and ANUIES

The workforce is not limited to assembly line workers; it includes engineers, designers, logistics professionals, and various other skilled individuals. The industry's commitment to investing in human capital has resulted in a well-trained and adaptable workforce that meets the evolving needs of the automotive sector.

During the scholar year 2023-2024 **more than 140,000 students** graduated from university with degrees in engineering, manufacturing and construction. Another 16,000 students graduated with technical degrees in the same (data from ANUIES, Ciclo 2023-2024). Today there are 23 programs that offer the bachelor's degree in automotive engineering. These university engineering programs have been well-established and effective in supporting companies in this sector in Mexico. To reflect the industry shift to electromobility, additional academic e-Mobility engineering programs are graduating some of their first students into the market, growing in popularity and backed by some incentive programs.

One such example is the Monterrey Mobility Hub, the electromobility training school in the state of Nuevo León, making an alliance with Tesla to train the next generation of electromobility engineers.

MAJOR PLAYERS IN THE AUTOMOTIVE INDUSTRY IN MEXICO

Major automakers, including **General Motors, Ford, Stellantis, Nissan,** and **Volkswagen**, have chosen Mexico as a key production hub. **GM, Ford,** and **Stellantis** operate multiple plants, producing vehicles for domestic and global markets. **Nissan and Volkswagen** have significant investments, with VW's Puebla facility playing a major role in exports.

Chinese automakers, such as **BYD, JAC Motors, Great Wall Motors**, and **Geely** are expanding in Mexico to access the North American market.

AUTOMOTIVE INDUSTRY LEADERSHIP IN MEXICO

Supporting the strategic development and advancement of Mexico's automotive industry are many public and private institutions. These organizations range from technical development to government lobbyists to trade experts. In the automotive market intelligence space, four main partners have supported this e-book with data:

AMIA - the Mexican Association of the Automotive Industry promotes the growth of Mexico's automotive sector by advocating policies, providing industry data, and connecting manufacturers with government and business organizations.

INA - the Mexican Association of the Automotive Industry represents over 700 manufacturing plants in Mexico, fostering industry collaboration, policy advocacy, and investment growth. It provides strategic intelligence on technological trends and organizes key industry events

Directorio Automotriz - a large automotive community and supplier database that connects automotive companies with qualified suppliers, offering smart search tools helping companies efficiently find and promote industry solutions.

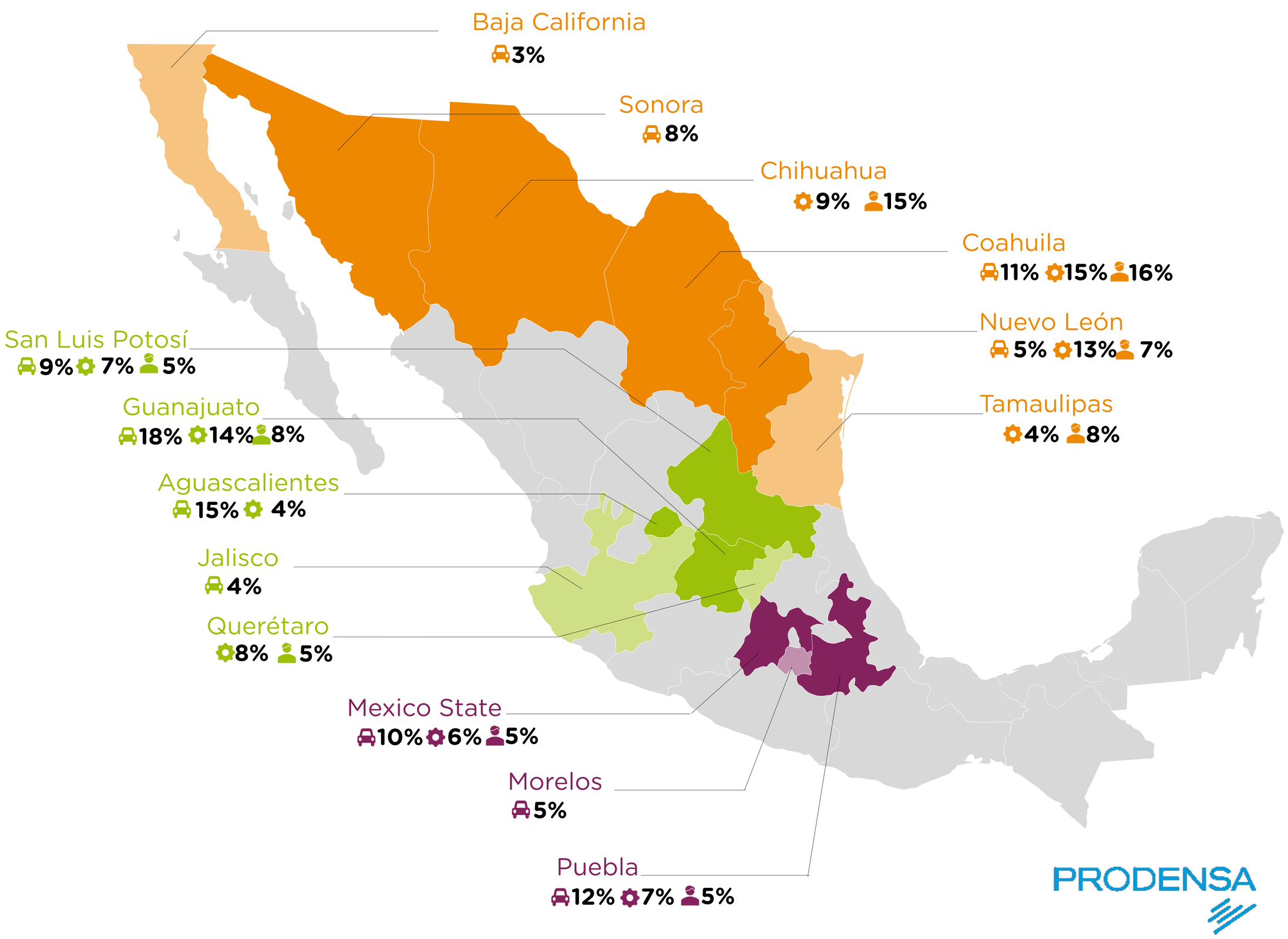
Cluster Industrial - connects Mexico's automotive and manufacturing industries through data, B2B tools, and industry insights.

Additionally, REDCAM leads the different city and regional automotive clusters of Mexico that support networking and policy-making.

AUTOMOTIVE MANUFACTURING CLUSTERS IN MEXICO

Automotive companies are located all over Mexico. Clusters were formalized to promote joint efforts to develop more extensive local supply chains for the industry. For this illustration, clusters are defined by highest percentage of total installed production capacity, autoparts production, and industry employment.

AUTOMOTIVE CLUSTERS IN MEXICO



% of Total Installed Automobile Production Capacity, AMIA, 2024

% of Total Autoparts Production, INA, 2024

% of Total Automotive Industry Employment, INEGI, 2019

Rounded numbers. Results less than 5% generally not included

THE BAJÍO REGION

The Bajío region is considered to be the 3rd most important automotive cluster in North America. It represents nearly 50% of all vehicle production capacity in the country. Other supporting states include Jalisco (Honda) and Querétaro, home to many Tier 1 suppliers.

Aguascalientes – The central Mexican state of Aguascalientes is home to one of the country's most important assembly plants, Nissan. It is the 3rd largest exporter of vehicles in Mexico. This plant is supplied by 35 Tier 1 suppliers that in total employ over 20,000 workers. Automotive manufacturing represents 85% of the state's manufacturing exports.

Guanajuato –The state of Guanajuato in Bajío is an important automotive and logistics hub. Guanajuato's automotive cluster is comprised of automakers such as General Motors, Volkswagen, Mazda, Honda as well as over 400 Tier 1 & 2 autoparts suppliers. The automotive industry makes up about 50% of the state's manufacturing GDP, and 80% of the state's total exports. It employs over 145,000 workers.

San Luis Potosi – The automotive industry in San Luis Potosí generates 61,000 jobs in the state. It is home to General Motors and BMW Group, and about 120 automotive suppliers. The automotive industry represents nearly half of the state's manufacturing GDP. San Luis Potosí's automotive industry exports about $10 billion in manufactured goods each year.

THE NORTHERN BORDER STATES

The northern border states of Mexico represent over half of all autoparts production, a large share of them being maquiladoras. Notably, Baja California is home to a Toyota plant in Tijuana. In the Gulf state of Tamaulipas, the city of Reynosa is an important autoparts maquiladora and logistics hub.

Sonora – This northern border state's primary industry is automotive manufacturing. The Ford Stamping and Assembly Plant in Hermosillo has developed over 44 local suppliers as well. The state's Port of Guaymas is on the Pacific coast. Ford's engineering center has over 1,000 enrolled students. Nearly 28% of the state's exports are attributed to the automotive industry. This is growing due to Ford's production of the new models, Maverick and Bronco Sport.

Chihuahua – The northern border state of Chihuahua has a robust automotive presence, including Ford Engine Plant and more than 400 suppliers. They are well-known for automotive talent development, boasting 6 R&D centers. The automotive sector represents over 40% of the total manufacturing industry in the state. The border city of Juarez is a focal point of the maquiladora industry due to its location and infrastructure.

Coahuila – The automotive sector represents more than half of the northern border state's manufacturing production. It is home to Stellantis, Daimler Freightliner and General Motors. In fact, GM announced a $1 billion e-mobility investment in its plant in the state. Coahuila has been a focal point of automotive investment in Mexico over the last years. Automotive exports in the state are around $5 billion, representing about 67% of the state's total exports.

Nuevo Leon – The northern state of Nuevo León is considered the electromobility hub of Mexico. Home to KIA and a number of Tier 1 suppliers, the automotive industry in the state is the top employer and top exporting sector. The state boasts other important automotive operations such as Navistar (heavy trucks); Mercedes-Benz Group (buses); Polaris, CF Moto and Kawasaki (ATVs).

CENTRAL MEXICAN VALLEY

The valley in Central Mexico around the capital of Mexico City concentrates about a quarter of the country's total population. It is an important logistics and e-commerce hub, among other things. The automotive industry is important, both as corporate headquarters in Mexico City, but also to multiple manufacturing hubs in the surrounding states. Morelos, for example, produces about 5% of the country's vehicles at their Nissan plant.

Mexico State – The automotive industry in Mexico State represents over 12% of GDP for the state. Three OEMs call the state home (Stellantis, General Motors, Ford) as well as more than 350 automotive companies that employ over 50,000 workers. The state is also home to automotive plants with announced investment in electric vehicles, including Ford and Stellantis. Mexico State exports over $6 billion in automotive goods with nearly a quarter of that in vehicles.

Puebla – The Central Mexican state of Puebla is home to Volkswagen and Audi. Over 65,000 employees in the state work in the automotive industry. The industry represents over 40% of the state's GDP. The state is one of the top exporters of automobiles, with the majority share of their auto exports going to the United States, Germany or Canada.

When not otherwise indicated, sources from this section include: the autoparts association (INA), automotive association (AMIA), statistics institute (INEGI), state-level Economic Development (SEDECO), state/regional-level automotive cluster associations (CLAUT).

THE US-MEXICO AUTOMOTIVE INDUSTRY

The close relationship between Mexico and the United States in the automotive sector is an essential component of the economic relationship between the two nations. Mexico has become a crucial partner for U.S. automakers, providing a cost-effective and efficient manufacturing base and a plentiful labor pool. The integrated supply chains between the two countries are vital for the competitiveness of North American automakers in the global market.

Many major U.S. automotive companies have invested heavily in the automotive industry in Mexico, establishing production facilities that manufacture a wide range of vehicles and automotive components. This has reduced production costs and enabled these companies to stay competitive in the face of global market dynamics.

AN INTERDEPENDENT RELATIONSHIP

The North American automotive industry is a cornerstone of regional economic integration, with the U.S., Mexico and Canada deeply interconnected in production and trade. The region manufactures 15.4 million vehicles and over $460 billion in auto parts annually (INA 2024). Mexico plays a vital role, with 74% of the direct and indirect inputs in Mexican-made vehicles originating from the U.S., and auto parts crossing borders more than 8 times before final assembly (PIIE 2024).

The industry supports over 5.1 million jobs across North America, with 3.4 million in the U.S. alone (INEGI, BLS 2024). Mexico ranks as the fourth-largest global auto parts producer, with 88% of those exports heading to the United States.

This integration enhances supply chain resilience, cost efficiency, and global competitiveness. Maintaining a trade certainty and collaboration is crucial for sustaining North America's leadership as a global automotive powerhouse.

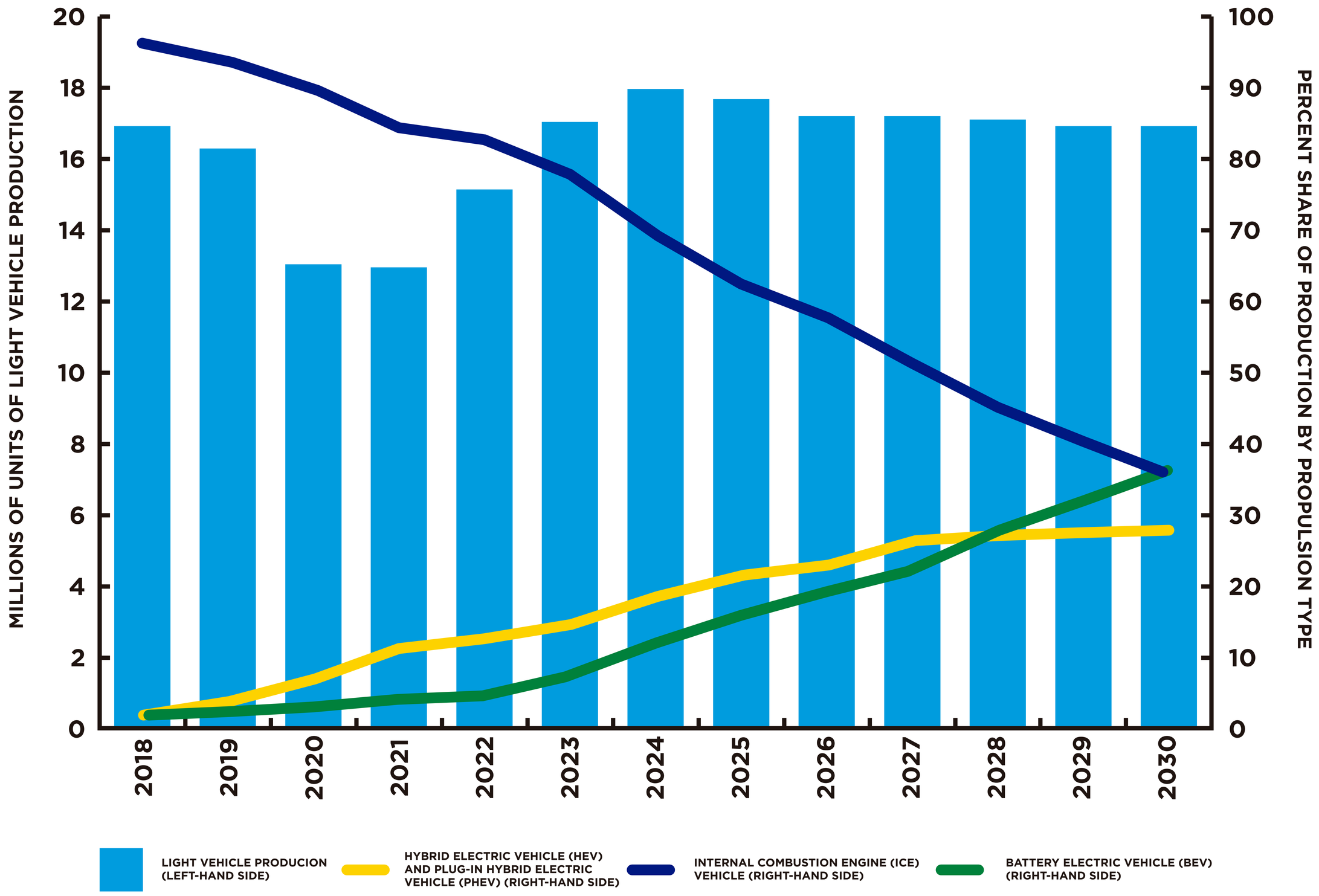
Robin Conklen

MANAGING DIRECTOR USA

USMCA ELECTRIC VEHICLE INDUSTRY

Fewer parts are required in an electric vehicle compared to an internal combustion engine. As the industry is in transition, so too are the production networks throughout North America. Governments and private industry are facilitating growth in the EV industry with funding and incentives. More than a dozen new incentives enacted through the Inflation Reduction Act, the Infrastructure Investment and Jobs Act, and the CHIPS Act have driven investment and announced jobs. Mexico also has electromobility initiatives that supports the USMCA goals.

NORTH AMERICAN LIGHT VEHICLE PRODUCTION, 2018-2030, BY PROPULSION TYPE

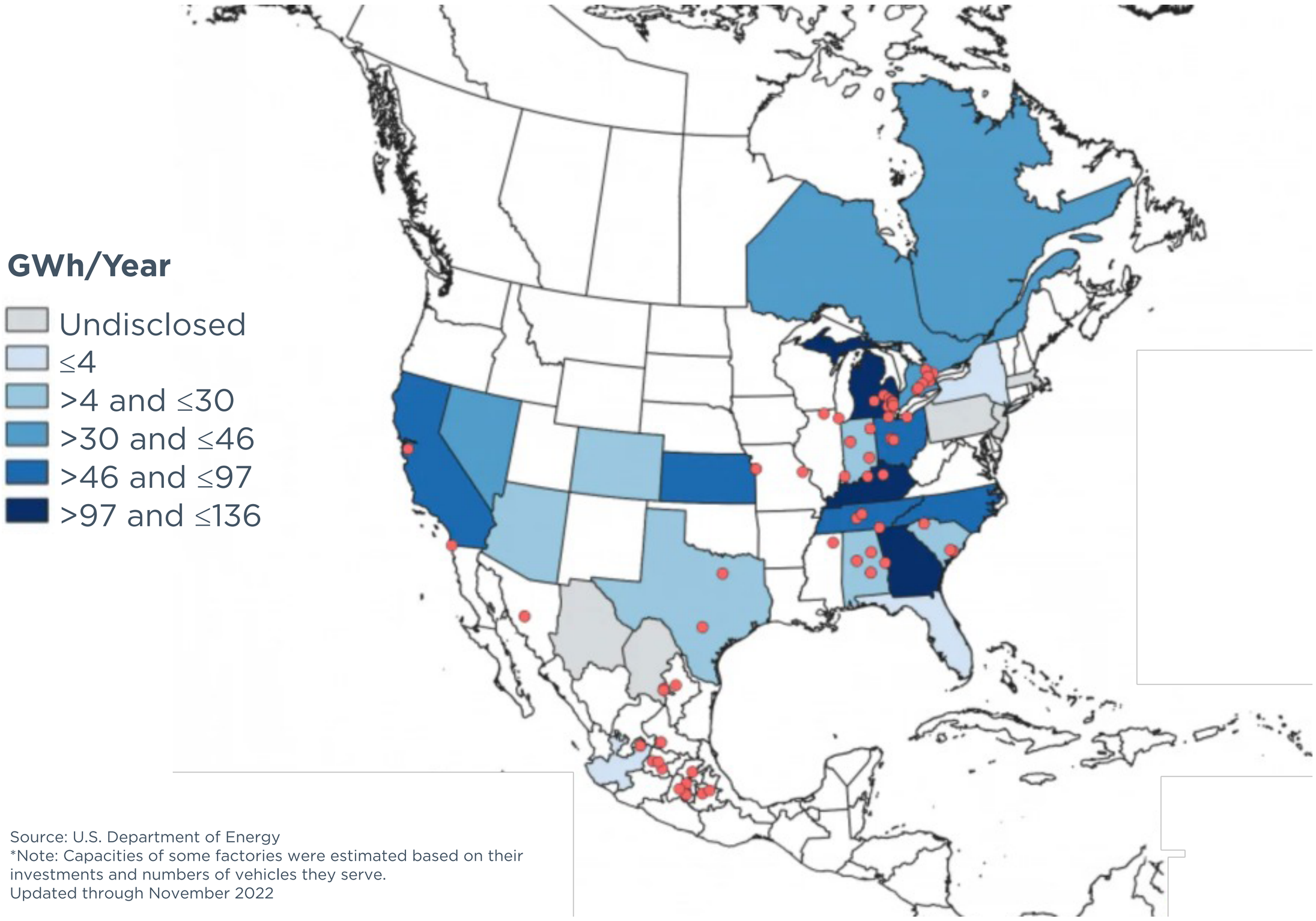


Notes: The data are as of November 2021 from IHS Markit; the data for 2018-20 are actual, while the data for 2021-30 are projections. This is a reproduction of a line and bar chart from a slide presentation by Robinet (2022).

Source: Chicago Fed - https://www.chicagofed.org/publications/economic-perspectives/2022/5

In 2021, two-thirds of plug-in EVs were assembled in the United States. Despite many new EV launches scheduled over the next few years, there is significant capacity gap in mining and refining battery minerals. The United States lags far behind China. The Inflation Reduction Act (IRA) will likely establish an EV supply chain for the long-term and draw large investments in EV battery capacity. By 2030, EV battery manufacturing capacity in North America will likely increase 20 times.

NORTH AMERICAN EV BATTERY MANUFACTURING CAPACITY



Source: U.S. Department of Energy
*Note: Capacities of some factories were estimated based on their investments and numbers of vehicles they serve.
Updated through November 2022

2021: 55 gigawatt hours per year

2030: 1,000 gigawatt hours per year

The battery pack of an EV car is bulky and challenging to ship long distances, and accounts for about one third of the total vehicle cost. Many of these facilities will co-locate with assembly plants for EV's, similar to the ICE automotive footprint. Mexico's total lithium-ion battery imports in 2023 were approximately $2.4 billion (Research & Markets).

MEXICAN ELECTRIC VEHICLE INDUSTRY

In 2024, **206,000 EV vehicles** were produced by companies such as: Ford, General Motors, BMW Group, Audi, Giant Motors, Toyota. In the same year, nearly 68 investments were announced in the electromobility sector in Mexico.

EV'S PRODUCED IN MEXICO 2024 BY OEM & MODEL

OEM	Model	Units Produced	% Change from 2023
FORD	**Mustang Mach-E**	53,904	-42.9%
Honda	**Prologue**	46,505	N/A
General Motors	**Blazer EV**	33,765	N/A
General Motors	**Equinox EV**	61,002	N/A
General Motors	**Cadillac Optiq**	4,278	N/A
Stellantis	**Jeep Wagoneer**	4,762	N/A
JAC	**E Sunray / City**	1,351	215.7%
JAC	**E10X**	823	-63.7%
JAC	**EJ7**	51	-78.4%
JAC	**E30X**	360	N/A
JAC	**E SEI 4PRO**	28	-86.9%
JAC	**E X450**	10	N/A
JAC	**E X350**	7	-41.7%

Source: Directorio Automotriz, 2024

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Download the Mexico Electromobility e-book

There are more than 170 providers (Tier 1&2) of electromobility and electrification components in Mexico. They range from batteries, fuel cell systems, electric drive train, EV brake systems. There are more than 43 providers (Tier 3) of materials for the EV industry.

Mexico is indicated as an important player in the transition to electric vehicles. Mexico is the best ally to the U.S. to strengthen supply chains. Its growth potential is challenged by energy supply and regulation. EV sales in Mexico are expected to grow over coming years in the Mexican market, as Mexico pushes toward electrification goals.

Impulsed by incentives, the EV industry is still very tied to consumer trends and preferences. Undoubtedly, Mexico will be an integral player in the North American landscape for electric vehicles.

Download the Mexico Electromobility e-book

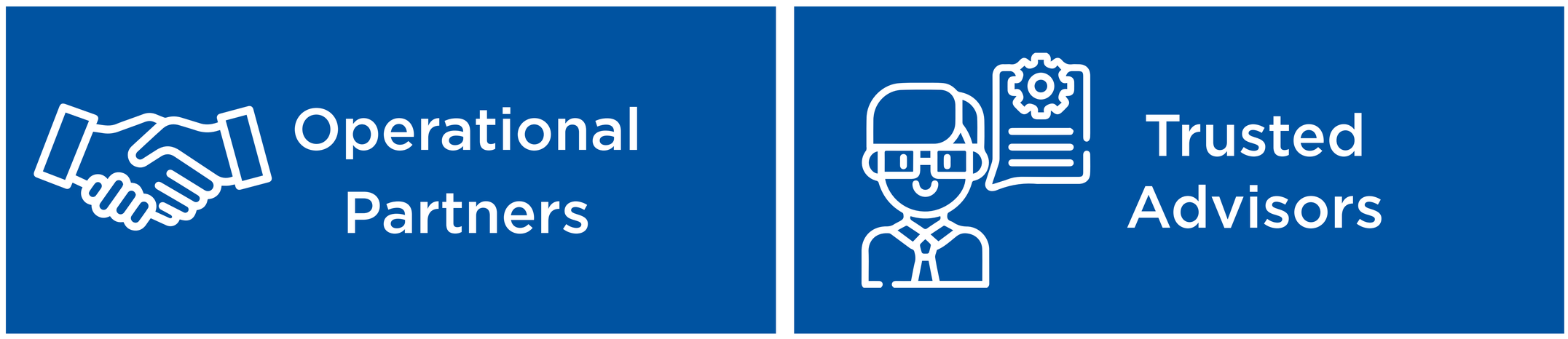
ABOUT PRODENSA

Prodensa is a leading provider of expansion solutions that drive regional integration in North America. Since 1985, we have supported foreign investors in the manufacturing industry, helping businesses establish and grow successfully in Mexico.

With over 1,000 projects launched and 300,000+ people hired, our expertise spans shelter operations, HR, supply chain, compliance, construction, real estate, logistics, trade compliance, and more. Our 900+ professionals form a global team committed to delivering strategic insights and operational excellence.

At Prodensa, our success is built on The Prodensa Way—a philosophy that combines knowledge and execution to create long-term value for our partners.

PRODENSA IS DEDICATED TO PROVIDE EXPANSION SOLUTIONS THAT DRIVE REGIONAL INTEGRATION IN NORTH AMERICA



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