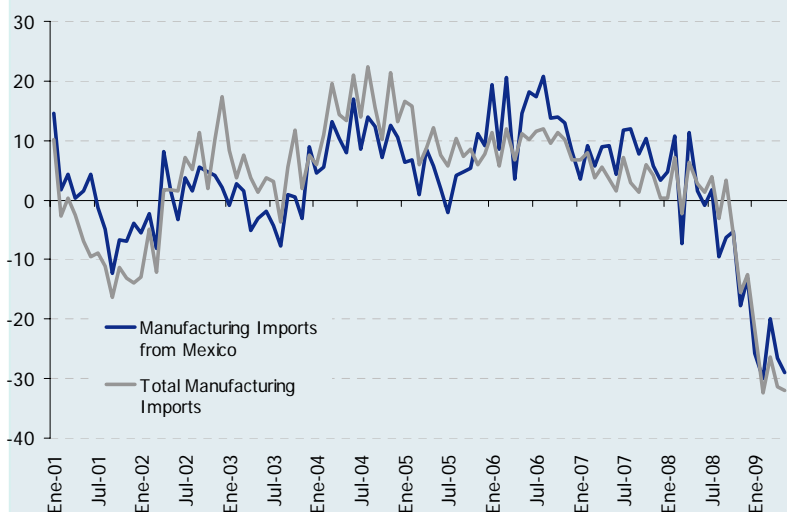




The share of Mexican manufacturing in the US improves: the exchange rate is helping

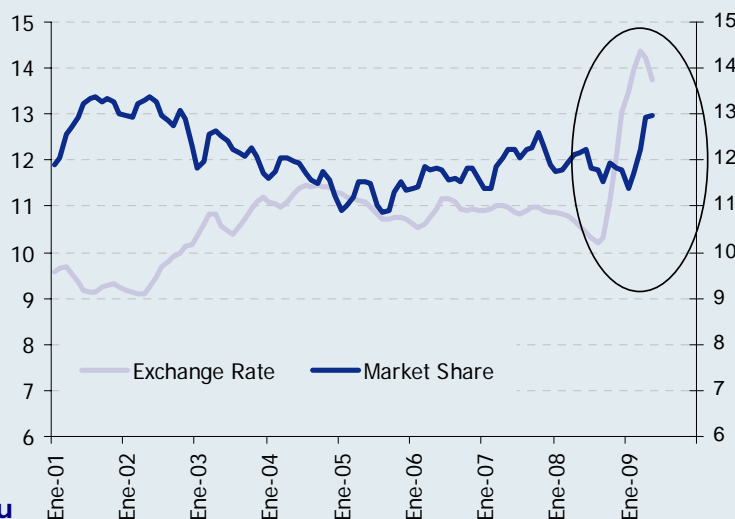
- In May, the performance of manufacturing exports from Mexico to the USA contracted by 28.9% on an annual basis; however, this is less severe than the fall in exports of manufactured goods from the rest of the world as a whole, which fell by 31.9%. This better performance by Mexican manufactured goods compared to the rest of the world has been constant throughout 2009, and is reflected in a market share of 12.8% in the month, almost one point higher than the average for 2008. The depreciation of the peso -from 10 ppd in the third quarter of 2008 to levels of over 14 ppd- has improved price competitiveness, and this is driving Mexican exports to the USA.
- By category, sales of **electrical and electronic** products –45% of Mexican manufacturing sales to the USA- fell by more than the overall figures; however, even within this category there was mixed behavior, with the fall in **audio and video** products being particularly noteworthy. However, their average annual share is 40.8%, higher than that for 2008. The **motors and generators** sector --20% of sales—was also badly affected, but has managed to keep its market share almost intact throughout the year at an average of 18.3%. The most dynamic sector, which put in a surprising performance, is **telecommunications** where not only has market share increased but there has also been growth, with the country becoming a very competitive market internationally.
- The domestic **motor vehicle industry** has also remained strong during the crisis; exports to the USA have fallen by less than total imports for the sector. In general, the downturn has not created any doubts about the competitiveness of Mexico in the motor vehicle industry; if anything this has been strengthened by its increased market share. The fall in exports has been substantial, and has been accentuated by the most seriously affected North American companies also having substantial interests in the country. When consumption recovers and conditions for the main vehicle producers improve, the motor vehicle industry will contribute positively to growth.
- **Appraisal:** against a background of Mexican production maintaining its comparative advantage in cost terms, manufacturers are winning market share in the USA with help from the exchange rate.

US: Manufacturing Imports from Mexico and the World
(y/y % change)



Source: BBVA ERD with figures from the US Census Bureau

Exchange Rate and Mexican Manufacturing Market Share in the US (%) 3 month moving average



Mexico: Manufacturing exports to the US

	As (%) of the Manufacturing Exports		Annual (%) Change		Contribution to Growth (%)		Market Share (%)	
	Ave. 2008	May-09	Ave. 2008	May-09	Ave. 2008	May-09	Ave. 2008	May-09
Manufacturing Industry	100.0	-28.9	-3.0	-28.9			12.8	11.9
Electrical and Electronic	45.0	-24.2	-3.5	-10.9	-1.4		18.0	17.4
Audio and Video Equipment	12.9	-31.9	-5.1	-4.2	-0.6		36.6	39.9
Telecommunications	8.2	6.0	12.2	0.5	0.9		17.6	14.3
Computers and its parts	4.4	-4.3	-6.1	-0.2	-0.3		8.6	6.7
Motors and Generators	19.6	-35.7	-7.3	-7.0	-1.4		18.0	18.9
Automotive Industry	21.8	-39.0	-5.2	-8.4	-1.0		21.7	16.9
Vehicles y Automobiles	15.3	-36.3	-4.8	-5.4	-0.6		22.1	15.8
Automotive Parts	6.4	-45.4	-6.6	-3.0	-0.4		24.0	23.0
Others	14.0	-22.8	-6.1	-3.1	-0.8		8.1	7.2
Clothing and Textile	1.0	-19.2	-14.4	-0.2	-0.2		7.4	6.8
Total Exports to the US		-29.3	2.4					

Source: BBVA ERD with data from Censtats: SITC System