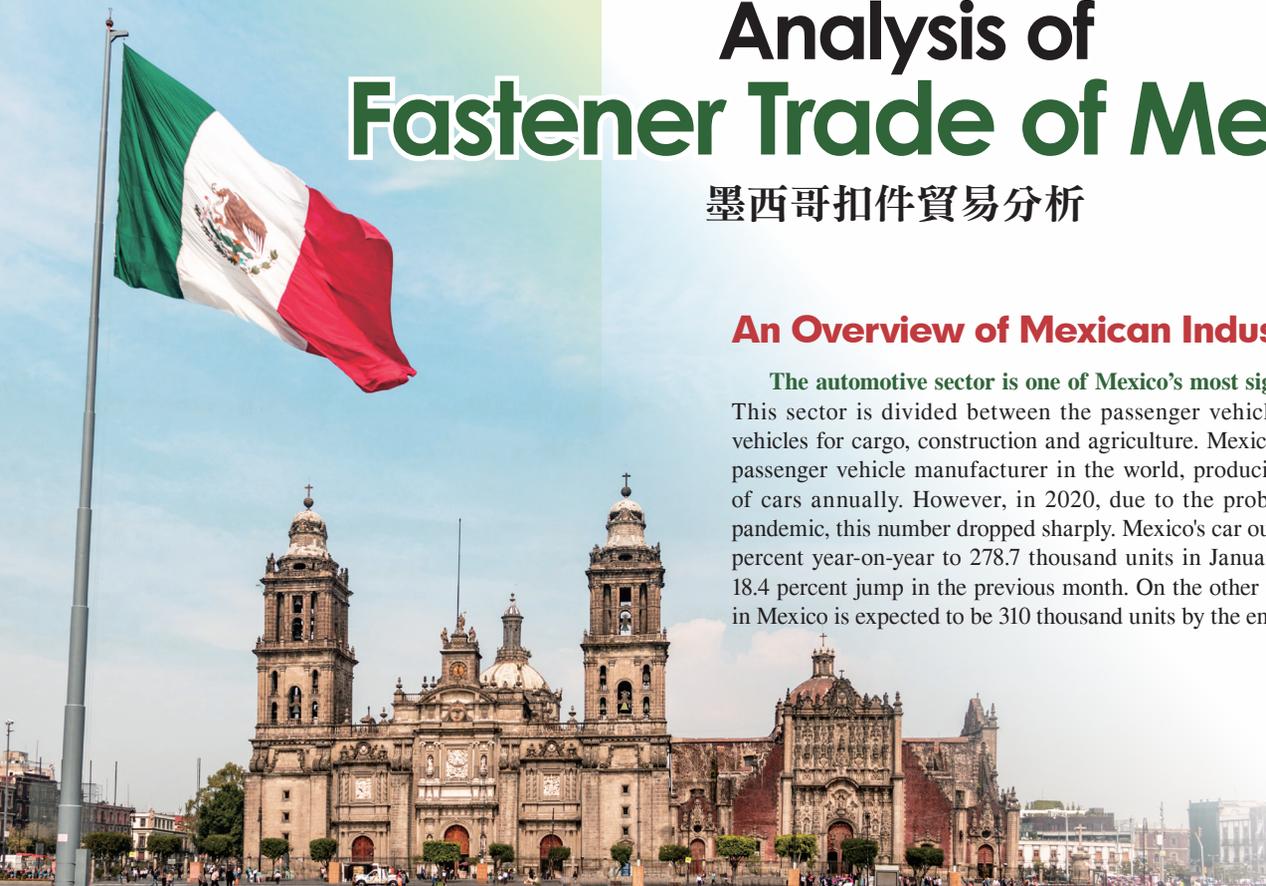


# Analysis of Fastener Trade of Mexico

## 墨西哥扣件貿易分析

### An Overview of Mexican Industry Sectors

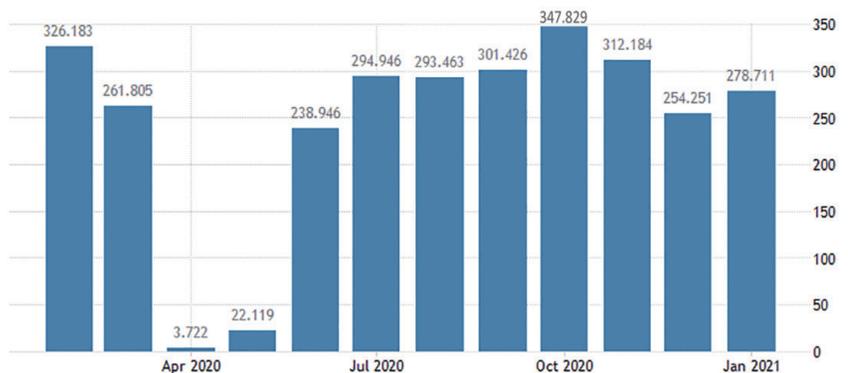
The automotive sector is one of Mexico's most significant industries. This sector is divided between the passenger vehicle sector and heavy vehicles for cargo, construction and agriculture. Mexico is the sixth largest passenger vehicle manufacturer in the world, producing 3.7 million units of cars annually. However, in 2020, due to the problems caused by the pandemic, this number dropped sharply. Mexico's car output dropped by 15.1 percent year-on-year to 278.7 thousand units in January 2021, following a 18.4 percent jump in the previous month. On the other hand, car production in Mexico is expected to be 310 thousand units by the end of Q1 2021.



Mexico is the 15th largest economy in the world. The most important trading partner for Mexico is the USA. Mexico has more than 80% of all its goods exported to the United States. The consumption of fasteners in Mexico is rigidly connected to US industrial fastener consumption. The reason for this is that most fasteners produced in Mexico are not for the Mexican market. The majority of finished industrial products assembled in Mexico (automobiles, machinery, building parts, white goods, etc.) are for export and most of the exports are for the North American market. Manufacturing in Mexico is experiencing a measured growth, driven by improving conditions in the domestic economy and an upswing in consumer spending and industrial manufacturing in the U.S., which remains a key export market for cars and automotive products, machinery and intermediate assemblies from Mexico. All those sectors require the use of fasteners; and therefore, the demand from the U.S. makes a significant contribution to Mexican fastener consumption.

Mexico is the fifth largest producer of auto parts worldwide, with the production of USD 99 billion in 2019 and USD 57 billion in 2020. It is also the largest export destination for U.S auto parts.

Monthly Car Production in Mexico from Feb 2020 to Jan 2021 (Unit: Vehicle)



SOURCE: TRADINGECONOMICS.COM INSTITUTO NACIONAL DE ESTADÍSTICA Y GEOGRAFÍA (INGI)

(in Billion USD <sup>1</sup> )	2016	2017	2018	2019	2020
Total Local Production	85	92	97	99	57
Total Exports	62.2	73.5	79.3	81	27.4
Total Imports	40	49.1	54.1	55.3	50

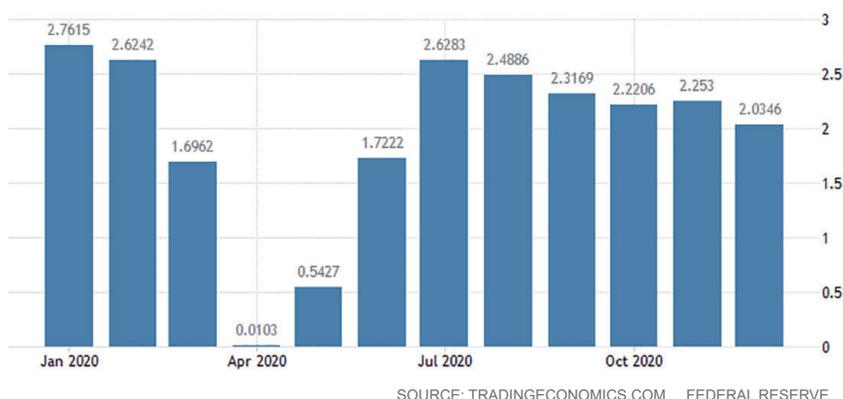
<sup>1</sup> <https://www.trade.gov/knowledge-product/mexico-e-automotive-parts-and-supplies>

Mexico's auto parts industry experienced a much tougher condition in 2020, as the U.S. auto industry was hard hit. View the right hand statistics.

Due to the pandemic, car production in the United States decreased to 2.03 million units in December 2020 compared to 2.25 million units in November 2020.

Meanwhile, Mexico is the sixth largest manufacturer of heavy-duty vehicles for cargo, and it is the world's largest tractor truck exporter, accounting for most of the heavy-duty vehicle exports to the United States. It is also the fourth largest exporter of heavy-duty vehicles for cargo and the second largest export market for U.S. heavy-duty trucks. The value of Mexico's exported heavy-duty vehicles was 13.1 billion USD in 2019 and 13.0 billion USD in 2020.

### Monthly Car Production of the U.S. in 2020



## Fastener Trade of Mexico

The importance of fasteners can be put into perspective by the fact that these tiny components play a big role in providing support and mobility to equipment and machines. HS Code 7318 is the main code of fasteners.

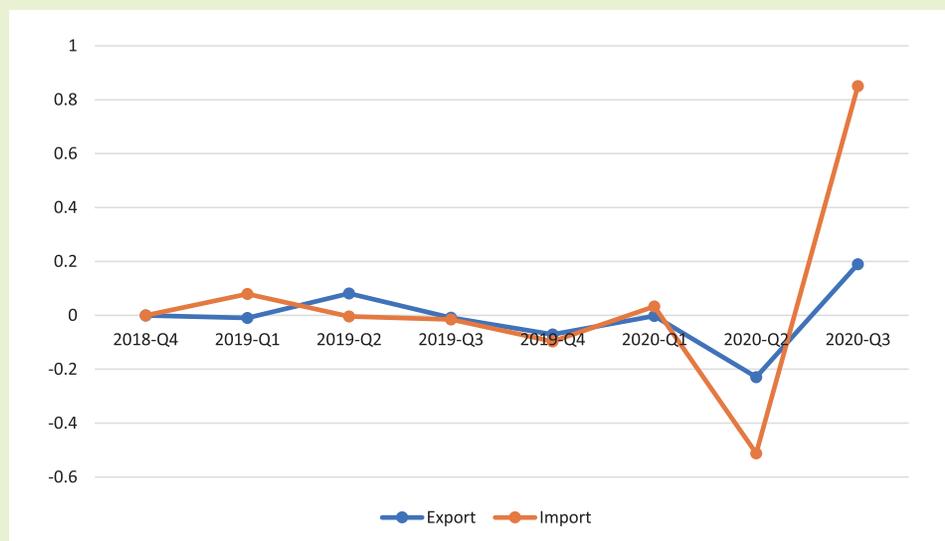
Tallying with the fact that Mexico is dealing 80% of its trade with USA, the below tables indicate the U.S. is the main trade partner for Mexico in the fastener sector.

### Mexico's Fastener Export to USA (Unit: 1,000 USD)

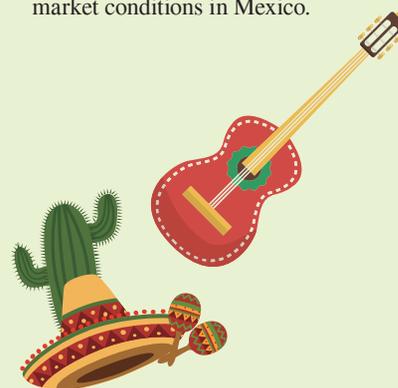
HS Code	2018-Q4	2019-Q1	2019-Q2	2019-Q3	2019-Q4	2020-Q1	2020-Q2	2020-Q3	Ave.
7318	32,189	31,877	34,468	34,149	31,714	31,665	24,418	29,066	31,193
Quarterly Change	-	-1.0%	8.1%	-0.9%	-7.1%	-0.2%	-22.9%	19.0%	-

### Mexico's Fastener Import from USA (Unit: 1,000 USD)

HS Code	2018-Q4	2019-Q1	2019-Q2	2019-Q3	2019-Q4	2020-Q1	2020-Q2	2020-Q3	Ave.
7318	366,629	395,605	394,136	388,162	350,671	362,244	176,701	327,120	345,158.5
Quarterly Change	-	7.9%	-0.4%	-1.5%	-9.7%	3.3%	-51.2%	85.1%	-



The left graph demonstrates the signs of improving fastener market conditions in Mexico.



## Future of Mexico's Fastener Trade

Due to the amount of fastener consumption in the car industry, the fluctuations of this market are mostly interconnected to the fluctuations of the car market. According to Trading Economics' report, in the long-term, **the average monthly car production of Mexico is projected to reach around 360 thousand units in 2022 and 370 thousand units in 2023**. Trading Economics also reports in the long-term, **the average monthly car production of the U.S. is projected to reach around 2.50 million units in 2022 and 2.80 million units in 2023**.

Furthermore, the following table illustrates variations of the trade values of two main automotive fastener categories.

Unit: 1,000 USD

Mexico's Fastener Export to USA								
	2018-Q4	2019-Q1	2019-Q2	2019-Q3	2019-Q4	2020-Q1	2020-Q2	2020-Q3
HS code 731815	18,762	19,136	20,154	20,085	18,069	18,346	14,147	18,159
Quarterly Change	-	1.99%	5.32%	(0.34%)	(10.04%)	1.53%	(22.89%)	28.36%
HS code 731816	7,040	6,987	8,460	8,447	7,717	8,878	6,919	5,793
Quarterly Change	-	(0.75%)	21.08%	(0.15%)	(8.64%)	15.04%	(22.07%)	(16.27%)

Mexico's Fastener Import from USA								
	2018-Q4	2019-Q1	2019-Q2	2019-Q3	2019-Q4	2020-Q1	2020-Q2	2020-Q3
HS code 731815	194,350	208,105	199,756	201,152	193,118	186,510	87,827	169,510
Quarterly Change	-	7.08%	(4.01%)	0.70%	(3.99%)	(3.42%)	(52.91%)	93.00%
HS code 731816	61,939	65,176	67,798	66,940	58,196	61,185	31,235	60,809
Quarterly Change	-	5.23%	4.02%	(1.27%)	(13.06%)	5.14%	(48.95%)	94.68%

Meanwhile, in the third quarter of 2020, the import of fasteners from the United States was on the rise, but the export was on the decline, which is in line with the projection of an increase in the Mexican car market and a decreasing demand in the U.S. market.

## Summary

Given all the above-mentioned assumptions, a moderate growth of the fastener market is expected in Mexico for the reason that Mexico's industrial fastener consumption has two crucial characteristics.

Firstly, industrial fasteners used in Mexico, regardless of where they're sourced, have a good chance of finding their way into the American Market. 83% of Mexico's manufacturing output is produced for export to North America (80% to the U.S. and 3% to Canada). Every major auto manufacturer has made a significant investment in Mexico. Business relationships in Mexico can serve to create a presence in the growing American market and can also be a platform to reach additional US-based opportunities. Additionally, Mexico remains one of the most strategic markets with opportunities to reach North America.

The second one refers to the strong cultural attitude in Mexico that promotes sourcing fasteners from local suppliers. They supply the shortage of domestic production from abroad. Consequently, the largest U.S. manufacturers have local Mexican facilities, but as demand grows, Mexican owned companies and facilities continue to be added. ▣

