

Driving Toward a Sustainable Future



DIÁLOGO

CON LA INDUSTRIA
AUTOMOTRIZ^{MR}

• 2024 •



Asociación Mexicana de
Distribuidores de Automotores A.C.



ASOCIACIÓN MEXICANA DE
LA INDUSTRIA AUTOMOTRIZ A.C.



Asociación Nacional de Productores de Automotores,
Camiones y Tractores A.C.



Asociación Mexicana de
Exportadores de Automotores A.C.

Dialogue with the Automotive Industry 2024

Contents:



I. The Automotive Industry: A Driver of Social and Economic Development in Mexico



II. North America: A Strategic Region with Global Leadership Status



III. Mobility in Mexico - The Path to Decarbonization

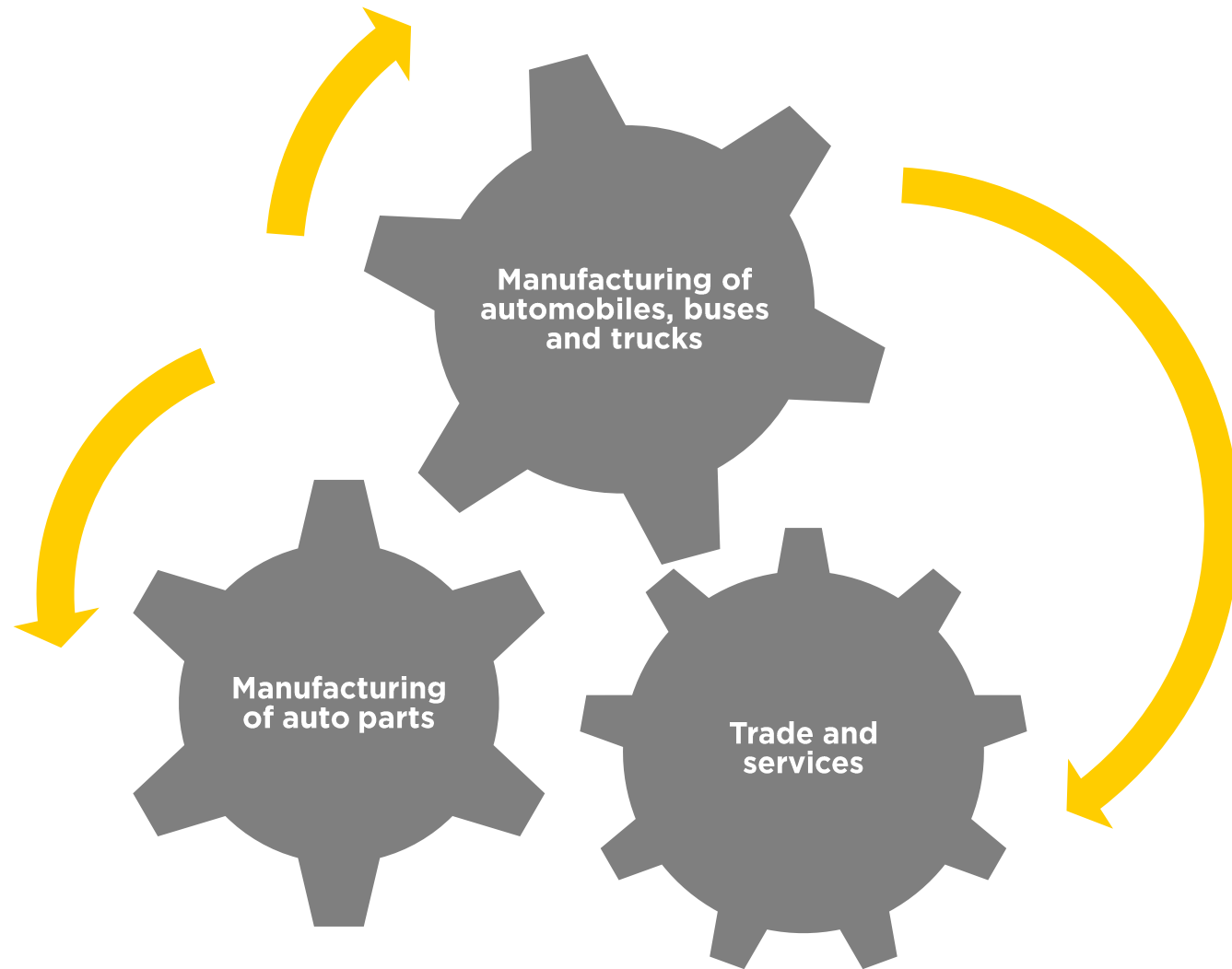


IV. Strategies and Priorities to Keep Global Leadership



V. Building Together: Ongoing Dialogue and Coordination

Structure of the Automotive Sector



The Automotive Sector, ready to continue growing for Mexico

- Our four associations represent companies that have historically believed and invested in Mexico.

The automotive sector is a pillar of economic and social development in Mexico

Mexico is a key global player in the automotive sector

Only dialogue and effective collaboration can secure a better future for us all

Time waits for no one and historic opportunities like this do not often come around

It is crucial we begin working with the incoming government administration

The automotive sector believes and invests in Mexico

Let's work together to create a more prosperous, more equitable Mexico

Global Leadership and Contribution to the National Economy

1st
*Generator of
foreign
currency
revenues*

1st
*Global exporter
of
tractor trailers*

1st
*Supplier of vehicles
and auto parts
to the
United States*

4th
*Global exporter
of
heavy - duty
vehicles*

4th
*Global
producer
of auto parts*

5th
*Producer of
heavy - duty
freight vehicles*

6th
*Producer of
heavy - duty
passenger
vehicles*

6th
*Global exporter
of light vehicles*

7th
*Global producer
of light vehicles*

12th
*Worldwide
in terms of
domestic market
size*

2.1
*million
jobs*

I. The Automotive Industry: Driver of Social and Economic Development in Mexico



Production

Exports

Gross domestic product

Trade balance

Employment

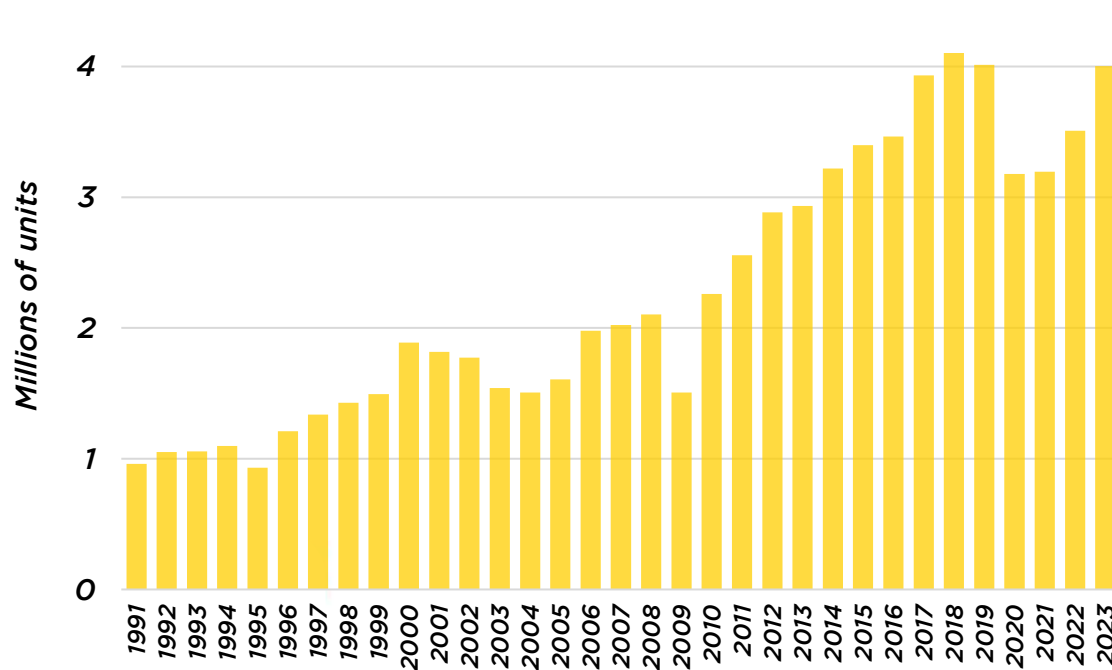
Foreign direct investment

Domestic market

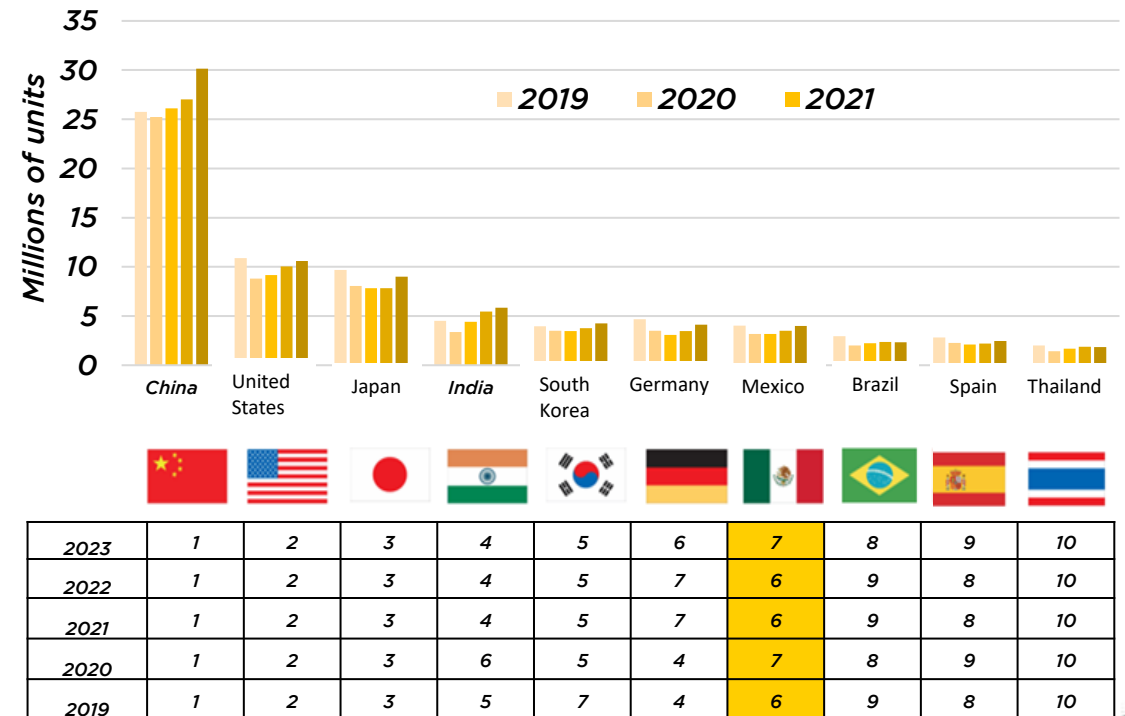
The Automotive Industry in Mexico: A Dynamic, Competitive Global Player in the Production of Light and Heavy - Duty Vehicles

- 7th global producer of automotive vehicles and 1st in Latin America in 2023.
- Mexico produced 4 million automotive vehicles in 2023, which translates into growth of 14.0% compared to 2022.
- Of every 100 vehicles produced worldwide in 2023, 4.3 were assembled in Mexico.

Production of Vehicles in Mexico



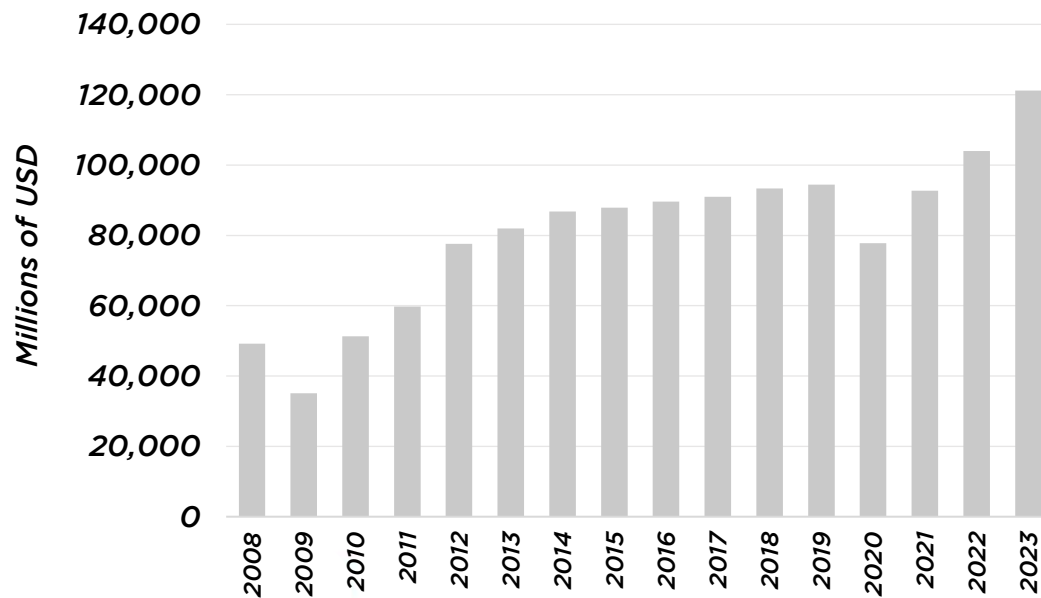
Global Vehicle Production



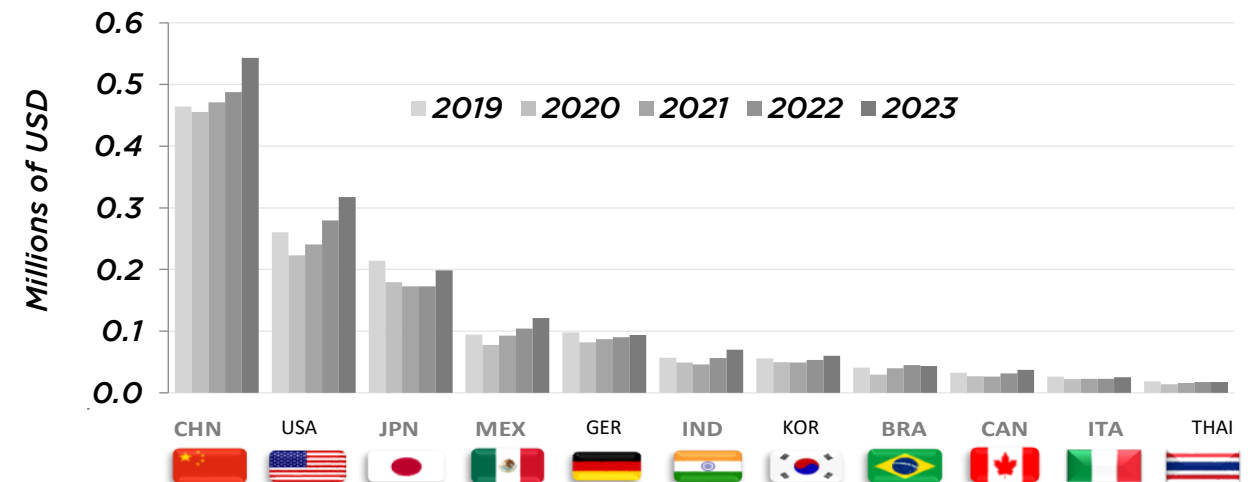
Global Positioning of the Mexican Auto Parts Industry

- 4th global producer of auto parts and 1st in Latin America in 2023.
- 87.1% of total production is destined to the export market.
- Mexico accounted for 42.5% of total auto part imports by the United States in 2023.

Production of Auto Parts in Mexico

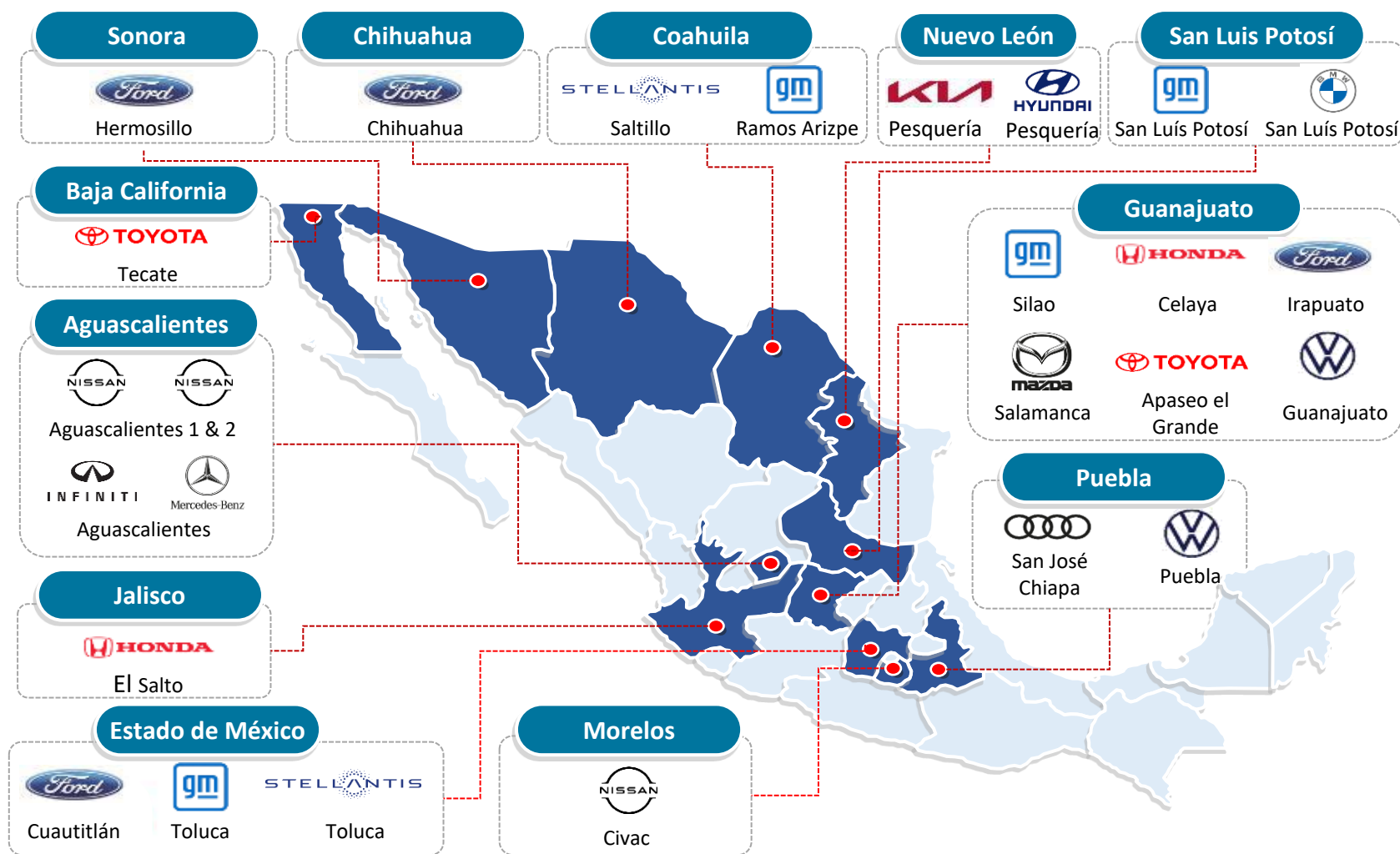


Global Production of Auto Parts



2023	1	2	3	4	5	6	7	8	9	10	11
2022	1	2	3	4	5	6	7	8	9	10	11
2021	1	2	3	4	5	7	6	8	9	10	11
2020	1	2	3	5	4	7	6	8	9	10	11
2019	1	2	3	5	4	6	7	8	9	10	11

Light Vehicle, Engine and Transmission Manufacturing Plants, 2023



37
plants

20 vehicle plants
10 engine plants
7 transmission plants

13
brands

12
states

Note: The map illustrates only plants owned by brands affiliated to AMIA. The Infiniti-Mercedes Benz plant in Aguascalientes is a joint venture (COMPAS)
Source: AMIA based on company information

Heavy - Duty Vehicle and Engine Manufacturing Plants, 2023



15
*associated
brands:
14 assembly
plants and 1
engine plant*

*Presence in
10 states*

12
*manufacturing
plants*

Auto Part Production by State, 2023

(millions of USD)

North Mexico \$52,302 = 43.2%

Coahuila	\$ 18,452
Nuevo León	\$ 14,800
Chihuahua	\$ 10,648
Tamaulipas	\$ 5,094
Sonora	\$ 3,307

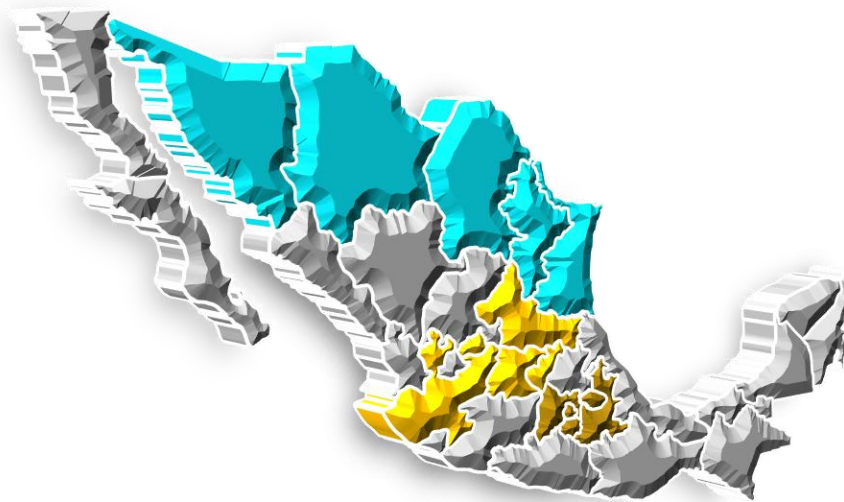
State	Ranking
Coahuila	\$ 18,452
Guanajuato	\$ 15,918
Nuevo León	\$ 14,800
Chihuahua	\$ 10,648
Querétaro	\$ 9,551

Bajío \$ 42,794 = 35.3%

Guanajuato	\$ 15,918
Querétaro	\$ 9,551
San Luis Potosí	\$ 8,245
Aguascalientes	\$ 5,350
Jalisco	\$ 3,730

Central Mexico \$ 19,491 = 16.1%

Puebla	\$ 8,046
Edo. México	\$ 7,821
Morelos	\$ 1,717
Tlaxcala	\$ 993
Mexico City	\$ 913



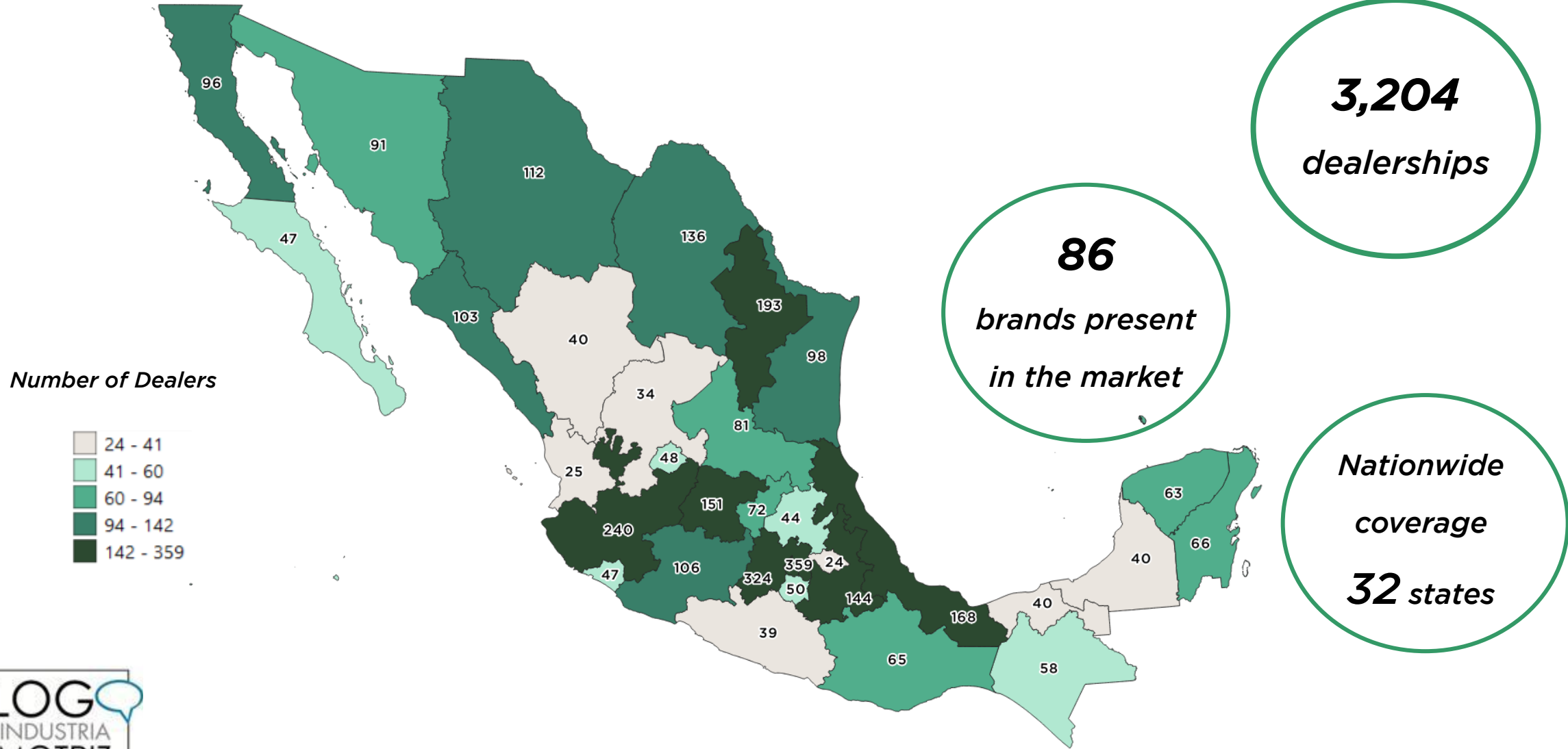
\$121.16
billion USD

1st
supplier of
auto parts to the
United States

+20
states

+2,000
plants

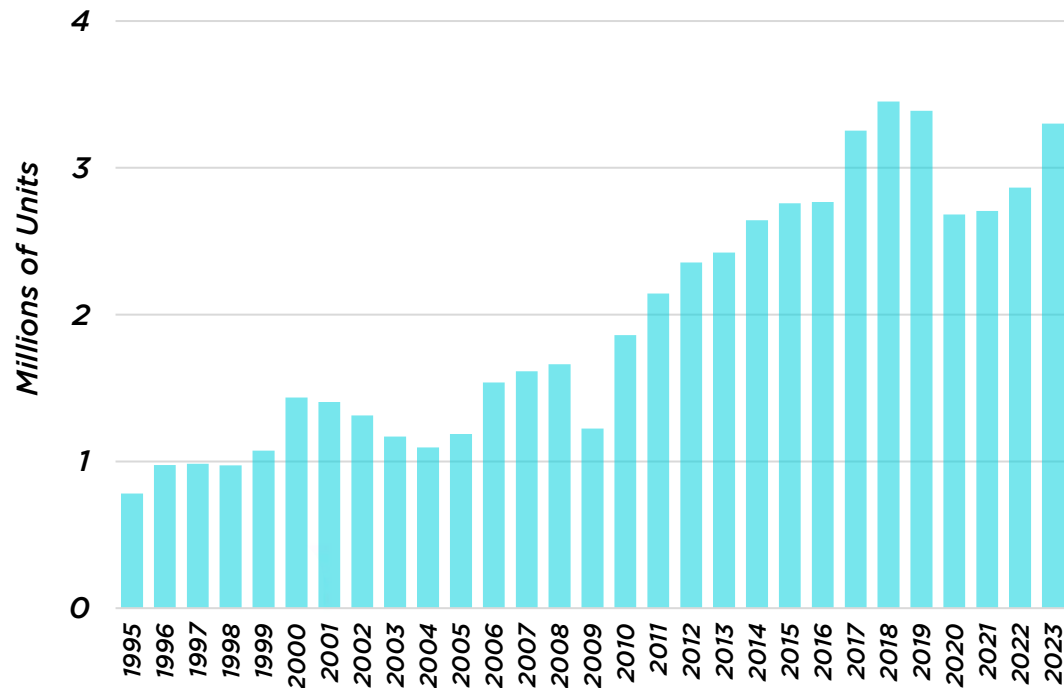
New Vehicle Dealerships, 2023



Mexico has Positioned Itself Among the World's Leading Exporters of Light Vehicles

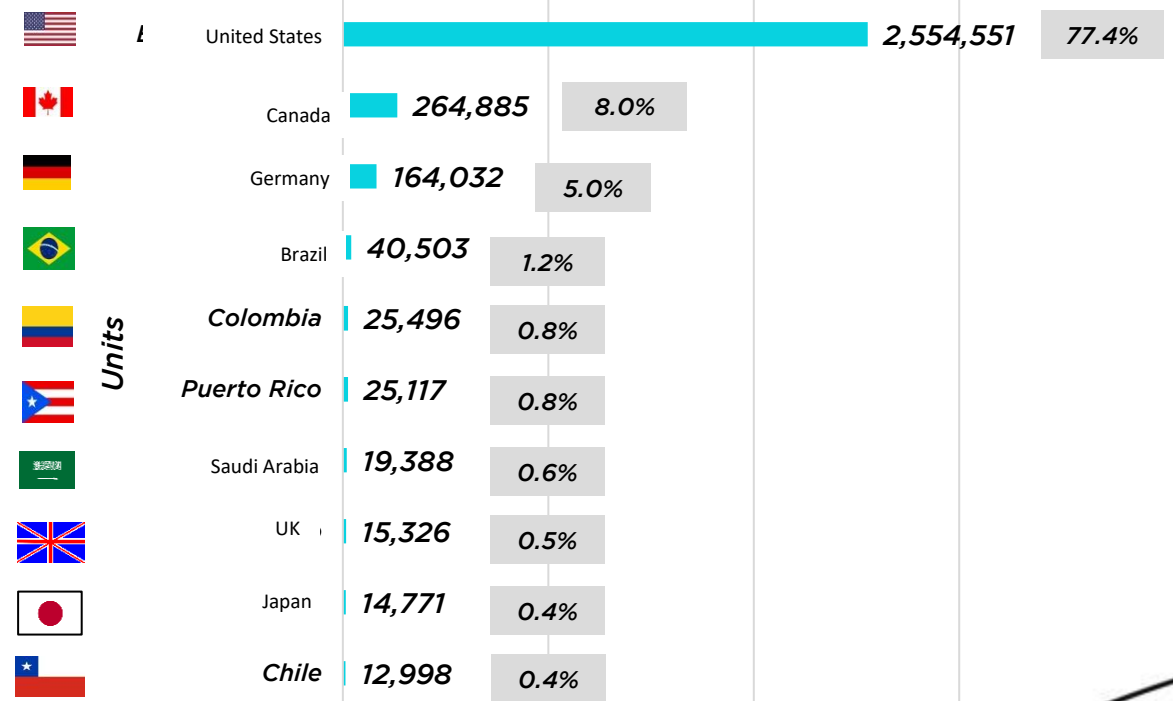
- 6th global exporter of light vehicles and 1st in Latin America in 2023.
- Mexico exported 3.3 million light vehicles in 2023, which translates into growth of 15.2% compared to 2022.
- Of every 100 light vehicles manufactured in Mexico in 2023, 87 were exported to 130 countries.

Mexican Exports of Light Vehicles



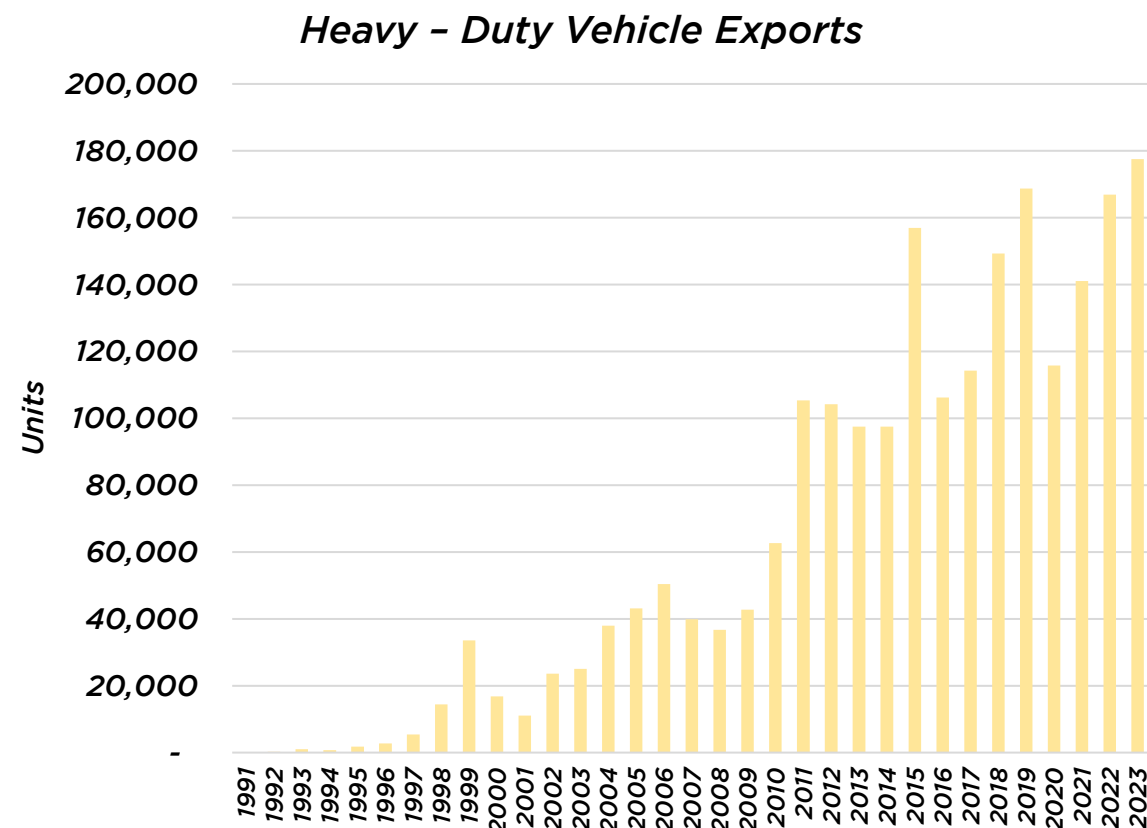
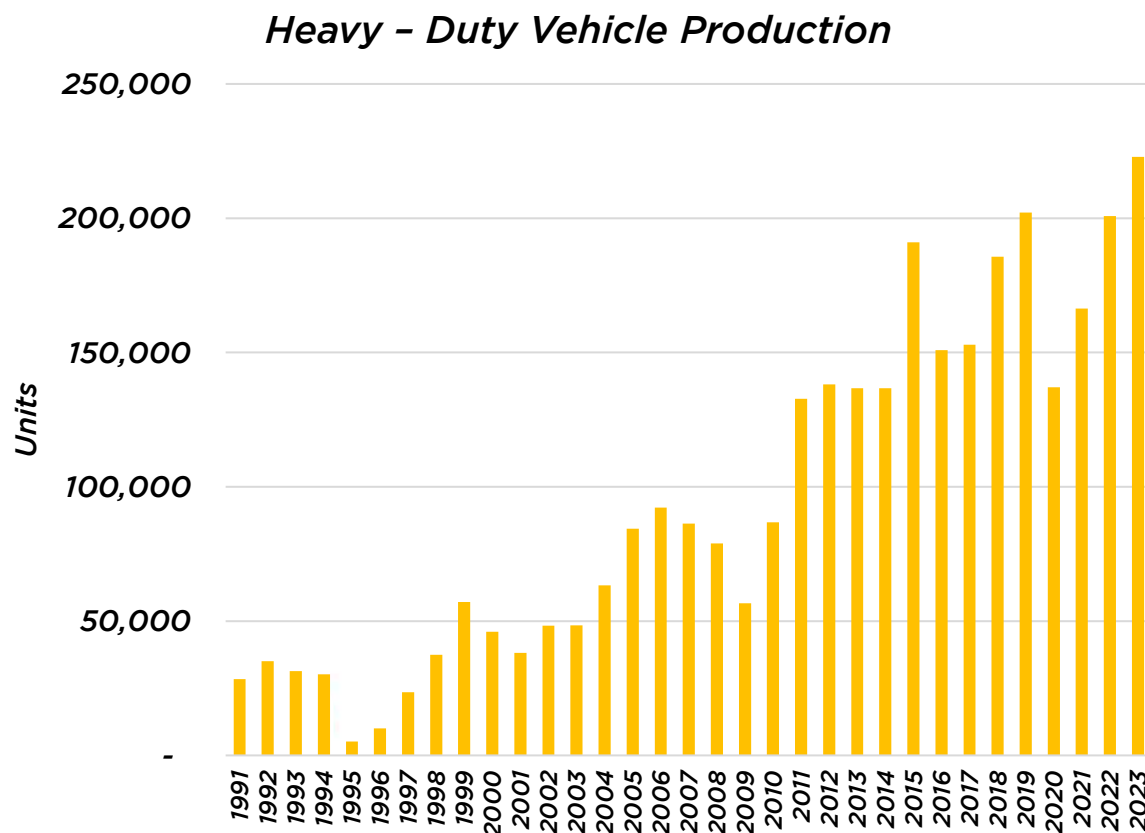
Source: INEGI

Main Export Destination of Mexico Light - vehicles in 2023



Mexico: Ranked World's 4th Exporter and 5th Producer of Heavy - Duty Vehicles

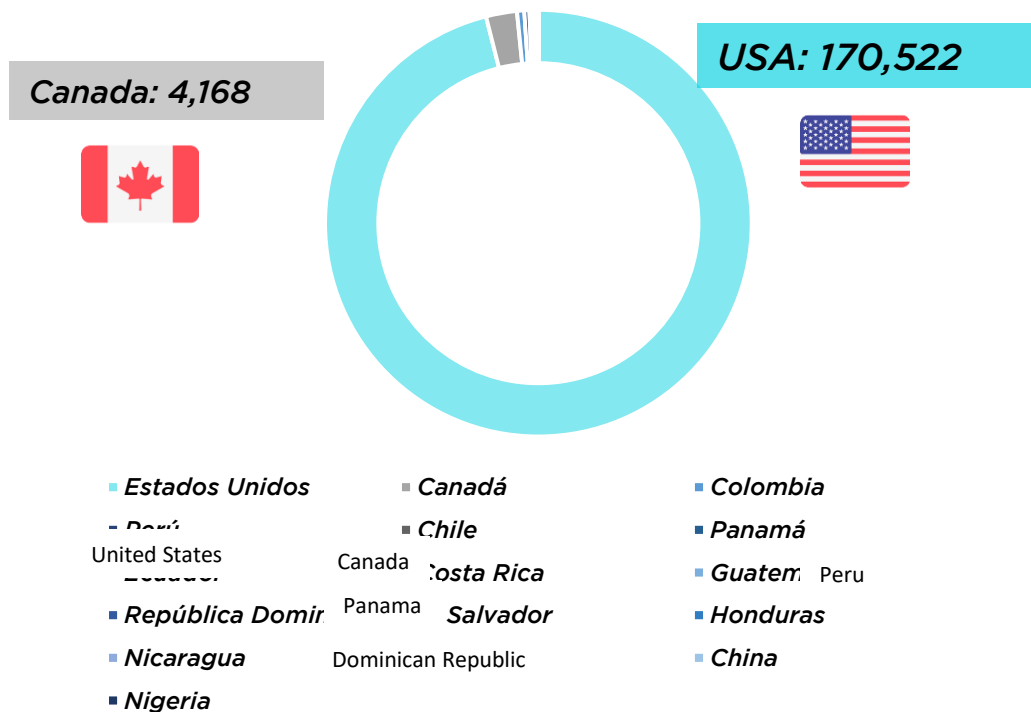
- Mexico is a world leader in the production and export of heavy- duty vehicles. Of the 222,813 units produced in 2023, 177,541 (79.7% of total production) were destined to the export market.
- Of every 100 heavy- duty vehicles produced in Mexico in 2023, 80 were exported to 16 countries.



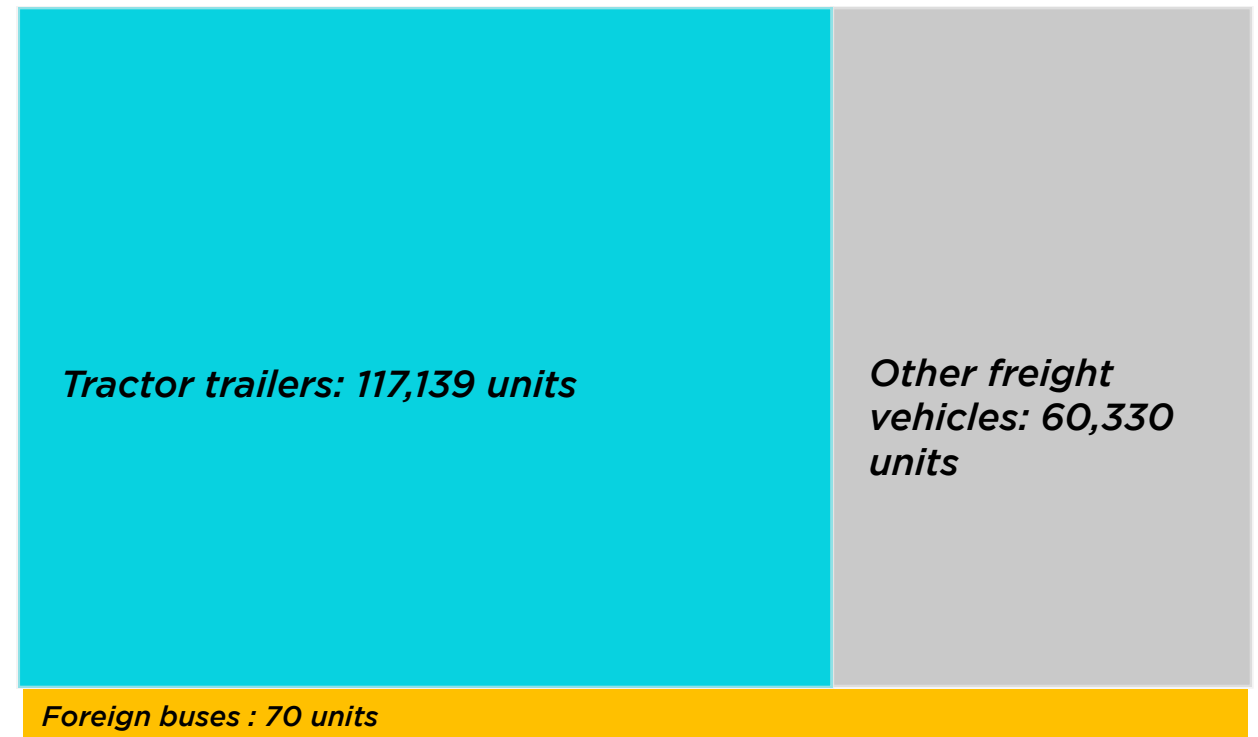
Mexico: World's 4th Exporter and 5th Producer of Heavy-Duty Vehicles in 2023

- Mexico exported heavy - duty vehicles to 16 countries in 2023, primarily the United States and Canada.
- 66% of heavy - duty vehicle exports were tractor trailers and the remaining 34% were freight vehicles in classes 4 to 8.

Heavy - Duty Vehicle Exports by Receptor Country
(units)



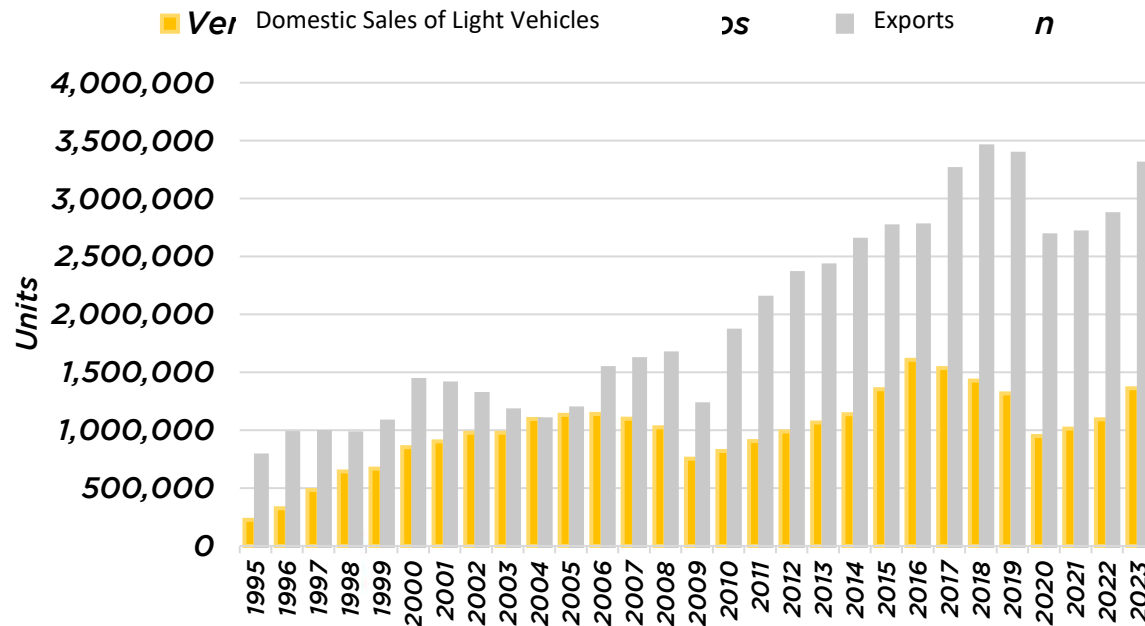
Heavy - Duty Vehicle Exports by Class
(units)



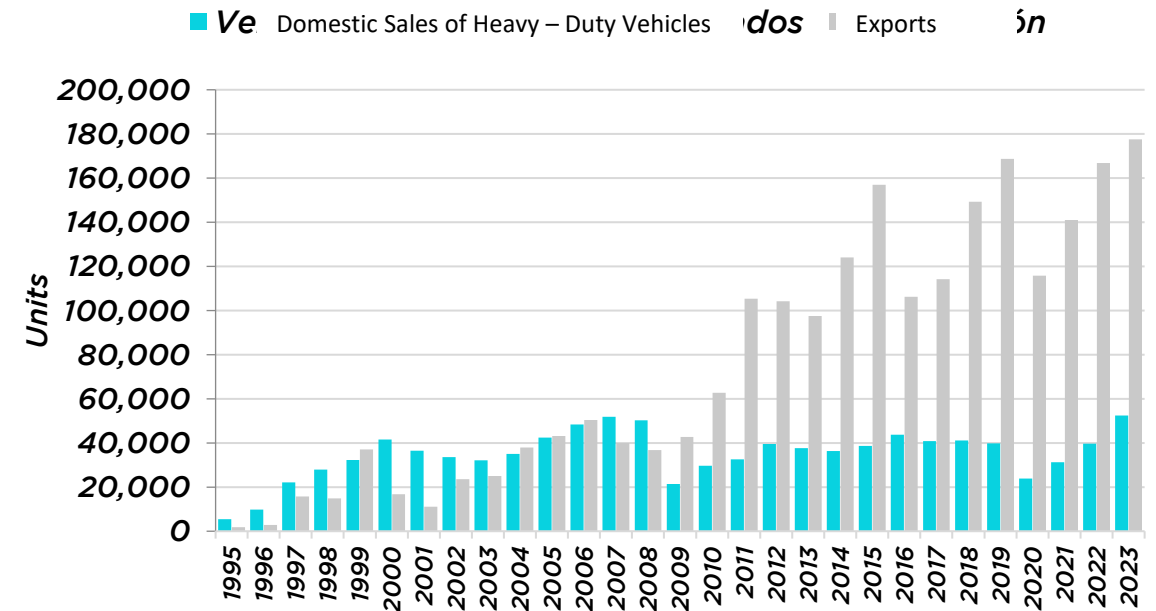
The Export Model: A Success Case that Needs to be Accompanied by the Strengthening of the Domestic Market

- Mexico has become a major vehicle export platform.
- New vehicle sales largely depend on external markets.

Evolution of the Light Vehicle Market



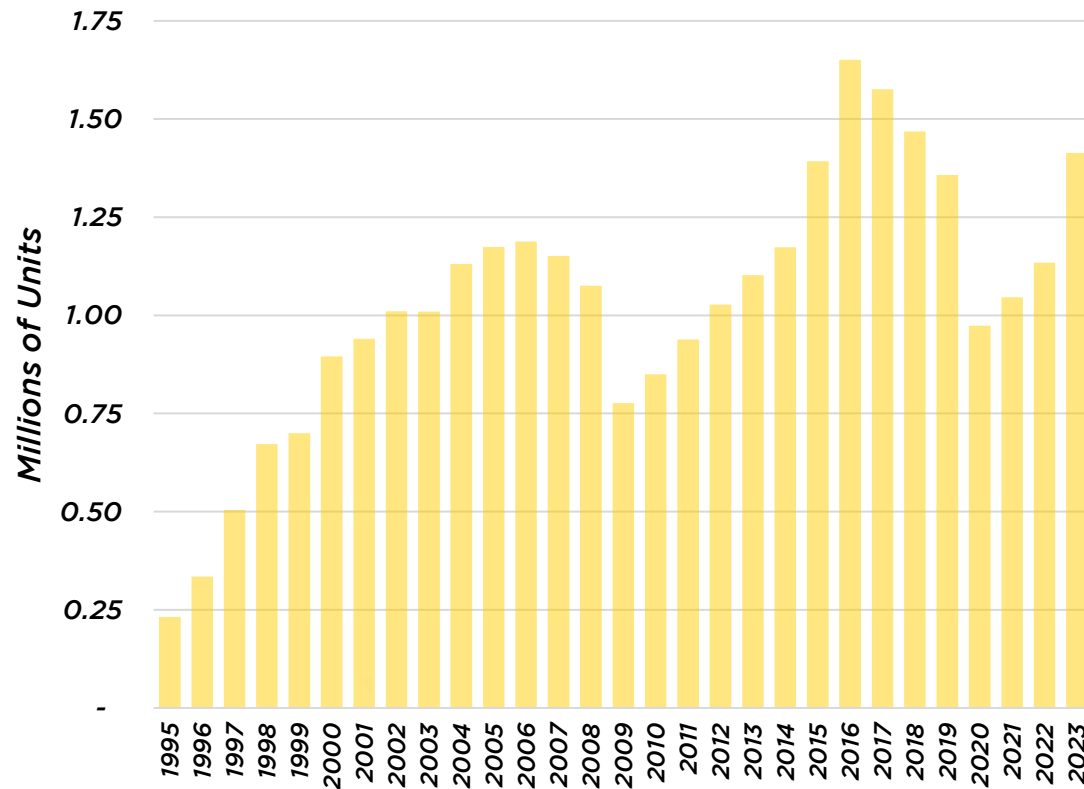
Evolution of the Heavy - Duty Vehicle Market



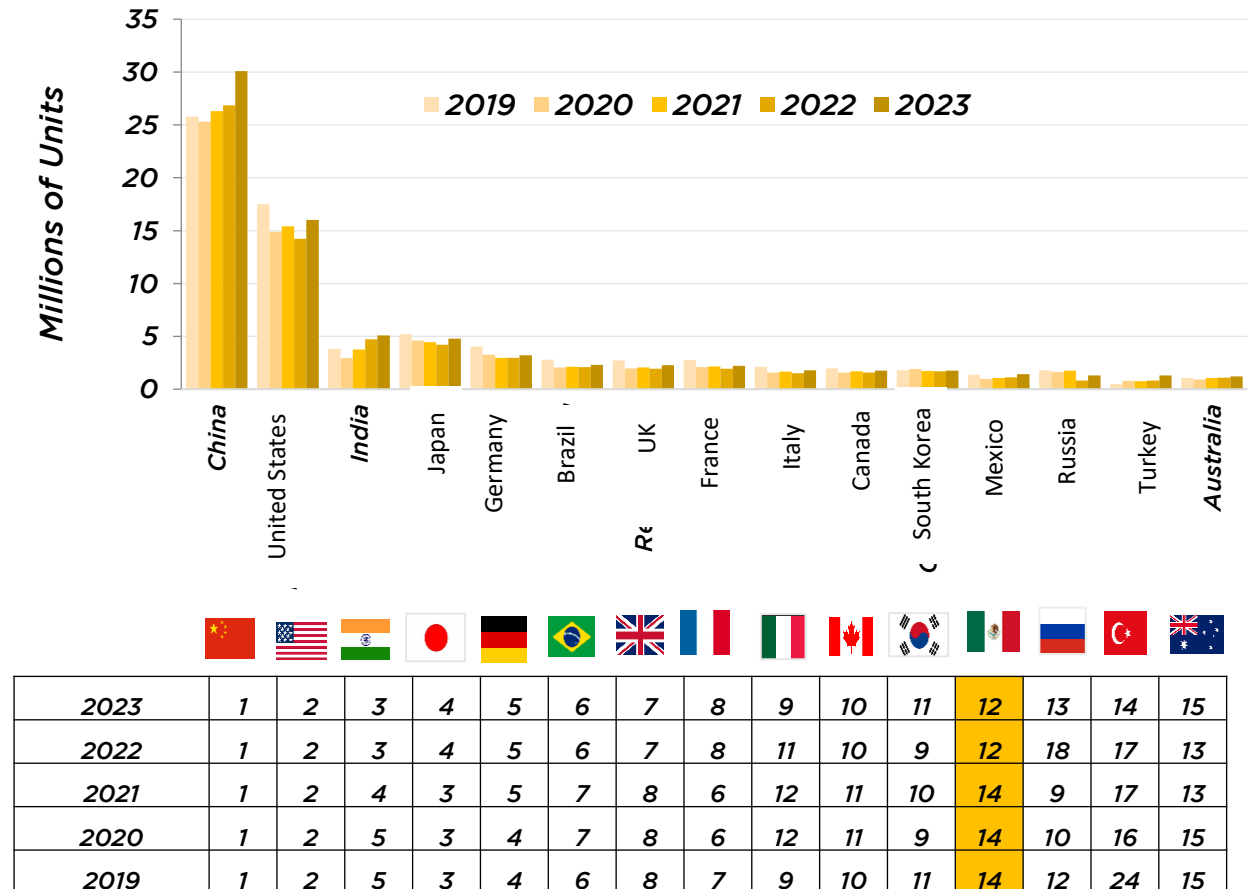
Domestic Vehicle Sales: Mexico's Global Ranking

- In 2023, Mexico held on to its global ranking as **12th** in terms of domestic vehicle sales, with a 1.8% share of total sales.

Domestic Vehicle Sales

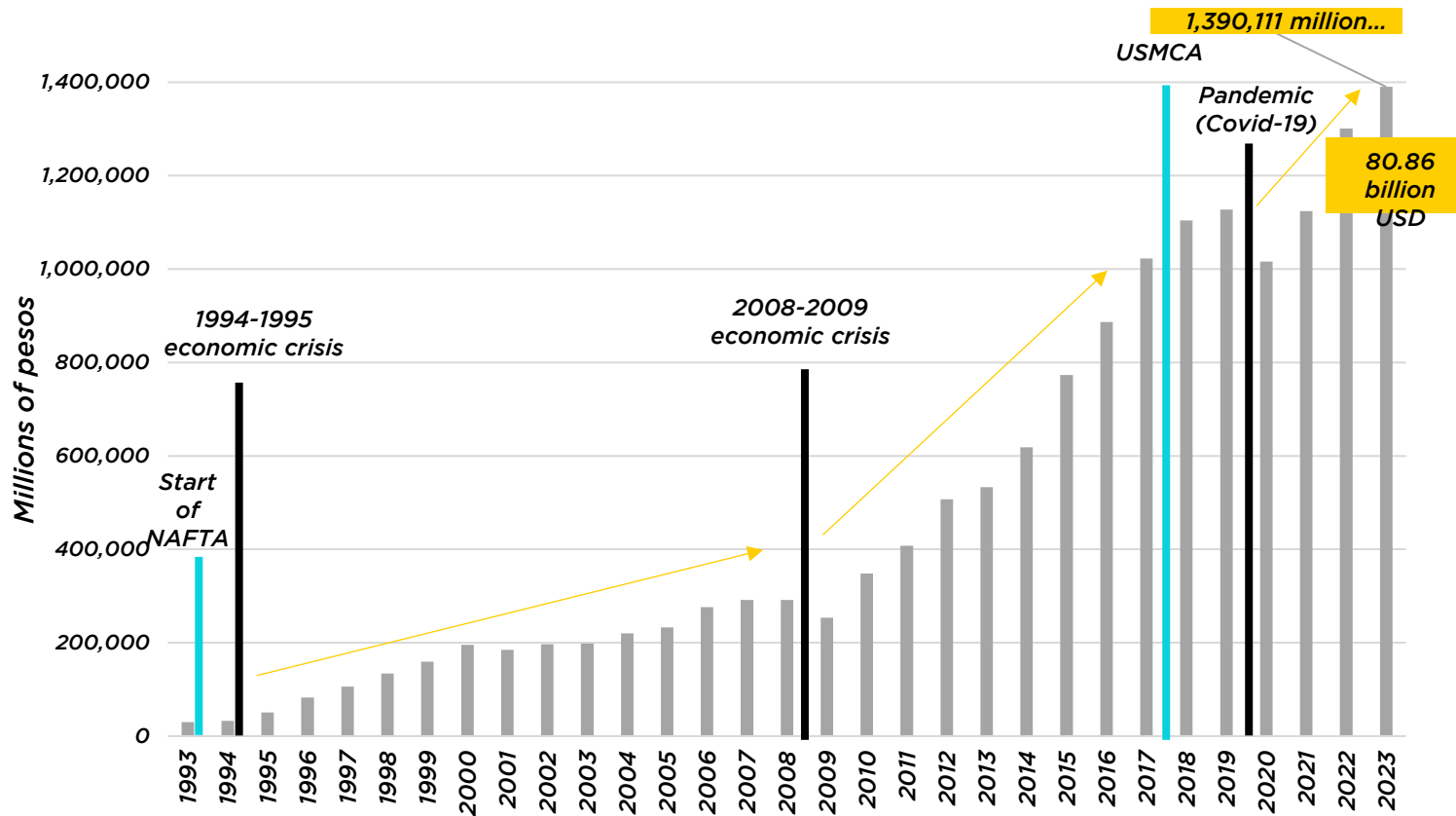


Global Sales Ranking



Evolution of the Automotive Industry's Contribution to Gross Domestic Product

- In the 1993-2023 period, the GDP of the automotive industry grew more than twice that of manufacturing GDP and national GDP.
- The automotive industry accounts for 4.7% of national GDP and 21.7% of manufacturing GDP.
- Mexico has already surpassed pre-pandemic figures.



Automotive Industry vs. Other Sectors

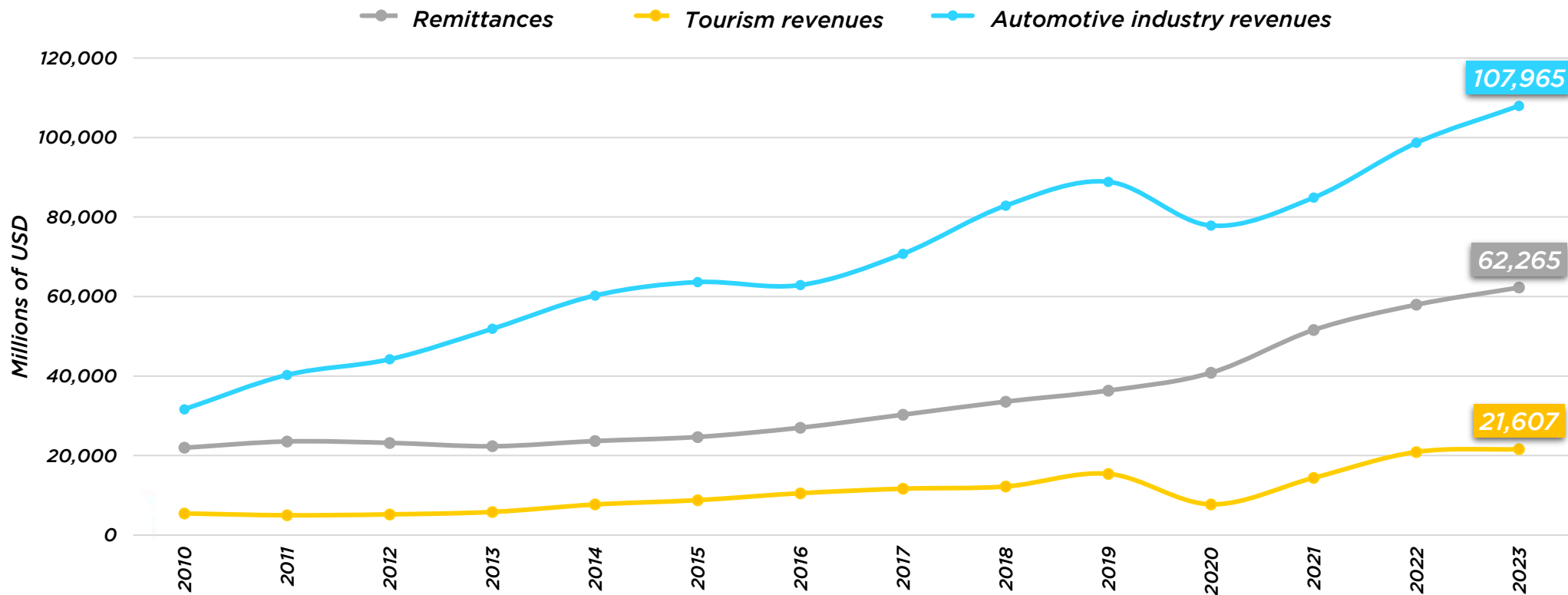
Share of National GDP, 2023

Industry/Sector	Share
Automotive	4.7%
Food	4.5%
Agriculture, breeding and farming of animals, forestry, fishing and hunting	4.2%
Mining	2.9%
Chemical industry	1.4%
Beverages and tobacco	1.2%
Basic metals	1.2%
Plastics and rubber	0.7%
Manufacture of oil- and coal-derived products	0.5%

Source: INEGI (line items 3361,3362,3363). Note: Contribution to GDP was calculated using information for each year in current prices, excluding taxes

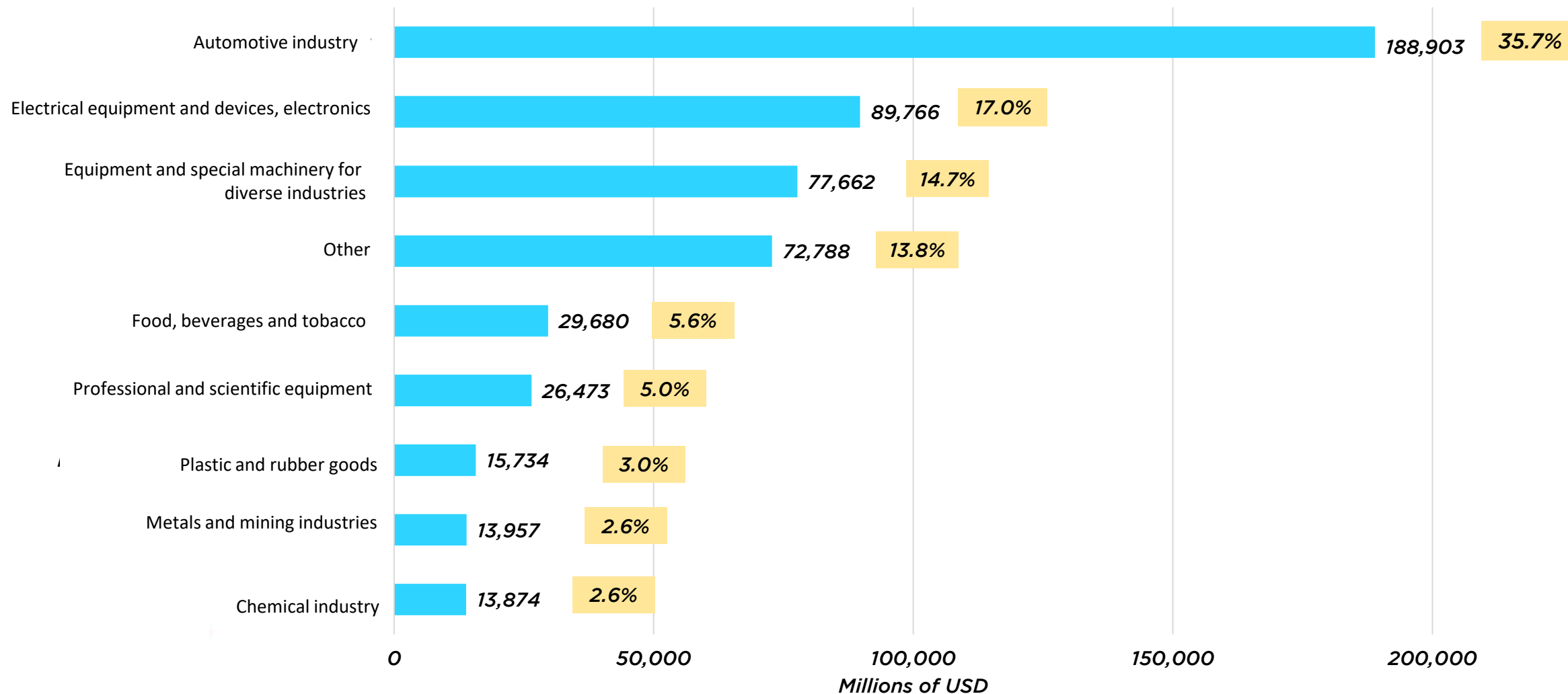
The Automotive Industry: Mexico's Main Source of Foreign Currency Revenues

- The country's main source of foreign-currency revenues, surpassing remittances and tourism combined.
- This fact underscores the importance of the automotive industry to the country's economy.



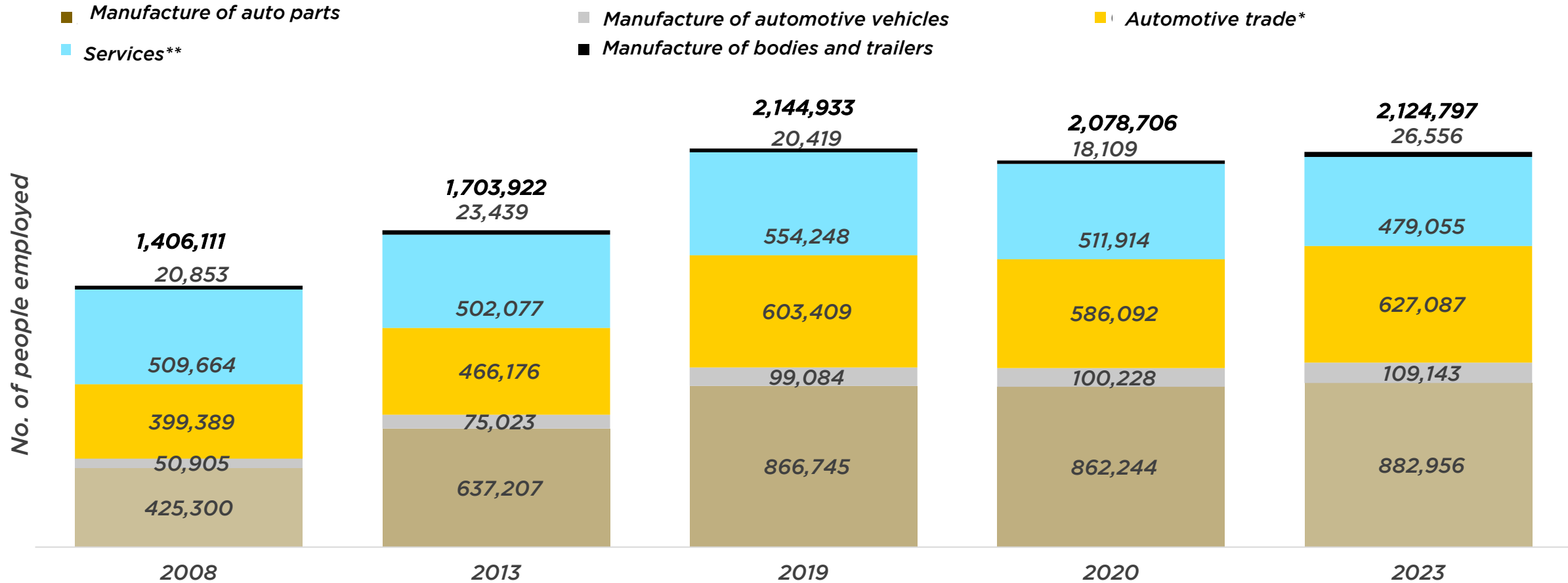
Economic Impact and Share in Manufacturing Exports, 2023

- The automotive industry accounts for 35.7% of exports of manufactured goods.



The Automotive Sector: A Major Employer

- In 2023, the automotive industry contributed to the wellbeing of Mexican families by creating 2.1 million jobs.

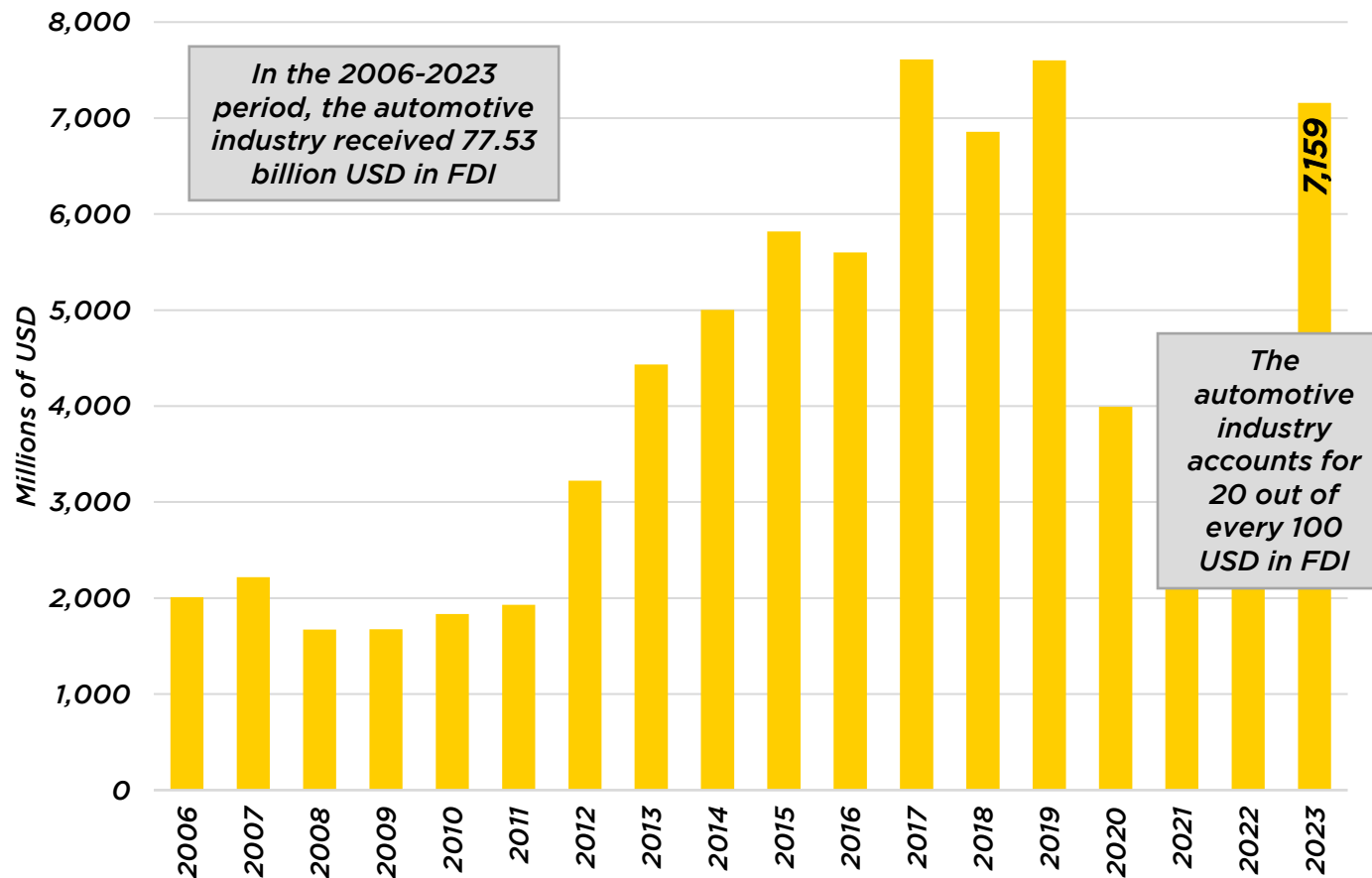


Source: INEGI (EMIM 2020, EAC 2019, EMEC 2020, CE 2004-2019 and INA classifications in the case of auto parts

* Automotive trade includes the SCIAN 436 subsector and classes of activity in retail trade subsector 468. ** Services include automobile and truck repair and maintenance, lease of automobiles and trucks and vehicle financing companies. (SCIAN activity class 522440 and sub-line items 53211 and 53212)

Foreign Direct Investment

- The automotive industry is one of the main receptors of foreign direct investment (FDI) in Mexico.



Automotive Industry vs. Other Sectors

Share in FDI, 2023	
Industry/Sector	Share
Automotive industry	19.9%
Financial services and insurance	19.9%
Mining	9.7%
Beverages and tobacco	7.2%
Basic metals	6.3%
Manufacture of computer, communications, measuring and other equipment	4.4%
Chemical industry	4.0%
Manufacture of accessories, electrical devices and electricity generating equipment	2.3%
Food	1.6%
Plastics and rubber	1.3%

II. North America: A Strategic Region with Global Leadership Status



The automotive industry as a pillar of the North American economy

Mexico, a driver of growth in North America

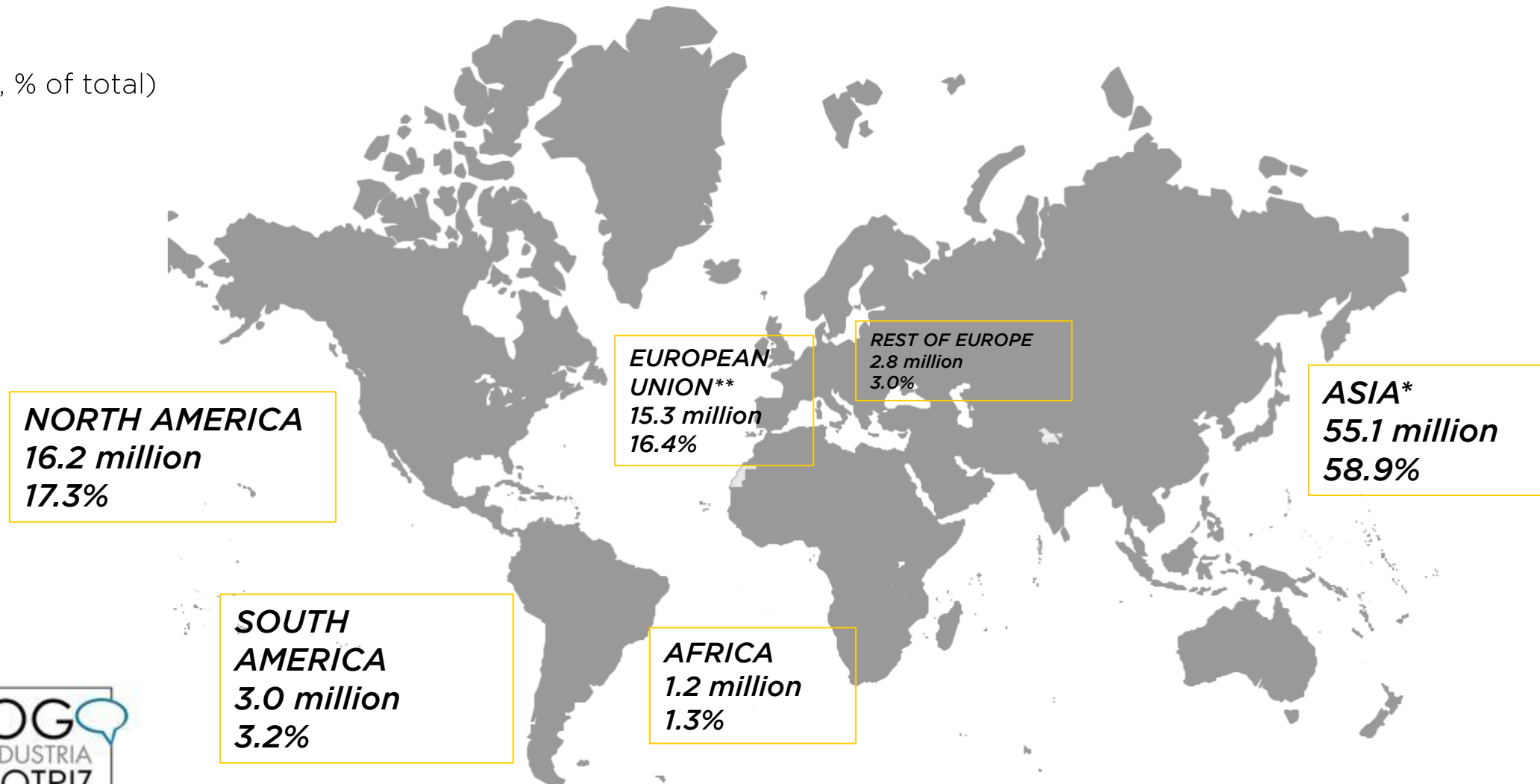
Economic integration and trade in North America: USMCA

National and international competitiveness

Global Vehicle Production, 2023

- North America is a leading vehicle-producing region, ranked 2nd worldwide.

(units, % of total)



North America: Vehicle Production, 2023



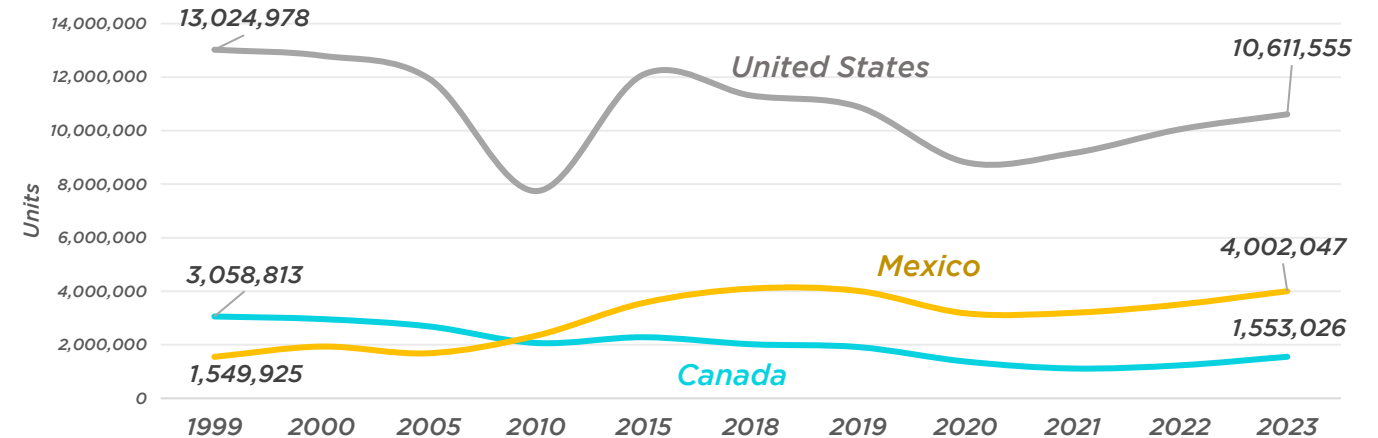
- North America produced 16.2 million vehicles in 2023.
- Of these, 65.6% were manufactured in the United States, 24.8% in Mexico and 9.6% in Canada.
- Average annual growth rate in the 1999-2023 period:

United States → -2.8%

Mexico → 4.0%

Canada → -0.9%

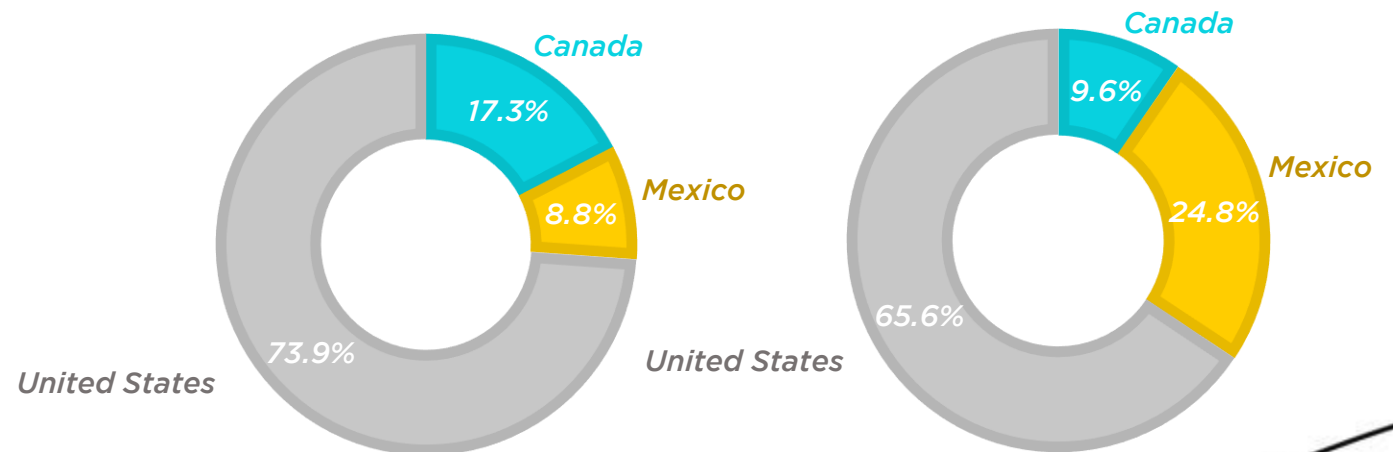
North America: Vehicle Production



Vehicle Production in North America: Share per Country

1999

2023



“Made in North America”: The Strength of the Industry

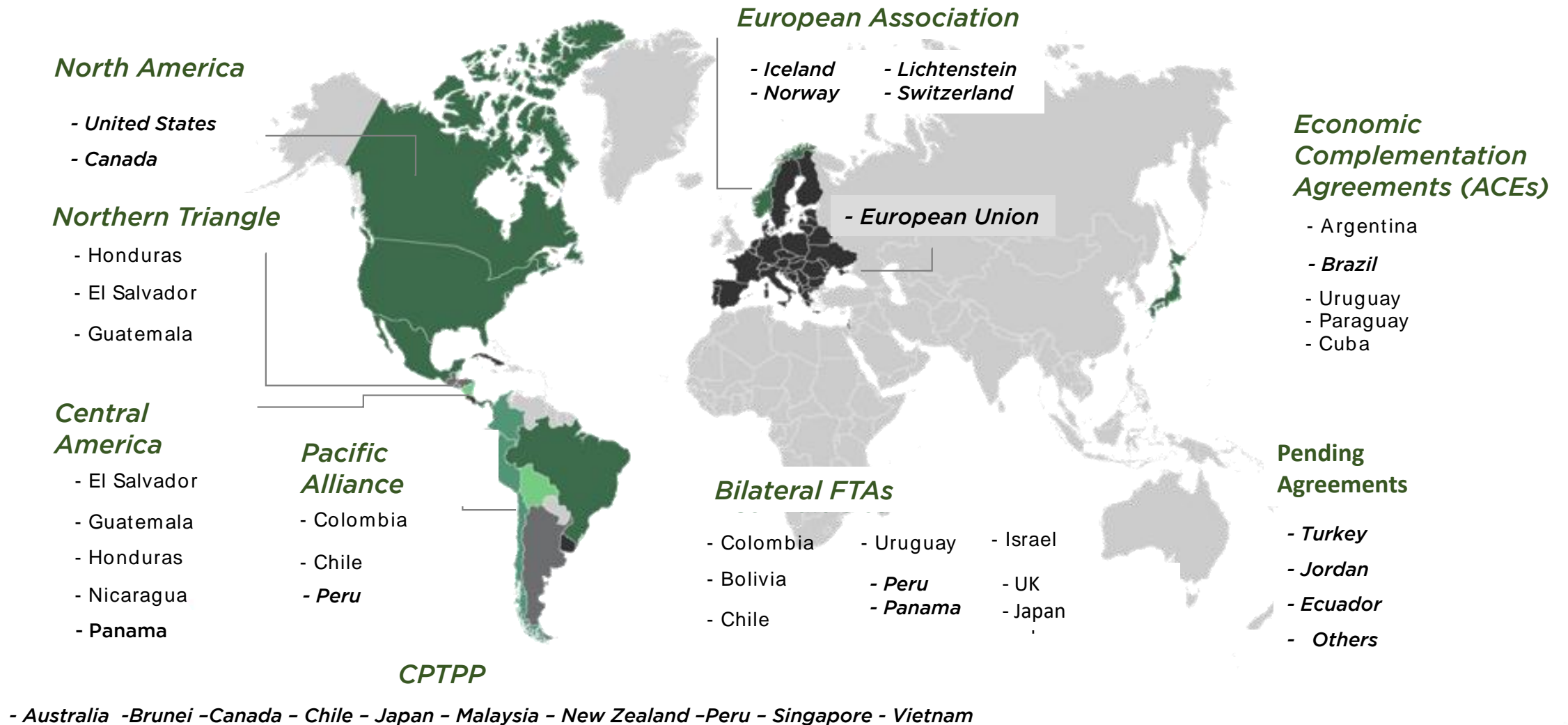
By working together, the region has strengthened its automotive and auto parts industry.



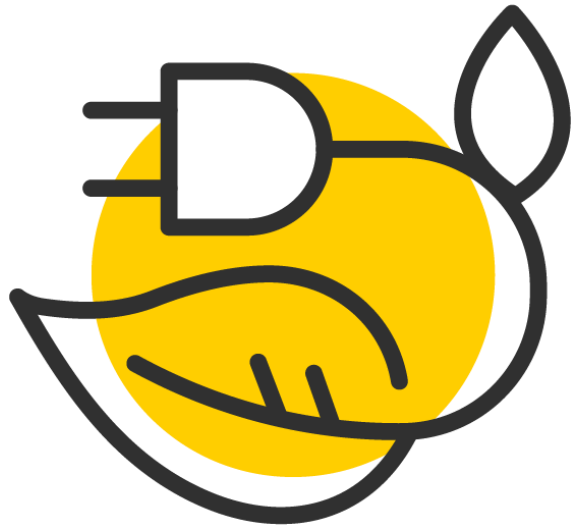
- USMCA and Regional Value Content (RVC).
- Increased competitiveness.
- Economic and trade integration.
- Sharing of know-how and transfer of technology.
- Development of the human capital that guarantees product quality.
- Development of production chains.

An Economy Open to the World

- Mexico has preferential access to 50 markets.
- 14 free trade agreements and nine limited scope agreements.



III. Mobility in Mexico: The Path to Decarbonization



Decarbonization

Electromobility

Technological trends

Green hydrogen

Technological progress: Artificial Intelligence

The Path to Decarbonization

Ongoing dialogue and coordination with authorities, the automotive sector and the value chain.

Defining of goals with the input of the automotive industry and motor vehicle sector.

Orderly and gradual transition alongside technologies.

Stable and sufficient generation, distribution and supply of clean, renewable energies.

Regulatory framework that provides certainty and fosters innovation, investment and a smooth transition.

Tax and green incentives, and scrapyard programs targeting the value chain.

Development of vehicle recharging infrastructure and technologies.

Sustainable financing, public funding, resources, national and international development banks, private banking, finance companies and others.

International and cross-border standards, goals and requirements.

Energy efficiency and demand management. Improvement, planning and optimization of public transport systems.

Connectivity, automation and type approvals in the interests of energy efficiency and road safety.

Electromobility, The Future of Mexico

Electromobility and nearshoring have opened up a historic window of opportunity for the automotive industry and Mexico, one that promises growth similar to that ushered in by NAFTA.

The future of the industry holds the greatest opportunities for the future of Mexico.

The world is transitioning toward decarbonization, transforming markets in the process.

Electromobility will require new components, create new industries and demand hefty investment.

Innovation and development are moving at a fast pace, resulting in demand for new job skills.

Mexico established itself as a leading player in the automotive industry in the 30 years of NAFTA and now the USMCA.

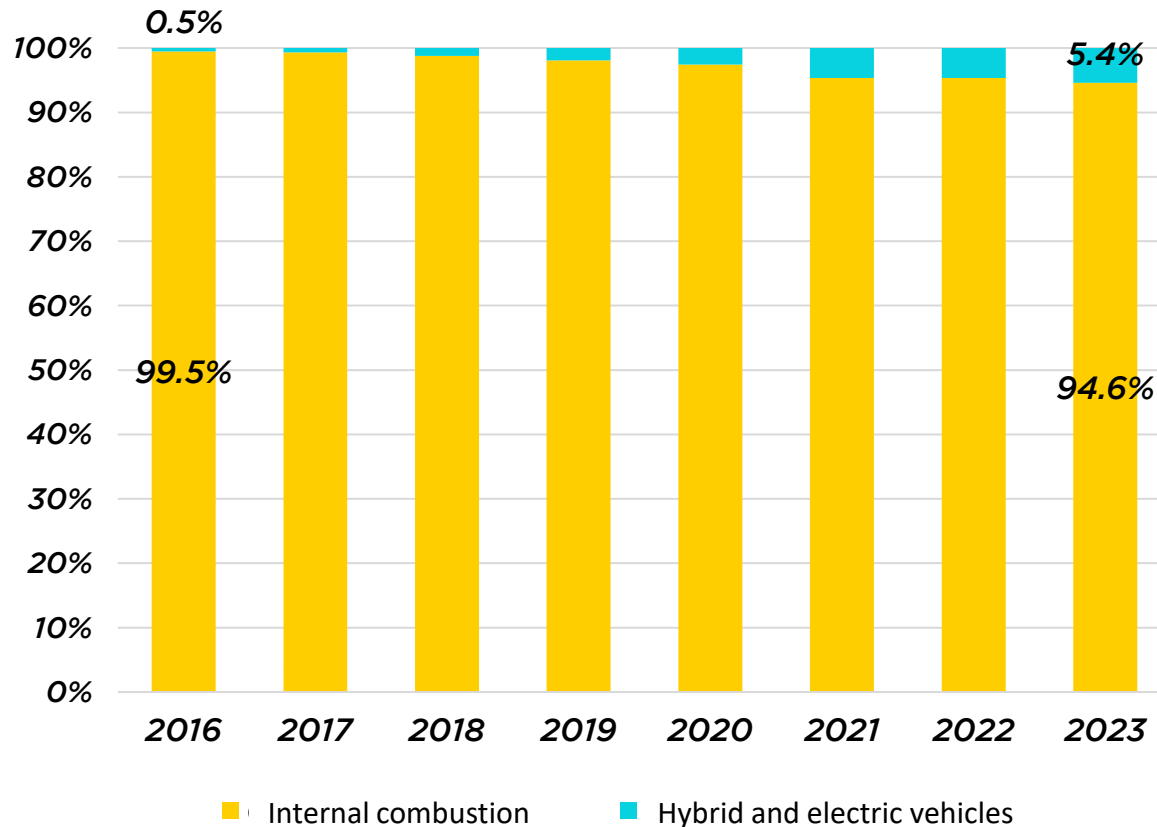
The historic changes taking place in the industry are opening up fresh development opportunities for Mexico.

Mexico can and needs to position itself as a global force in the manufacture, exportation and sale of vehicles under this new paradigm.

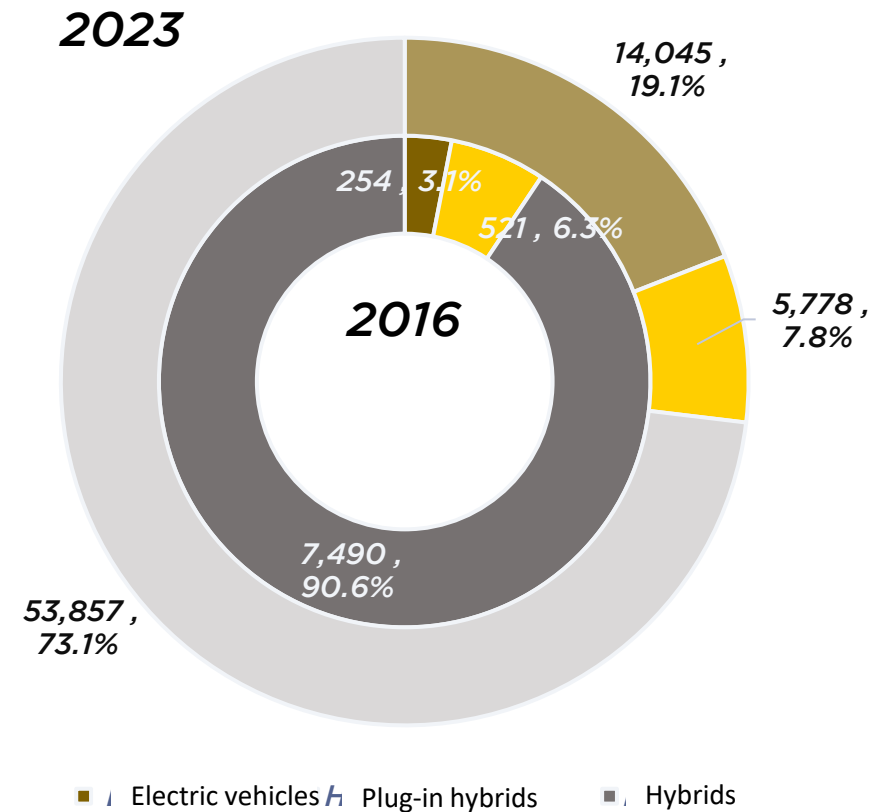
The Path to Decarbonization: The Domestic Market for Light Vehicles

- In 2023, sales of hybrid electric vehicles (HEVs), plug-in electric vehicles (PHEVs) and battery electric vehicles (BEVs) accounted for 5.4% of the total domestic market.
- HEVs represented 73.1% of sales, BEVs 19.1% and PHEVs 7.8%.
- All market actors need to provide transparency and report precise data.

Share of Total Sales

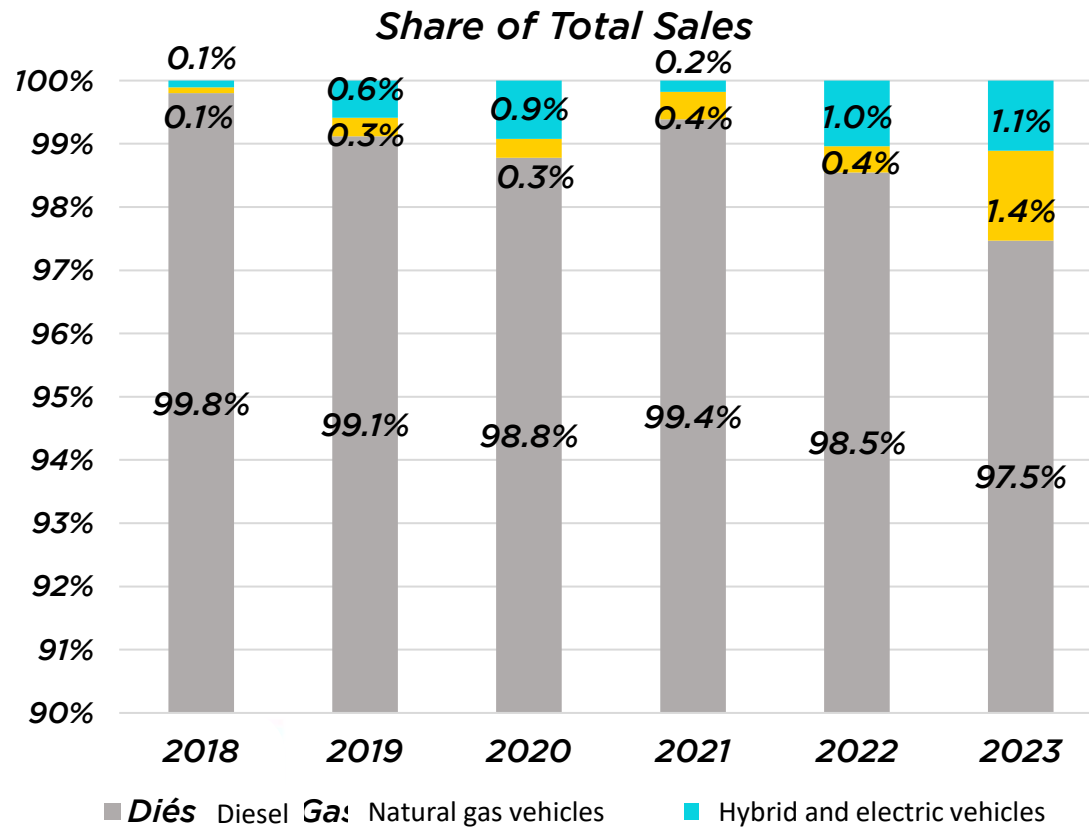


HEV, PHEV and BEV Market Structure

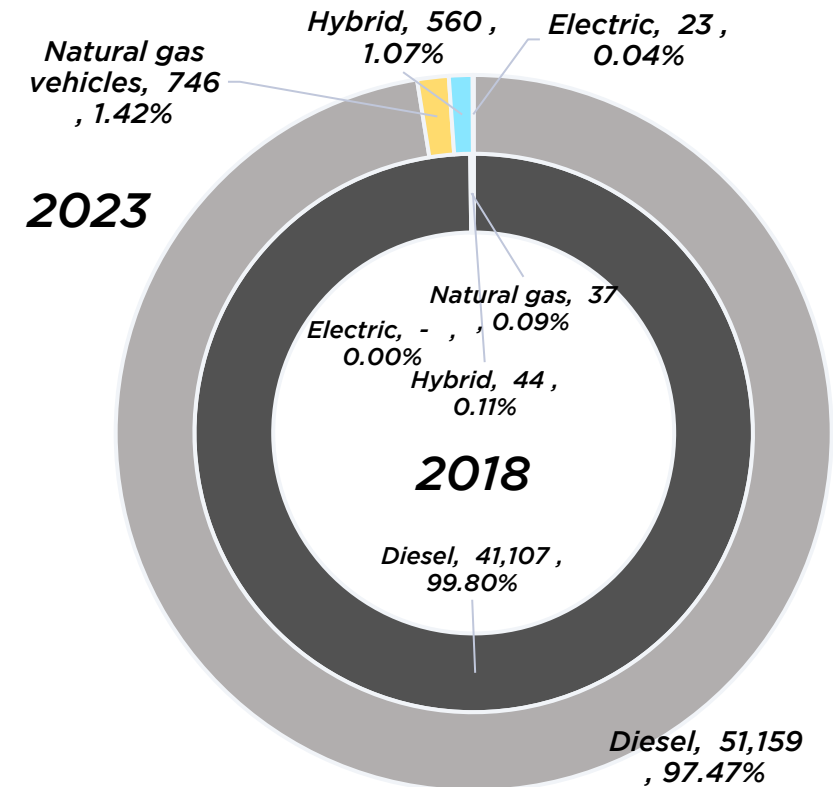


The Path to Decarbonization: The Domestic Market for Heavy - Duty Vehicles

- Sales of hybrid and electric vehicles accounted for 1.1 % of the total domestic market in 2023.
- Hybrid vehicles represented 1.07% of sales, electric vehicles 0.04% and natural gas vehicles 1.42%.



Structure of Hybrid and Electric Vehicle Market



Source: INEGI
Refers to vehicles with a gross weight of 6,351 kg or more

Human Capital: A Key Component of Electromobility

- Electromobility requires a wide range of human capital, from scientists to conduct research into electric propulsion technologies to manufacturing workers and engineers to build vehicles and automotive maintenance technicians.
- STEM studies are crucial to the technological progress of the automotive industry, as are certified technical courses.
- Mastery of the English language is key to international collaboration, facilitating as it does access to global knowledge, the creation of multinational teams and a better understanding of the regulations applicable to the sector.



Technological Trends

- New mobility technologies are being developed and adopted to meet changing transportation needs and broaden the range of zero-emissions vehicles on the streets.
- Four innovative technologies are gaining ground on the market, and we are likely to see more in the future.

Hybrid electric vehicles (HEV) combine an internal combustion engine (usually gasoline) with one or more electric motors.

Plug-in hybrid vehicles (PHEV) are similar to HEVs, except they have a larger battery that can be recharged by plugging it into an electrical outlet.



Battery electric vehicles (BEV) are powered exclusively by electric engines fueled by rechargeable batteries.

Fuel cell electric vehicles (FCEV) use green hydrogen as a fuel and generate electricity by means of a chemical reaction in a fuel cell.

Green Hydrogen Technologies for Heavy - Duty Vehicles

- With a heavy- duty vehicle fleet averaging 19+ years, in the transition to decarbonization, we will likely see the coexistence of new-generation diesel, natural gas, hybrid and electric technologies. Another alternative currently under development is green hydrogen, which offers several advantages.
- But implementing these technologies will require investment, innovation, coordination and infrastructure.

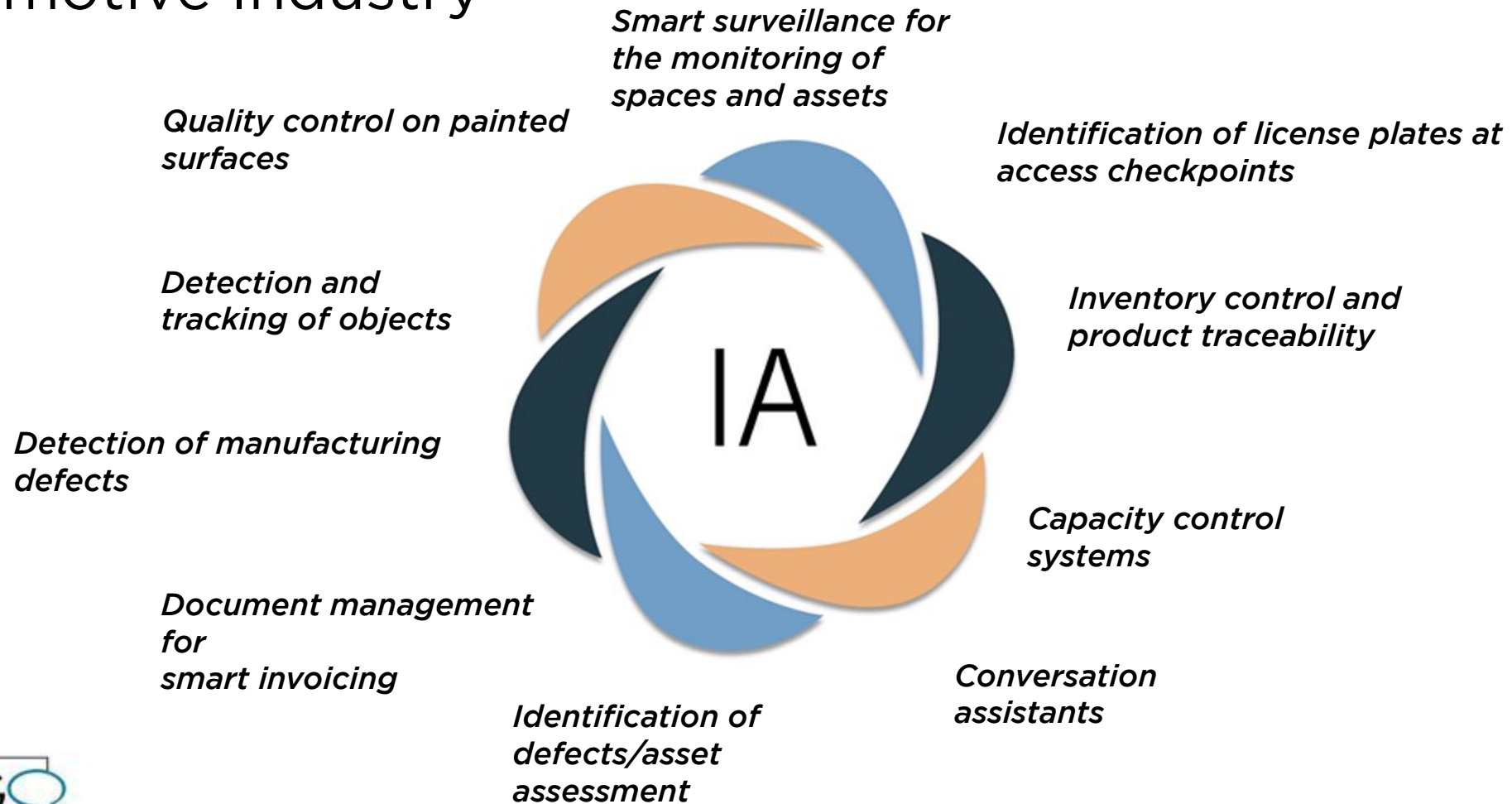


- ✓ Incentives for investment in R&D.
- ✓ Public policies that encourage the production and use of green hydrogen in Mexico.
- ✓ Integration of human talent into the value chain.
- ✓ Triple helix collaboration (government, private sector and academia).
- ✓ Regulatory framework that provides certainty and fosters investment.
- ✓ Financial incentives for the adoption such vehicles on the domestic market and sufficient and appropriate public recharging infrastructure.



Source: ANPACT

Technological Evolution: Artificial Intelligence in the Automotive Industry



Source: Minsait

IV. Strategies and Priorities for Retaining Global Leadership



Domestic Market

Regulations

Vehicle Renewal

Rule of Law

Infrastructure

Safety

Foreign Trade

Priority Trade Agreements

Present and Future Negotiations

Promotion of Mexico (nearshoring)

Trade Facilitation

Social Development

Education

Training

Inclusion and Diversity

Environment

The Path to Decarbonization

International Goals

Domestic Market

Regulations

Regulations to the law on quality infrastructure

Administrative reform to streamline procedures and promote the development of businesses, e.g. a money laundering prevention system

Update the Environmental Agreement for used heavy - duty vehicles

Standard governing safety devices for heavy - duty vehicles

Update provisions on the deductibility of interests (article 28, section XXXII of the Income Tax Law)

Vehicle Renewal

*Improved access to financing for vehicle renewal.
Renewal of the fleet and new technologies*

Support the renewal of public and private transportation systems

Digitalization of procedures

Professionalization of transportation companies

Update provisions on the deductibility of vehicles (article 36, section II of the Income Tax Law)

Implementation of the General Road Safety and Mobility Law

Financing for the production chain

Rule of Law

Legal security

Public safety

Ensure that the government upholds the law

Remove incentives to import vehicles illegally by introducing stricter regulations.

Combat unregulated and illegal activities

A modern, efficient and reliable public vehicle register

Combating of corruption

Infrastructure

Expand logistics and foreign trade infrastructure

Digital government

Renewable, sustainable, accessible, sufficient and competitive energy

Connectivity

Safety

Public safety on highways and in cities

Provide vehicle safety

Technical inspections to ensure compliance with environmental regulations and to assess the physical and mechanical condition of vehicles

Cybersecurity

Foreign Trade

Priority Trade Agreements

Dialogue and consultation with the automotive sector is key to any negotiation and review process

USMCA (2026 review)

FTA EU-MX

CPTPP

Pacific Alliance

Present and Future Negotiations

UK

ACE 55 (Brazil and Argentina)

*Other negotiations:
CPTPP adhesions,
Ecuador*

Promotion of Mexico (nearshoring)

Certainty and planning between the industry and government

Strategic proximity to the United States

Close ties with North America via USMCA

Available and qualified human talent

Resilient supplier base

Robust infrastructure

Foreign trade financing

Trade Facilitation

Efficiency and facilitation at ports of entry/exit

Maintenance and modernization of systems and infrastructure

Longer customs office hours and emergency protocol

Non-intrusive risk management

Interinstitutional coordination

Certified foreign trade companies program

Combined dispatch

Social Development

Education

Coordination between the industry, government and academia to align graduate talent with the industry's labor requirements

Partnerships with educational institutions

Training

Certifications

Recruitment of talent

Professionalization of transportation companies

International cooperation on training and development programs

Inclusion and Diversity

Integration of women into the value chain

Inclusion of young people in the automotive industry

Effective inclusion of diverse groups in keeping with the characteristics of the industry

Support for orderly migration

Sustainable Development Agenda

- The agenda of the automotive industry is based on ESG* criteria and promotes 15 of the 17 Sustainable Development Goals of the United Nations 2030 Agenda.



Environment

The Path to Decarbonization

*Tax incentives and legal reforms
for freight infrastructure*

*Non-tax incentives: tolls, parking,
etc.*

*Tax incentives for the consumer:
zero VAT rate and 100% income
tax deductibility*

R&D incentives

*Promotion of more efficient
fuels
Ultra Low Sulfur Diesel (ULSD)
and substitution of methyl tert-
butyl ether (MTBE)*

Promotion of synthetic fuels

*Support for the production
and marketing of low-emission
technologies*

*Energy infrastructure
(rechargeable and clean,
renewable energies)*

Regulatory framework

*Coordination of a national
strategy on a federal level*

Coexistence of technologies

International Goals

*Sustainability throughout
processes and the chain*

Clean, renewable energies

*Alignment with international
environmental standards and
commitments*

Circular economy

V. Building Together: Ongoing Dialogue and Coordination



Dialogue and collaboration with authorities

Coordination with related associations, chambers and organizations

Linkages with other institutions

International linkages

Dialogue and Collaboration with Authorities

- Ongoing coordination and dialogue between automotive associations and the three branches of government (executive, legislature and judiciary) is essential.
- Likewise, dialogue and agreements with federal, state and municipal authorities provide greater insight into the reality of the sector and what it needs to develop.
- Given how important the automotive sector is to the national economy, it would be advisable to designate a federal government ministry (Ministry of the Economy) to act as a point of contact for the sector and assist with interactions with other government agencies and authorities.



**GOBIERNO DE
MÉXICO**



**CÁMARA DE
DIPUTADOS**



**Suprema Corte
de Justicia de la Nación**



Coordination with Related Associations, Chambers and Organizations



Linkages with Other Institutions



Comisión
Federal de
Competencia
Económica



North American
Development Bank



International Linkages



U.S. Chamber of Commerce



Business Council
of Canada

AMERICAN AUTOMAKERS
A A P C



**Autos Drive
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Truck & Engine
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APMA
LEAD. REACH. CONNECT.



CLEPA
European Association of Automotive Suppliers

VDA

JAPIA
Japan Auto Parts Industries Association



ALADDA
Asociación Latinoamericana de
Distribuidores de Automotores

NADA

CADA®
Canadian Automobile Dealers Association



OICA

Priorities of the Automotive Sector

Guarantee conditions conducive to investment and business.

Unshakeable rule of law with regulations that provide certainty and legal security; honoring of international commitments.

Improve and expand logistics and foreign trade infrastructure.

Comprehensive strategy to guarantee safety conditions on all roads.

A modern, efficient and reliable official vehicle register to provide certainty and security; transparent federal and state information.

Comprehensive policy for an effective, orderly transition toward the production and exportation of new technologies and their sale on the domestic market.

More qualified, adaptable human capital with a focus on technology and technical skills.

Transition to sufficient, accessible and competitively priced efficient and/or renewable energies.

Promote the modernization of carrier and passenger fleets nationwide.

Develop an industry for the manufacture of chips, semiconductors and printed circuit cards.

The modernization of administrative aspects and digital government are key factors to the growth and development of the sector.

Establish and control security requirements for information shared by actors in the automotive sector.

Financing mechanisms to promote safe, sustainable, efficient and inclusive mobility.

The Automotive Sector, ready to continue growing for Mexico

- Our four associations represent companies that have historically believed and invested in Mexico.

The automotive sector is a pillar of economic and social development in Mexico

Mexico is a key global player in the automotive sector

Only dialogue and effective collaboration can secure a better future for us all

Time waits for no one and historic opportunities like this do not often come around

It is crucial we begin working with the incoming government administration

The automotive sector believes and invests in Mexico

Let us work together to create a more prosperous, more equitable Mexico

Appendix



Automotive Production, Exports and Domestic Sales, 2023



Production



3,779,234 units
14.23% vs. 2022



Exports

3,300,876 units
15.19% vs. 2022



Domestic Sales

1,361,433 units
24.36% vs. 2022



222,813 units
10.99% vs. 2022

177,539 units
6.39% vs. 2022

52,488 units
32.16% vs. 2022

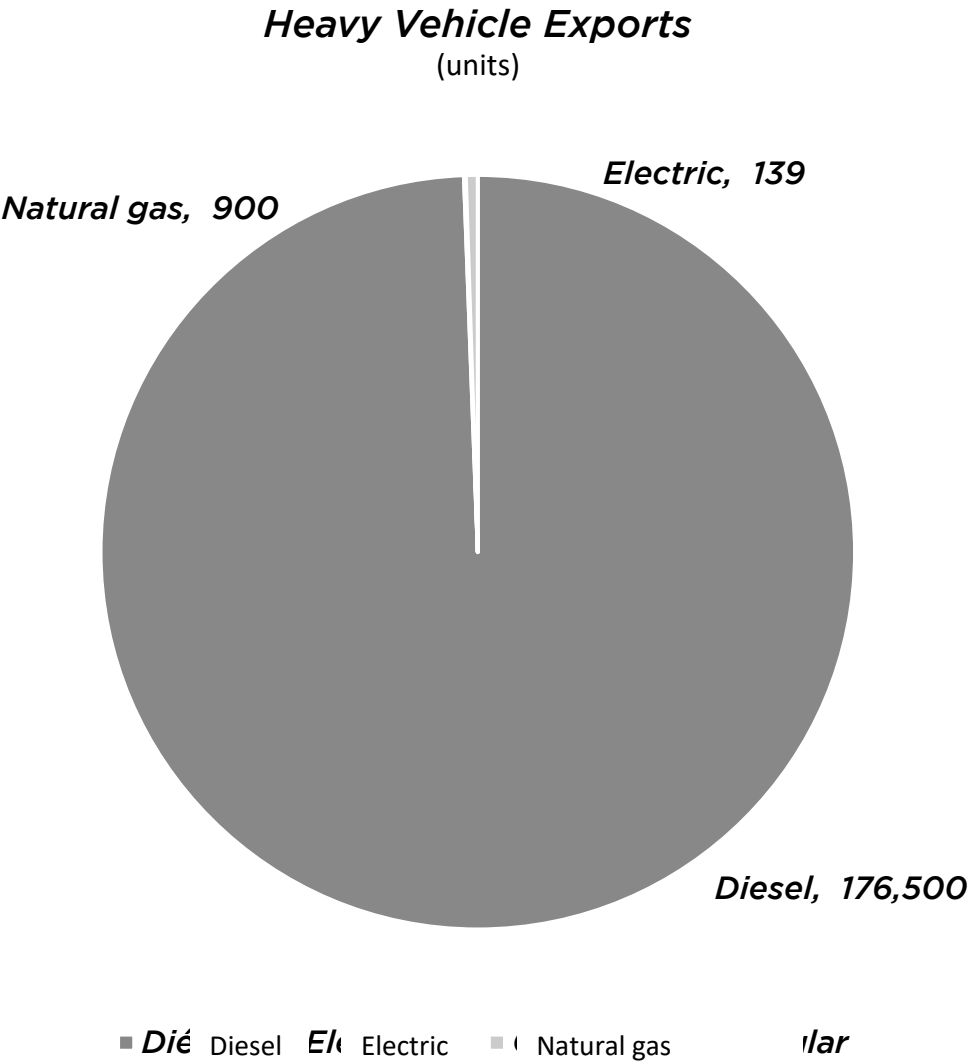
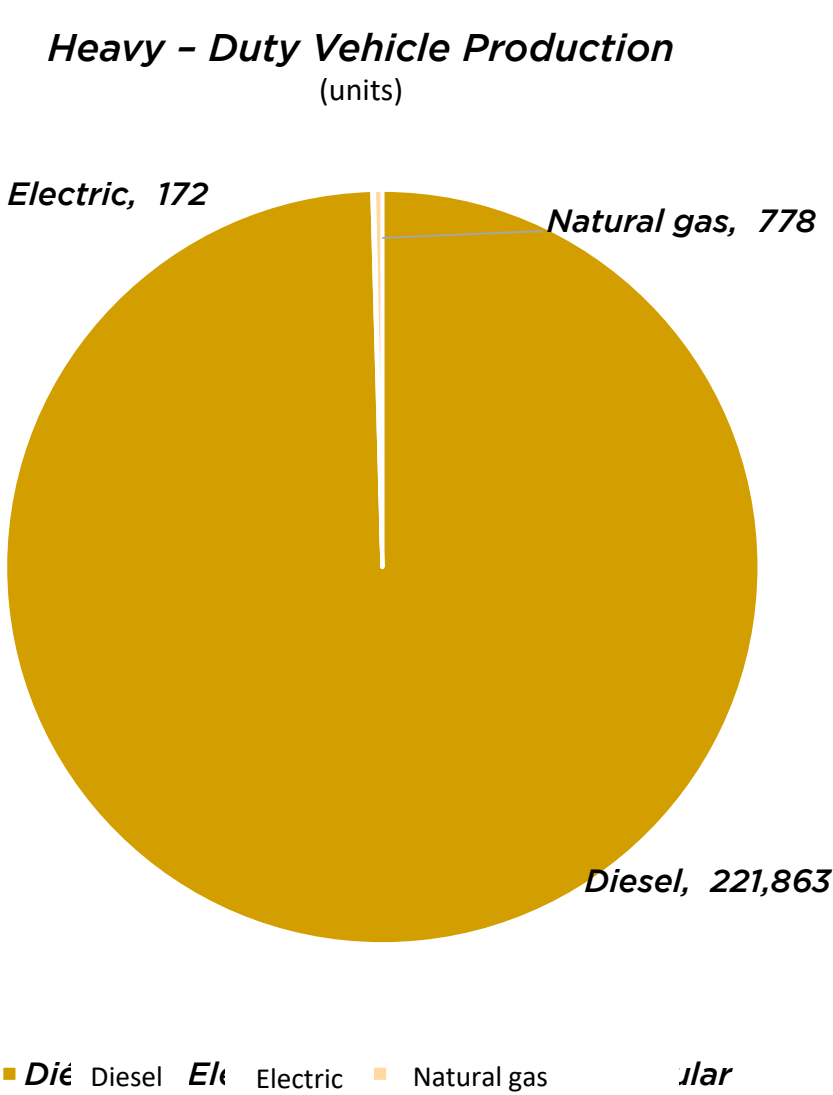


\$121.16 billion USD
16.52% vs. 2022

\$105.56 billion USD
18.31% vs. 2022

\$15.6 billion USD
5.70% vs. 2022

Production and Exportation of Heavy - Duty Vehicles by Fuel Source, 2023

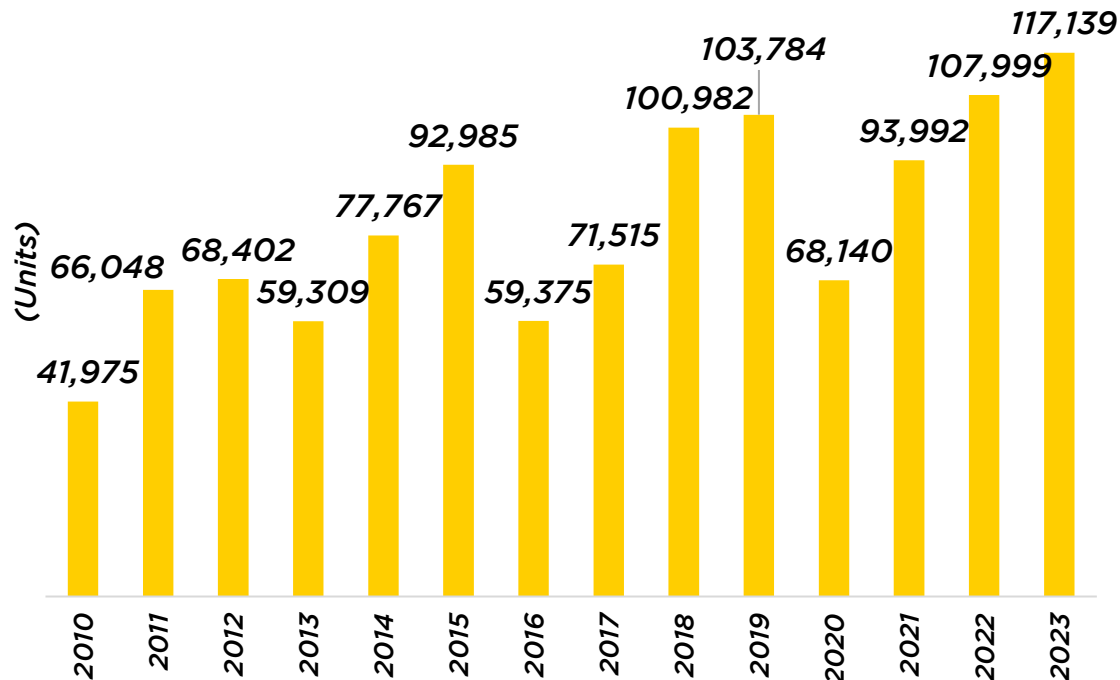


Source: INEGI

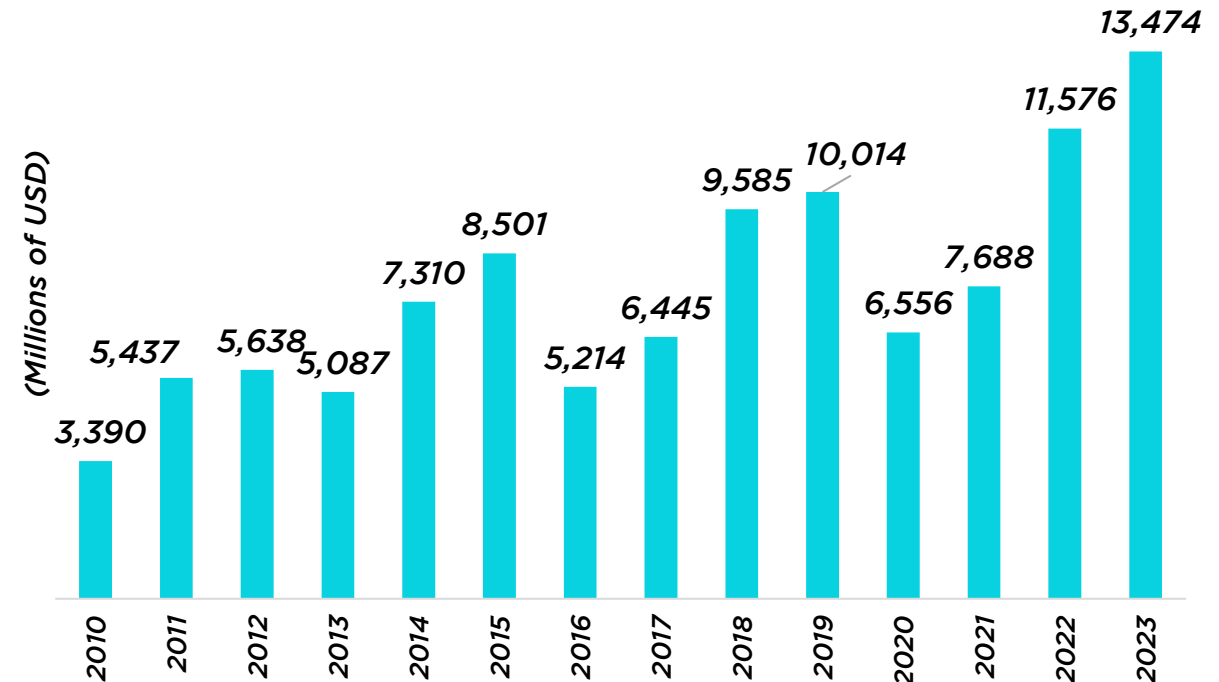
Mexico, A Global Leader in Tractor-Trailer Exports

- In 2023, Mexico exported 117,139 tractor-trailers valued at over 13.47 billion USD, enabling it to retain its position as the world's number one exporter in this segment.

Volume of Tractor-Trailer Exports

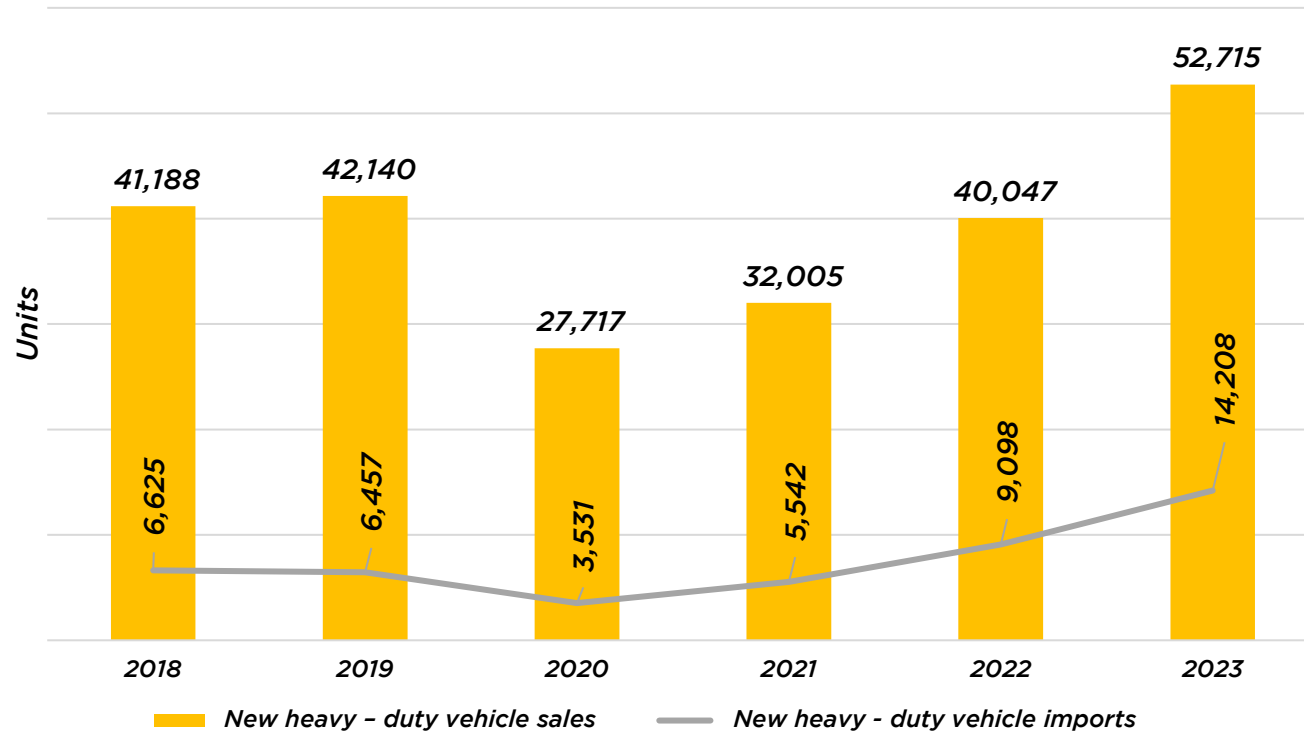


Value of Tractor-Trailer Exports

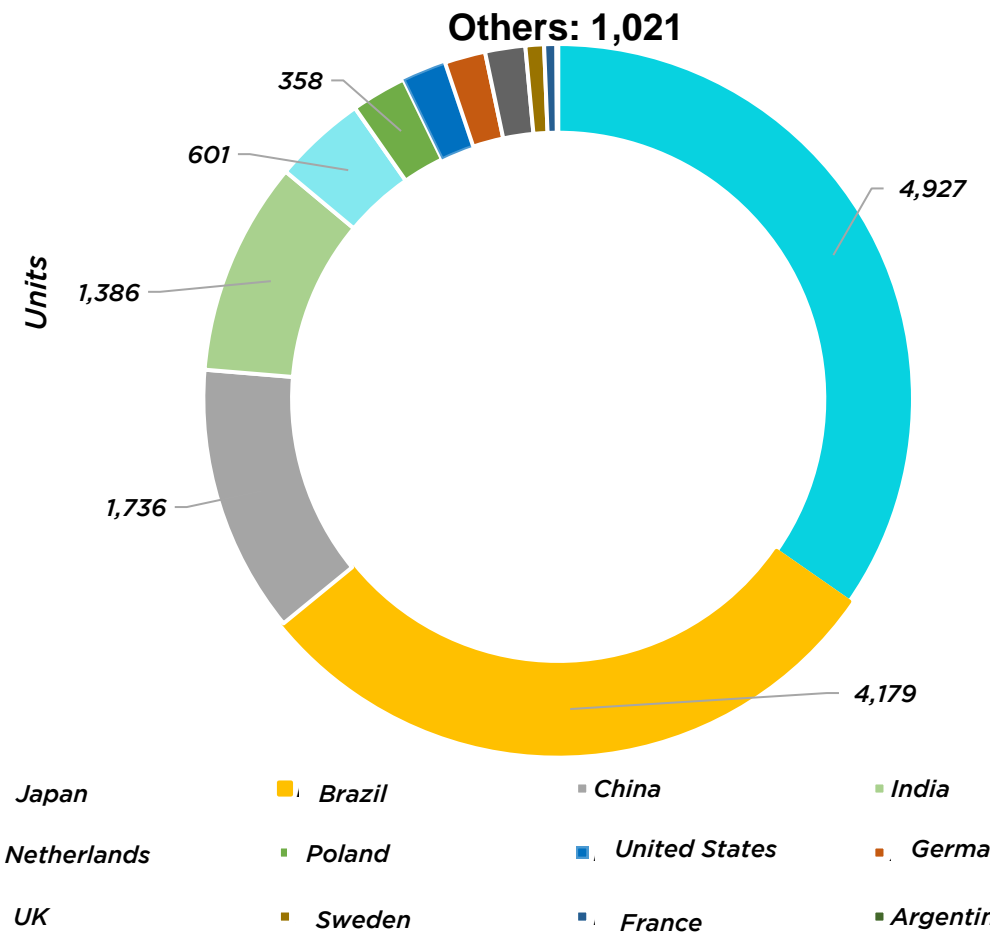


Heavy - Duty Vehicle Imports

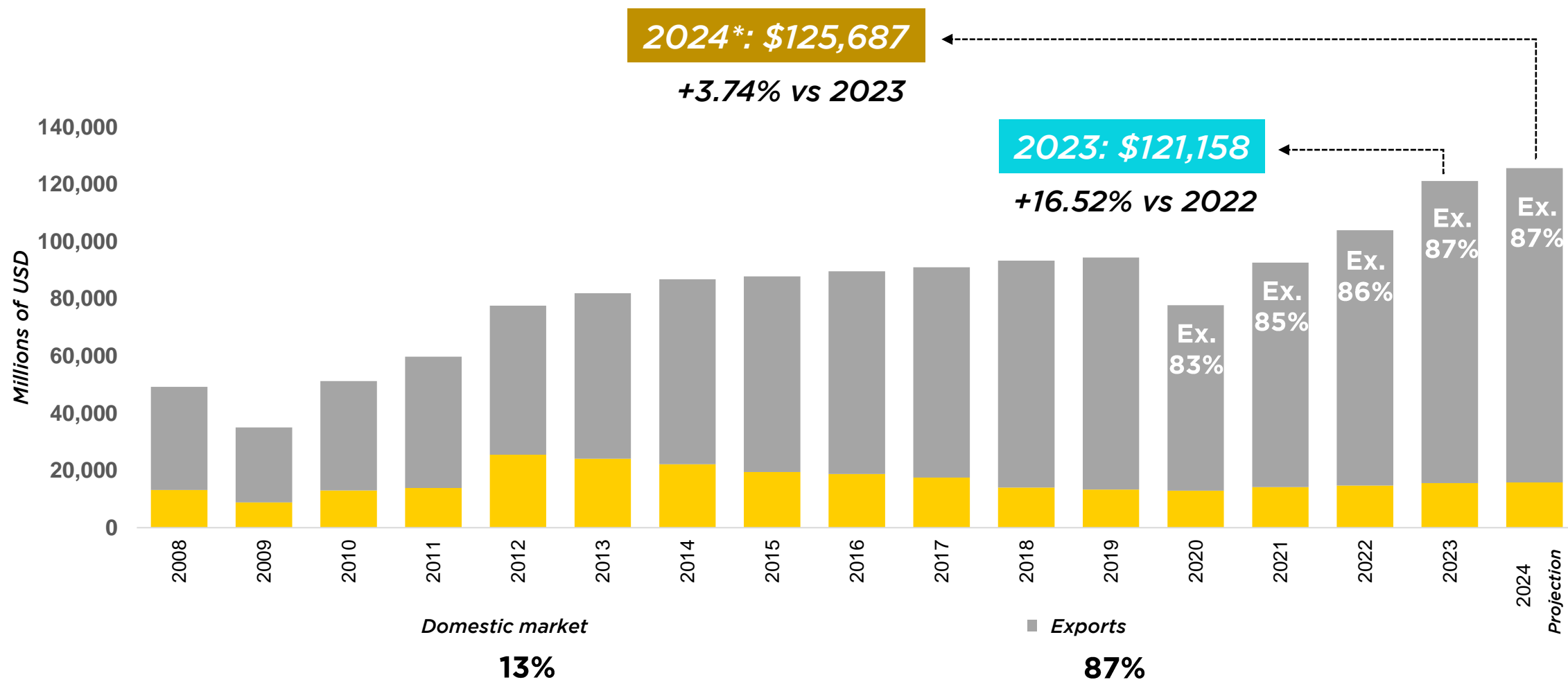
Sales and Imports of New Heavy - Duty Vehicles, 2018 - 2023



Imports of New Heavy - Duty Vehicles by Country of Origin, 2023



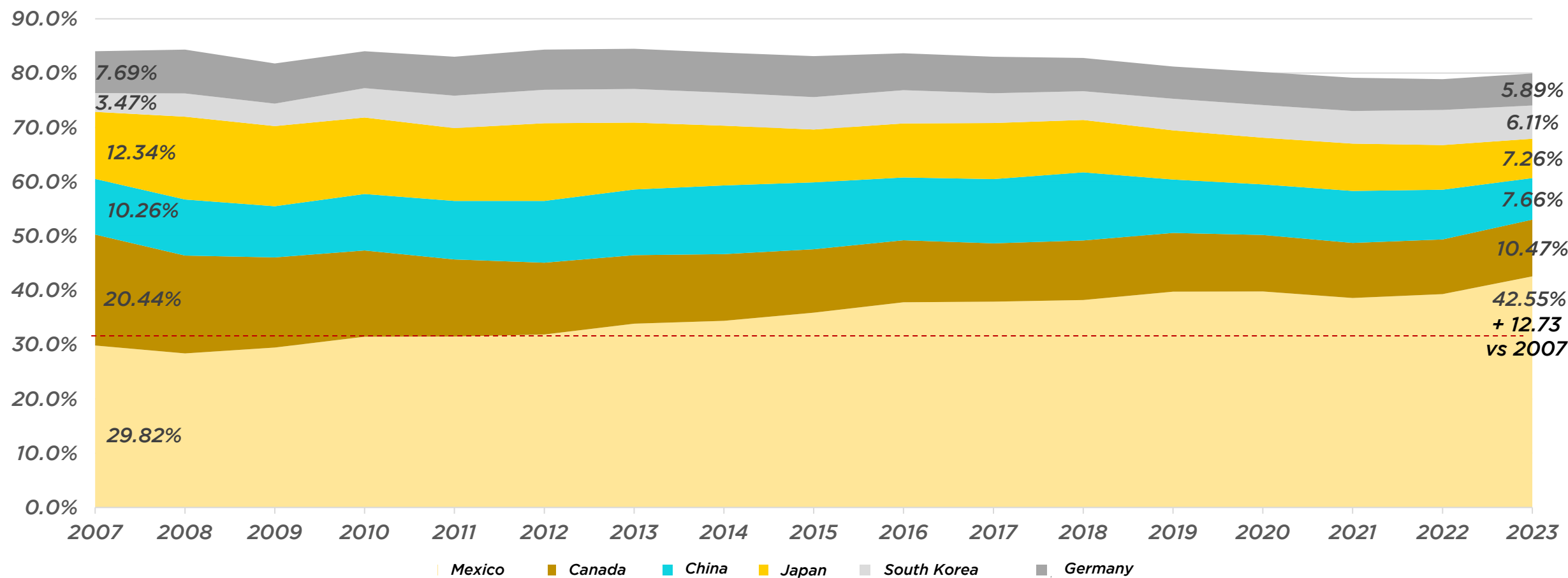
Forecast for the Production of Auto Parts



Source: INA based on information furnished by INEGI. Includes auto parts listed in other line items of the SCIAN code (2019 - 2020)

Main Supplier of Auto Parts to the United States in 2023

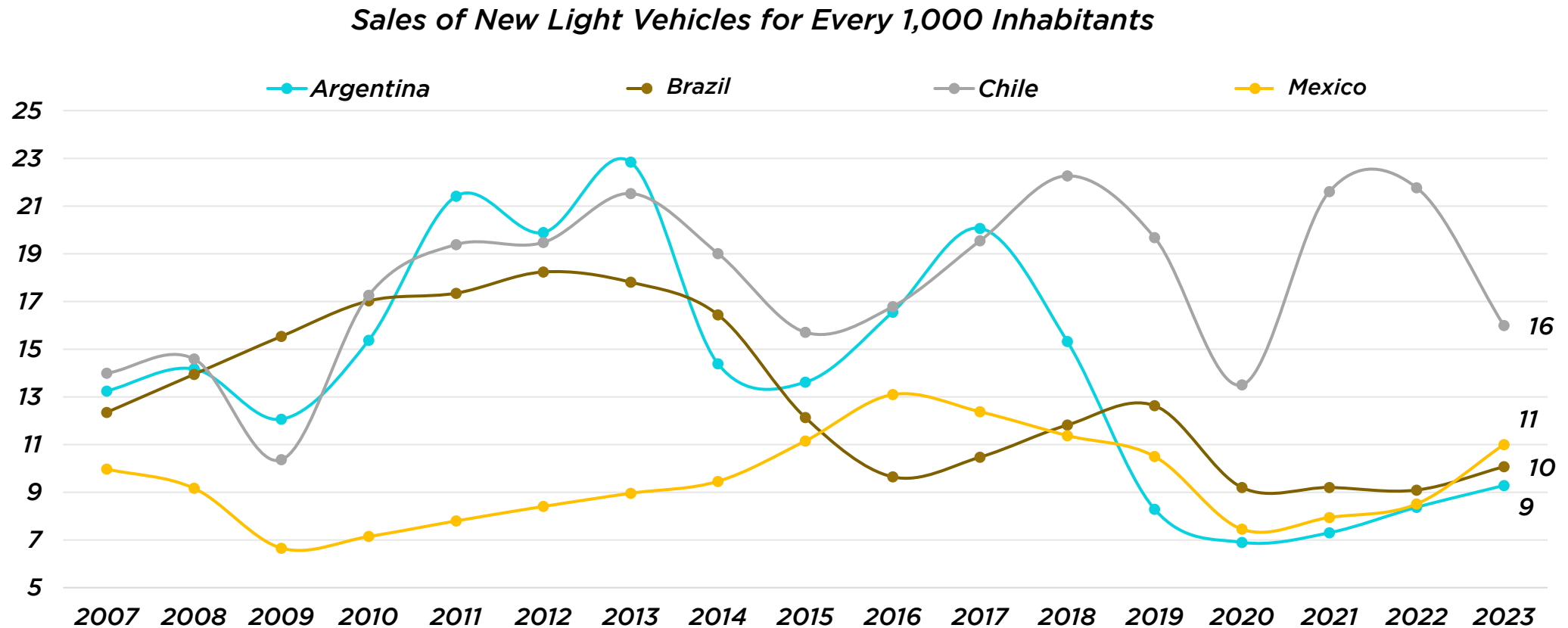
- México accounted for 42.5% of total auto part imports by the United States in 2023.



Source: INA based on Census Bureau information

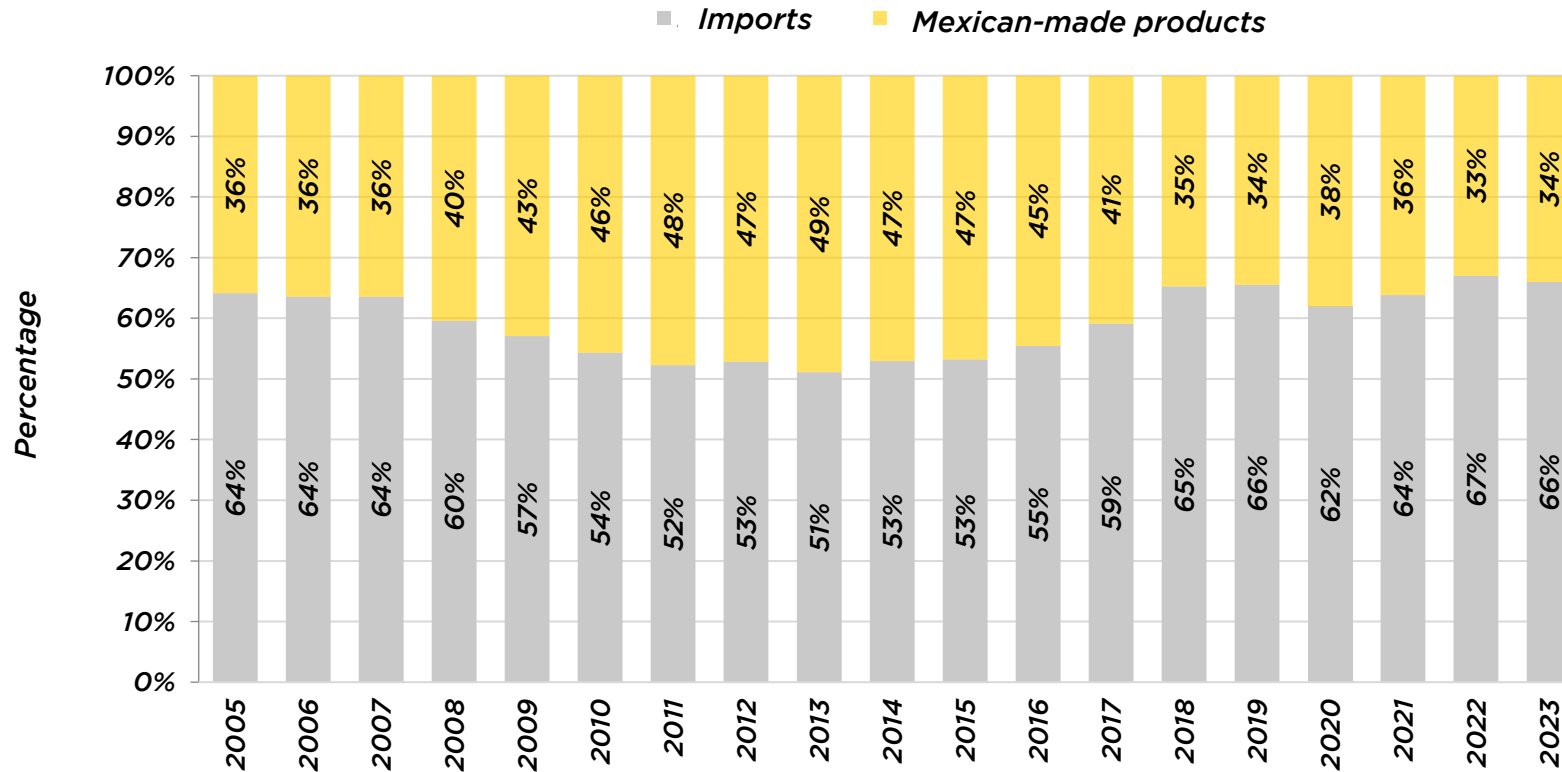
Compared with Latin American Markets

- In 2023, Mexico sold 11 new vehicles for every 1,000 inhabitants, which was below the historic record of 13 new vehicles for every 1,000 inhabitants posted in 2016.



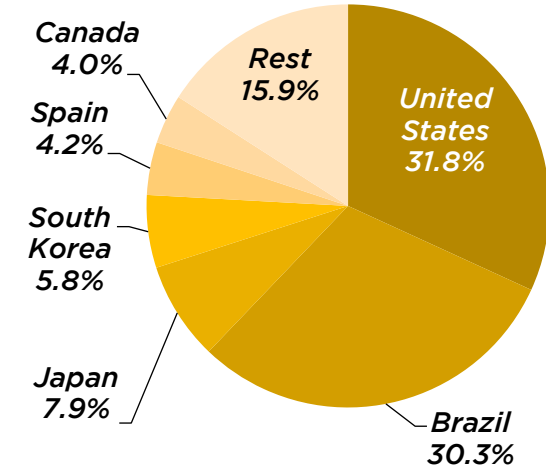
Structure of the Domestic Market for Light Vehicles

- Mexico sold 1,361,433 light vehicles in 2023, which translates into growth of 24.4% compared to 2022.
- 34% of domestic demand was met by vehicles of national origin and the remaining 66% by imports.

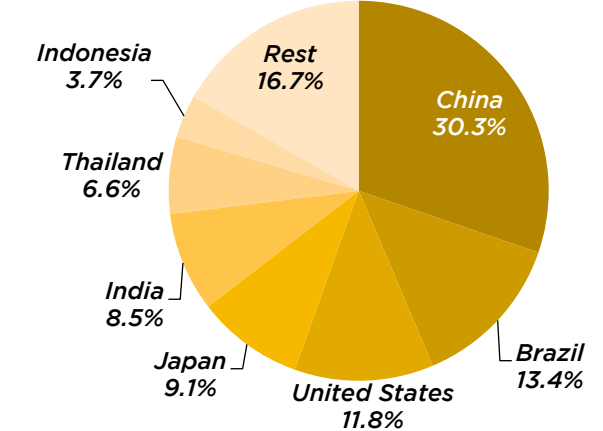


Source: INEGI

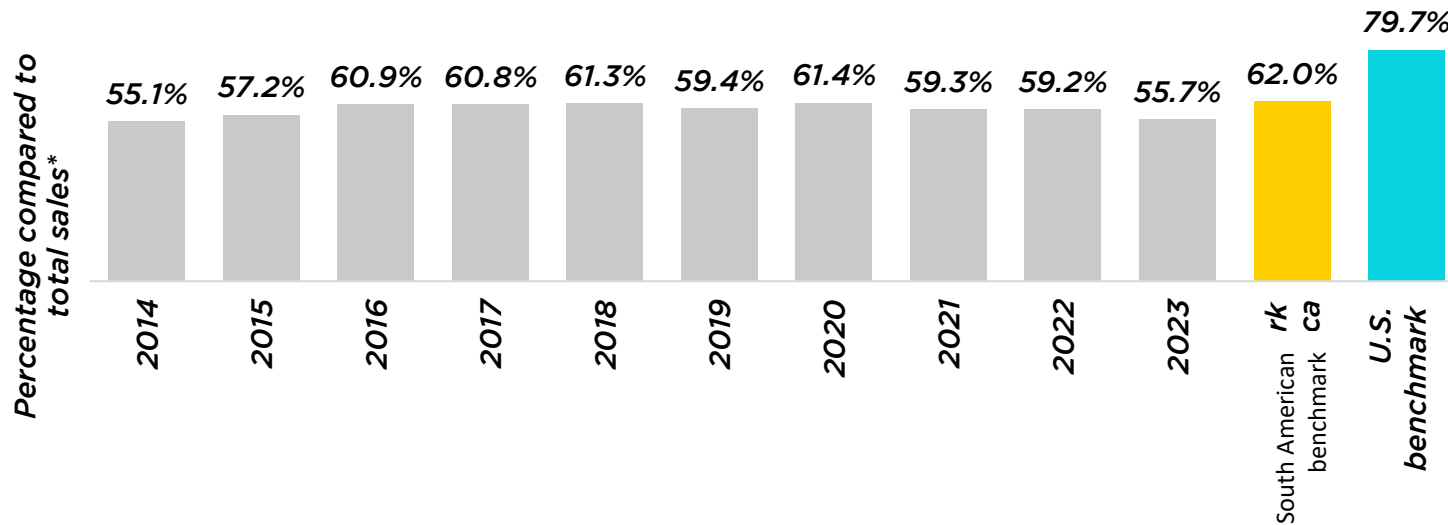
Sales of Imported Vehicles by Country of Origin, 2005
(% share in total imports)



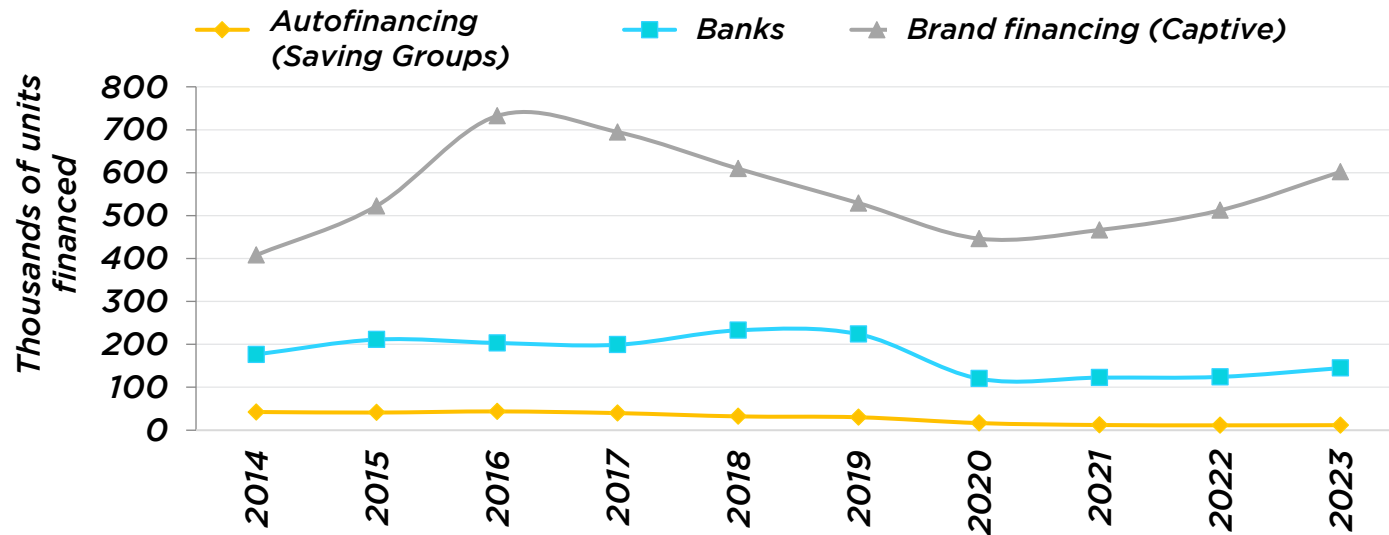
Sales of Imported Vehicles by Country of Origin, 2023
(% share in total imports)



Financing of New Light Vehicles



The percentage of units financed in Mexico does not compare with markets like the United States, due to factors like the legal difficulties entailed in recouping vehicles on which payments have fallen past due and the high rate of informality on the Mexican labor market.



Vehicle financing increased 17% in 2023:

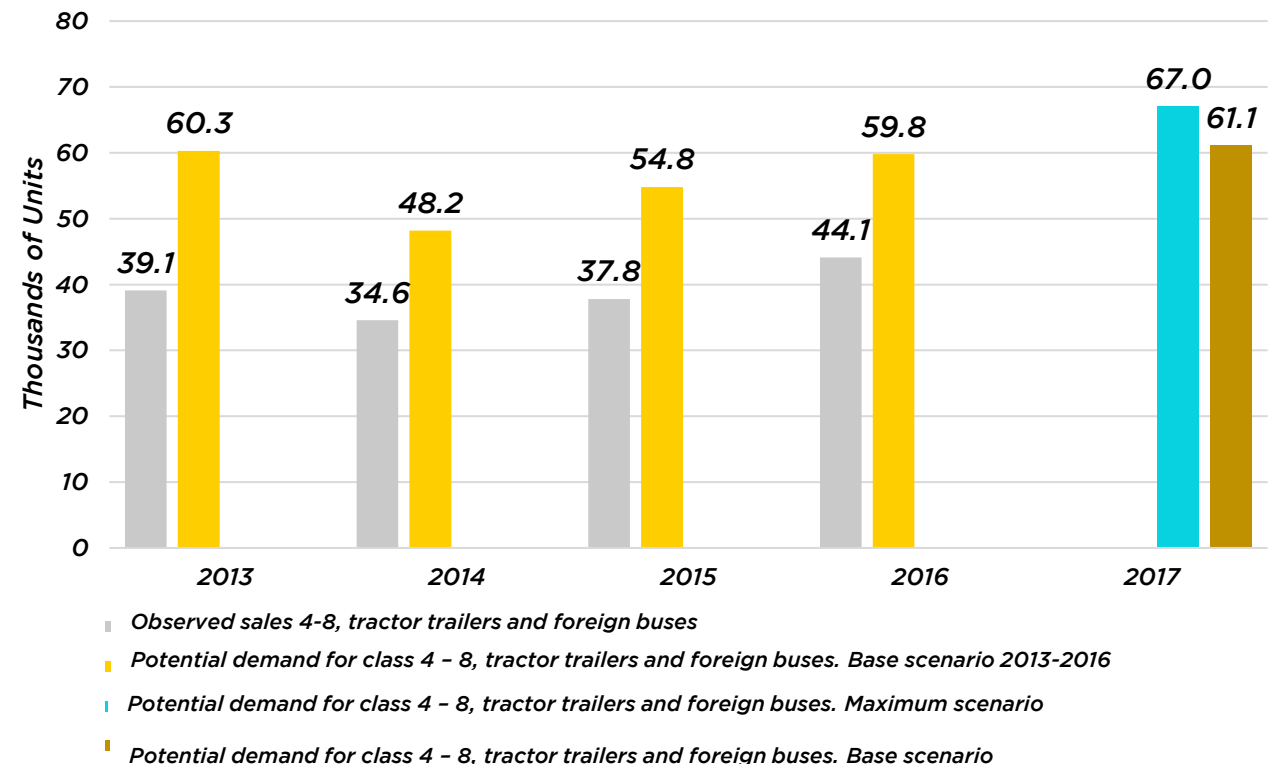
- Brand financing: 15.2%
- Banks: 12.2%
- Self-financing: 3.4%

Note: *An indicator of trends because it includes the majority of market participants
 Source: AMDA based on JATO Dynamics information. Benchmark data based on information furnished by Statista (EUA) , AAP, AEADE, FENABRAVE data estimates, ANAC

The Greatest Challenge is to Boost the Potential of the Domestic Market for Heavy-duty Vehicles

- In 2017, AMDA and ANPACT co-published a “Study on the potential of the market for commercial and heavy - duty vehicles and how it relates to the structure of the Mexican economy” with the UNAM.
- Factors contributing to the gap between observed sales and the potential of the market included:
 - Indiscriminate importation of used vehicles from the United States.
 - Financing: lack of credit incentives for micro and small companies.
- The study revealed that the domestic market has a maximum potential of 67,000 units and a base potential of 61,100 units, meaning its base potential is 16.5% higher than sales observed in 2023.

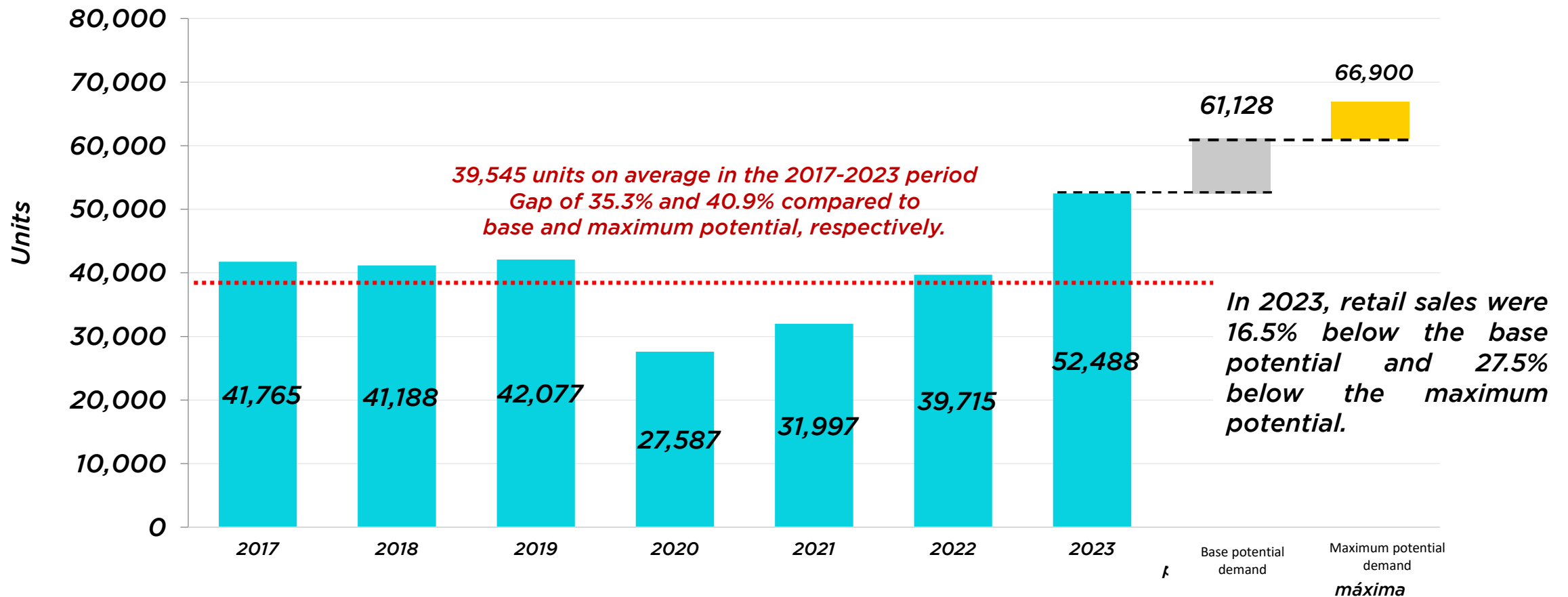
Potential Demand for Commercial and Heavy-duty Vehicles in Mexico: Class 4-8, Tractor Trailers with Fifth Wheel Coupling and Foreign-made Buses (2013-2017)



Source: UNAM-Faculty of Economy

Potential Demand for Heavy - Duty Vehicles Surpasses Domestic Sales

Estimated Retail Sales for 2024: 58,733 units (+12.6% compared to 2023)

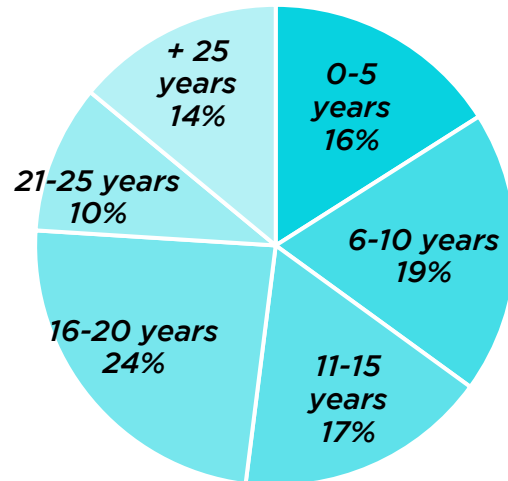


Source: UNAM (2017). Study on the market potential for commercial and heavy - duty vehicles and how it relates to the structure of the Mexican economy
AMD A 2024 projections for the heavy - duty vehicle market (retail sales)
INEGI. Automotive Industry Heavy - Duty Vehicles Administrative Register

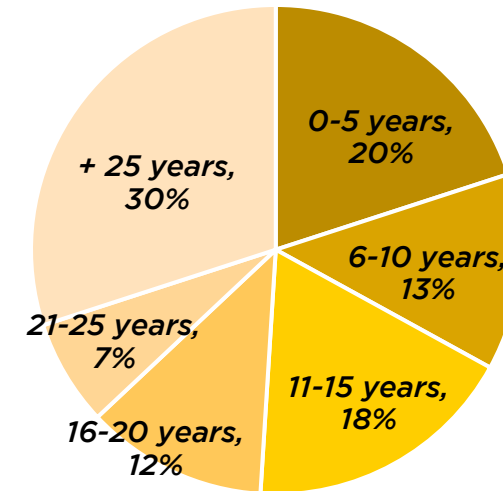
Priority Needs to be Given to Replacing Older and Obsolete Vehicles

- The condition of the country's fleet deteriorated substantially with the indiscriminate importation of more than 9.2 million "scrap" vehicles from the United States.
- Mexico's light vehicle fleet has an average age of 16 years.
- As of 2023, 37% of the heavy- duty vehicle fleet was more 20 years old.

Light Vehicle Fleet, 2023
41,474,814 units
16 years old on average



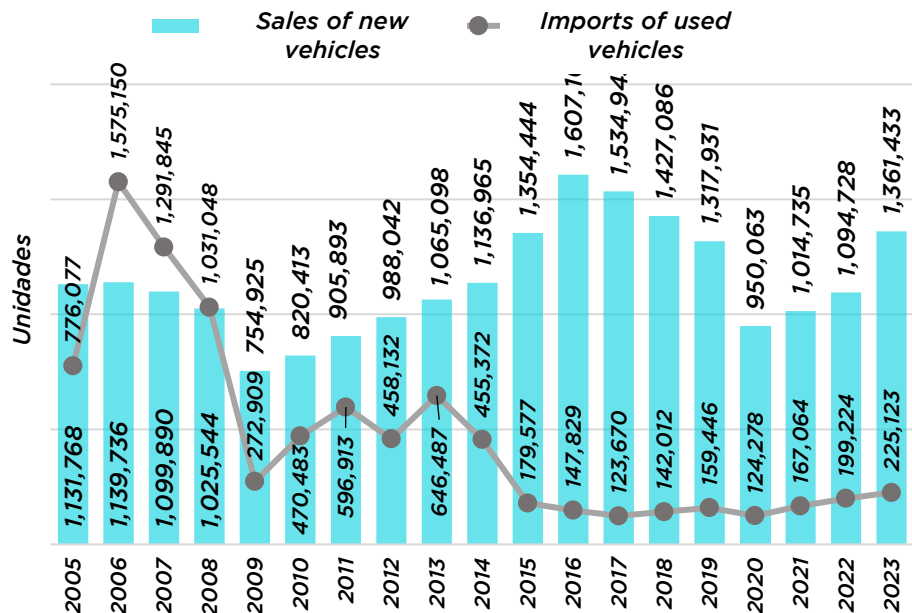
*Heavy - Duty Vehicle Fleet ATF**
(with federal plates), 2023
786,869 units
19.2 years old on average



Reducing Imports of Used Vehicles is a Major Challenge

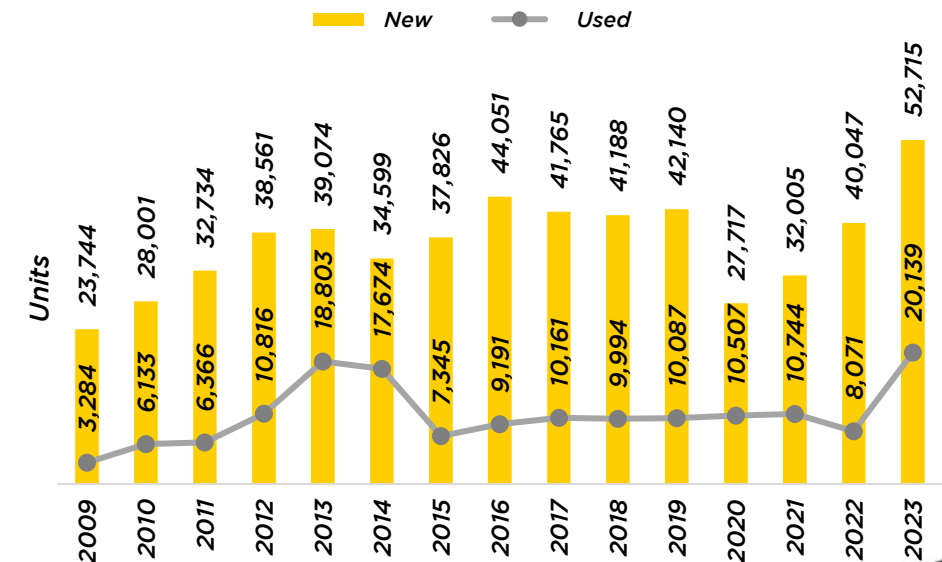
- Imports of used scrap vehicles have a detrimental effect on the environment, the economy, road safety and public health.
- The indiscriminate importation of such vehicles affects the market for used vehicles of Mexican origin and has undermined the growth potential of the market for new vehicles.
- In 2023, a total of 20,139 used heavy – duty vehicles were imported to Mexico, up 149.5% compared to 2022.

Market for New Light Vehicles vs. Used Imported Light Vehicles



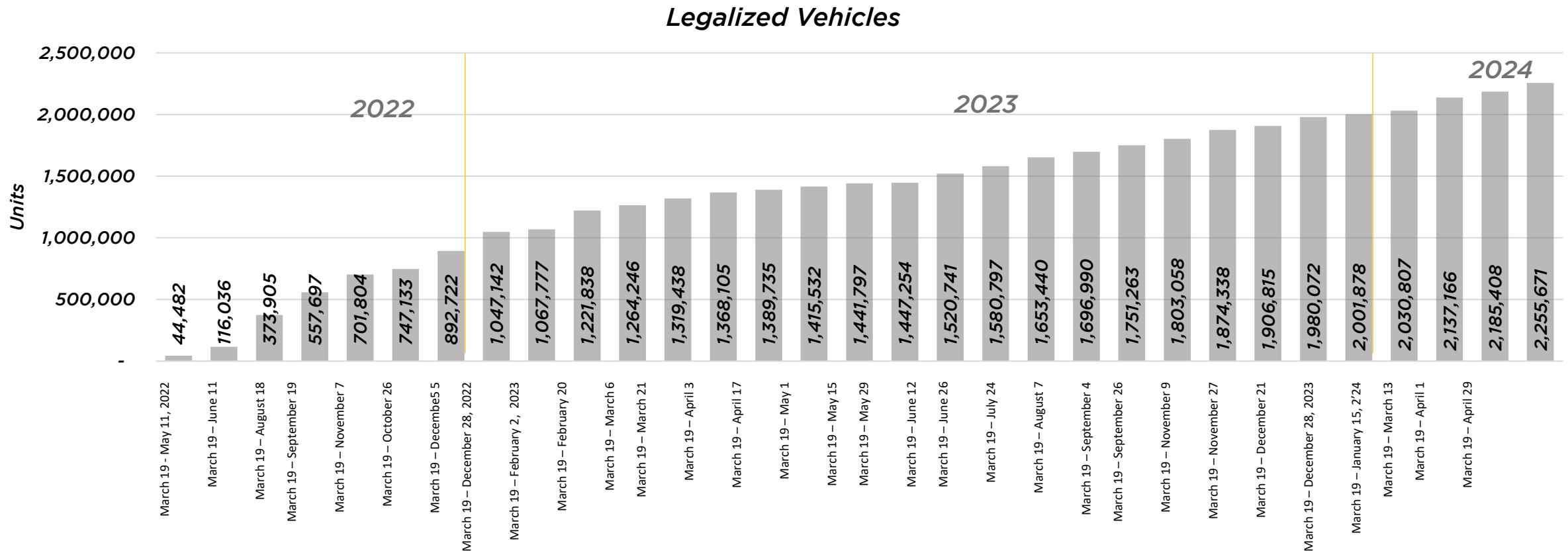
	Light 2005-2023	Heavy - Duty 2009 - 2023
Imports of used vehicles	9,042,639	159,315
Sales of new vehicles	21,730,802	556,167
Imports as a % of new vehicle sales	41.6%	28.6%

Market for New Heavy - Duty Vehicles vs. Used Imported Heavy - Duty Vehicles



Since the Passing of a Decree to Legalize Contraband Vehicles, 2.3 Million Units Have Entered the Country (March 2022 – April 2024)

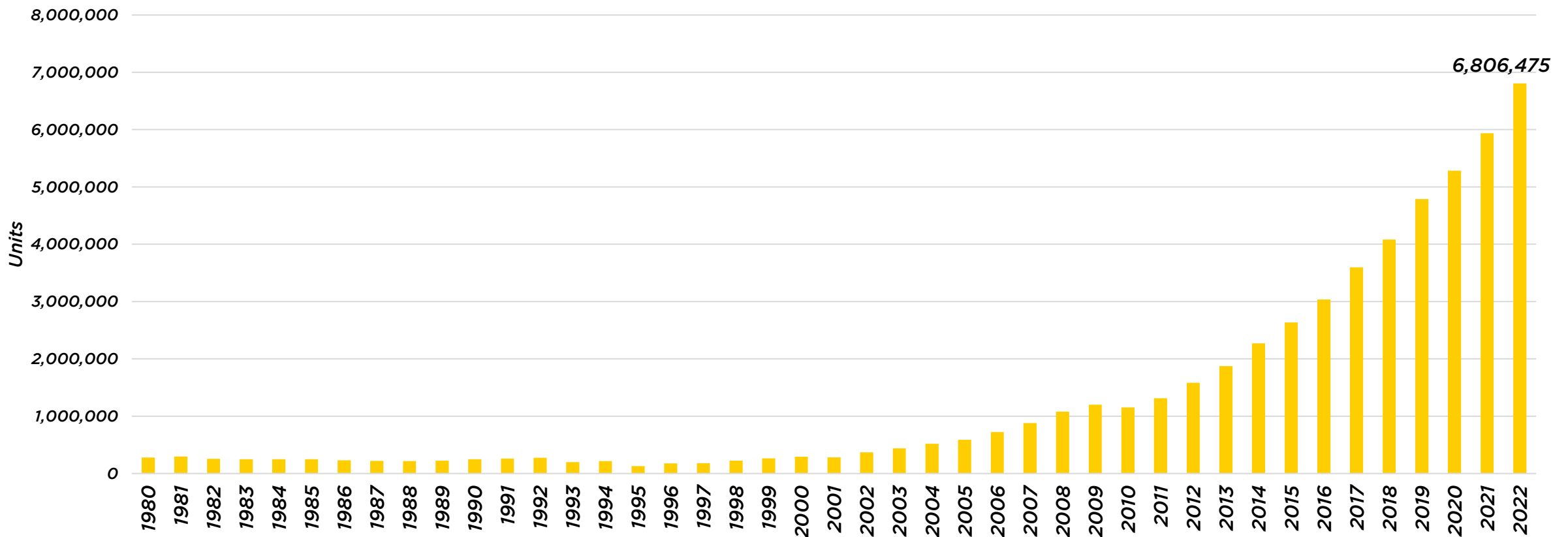
- Between March 2022 and April 2024, 2.8 million new light vehicles were sold in Mexico, while vehicles that entered the country illegally accounted for 80% of sales on the domestic market.



The Motorcycle Fleet Has Increased Substantially

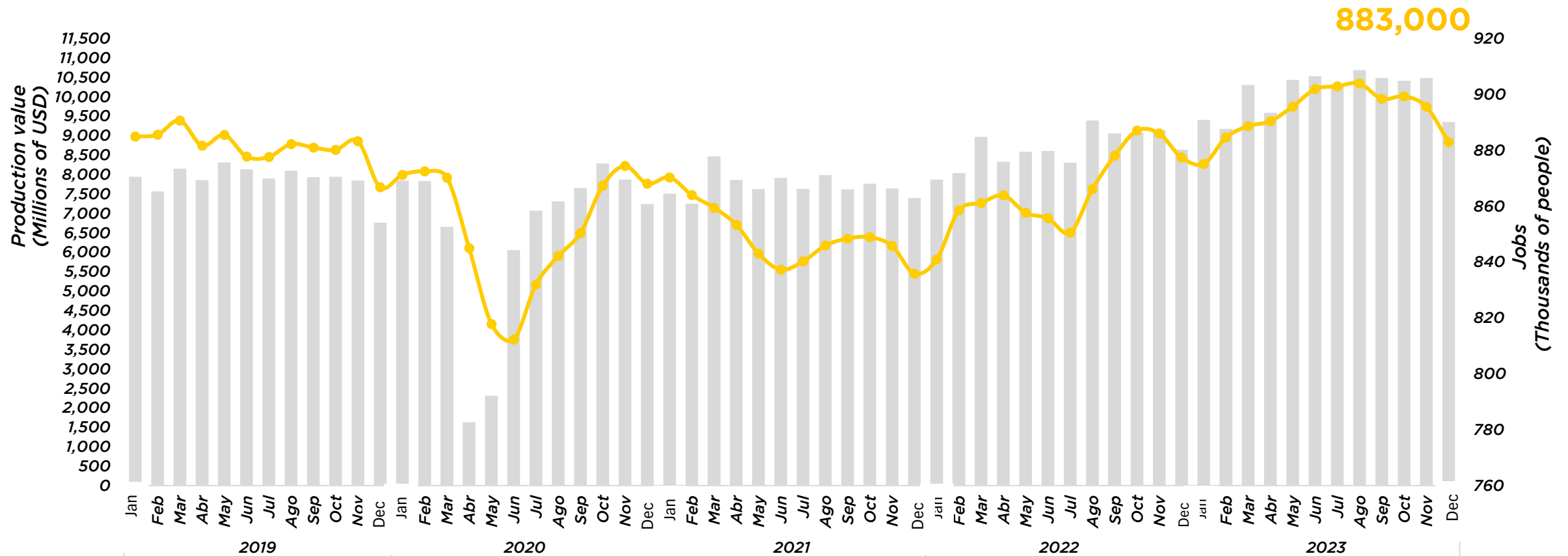
- In the 2012–2022 period, the number of registered motorcycles in circulation registered annual average growth of 15.7%.

Registered Motor Vehicles in Circulation: Motorcycles



Source: INEGI. Statistics for registered motor vehicles in circulation

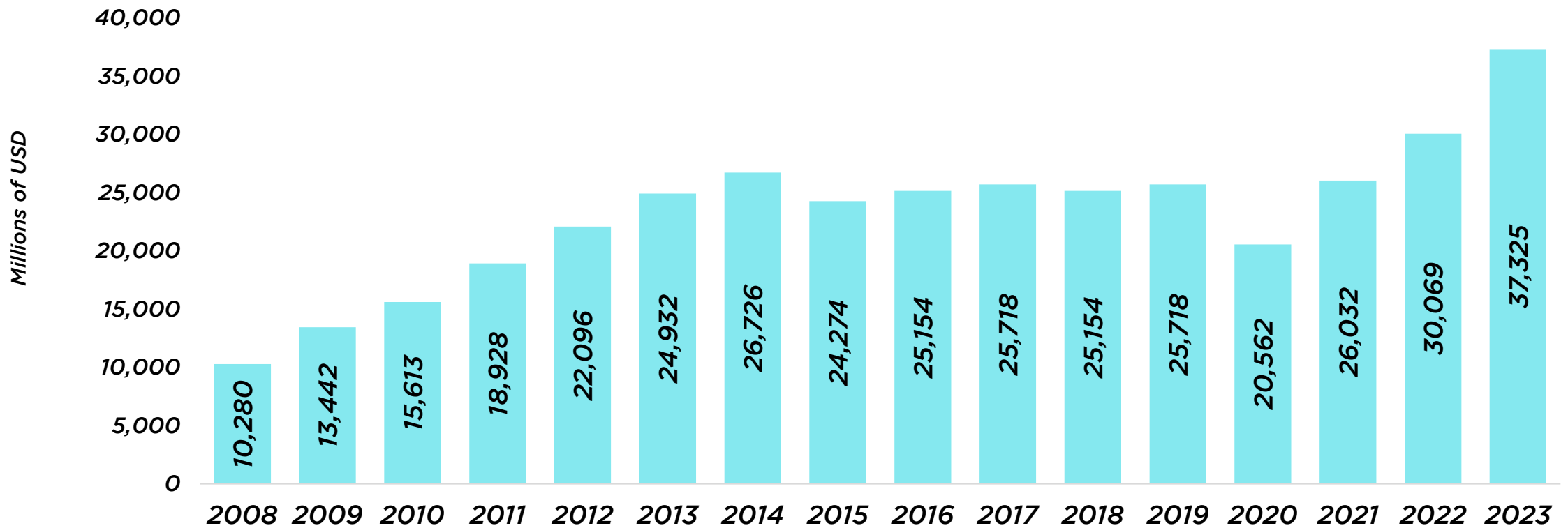
Creation of Direct Jobs in the Auto Parts Industry



Jobs

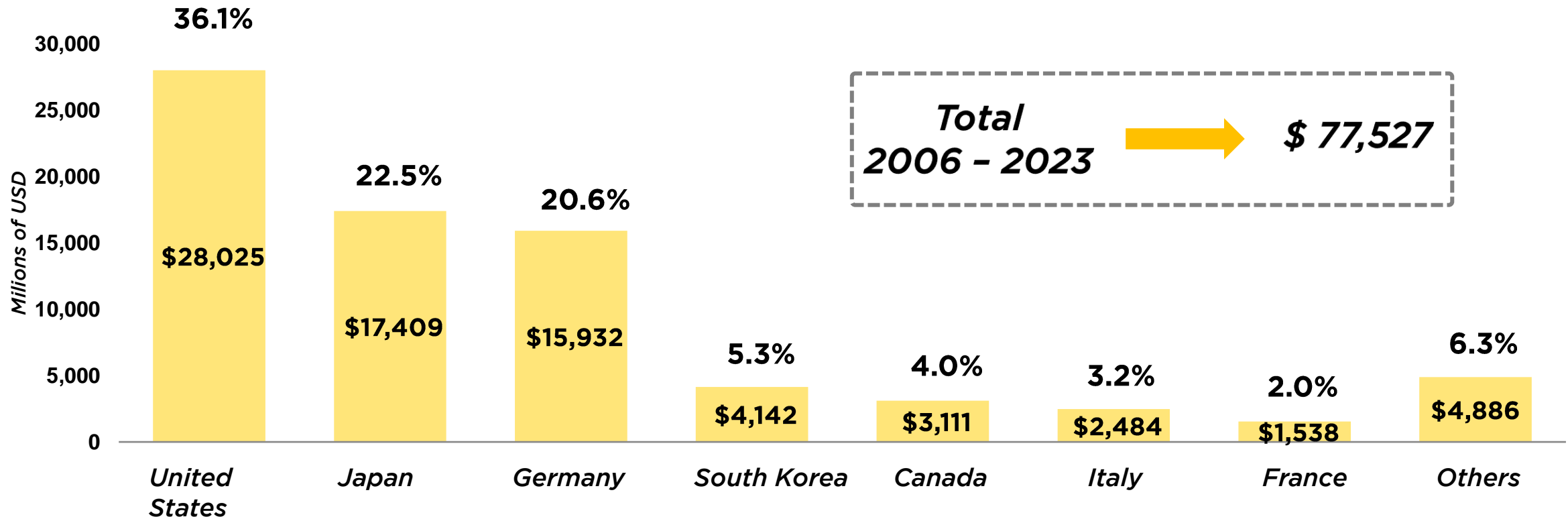
Monthly average 2019 - 2023: 868,000 people

Balance of Trade in the Auto Parts Industry

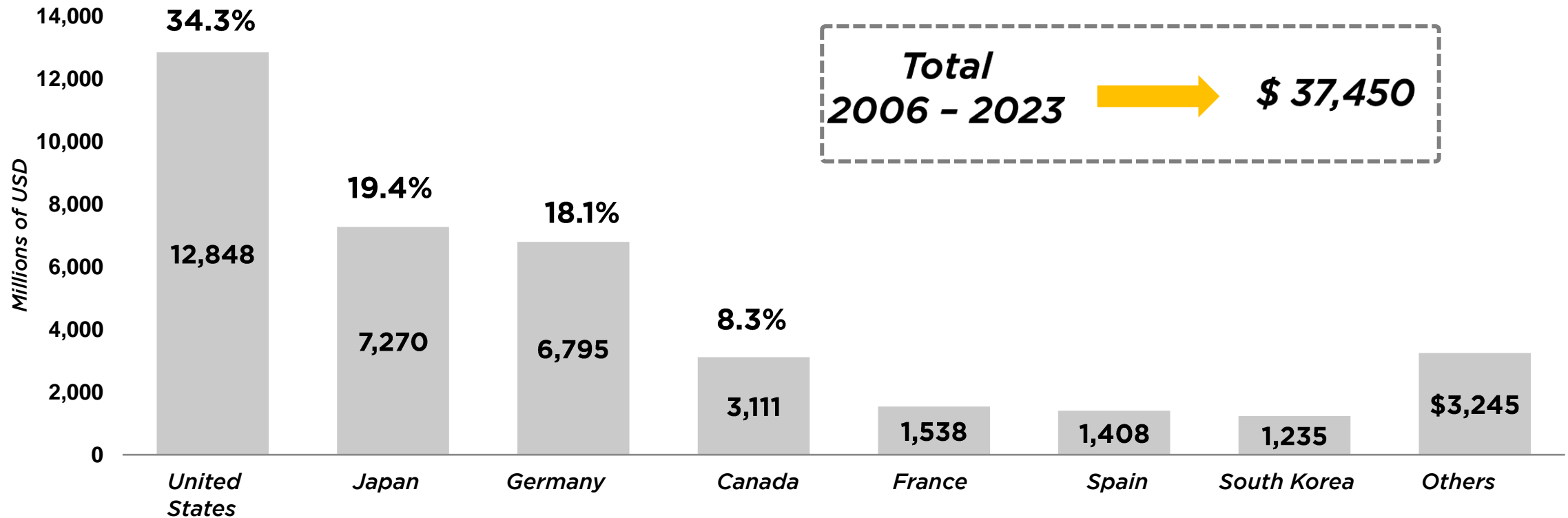


- The auto parts sector accounts for a considerable portion of the automotive industry's trade surplus.

Accumulated FDI in Mexico's Automotive Industry by Country of Origin

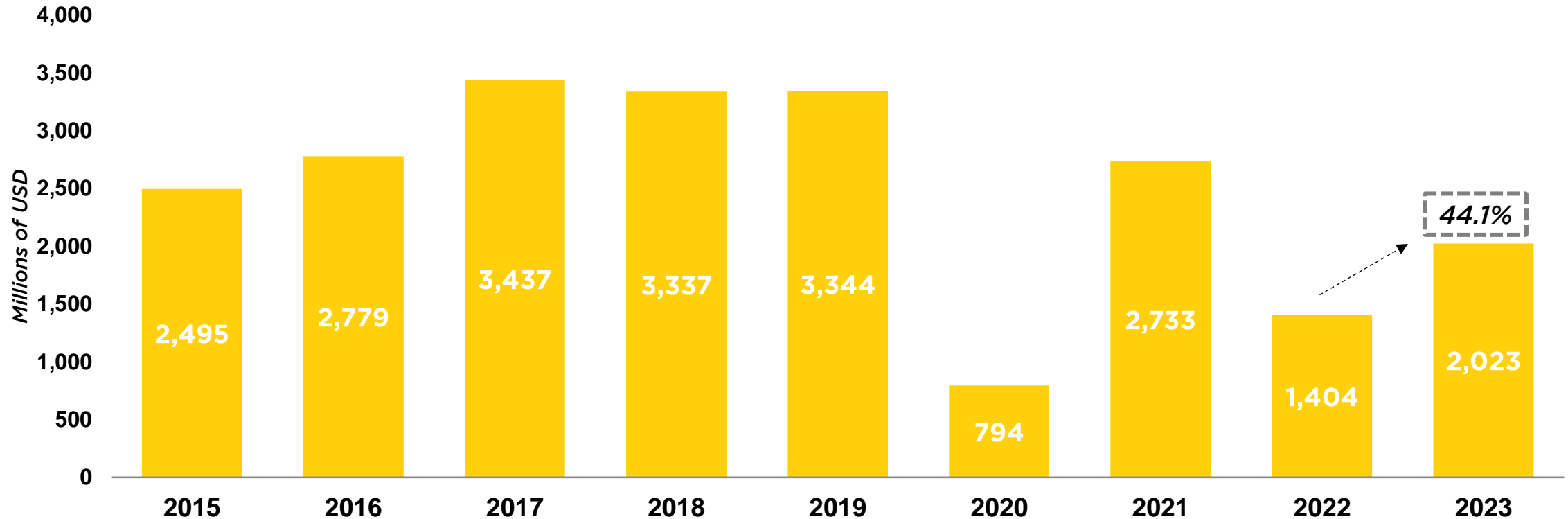


Accumulated FDI in Mexico's Auto Parts Industry by Country of Origin

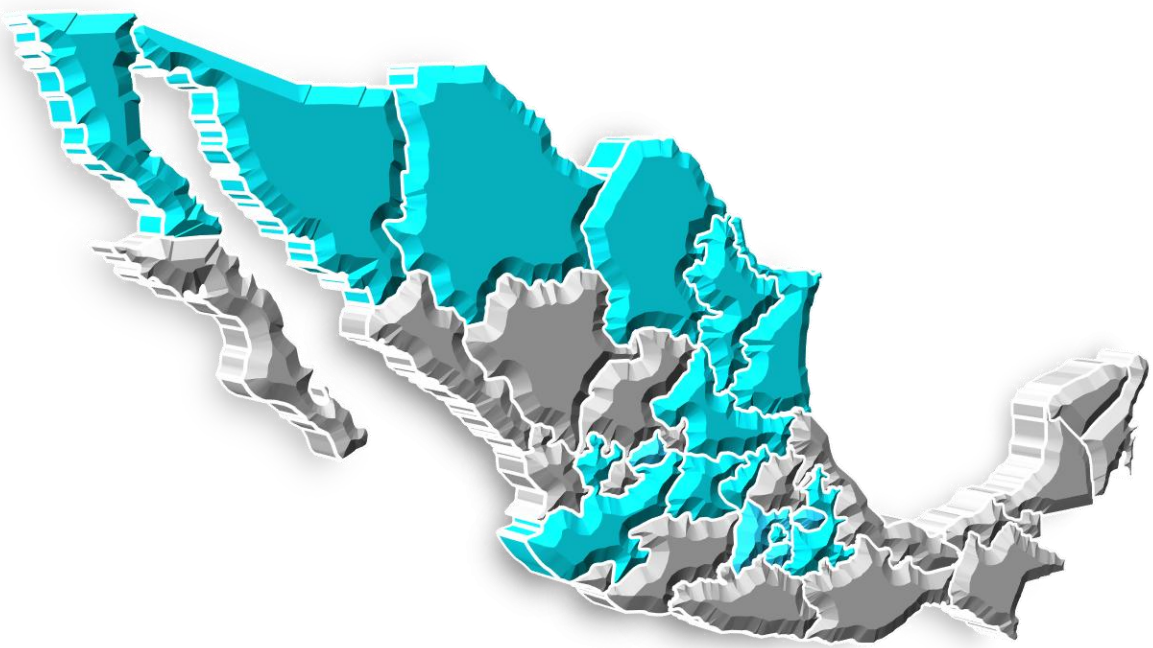


FDI in Auto Parts in Mexico

- In 2023, FDI increased 44.1% compared to 2022.



States that Received the Most FDI in Auto Parts in 2023



State	Share
Chihuahua	23.2 %
Mexico City	12.9 %
Coahuila	11.4 %
Edo. Mex	11.1 %
Guanajuato	9.6 %
Nuevo León	9.4 %
Jalisco	7.6 %
Tamaulipas	5.7 %
Querétaro	4.0 %
Baja California Norte	3.0 %
Sonora	1.3 %
Durango	0.3 %
San Luis Potosí	0.3 %
Others	0.3 %

Total FDI  **\$ 2.02 billion USD**



Source: INA based on information furnished by the Ministry of Economy

Mexico's Heavy - Duty Vehicle Industry Manufactures Productive Assets that Create Value for all Economic Activities

96%



Inter-state passenger transportation

83%



Ground transportation of goods within Mexico

41%



Workers

27%



Students

100%



Delivery and distribution

71%



Foreign trade value

Type of Company	Classification	Companies	Vehicles
Person truck	1 - 5	80.7 %	22.9 %
Small	6 - 30	16.4 %	29.3 %
Medium	31 - 100	2.2 %	17.0 %
Large	Over 100	0.7 %	30.8 %

205,000 carriers are registered with the SICT.



Source: ANPACT, SICT

The Future of Electromobility in Mexico

If Mexico is to hold on to its position as one of the select top ten actors in the global automotive industry, we need to work on a comprehensive public policy that fosters an effective and orderly transition to Electromobility.

Main Goals:

Maintain leading position in the automotive industry, locally, regionally and globally.

Strengthen the vehicle value chain by introducing new technologies and exploit the international trade agreements entered into by Mexico.

Increase the number and quality of jobs created by Mexico's automotive sector.

Reduce greenhouse gas emissions in compliance with international climate change goals.

Pillars of Electromobility in Mexico

Manufacturing/Industry

- **Administrative incentives** for the manufacture of electric vehicles (HEV, PHEV, BEV and FCEV).
- **Tax incentives** for the manufacture of electric vehicles (HEV, PHEV, BEV and FCEV).
- **Availability of clean, renewable energies** throughout the entire lifecycle of electric vehicles (HEV, PHEV, BEV, FCEV).
- Collaboration between the industry, government and academia, with a view to **developing human capital**.
- Elimination of bottlenecks and **improved logistics**.
- **Development of hubs** for hybrid and electric vehicles and infrastructure: water, roads, renewable energies, 5G.
- **Development of local** value chains.

Consumer/Market

- **Drawing up of official Mexican standards (NOMs)** covering terminology, the proper handling of batteries and emissions.
- **Temporary income tax deductibility** for individuals and greater deductibility for companies.
- **Temporary VAT reductions** on HEV, PHEV, BEV and FCEV vehicles.
- **Temporary tax credits** for companies that invest in HEV, PHEV, BEV and FCEV vehicles and infrastructure.
- **Preferential interest rates and leasing plans** for such vehicles.
- **Discounts on federal highways**.
- **Parking meter exemptions**.
- Electrification of **government fleets**.

Freight Infrastructure

- **Joint strategy for the regulation, planning and building** of freight infrastructure for technologies that require it.
- **Official Mexican standard (NOM) specifying the type of connectors required for the freight infrastructure** used by electric vehicles (PHEV, BEV).
- **Infrastructure census** to determine public recharging points.
- **Administrative and tax incentives** for the building of infrastructure.
- **Clean energies** for manufacturing processes and recharging.
- **Power rate guidelines** for chargers.
- **Regulations that new and existing structures must comply with in order to be considered recharging points**.
- **Preferential power rates** for businesses.

Human Capital Needs

169,000 STEM* graduates in the 2021-2022 academic year.

70.6% of whom are specialized in engineering, construction and Manufacturing.



By 2025, we will need ten times more IT professionals than in 2020.



By 2025, 97 million new job positions will have been created worldwide.

Reskilling and Upskilling

- Alliances with universities.
- Revision of study plans.
- Collaboration with organizations on training and development programs.
- Certified technical courses.

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