Driving Toward a Sustainable Future

DIÁLOGO
CON LA INDUSTRIA
AUTOMOTRIZ MR
• 2024 •

AMDA Asociación Mexicana de Distribuidores de Automotores A.C.
AMIA Asociación Mexicana de la Industria Automotriz, A.C.
ANPACT

Dialogue with the Automotive Industry 2024

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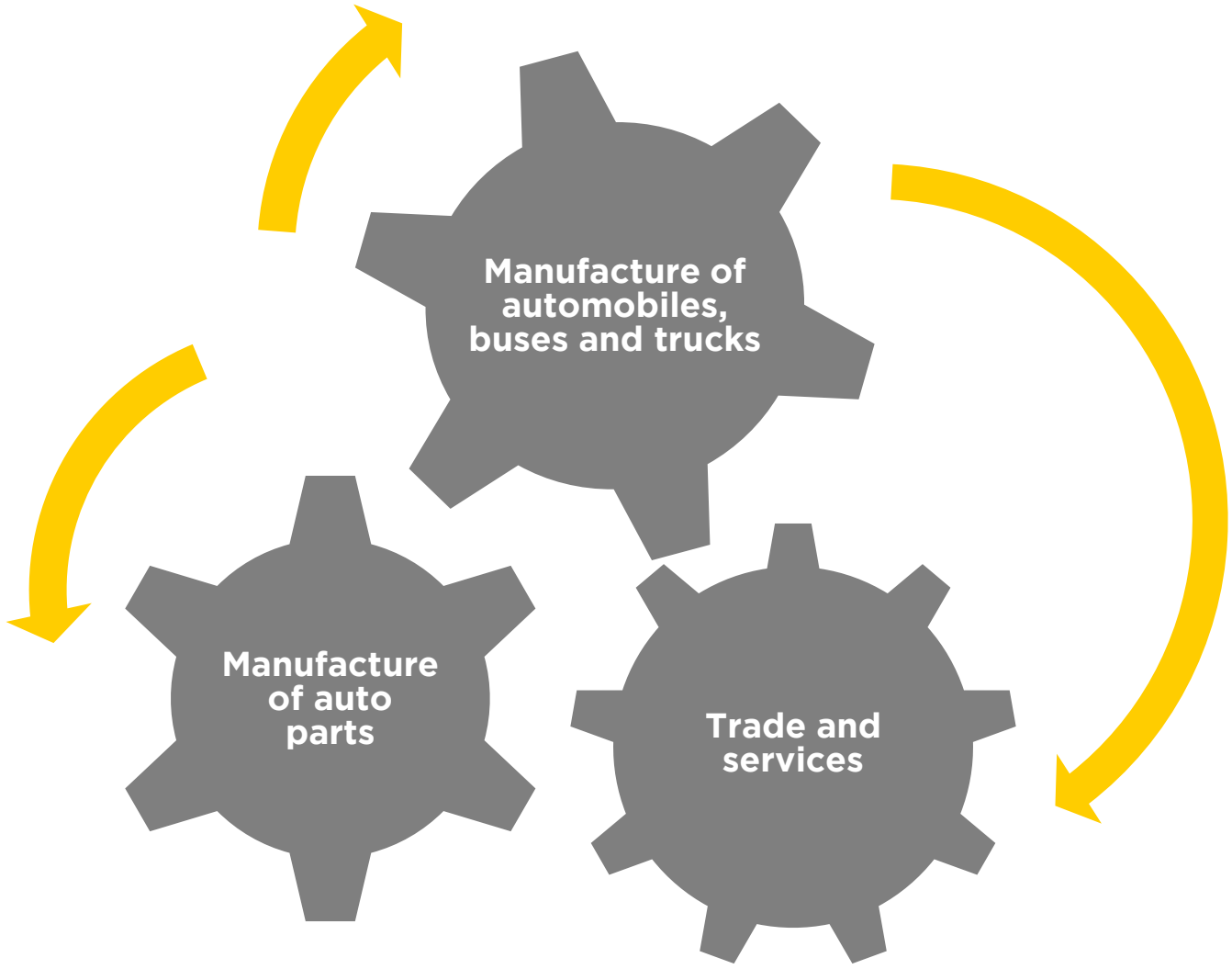
Structure of the Automotive Sector



The Automotive Sector ready to continue growing for Mexico

- We are four associations representing companies that have historically believed in 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 is of the essence and historic opportunities like this do not often come around

It is crucial we begin to factor in the transition to a new government administration

The automotive sector believes in and invests in Mexico

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

Global Leadership and Contribution to the National Economy

No. 1
Generator of foreign currency revenues

No. 1
Global exporter of tractor trailers

No. 1
Supplier of vehicles and auto parts to the United States

No. 4
Global exporter of heavy – duty vehicles

No. 4
Global producer of auto parts

No. 5
Producer of heavy - duty freight vehicles

No. 6
Producer of heavy - duty passenger vehicles

No. 6
Global exporter of light vehicles

No. 7
Global producter of light vehicles

No. 12
Worldwide in terms of domestic market size

2.1 million jobs

Source: AMDA, AMIA, ANPACT, INA

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

- Production
- Exports
- Gross domestic product
- Trade balance
- Jobs
- Foreign direct investment
- Domestic market

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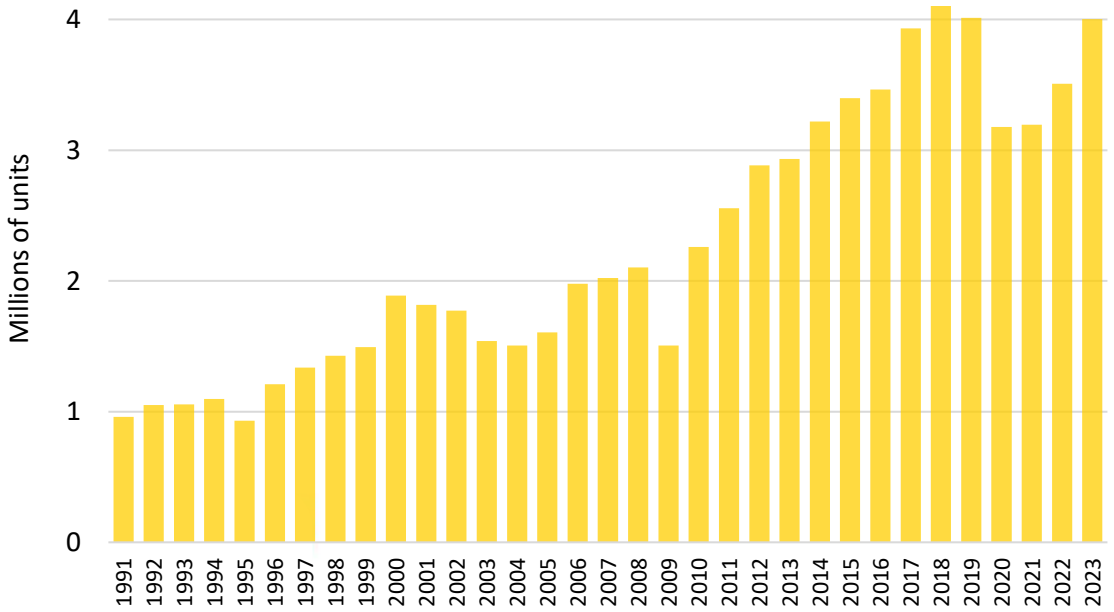
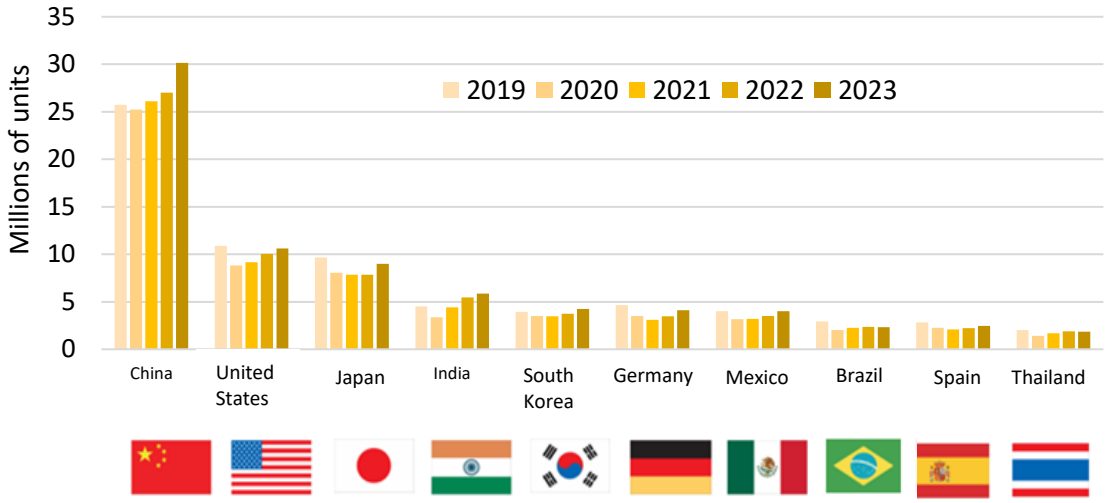
The Automotive Industry in Mexico: A Dynamic, Competitive Global Player in the Production of Light and Heavy - Duty Vehicles

- No. 7 global producer of automotive vehicles and No. 1 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



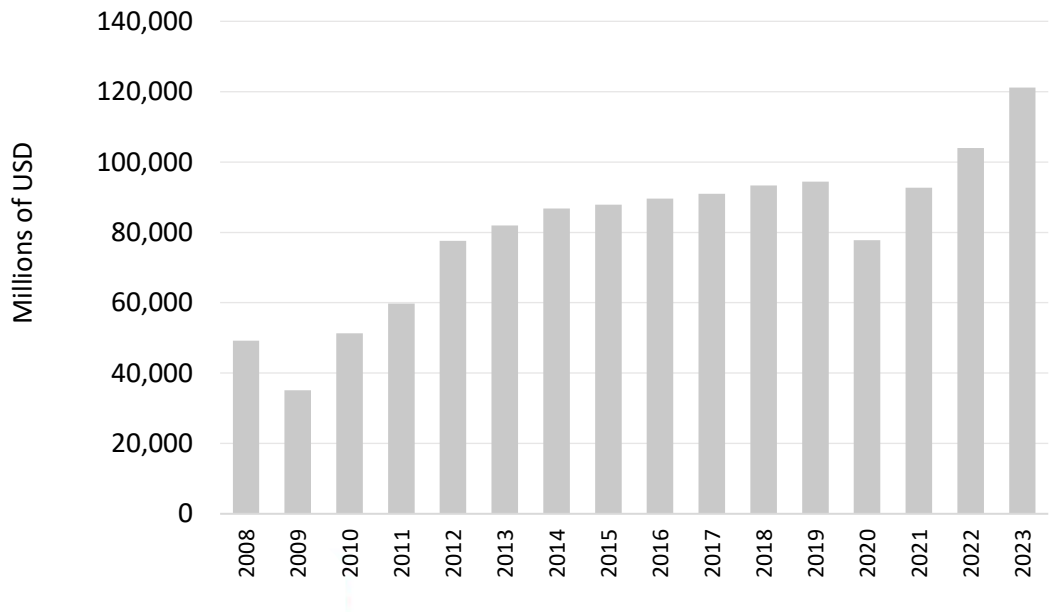
2023	1	2	3	4	5	6	7	8	9	10
2022	1	2	3	4	5	7	6	9	8	10
2021	1	2	3	4	5	7	6	9	8	10
2020	1	2	3	6	5	4	7	8	9	10
2019	1	2	3	5	7	4	6	9	8	10

Source: OICA and INEGI

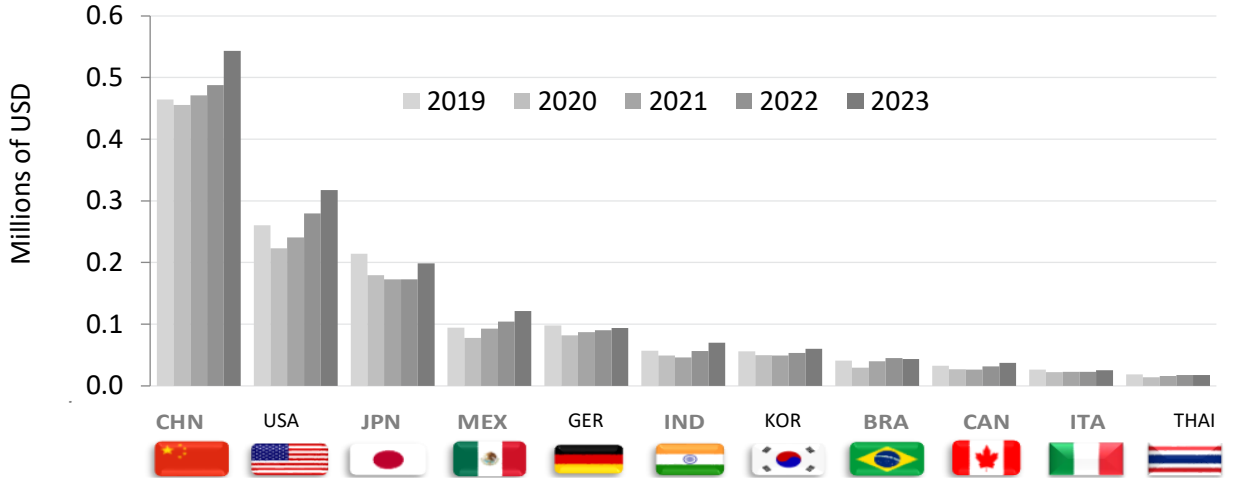
Global Positioning of the Mexican Auto Parts Industry

- No. 4 global producer of auto parts and No. 1 in Latin America in 2023
- 87.1% of total production is earmarked for 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



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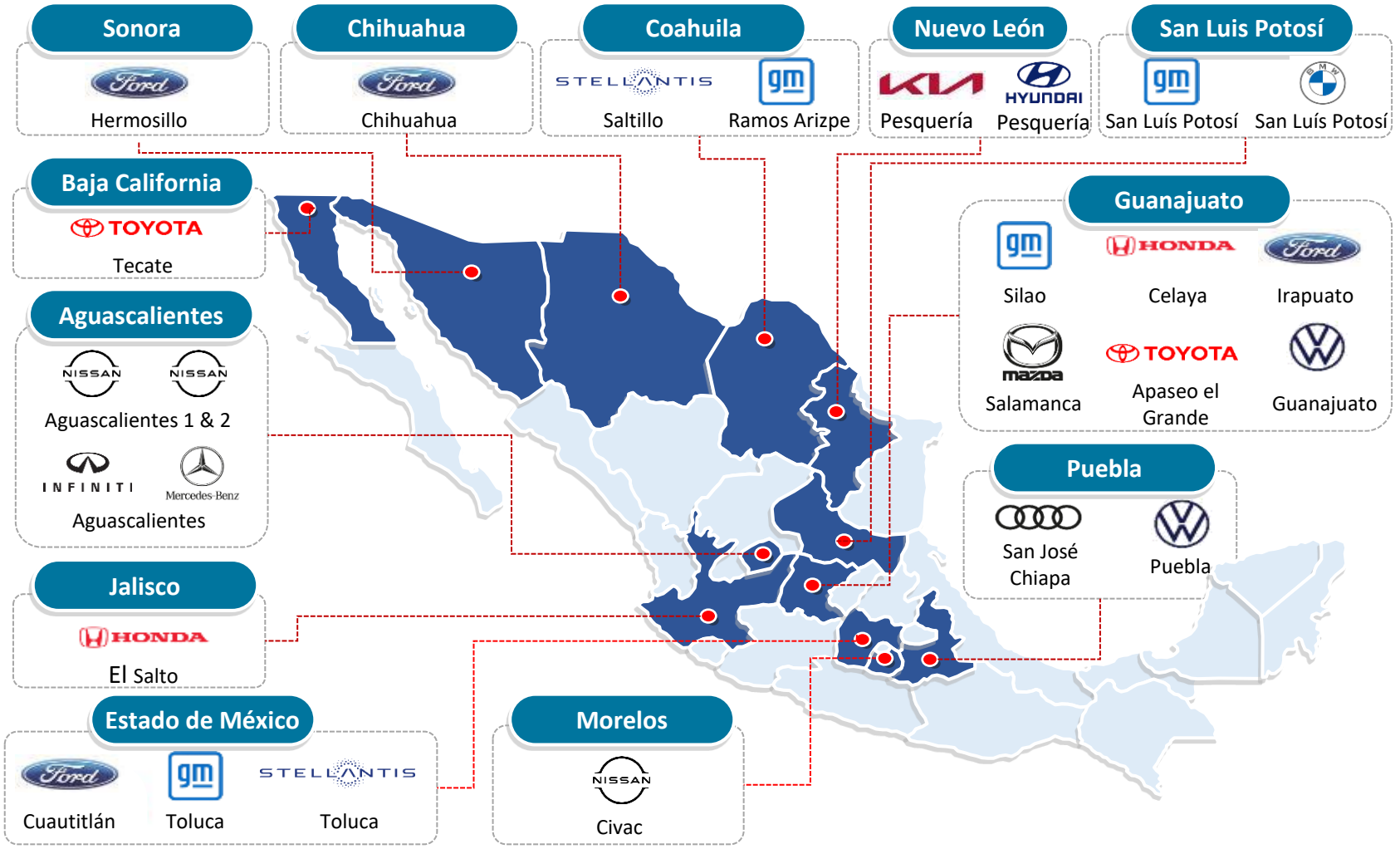
2022	1	2	3	4	5	6	7	8	9	10	11
2021	1	2	3	4	5	7	6	8	9	10	11
2020	1	2	3	5	4	7	6	8	9	10	11
2019	1	2	3	5	4	6	7	8	9	10	11

Source: INA based on information taken from INEGI's Monthly Manufacturing Industry Survey (EMIM), including Maquila, US Bureau of Economic Analysis, Statistic Canada, Sindipecas, Eurostat, ACMA.

Light Vehicle, Engine and Transmission 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 Plants, 2023

15 associated brands: 14 assembly plants and 1 engine plant

Presence in **10** states

12 manufacturing plants

Source: ANPACT, based on publications by the companies in question

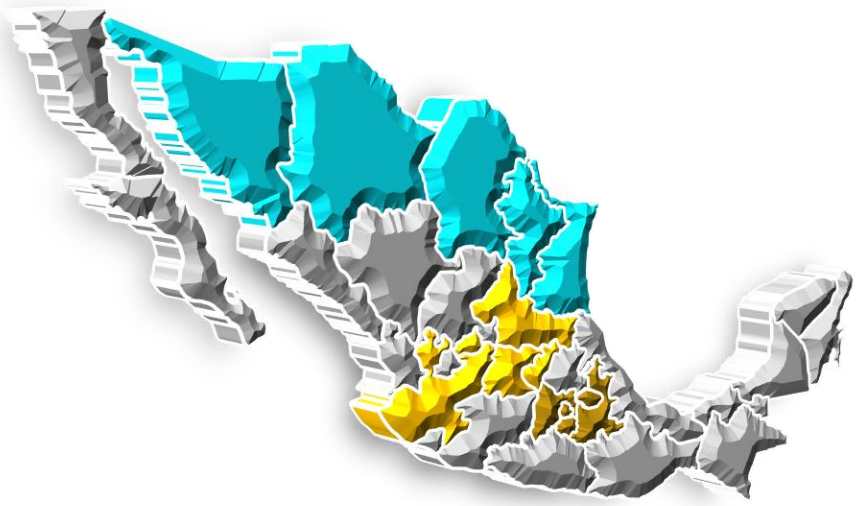
Auto Part Production by State, 2023
(millions of USD)

North Mexico	$52,302 = 43.2%
Coahuila	$ 18,452
Nuevo León	$ 14,800
Chihuahua	$ 10,648
Tamaulipas	$ 5,094
Sonora	$ 3,307

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

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



$121.16 billion USD

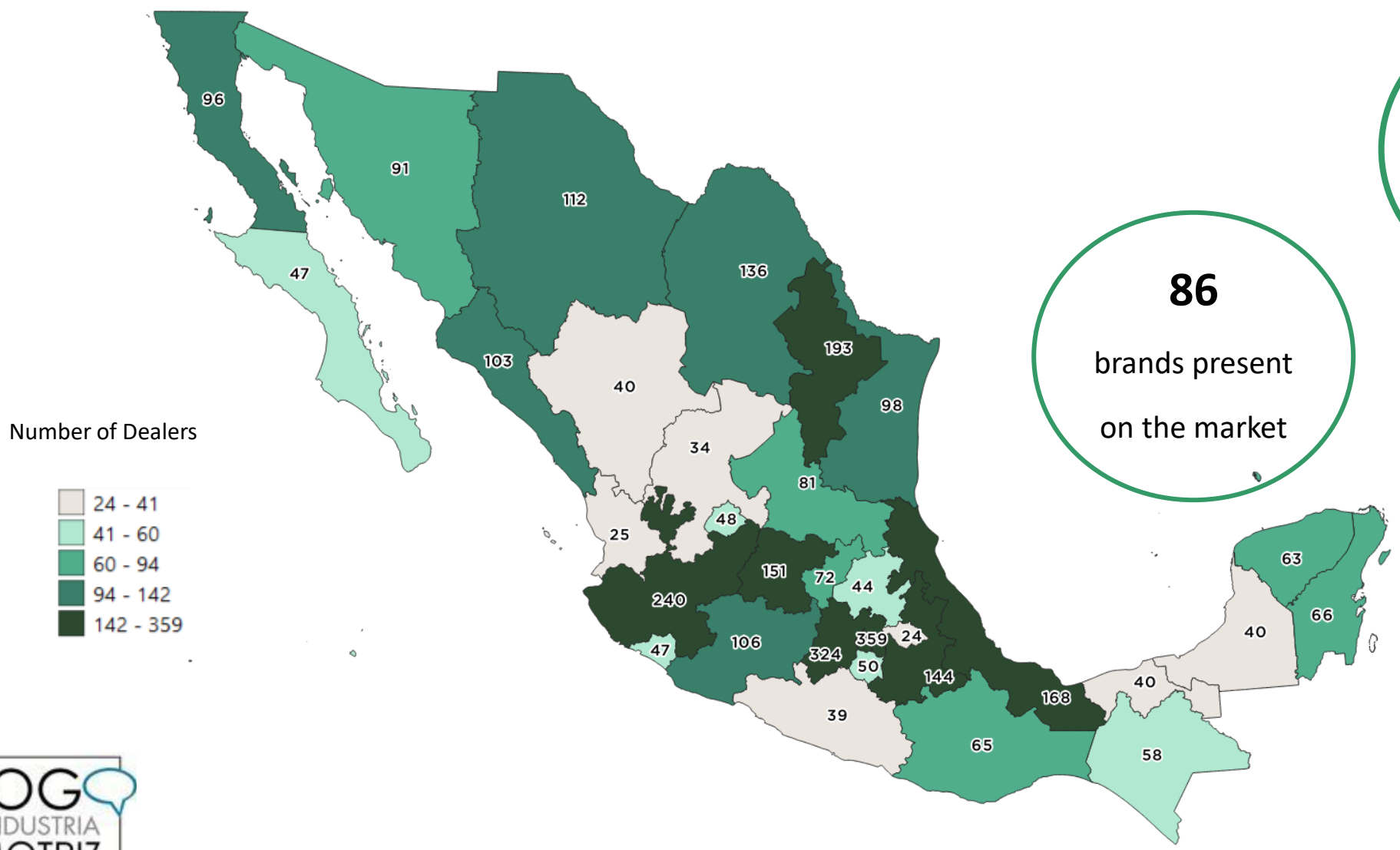
No. 1 supplier of auto parts to the United States

+20 states

+2,000 plants

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

New Vehicle Dealers, 2023



3,204

dealerships

86

brands present on the market

Nationwide coverage

32 states

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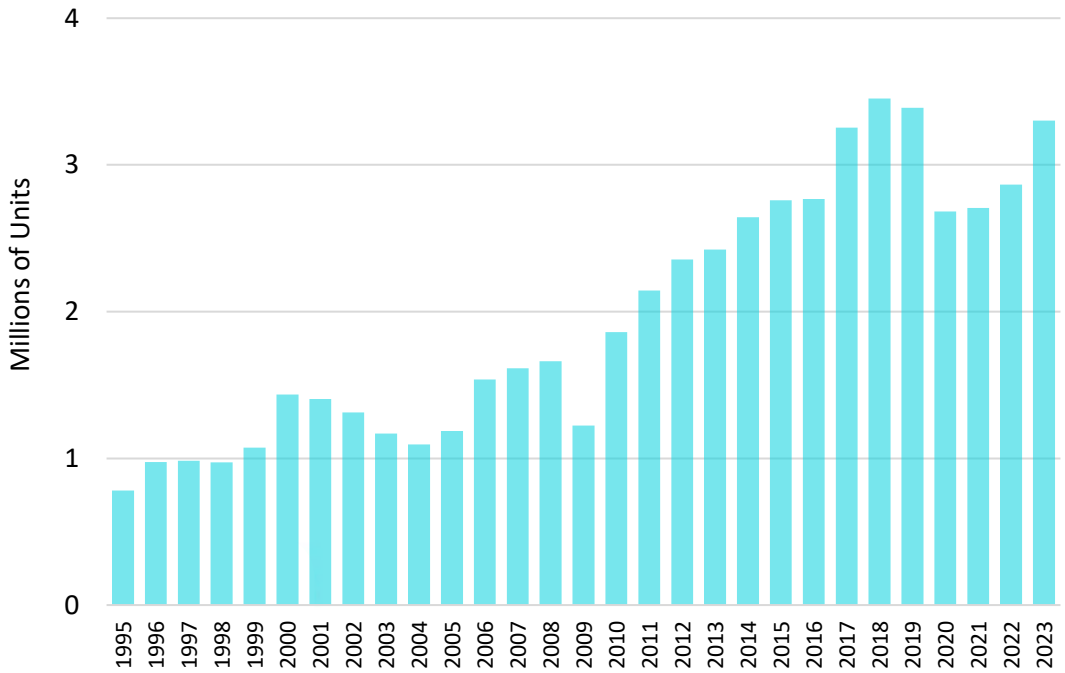
Source: Compiled by AMDA based on information furnished by brand associations and official websites
Note: The intervals correspond to stratification by quintiles. Includes light and heavy- duty vehicles (head offices, branches and points of sale)

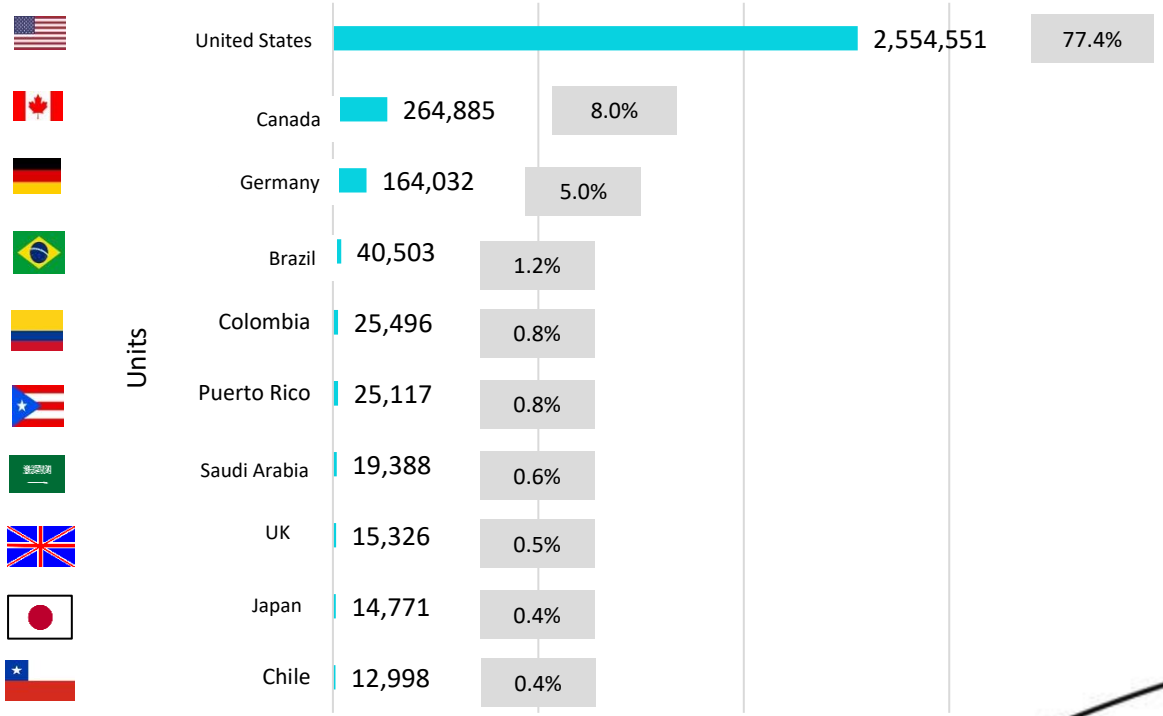
Mexico: Positioned Among the World´s Leading Exporters of Light Vehicles

- No. 6 global exporter of light vehicles and No. 1º 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



Countries Mexico Exported Light Vehicles to in 2023

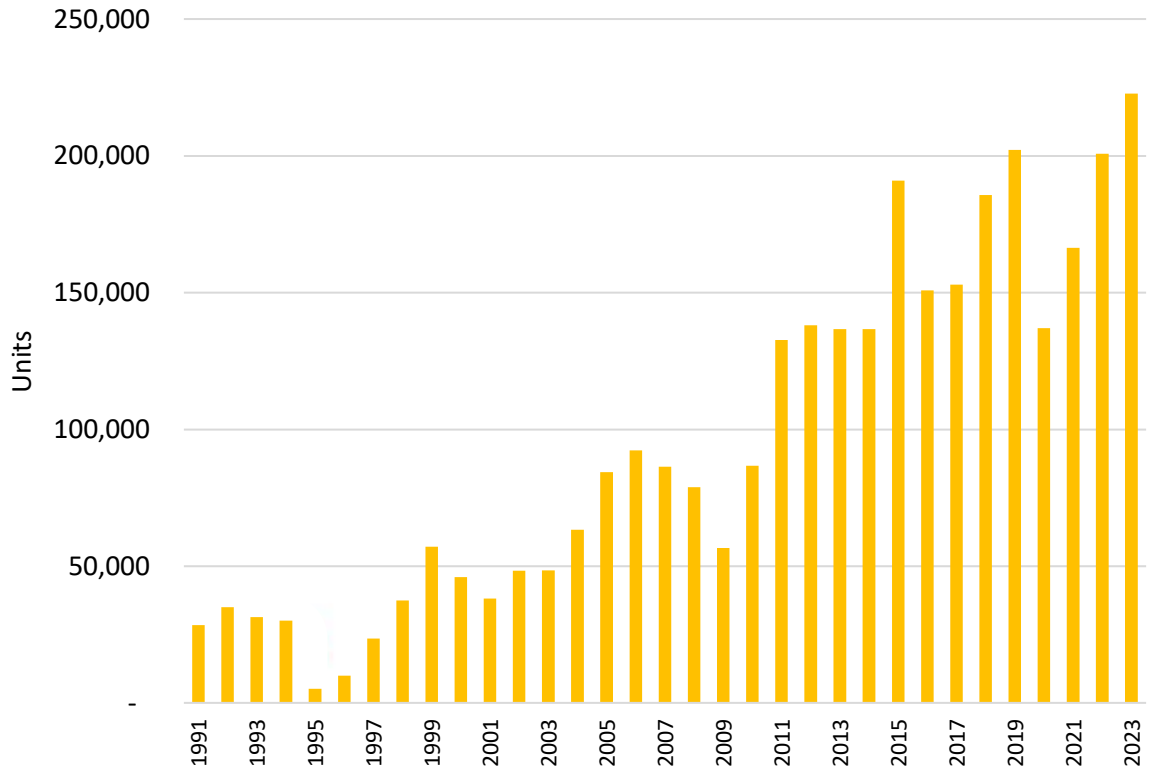


Source: INEGI

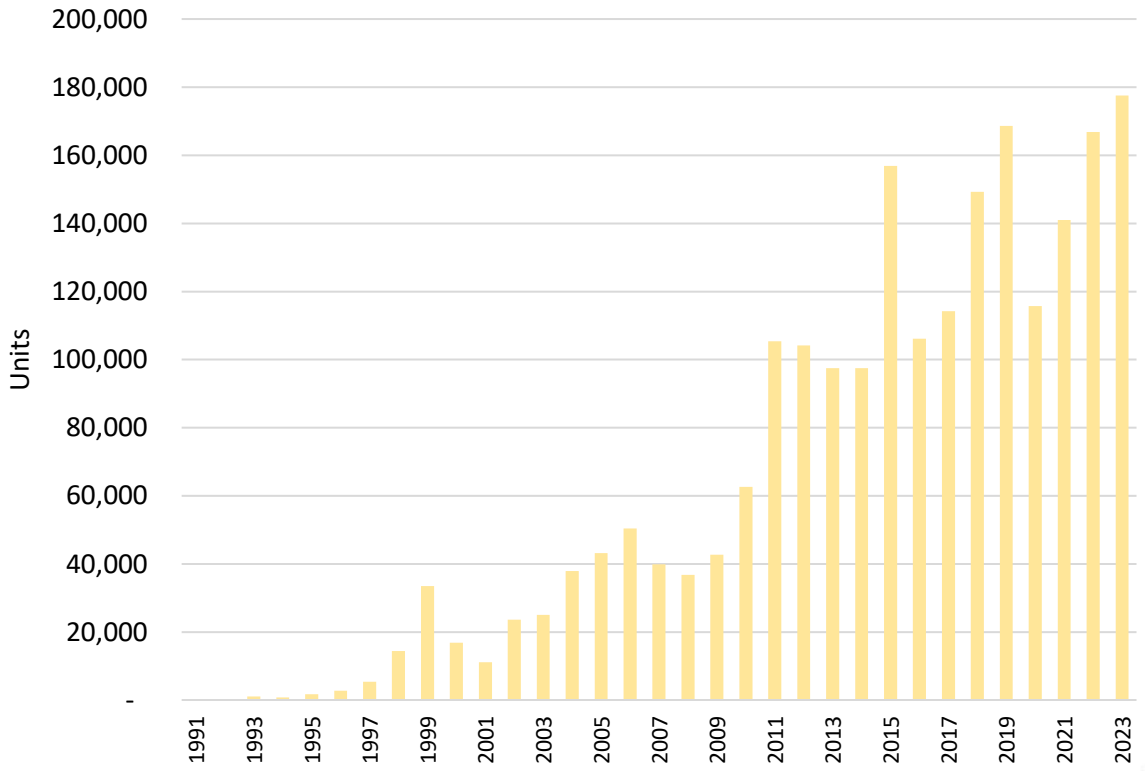
Mexico: Ranked the World´s No. 4 Exporter and No. 5 Producer of Heavy – Duty Vehicles

- 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 sold on the export market.
- Of every 100 heavy- duty vehicles produced in Mexico in 2023, 80 were exported to 16 countries.

Heavy – Duty Vehicle Production



Heavy – Duty Vehicle Exports

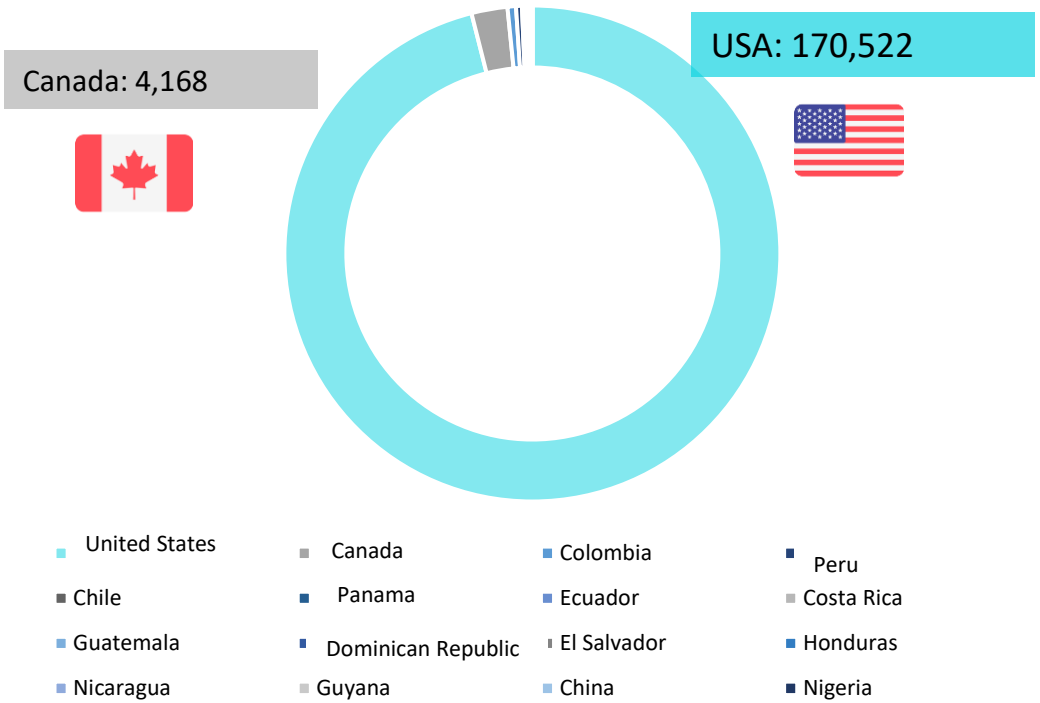


Source: INEGI and ANPACT

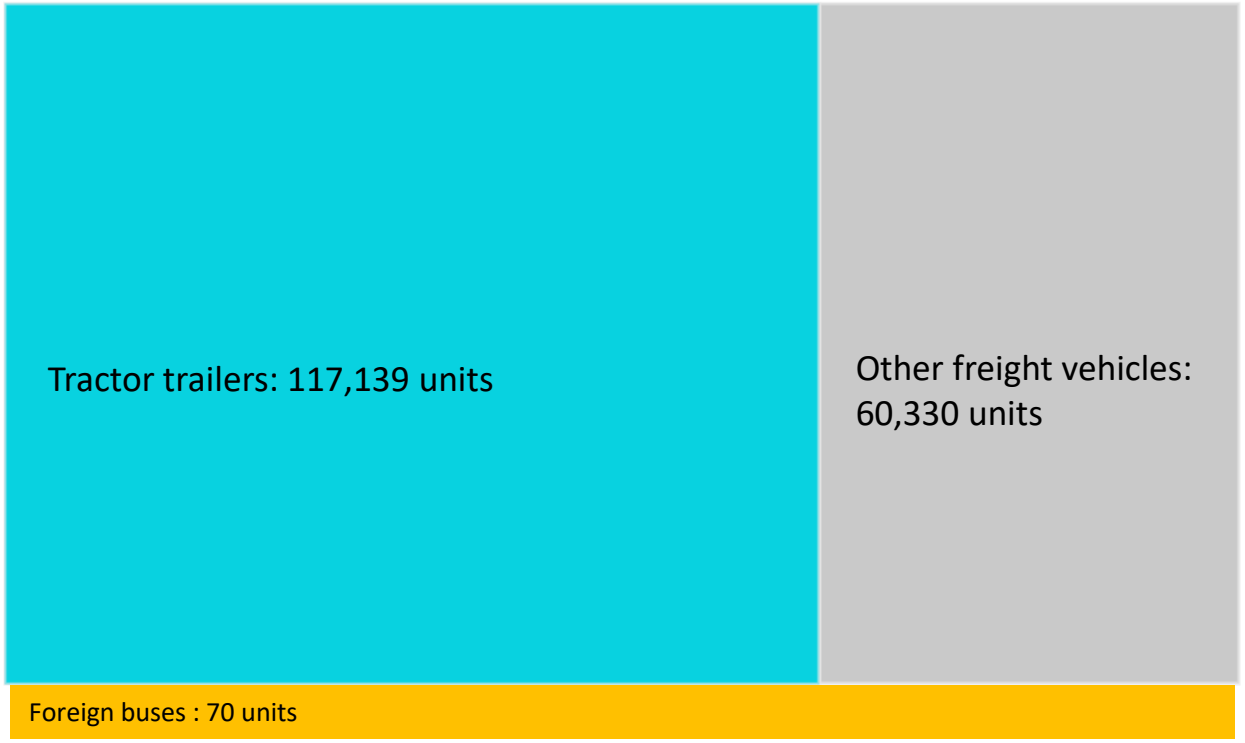
Mexico: World´s No. 4 Exporter and No. 5 Producer of Heavy-Duty Vehicles in 2023

- 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)

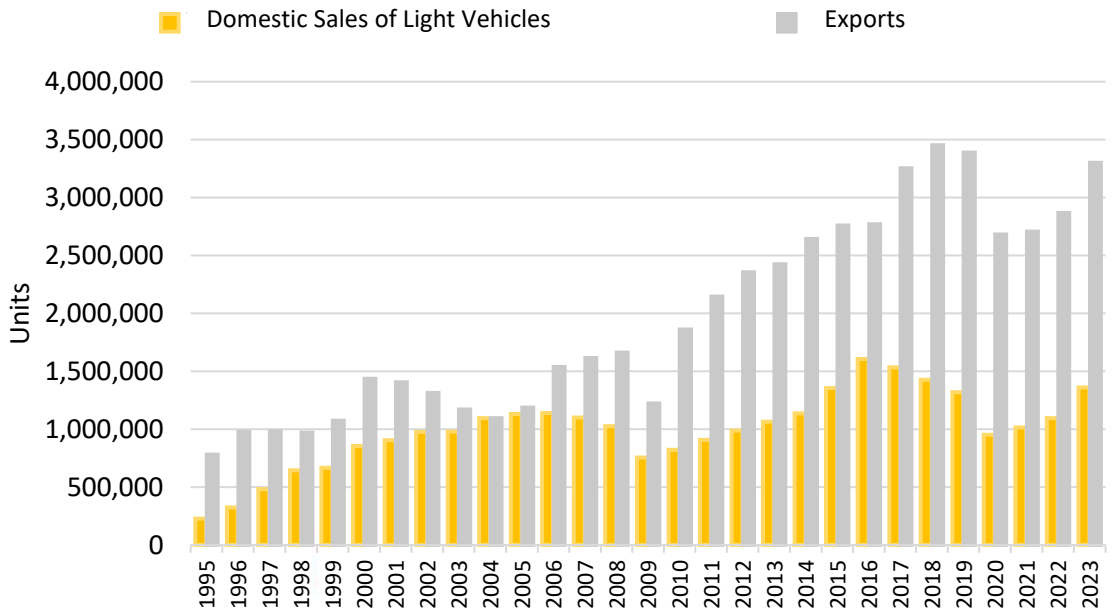


Source: INEGI

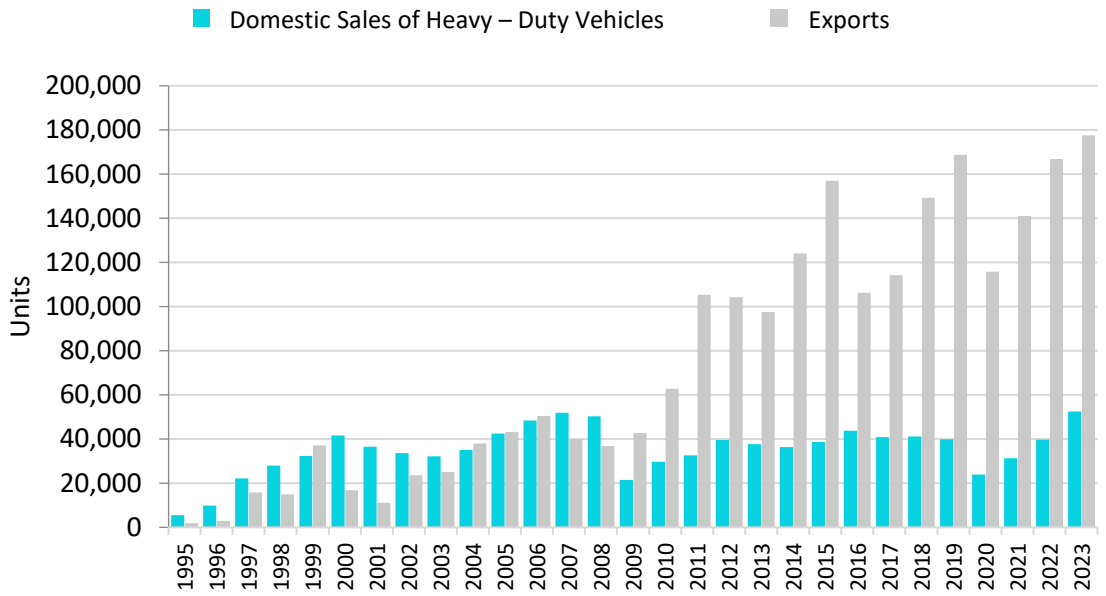
The Export Model: A Success Case that Needs to be Accompanied by the Strengthening of the Domestic Market

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

Evolution of the Light Vehicle Market



Evolution of the Heavy – Duty Vehicle Market

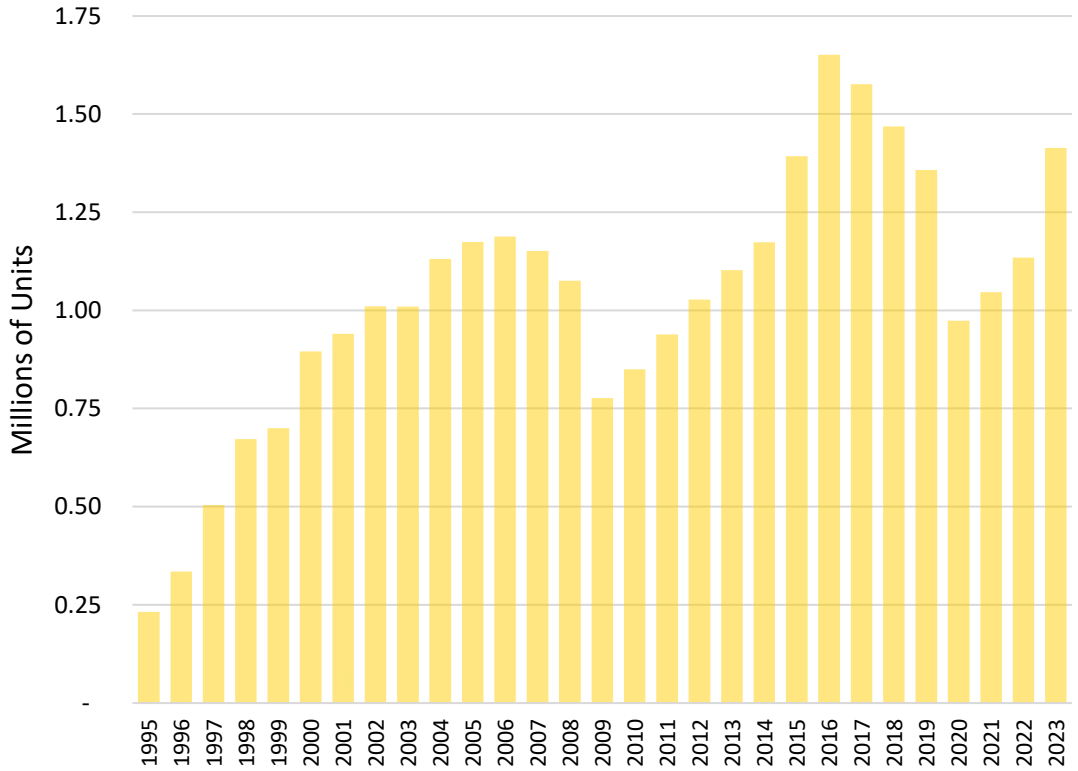


Source: INEGI

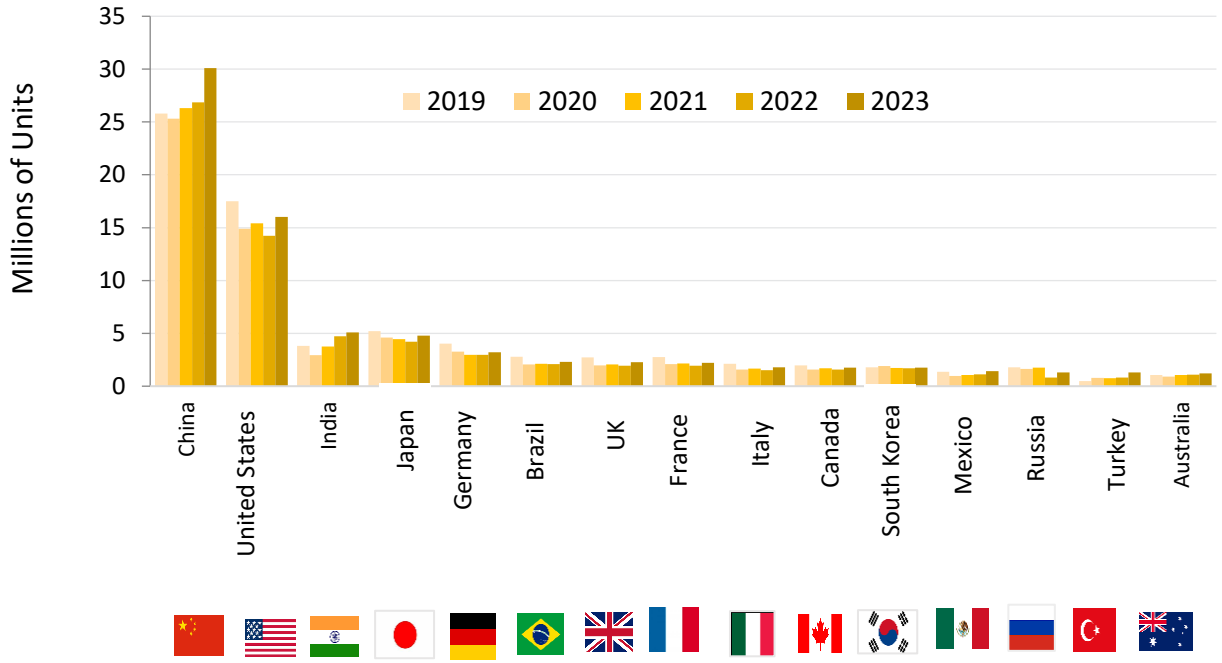
Domestic Vehicle Sales: Mexico´s Global Ranking

- In 2023, Mexico held on to its global ranking as No. 12 in terms of domestic vehicle sales, with a 1.8% share of total sales

Domestic Vehicle Sales



Global Sales Ranking

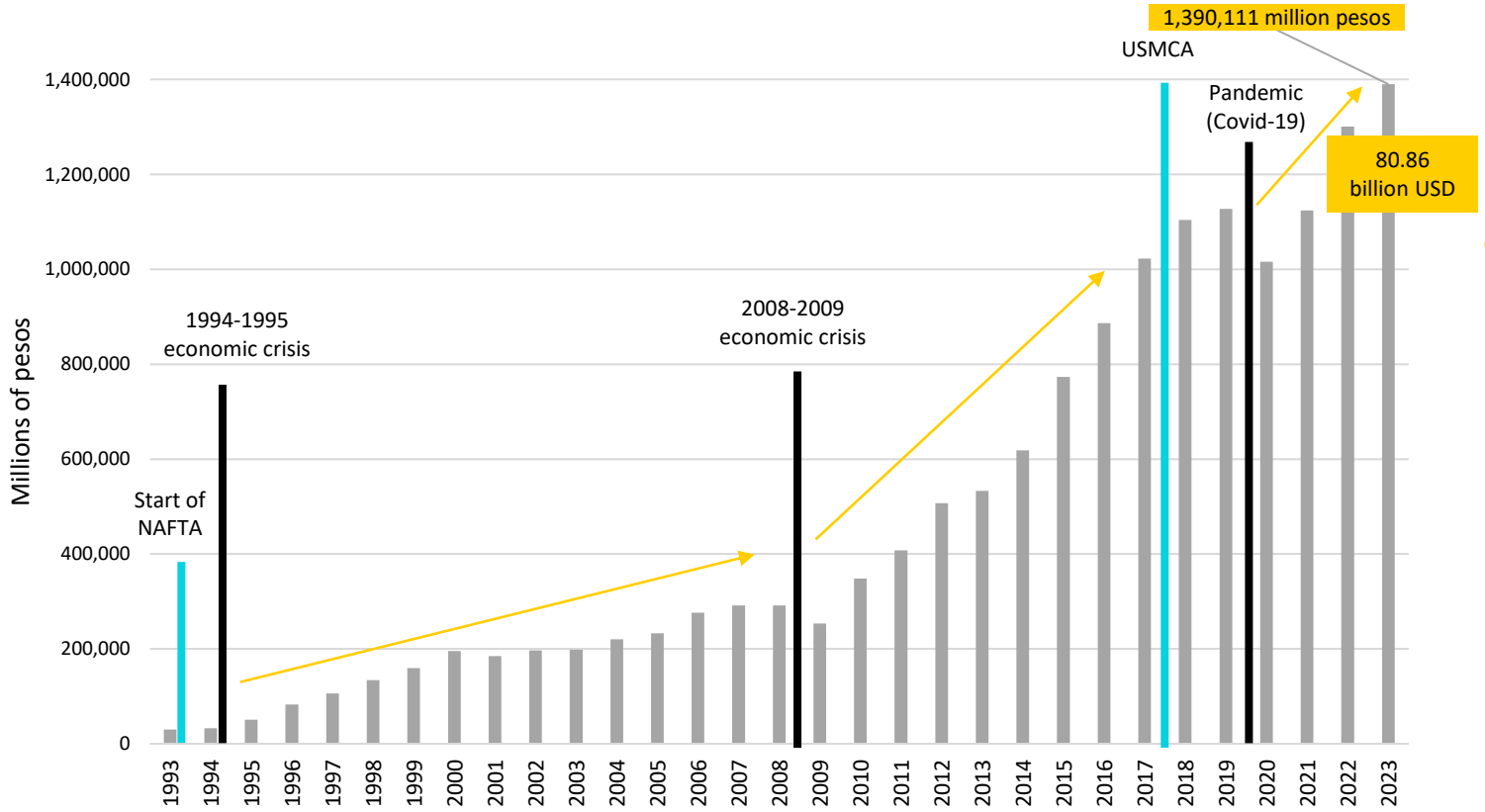


2023	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2022	1	2	3	4	5	6	7	8	11	10	9	12	18	17	13
2021	1	2	4	3	5	7	8	6	12	11	10	14	9	17	13
2020	1	2	5	3	4	7	8	6	12	11	9	14	10	16	15
2019	1	2	5	3	4	6	8	7	9	10	11	14	12	24	15

Source: INEGI, OICA. Includes light and heavy - duty vehicles.

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



Automotrive Industry vs. Other Sectores

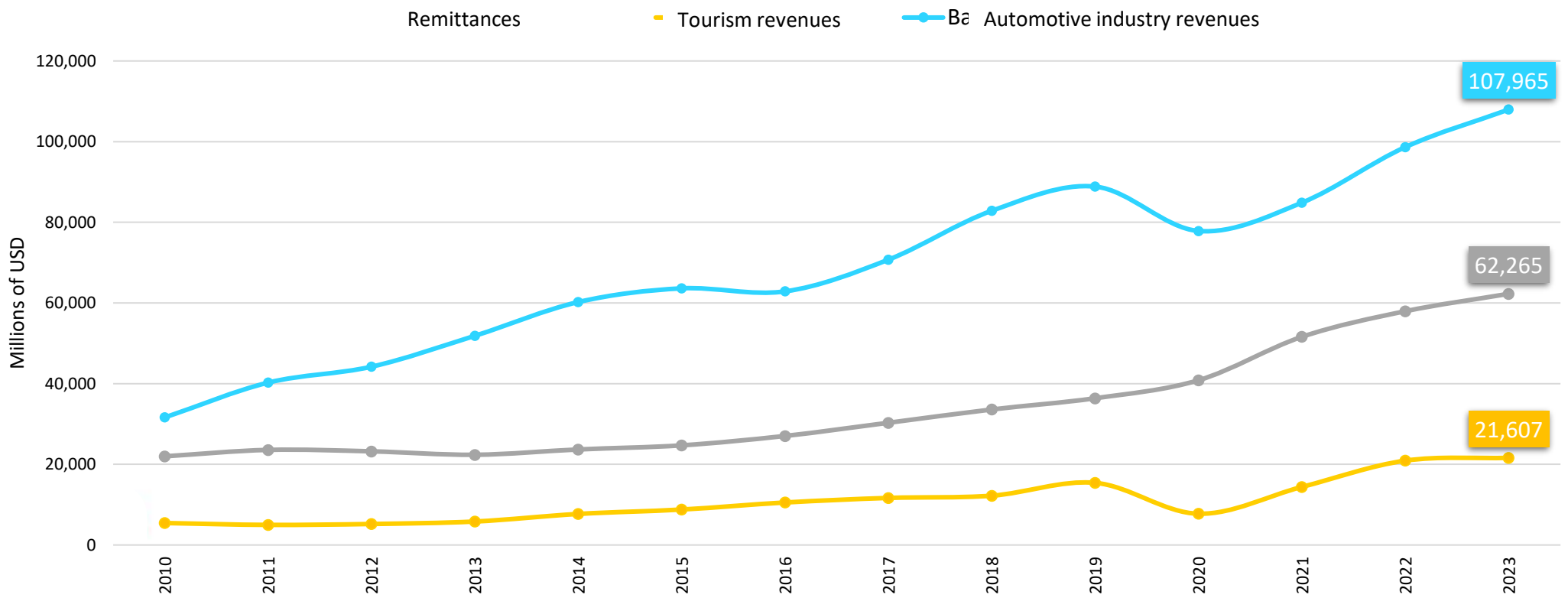
Share of National GDP, 2023

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

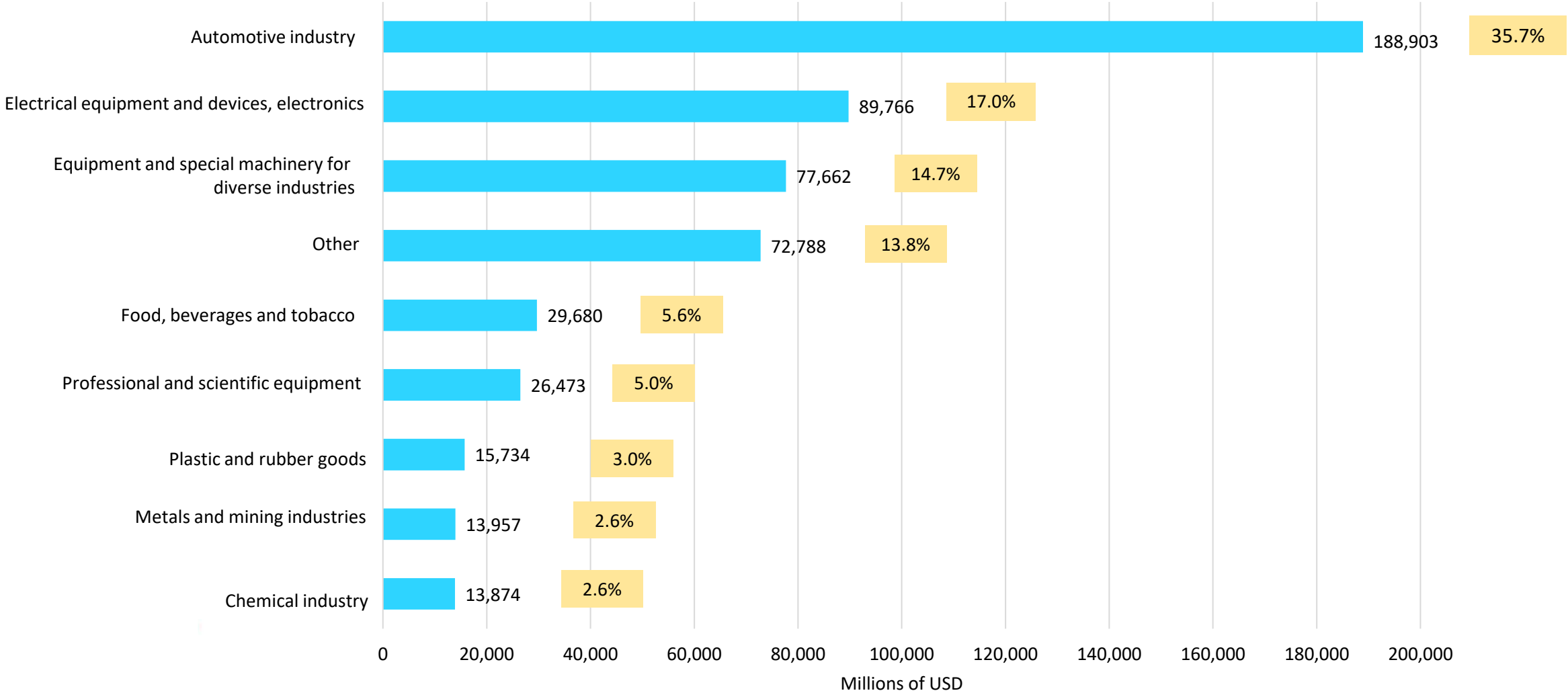
- The country´s main source of foreign-currency revenues, surpassing remittances and tourism combined
- This fact underscores the importance of the automotive industry to the country’s economy



Source: SAT, SE, BANXICO, INEGI. Mexican Goods Trade Balance. SNIEG.

Economic Impact and Share in Manufacturing Exports, 2023

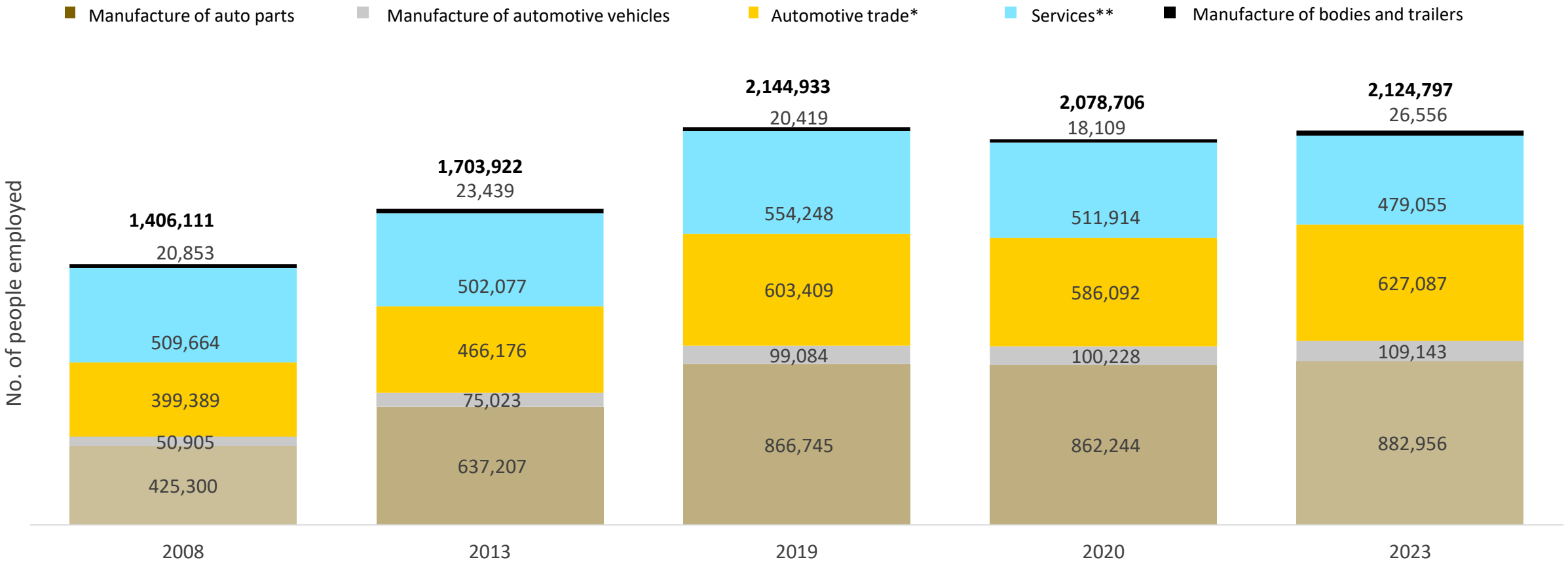
- The automotive industry accounts for 35.7% of exports of manufactured goods



Source: SAT, SE, BANXICO, INEGI. Mexican Goods Trade Balance. SNIEG

The Automotive Sector: A Major Employer

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



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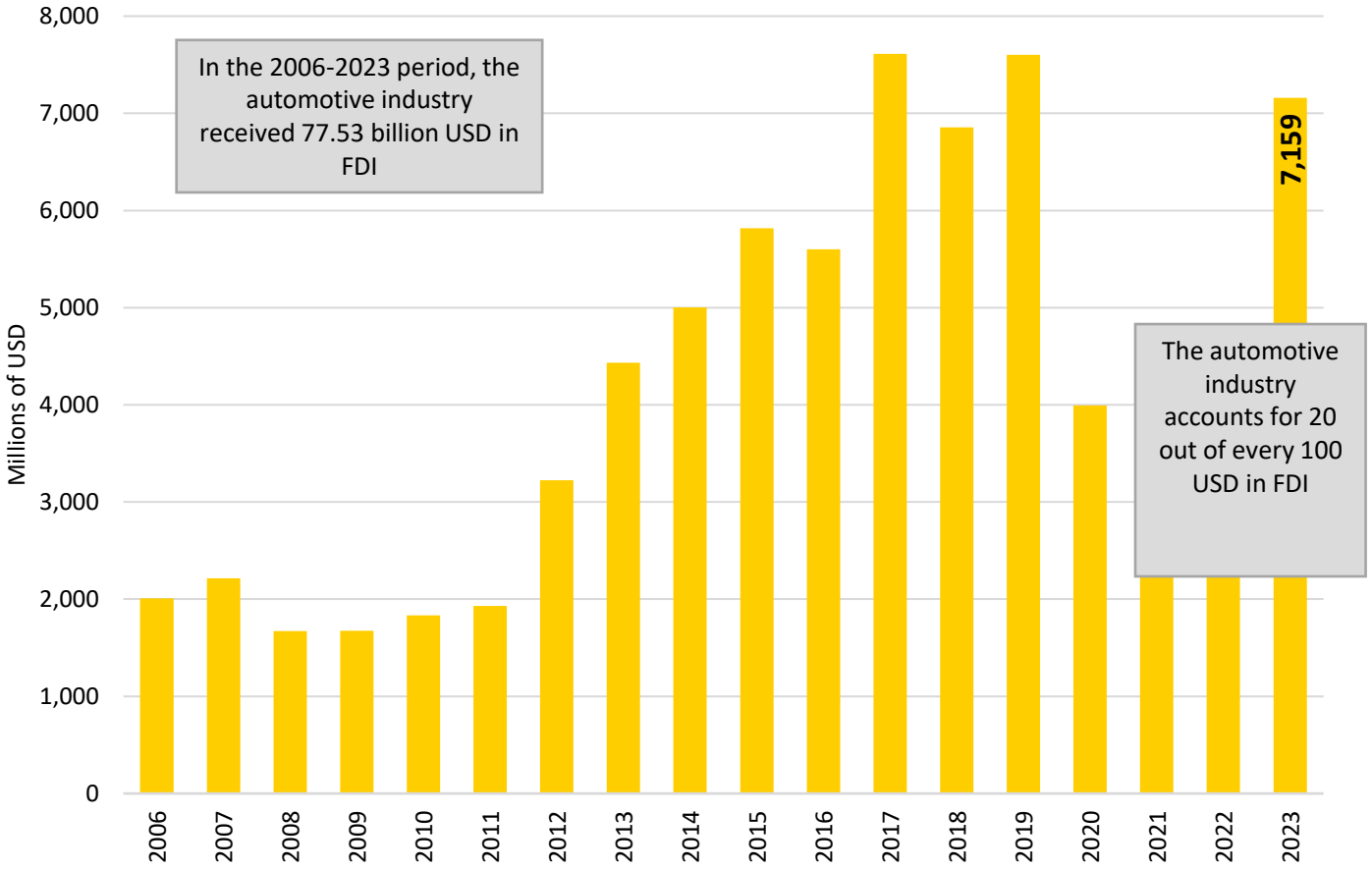
Source: INEGI (EMIM 2020, EAC 2019, EMEC 2020, CE 2004-2019 and INA classifications in the case of auto parts
** Automotive trade includes the SCIAN 436 subsector and classes of activity in retail trade subsector 468. ** Services include automobile and truck repair and maintenance, lease of automobiles 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%

Source: Ministry of Economy (SE). INEGI SCIAN line items 3361, 3362, 3363

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

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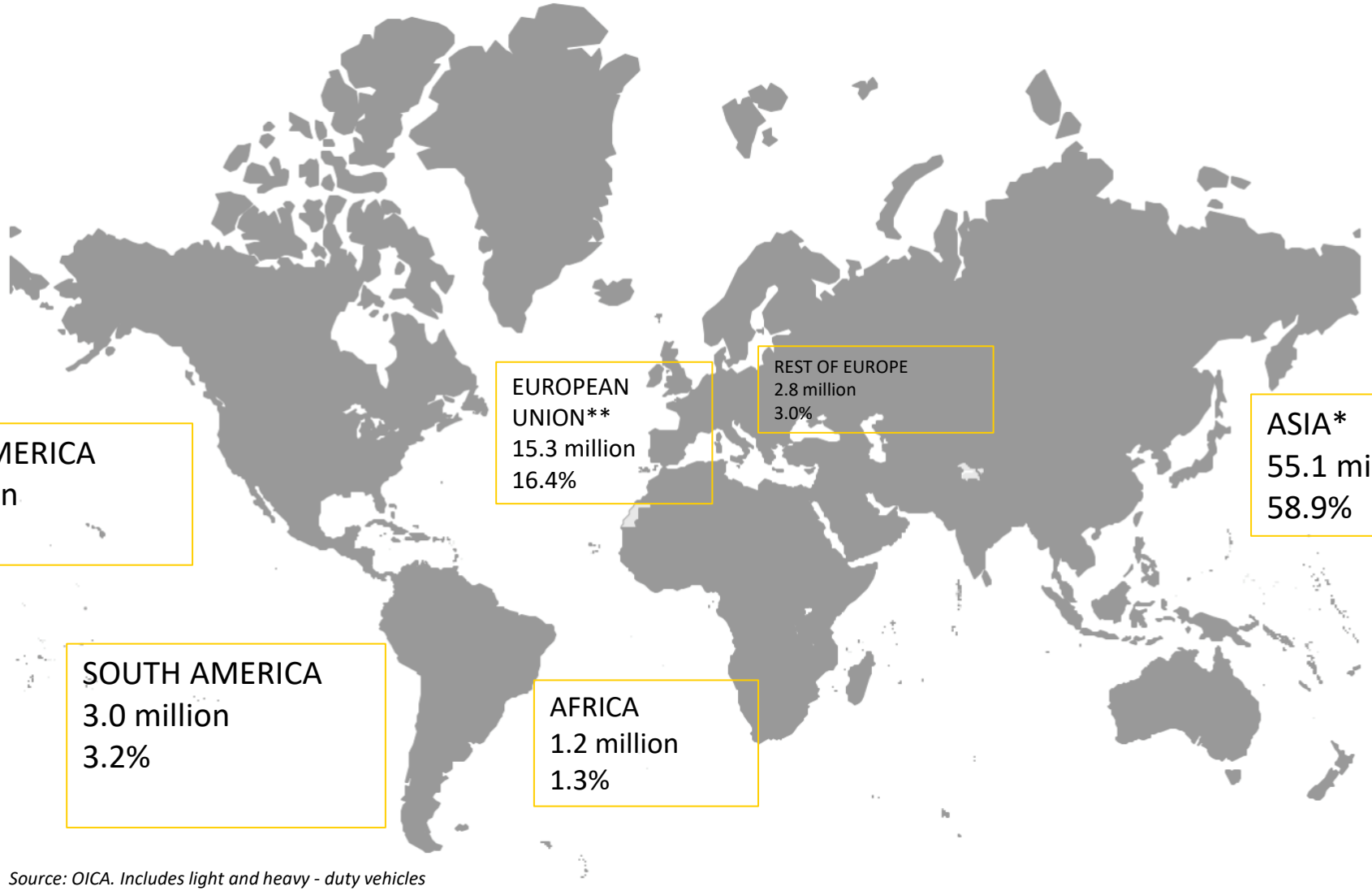
Global Vehicle Production, 2023

- North America is a leading vehicle-producing region, ranked No. 2 worldwide

(units, % of total)



Source: OICA. Includes light and heavy - duty vehicles
**Includes Oceania*
*** 27 countries and the UK*

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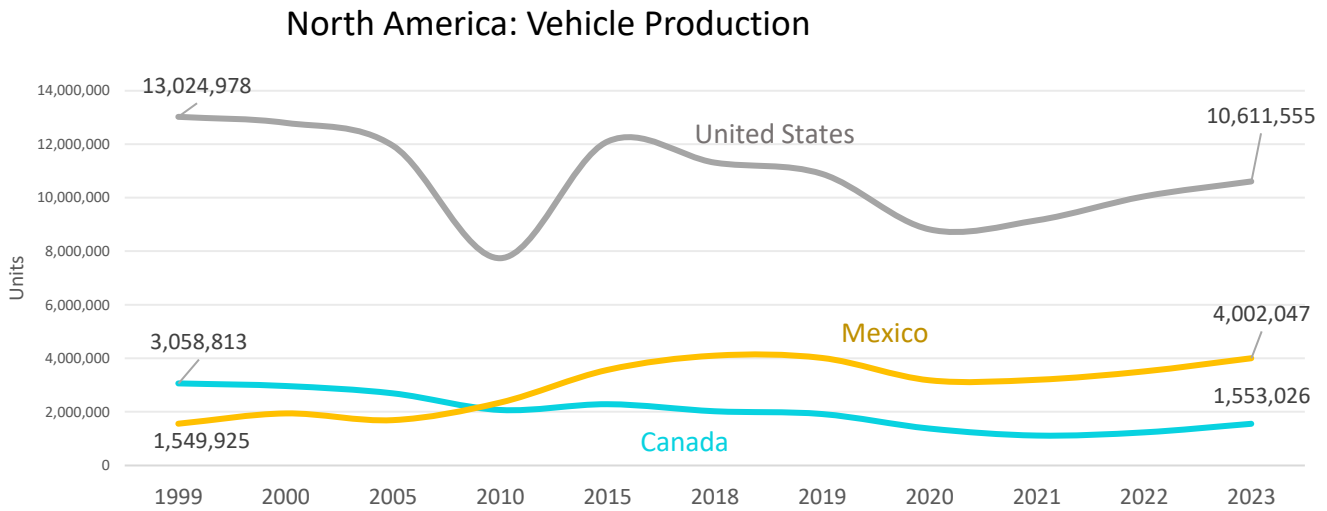
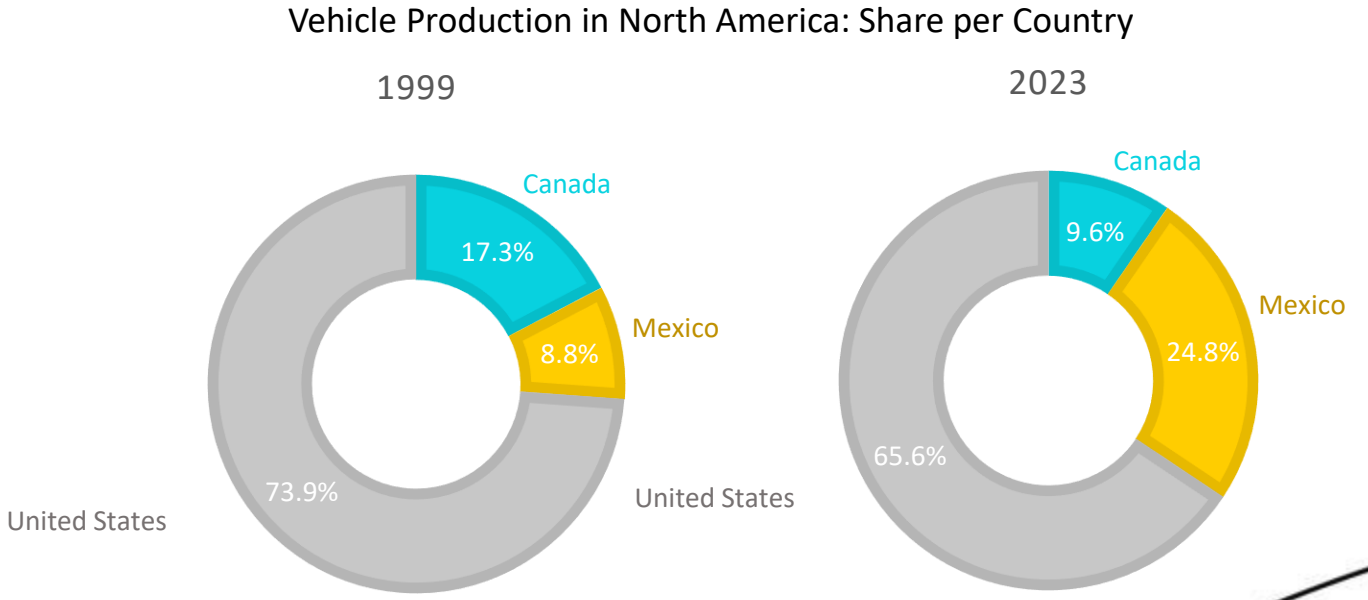
North America: Vehicle Production, 2023



- 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 %



Source: OICA

“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

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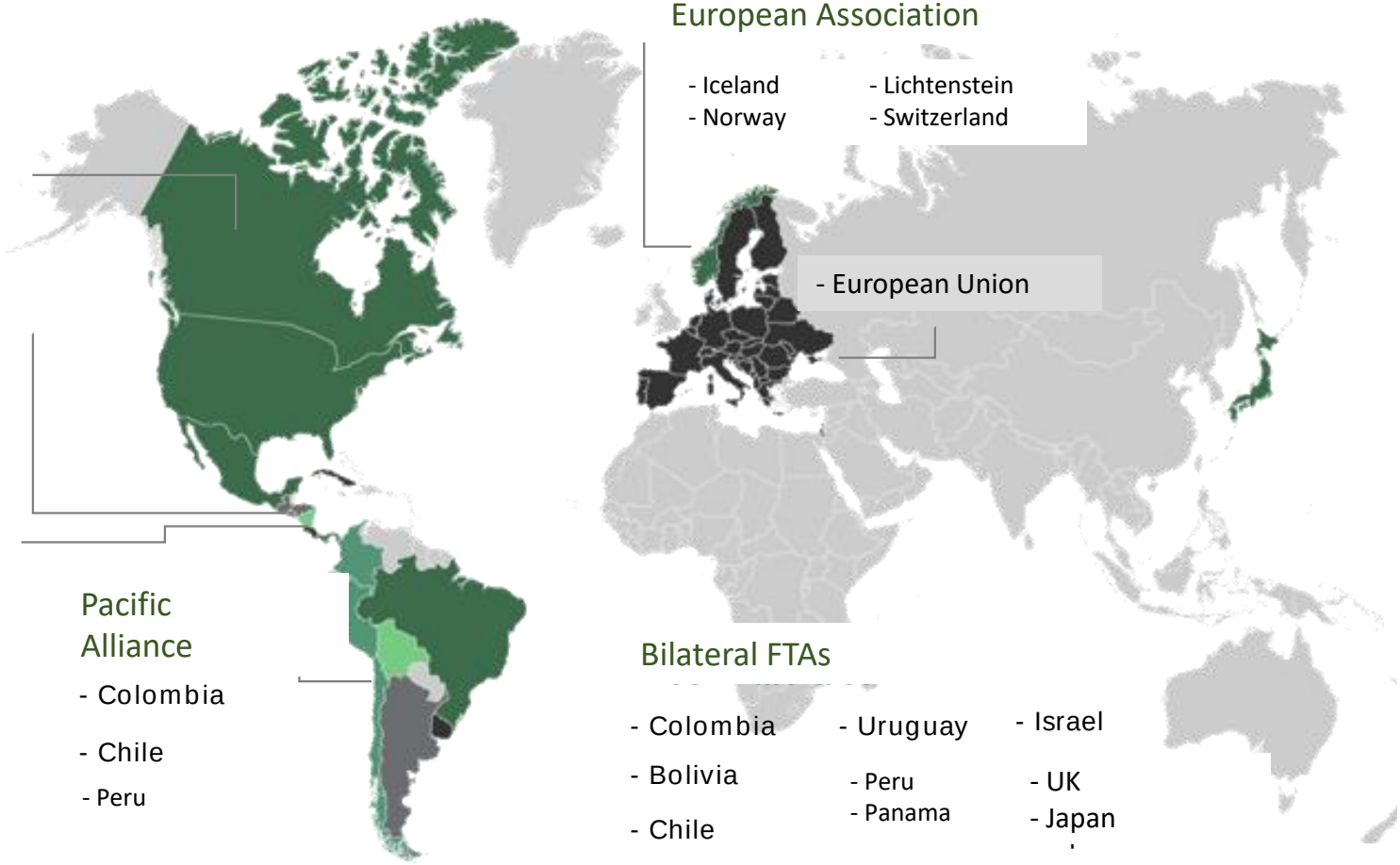
An Economy Open to the World

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



North America

- United States
- Canada

Northern Triangle

- Honduras
- El Salvador
- Guatemala

Central America

- El Salvador
- Guatemala
- Honduras
- Nicaragua
- Panama

Pacific Alliance

- Colombia
- Chile
- Peru

European Association

- Iceland
- Norway
- Lichtenstein
- Switzerland

- European Union

Bilateral FTAs

- Colombia
- Bolivia
- Chile
- Uruguay
- Peru
- Panama
- Israel
- UK
- Japan

Economic Complementation Agreements (ACEs)

- Argentina
- Brazil
- Uruguay
- Paraguay
- Cuba

Pending Agreements

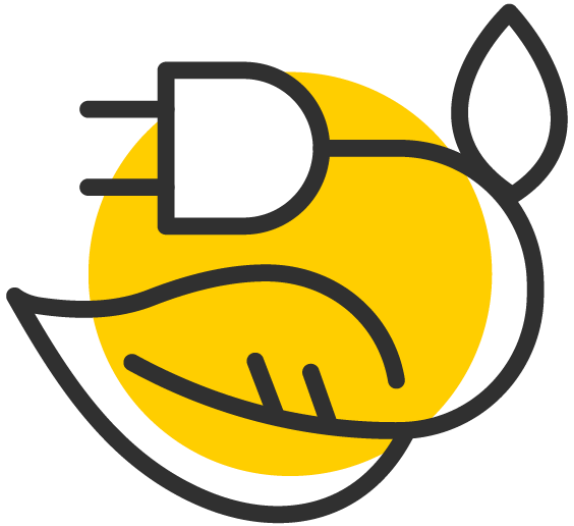
- Turkey
- Jordan
- Ecuador
- Others

CPTPP

- Australia -Brunei –Canada – Chile – Japan – Malaysia – New Zealand –Peru – Singapore - Vietnam

Source: Ministry of Economy (SE)

III. Mobility in Mexico: En Route to Decarbonization



- Decarbonization
- Electric mobility
- Technological trends
- Green hydrogen
- Technological progress: artificial intelligence

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En Route 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, 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

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Electric Mobility, The Future of Mexico

Electric mobility 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
- Electric mobility 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

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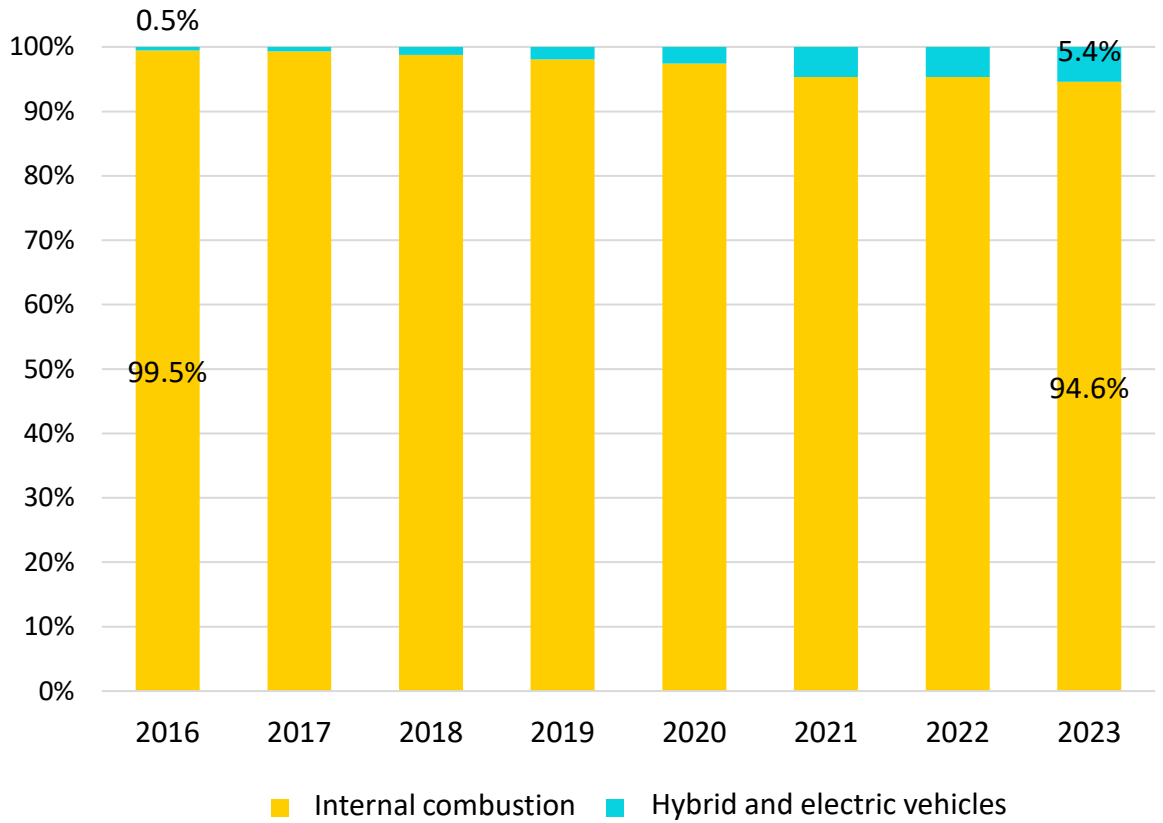
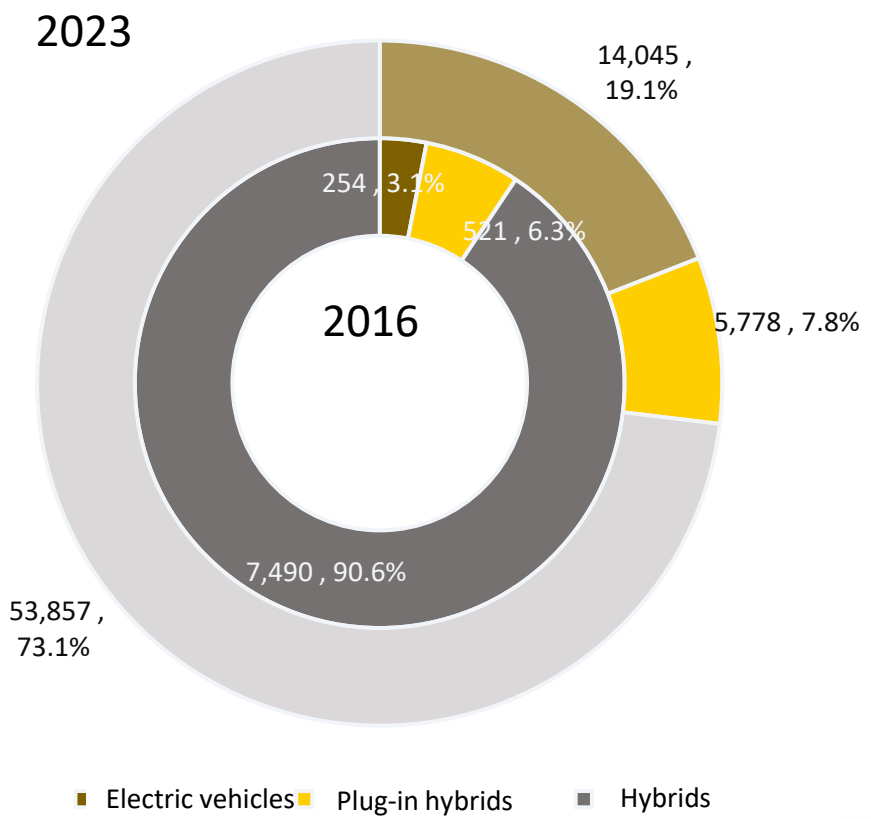
En Route to Decarbonization: The Domestic Market for Light Vehicles

- 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



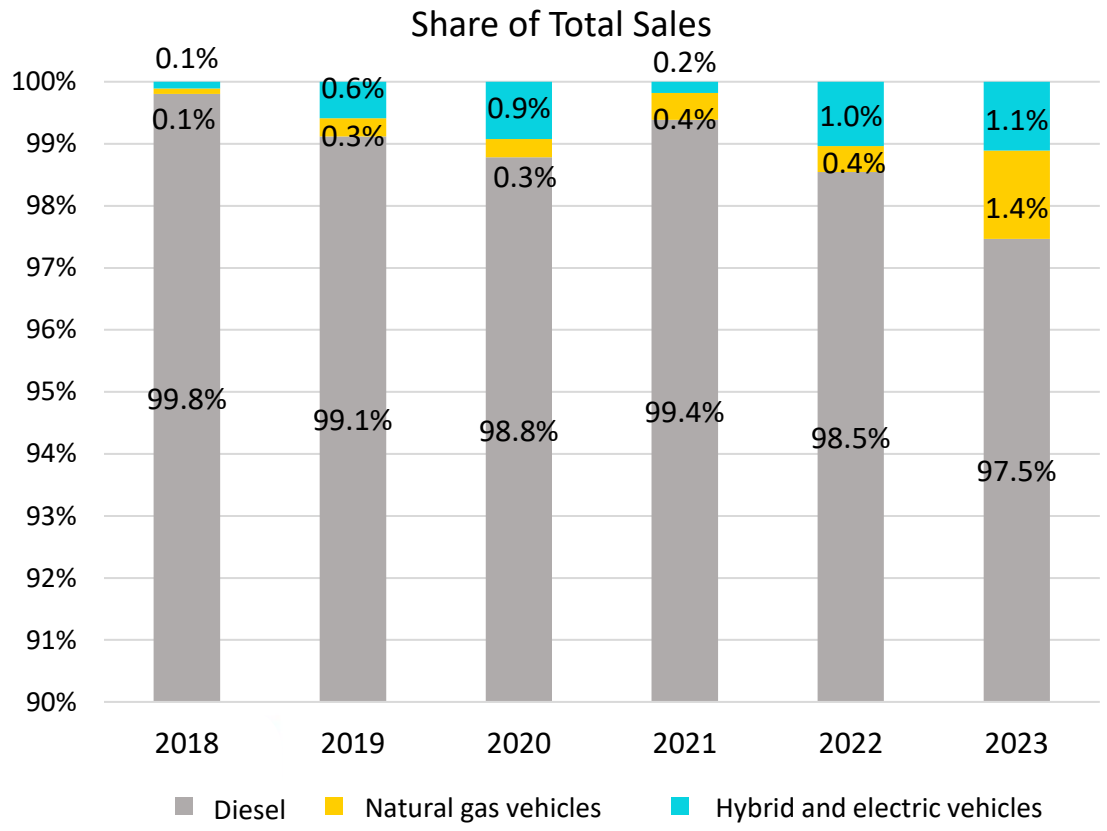
HEV, PHEV and BEV Market Structure



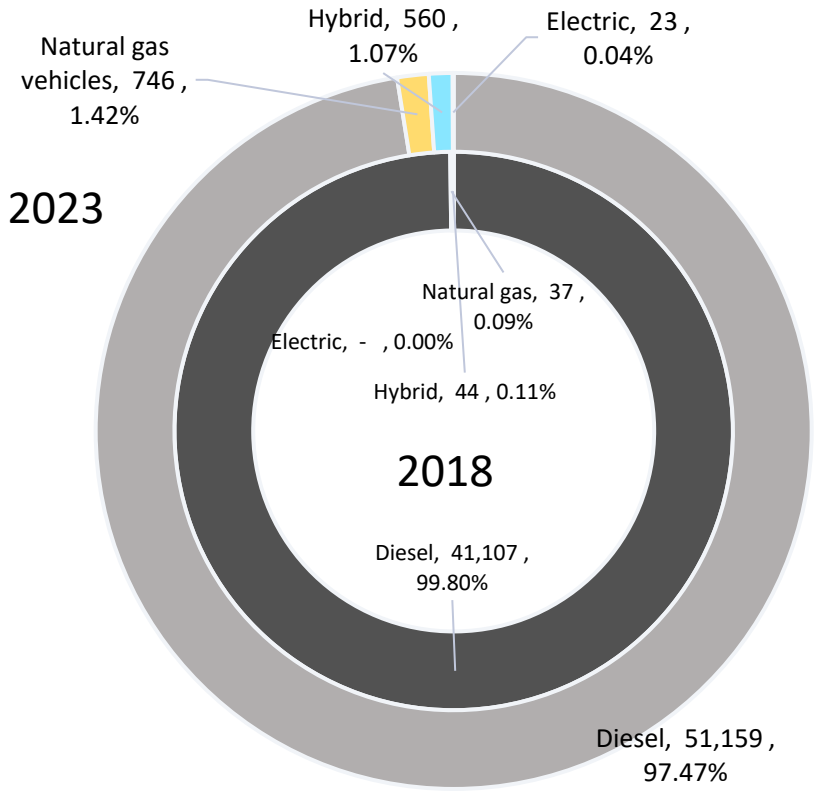
Source: INEGI
Electric vehicles includes extended-range electric vehicles

En Route 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 Electric Mobility

- Electric mobility 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

Source: INA

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

Source: Frost & Sullivan

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

Advantages of Green Hydrogen

- Especially suitable for long-haul vehicles
- Less time to recharge and greater autonomy
- Zero-emissions vehicles that are lighter than electric ones, resulting in improved load capacity

- ✓ 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

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Source: ANPACT

Technological Evolution: Artificial Intelligence in the Automotive Industry

Smart surveillance for the monitoring of spaces and assets

Quality control on painted surfaces

Identification of license plates at access checkpoints

Detection and tracking of objects

Inventory control and product traceability

Detection of manufacturing defects

Capacity control systems

Document management for smart invoicing

Conversation assistants

Identification of defects/asset assessment

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

- En Route to Decarbonization
- International Goals

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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 Law
- Financing for the production chain

Rule of Law

- Legal security
- Public safety
- Ensure that the government upholds the law
- Legalization of illegally imported automobiles to disincentivize trade in such vehicles
- 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 supply 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

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Sustainable Development Agenda

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

Source: AMDA, AMIA, ANPACT, INA based on the SDGs of the United Nations 2030 Agenda
**Environmental, Social and Governance*

Environment

En Route 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 substation 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

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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

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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 SENADORES

CÁMARA DE DIPUTADOS

Suprema Corte de Justicia de la Nación

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Coordination with Related Associations, Chambers and Organizations

Linkages with Other Institutions

International Linkages

U.S. Chamber of Commerce

Business Council of Canada

AMERICAN AUTOMAKERS
AAPC

Autos Drive America®
Jobs. Trade. Growth.

Global Automakers of Canada

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

- We are the four associations that 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 is of the essence and historic opportunities like this do not often come around

It is crucial we begin to factor in the transition to a new government administration

The automotive sector believes in 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	Exports	Domestic Sales
	3,779,234 units 14.23% vs. 2022	3,300,876 units 15.19% vs. 2022	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 billon USD 18.31% vs. 2022	$15.6 billon USD 5.70% vs. 2022

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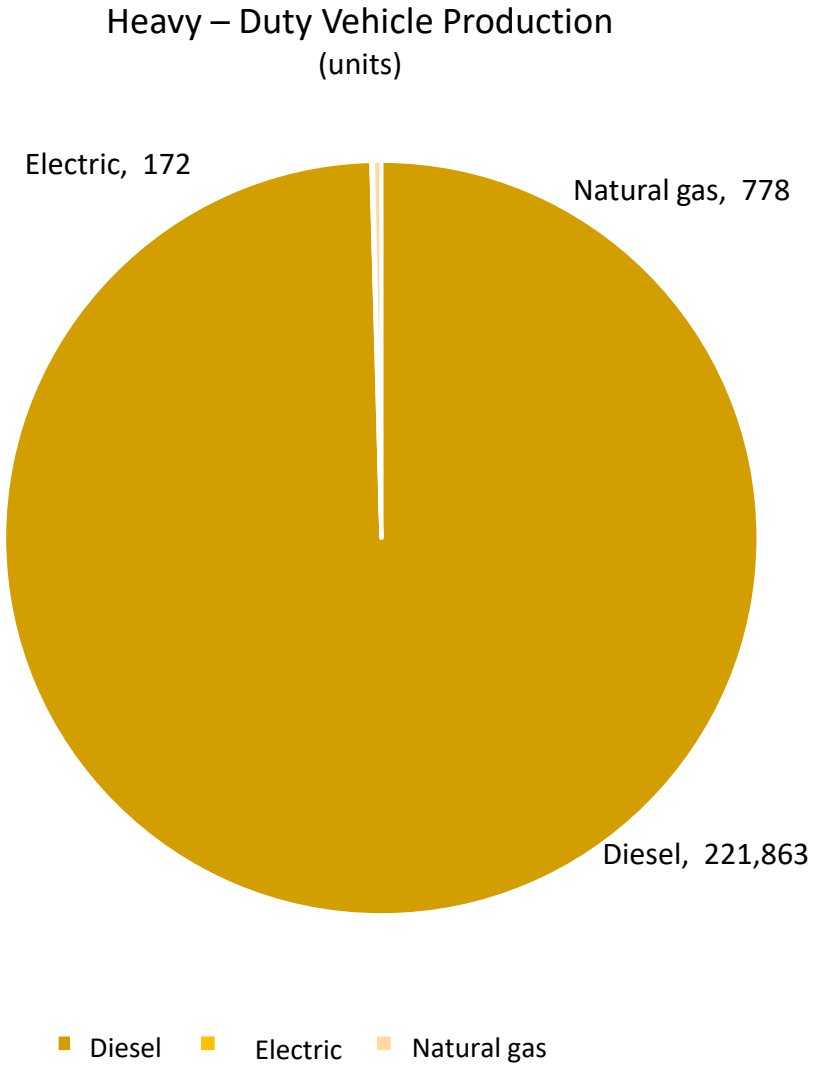
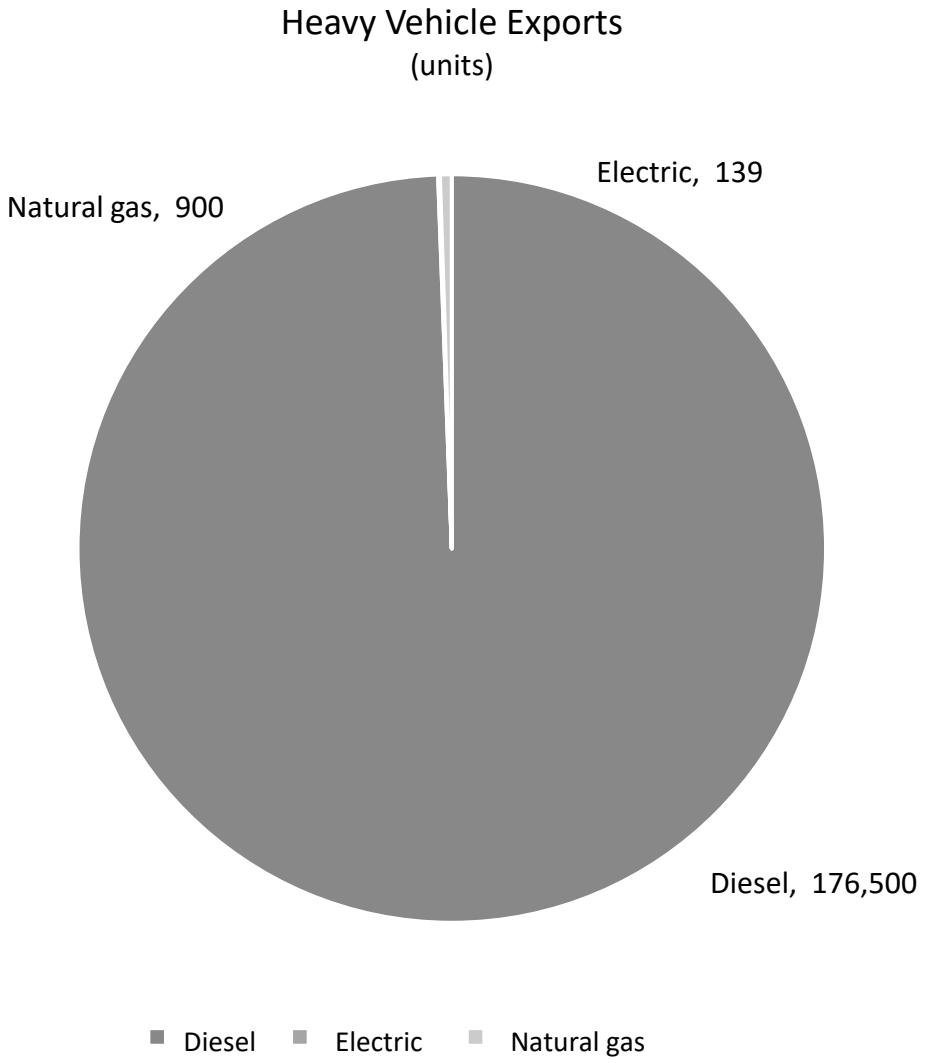
Source: INEGI, INA

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



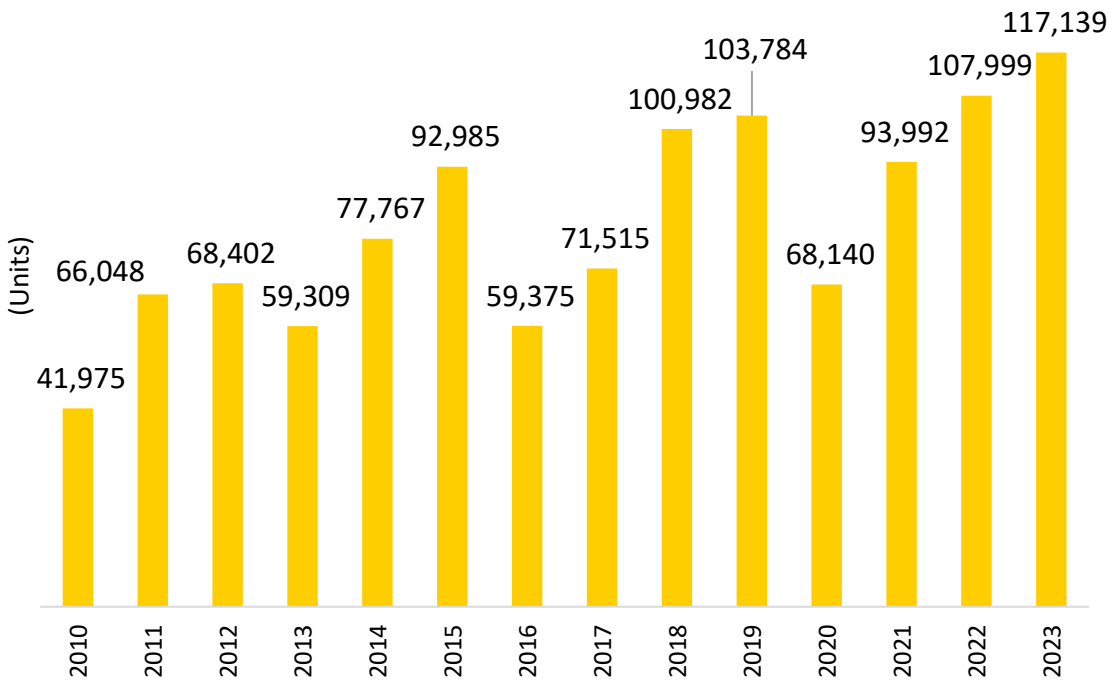


Source: INEGI

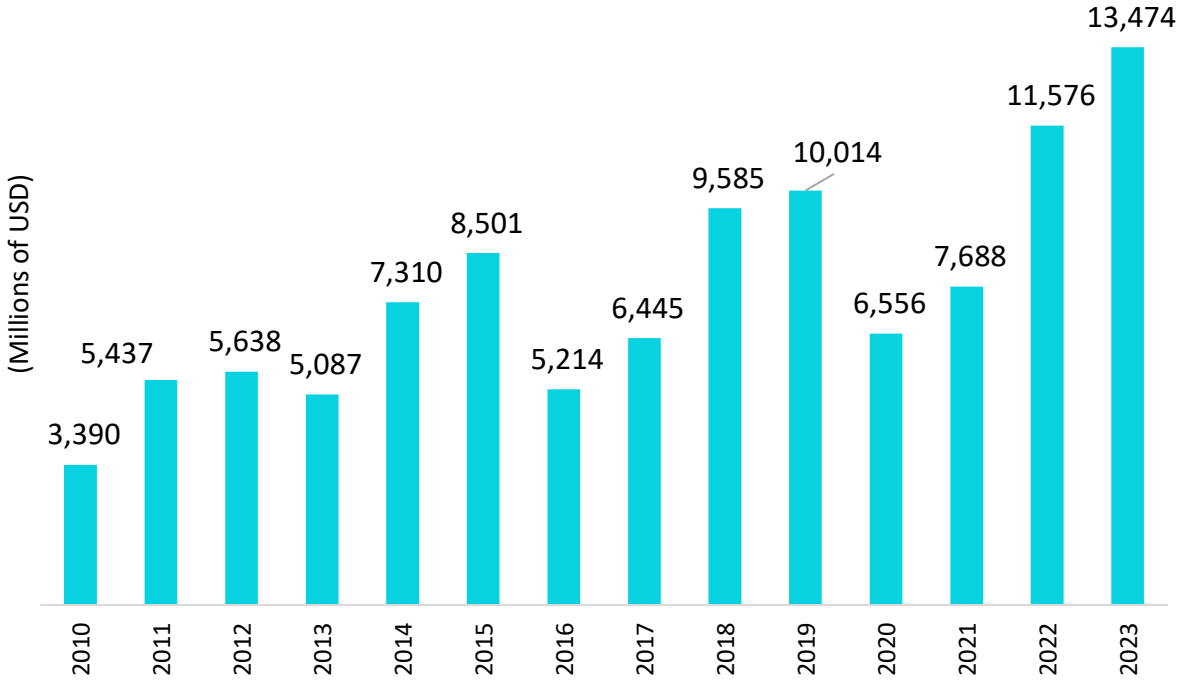
Mexico, A Global Leader in Tractor-Trailer Exports

- 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



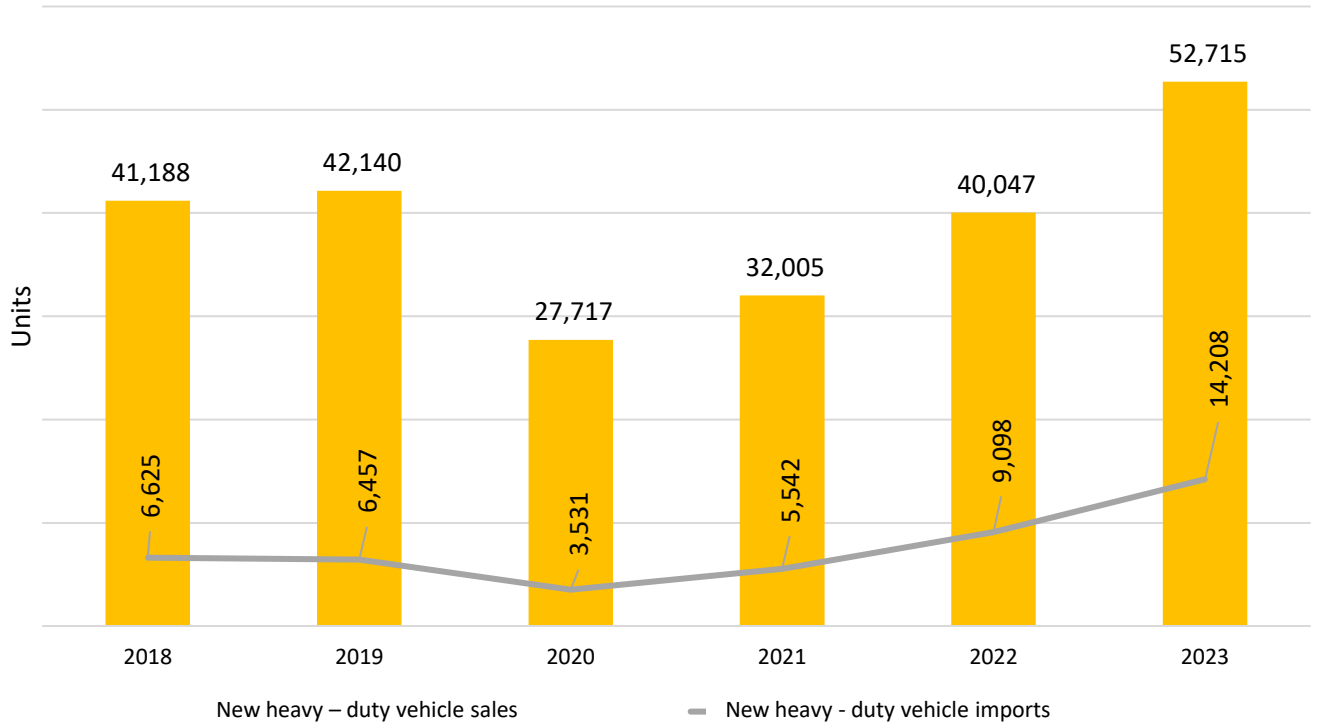
Value of Tractor-Trailer Exports



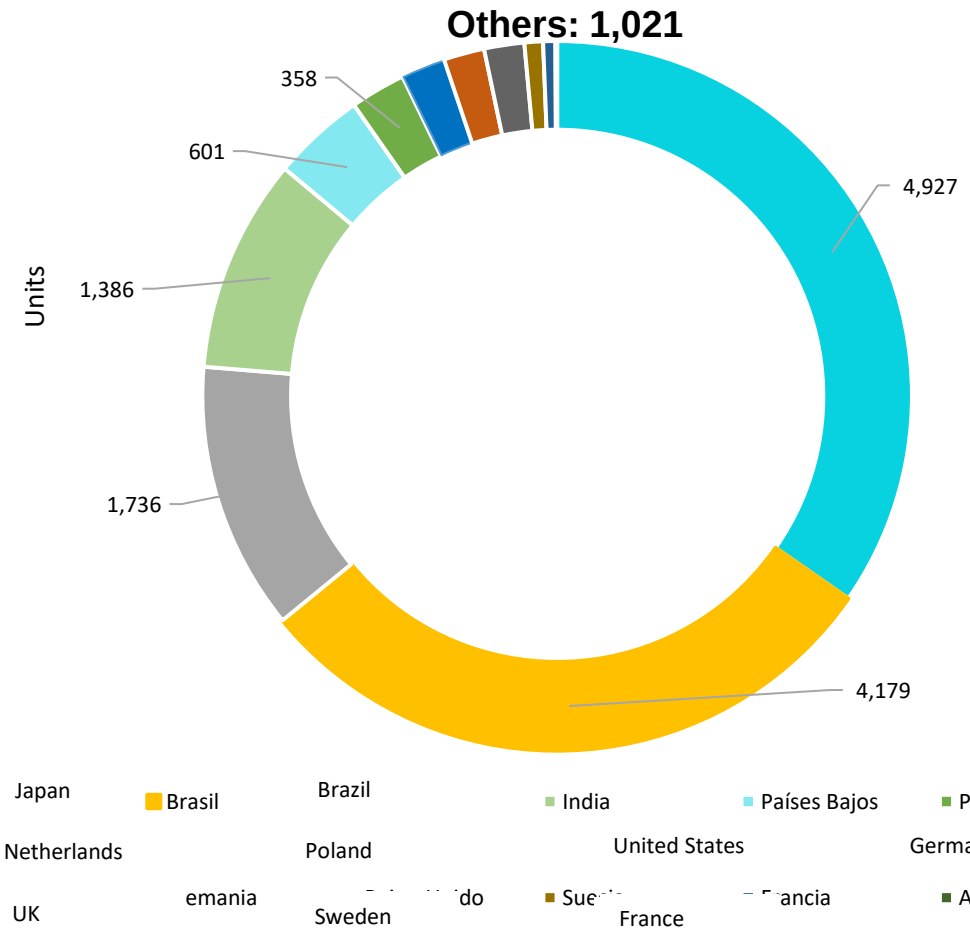
Source: RAIAVP INEGI, SIAVI, Trademap, IHS

Heavy - Duty Vehicle Imports

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

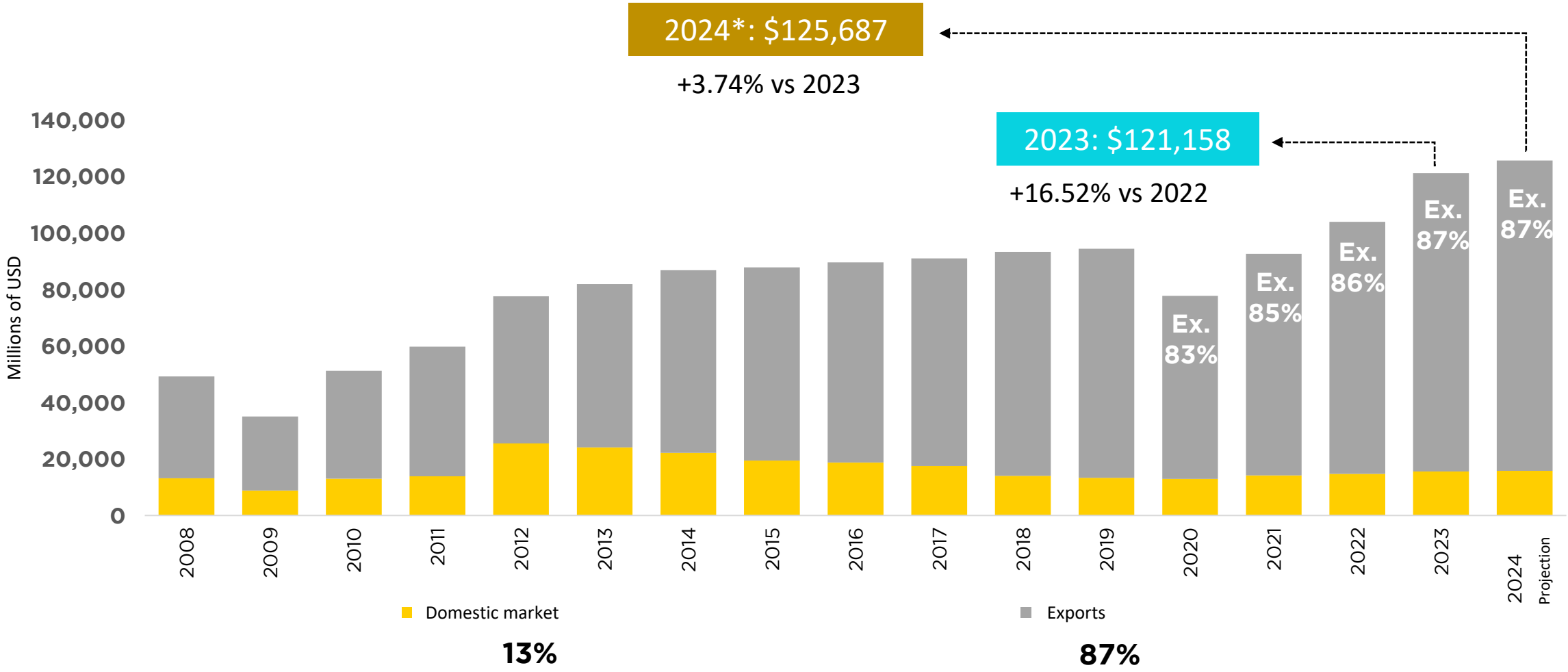


Imports of New Heavy - Duty Vehicles by Country of Origin, 2023



Source: INEGI

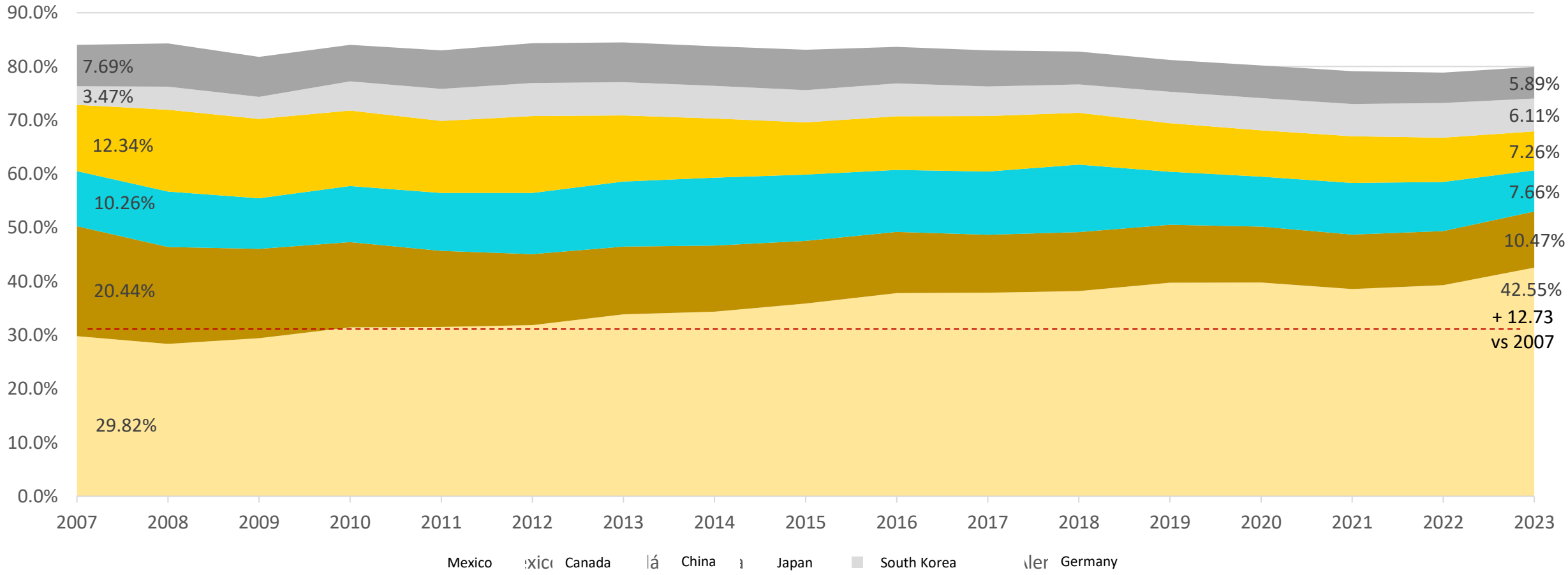
Forecast for the Production of Auto Parts



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

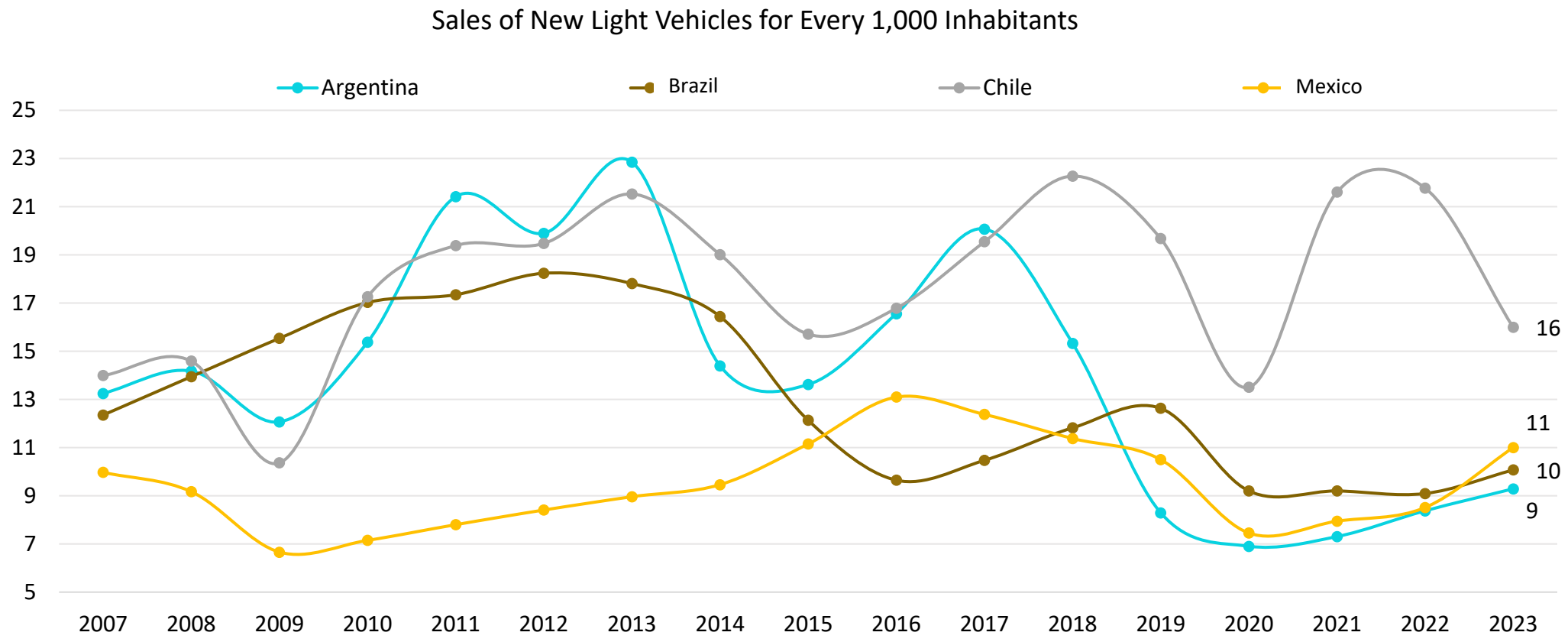
- México accounted for 42.5% of total auto part imports by the United States in 2023



Source: INA based on Census Bureau information

Compared with Latin American Markets

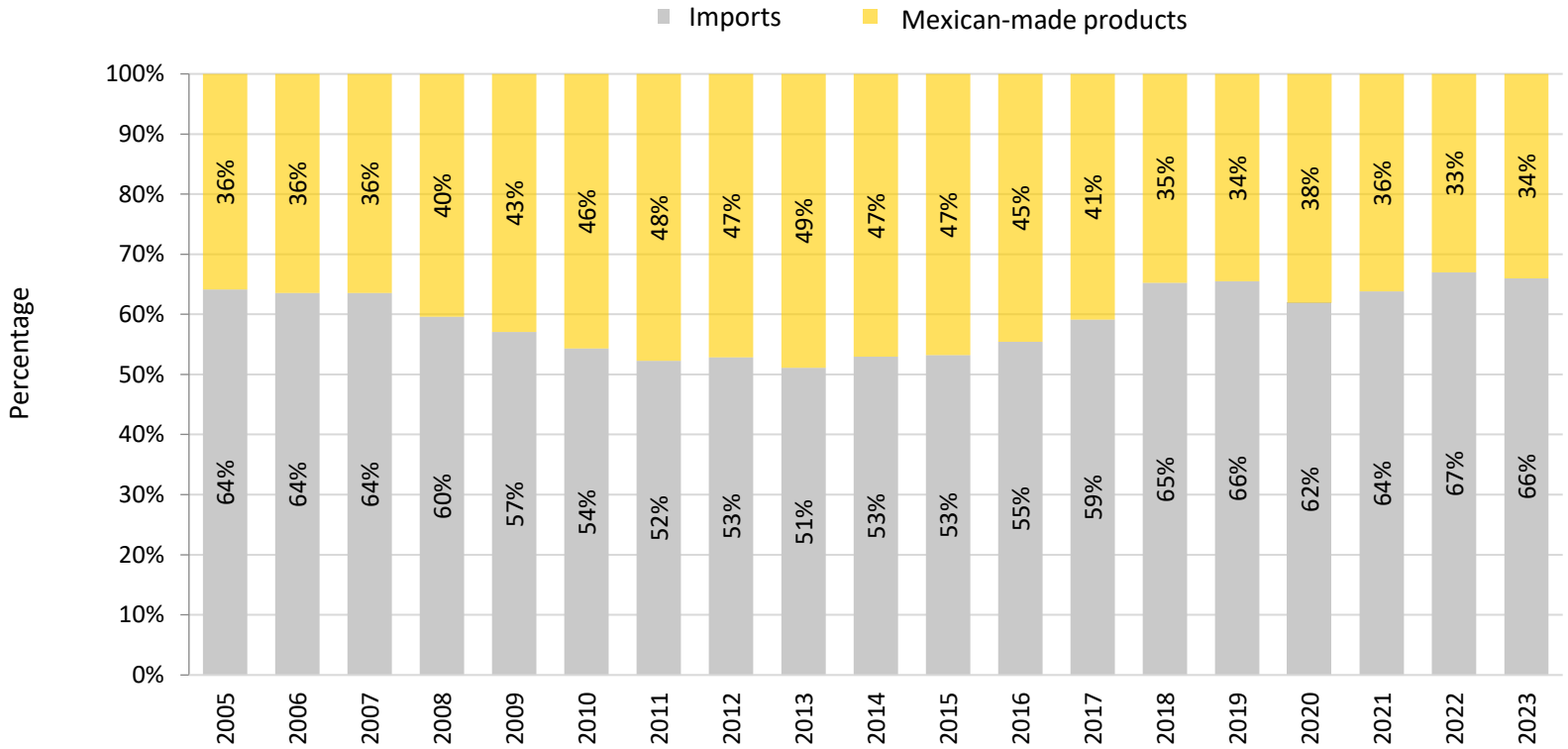
- In 2023, Mexico sold 11 new vehicles for every 1,000 inhabitants, which was below the historic record of 13 new vehicles for every 1,000 inhabitants posted in 2016



Source: ACARA, INEGI, ANAC, FENABRAVE and UN Population Division

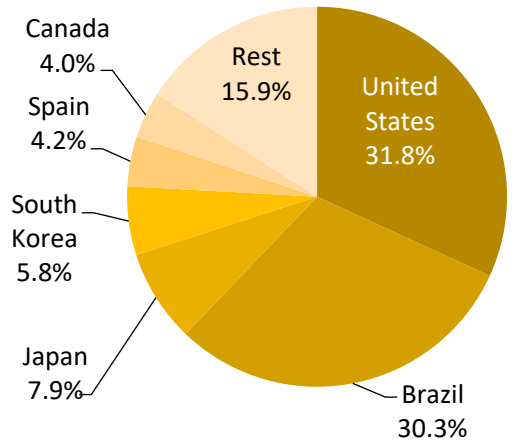
Structure of the Domestic Market for Light Vehicles

- 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

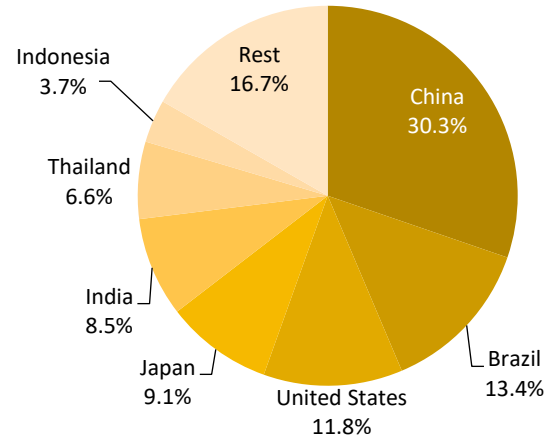


Source: INEGI

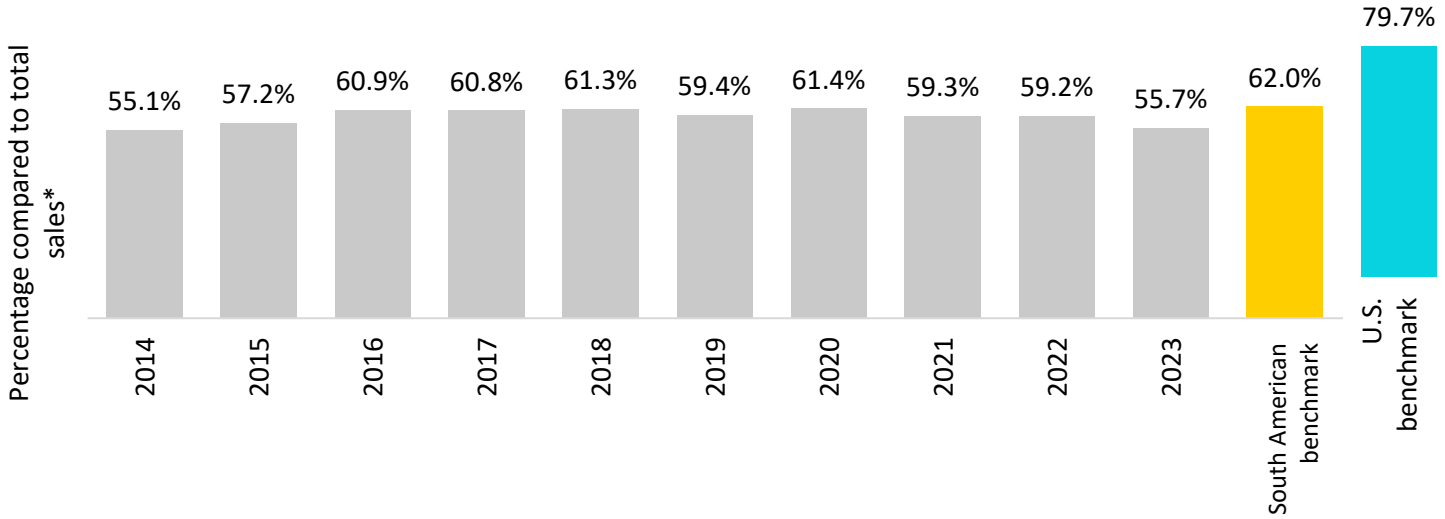
Sales of Imported Vehicles by Country of Origin, 2005
(% share in total imports)

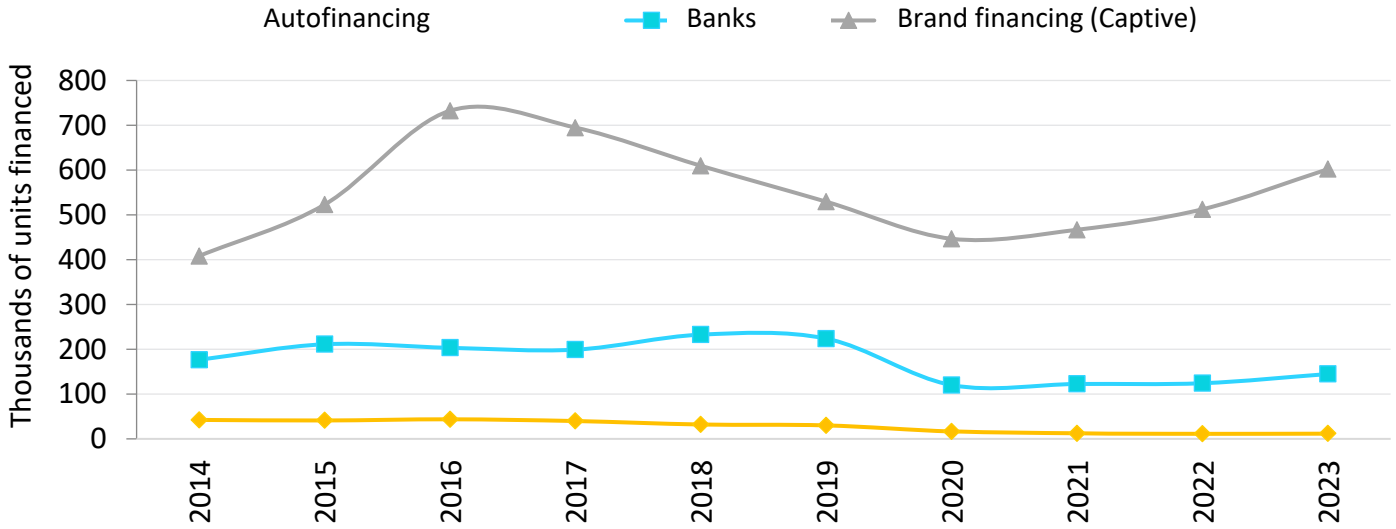


Sales of Imported Vehicles by Country of Origin, 2023
(% share in total imports)



Financing of New Light Vehicles





*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 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%

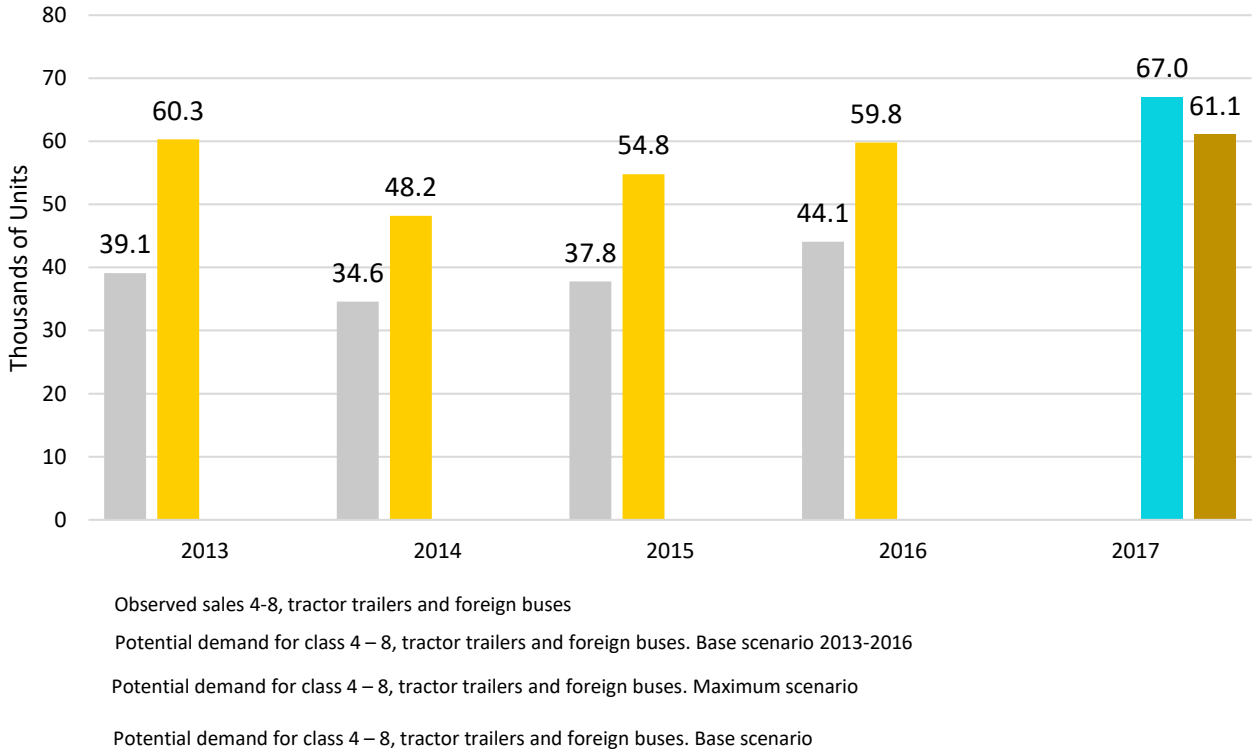
The Greatest Challenge is to Realize the Potential of the Domestic Market for Heavy - Duty Vehicles

- 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.

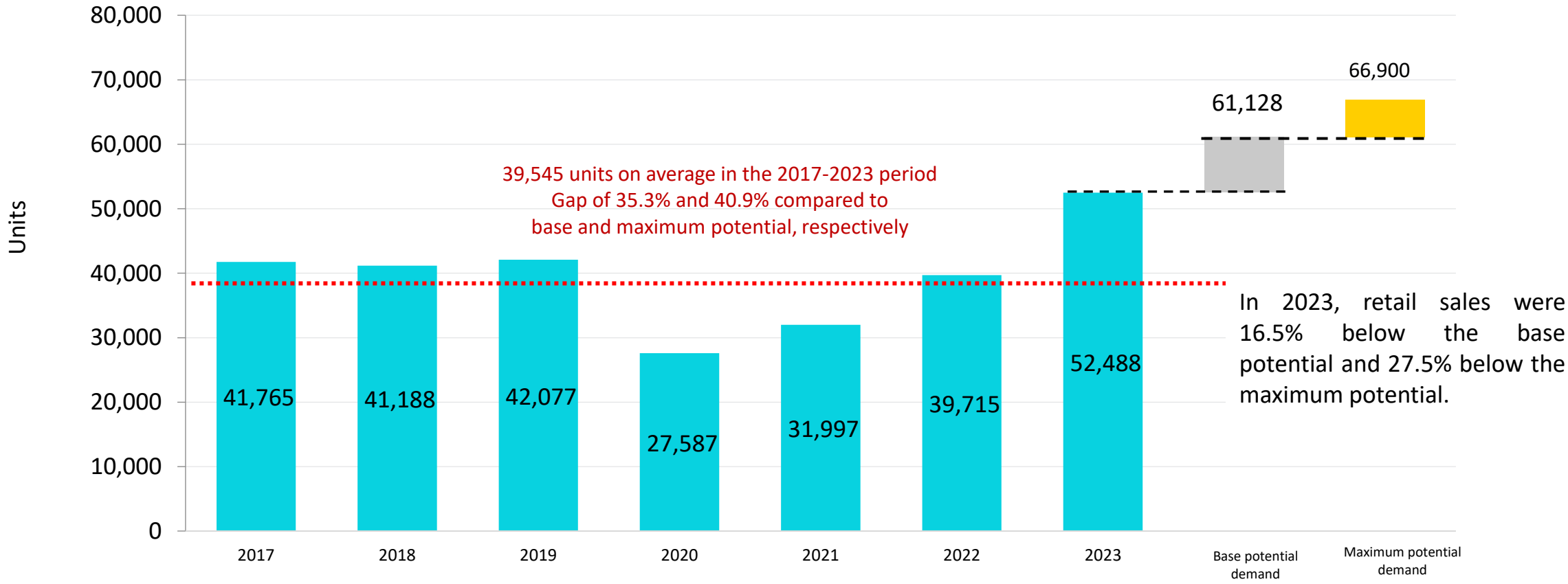
Potential Demand for Commercial and Heavy - Duty Vehicles in Mexico: Class 4-8, Tractor Trailers with Fifth Wheel Coupling and Foreign Buses (2013-2017)



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)



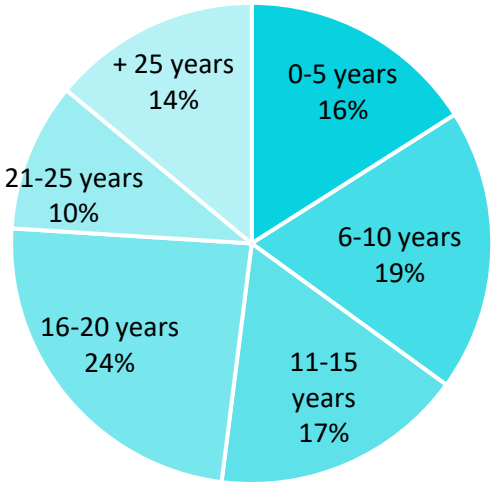
In 2023, retail sales were 16.5% below the base potential and 27.5% below the maximum potential.

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
AMDA 2024 projections for the heavy - duty vehicle market (retail sales)
INEGI. Automotive Industry Heavy - Duty Vehicles Administrative Register

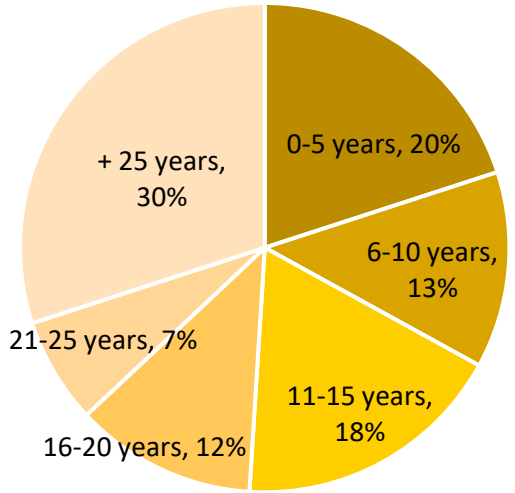
Priority Needs to be Given to Replacing Older and Obsolete Vehicles

- The condition of the country's fleet deteriorated substantially with the indiscriminate importation of more than 8.8 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



Source: INA and ANPACT based on information from the Ministry of Transportation (SCT). Basic federal transportation statistics.
**Refers to the current public transportation fleet. Does not take into account tow trucks, industrial cranes or private vehicles. Includes only buses and midi buses in the case of passenger vehicles.*

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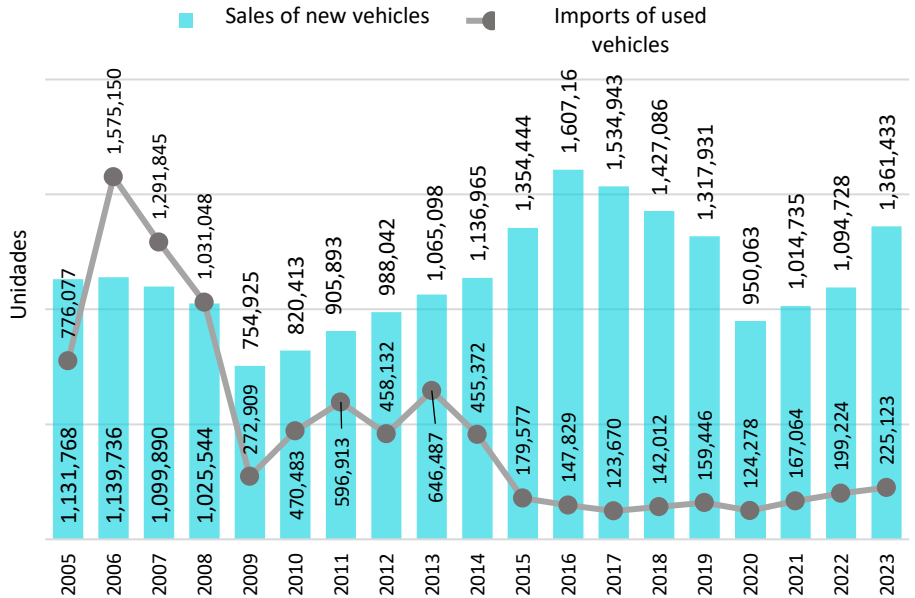
Reducing Imports of Used Vehicles is a Major Challenge

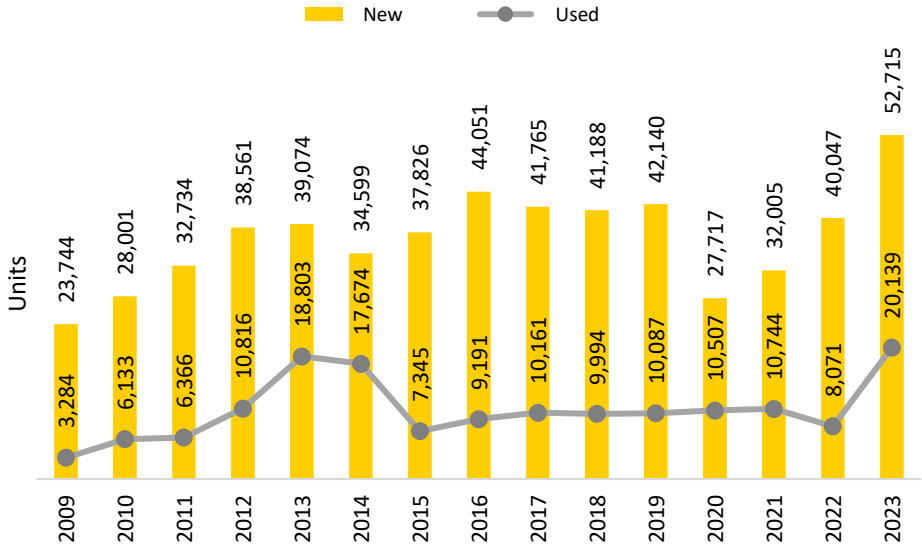
- Imports of used scrap vehicles have a detrimental effect on the environment, the economy, road safety and public health
- The indiscriminate importation of such vehicles affects the market for used vehicles of Mexican origin and has undermined the growth potential of the market for new vehicles
- In 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%

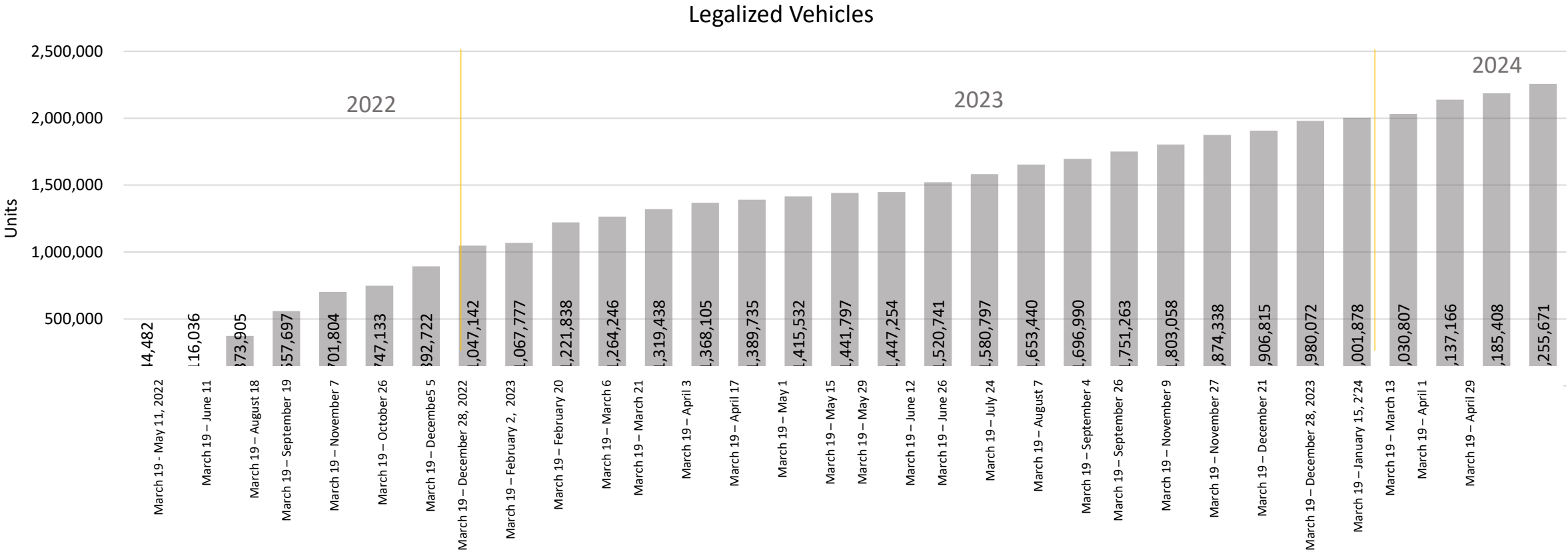
Market for New Heavy - Duty Vehicles vs. Used Imported Heavy - Duty Vehicles



Source: Compiled by AMIA and ANPACT based on data furnished by the Tax Administration Service (SAT) and ANAM

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

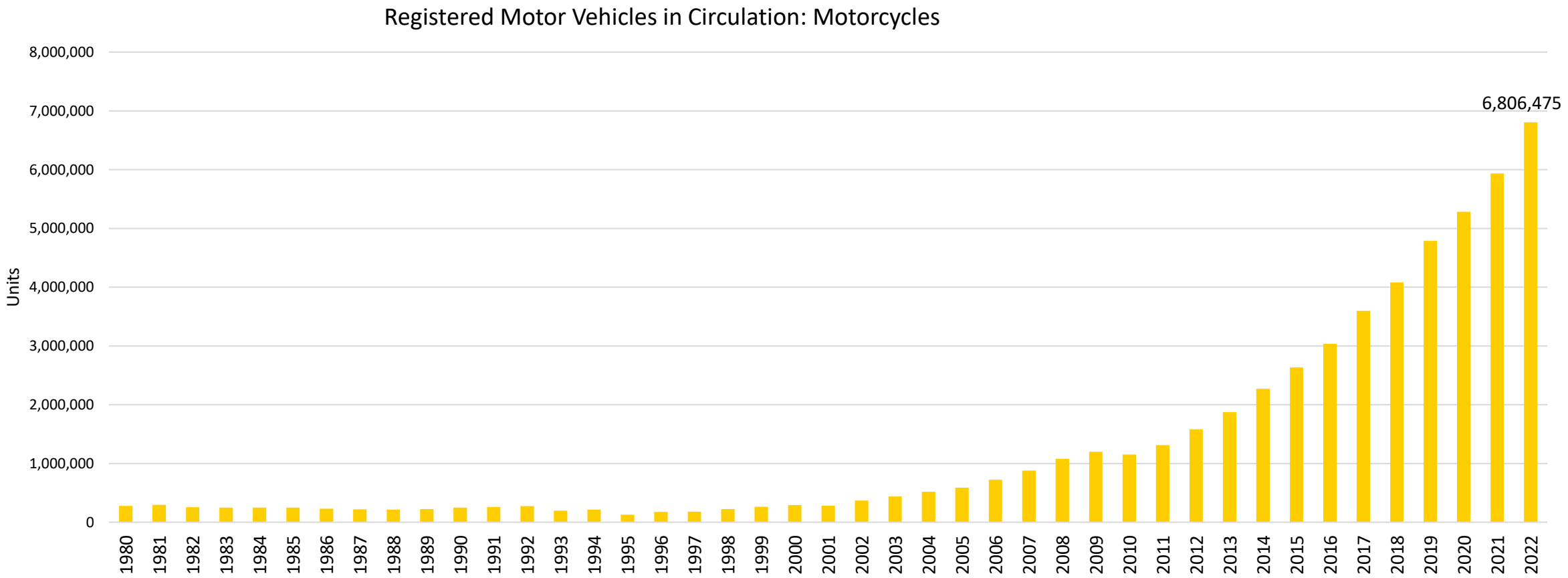
- Between March 2022 and April 2024, 2.8 million new light vehicles were sold in Mexico, while vehicles that entered the country illegally accounted for 80% of sales on the domestic market



Source: SSPC.

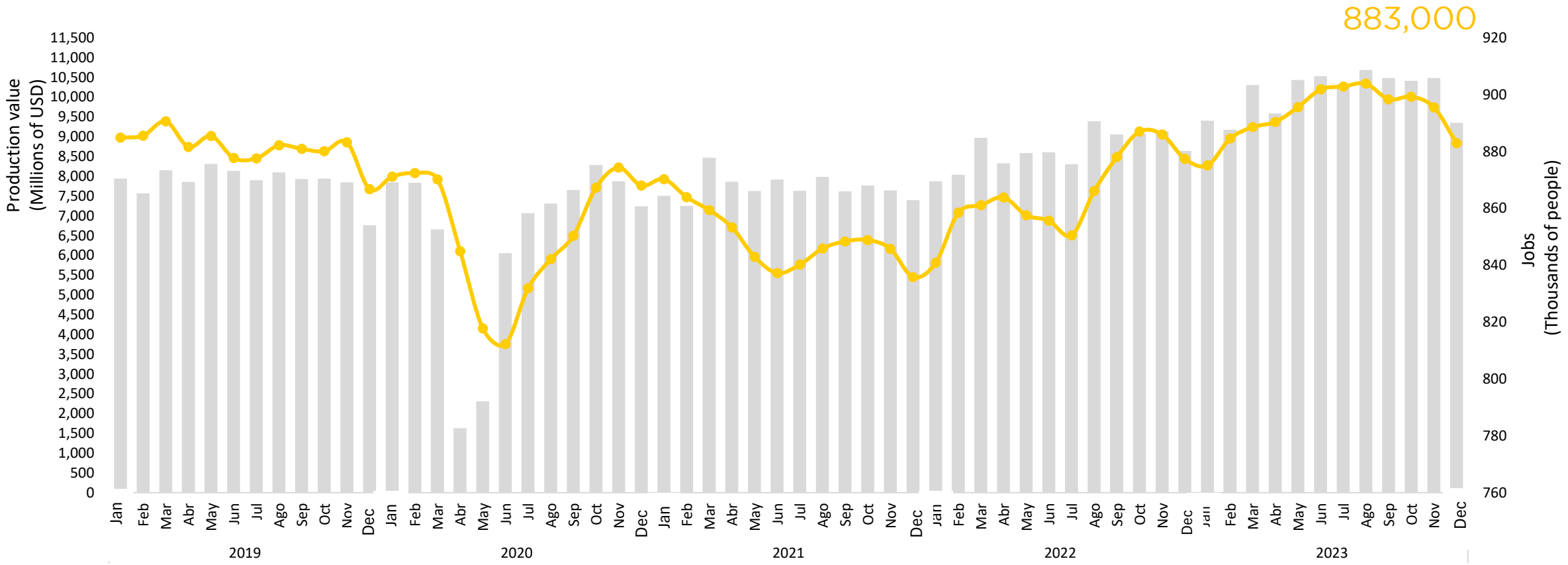
The Motorcycle Fleet Has Increased Substantially

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



Source: INEGI. Statistics for registered motor vehicles in circulation

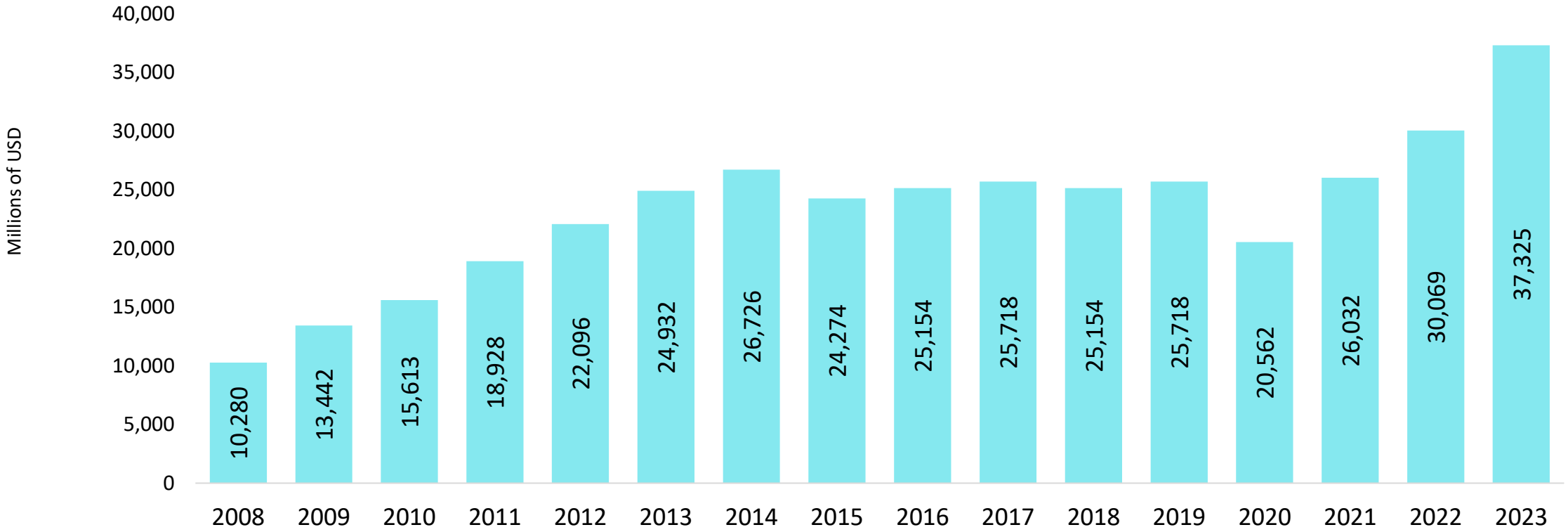
Creation of Direct Jobs in the Auto Parts Industry



Monthly average 2019 - 2023: 868,000 people

Source: INA based on INEGI data (taking 2013 and 2018 as a base reference)

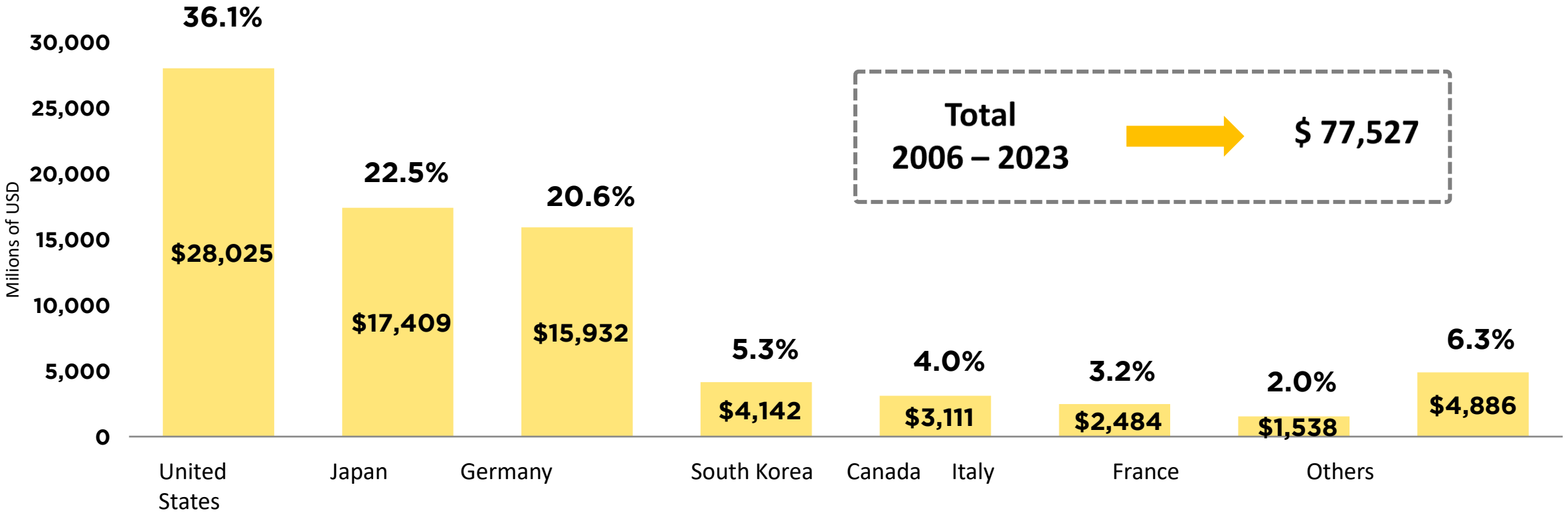
Balance of Trade in the Auto Parts Industry



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

Source: INA based on IHS Markit data (472 tariff items)

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



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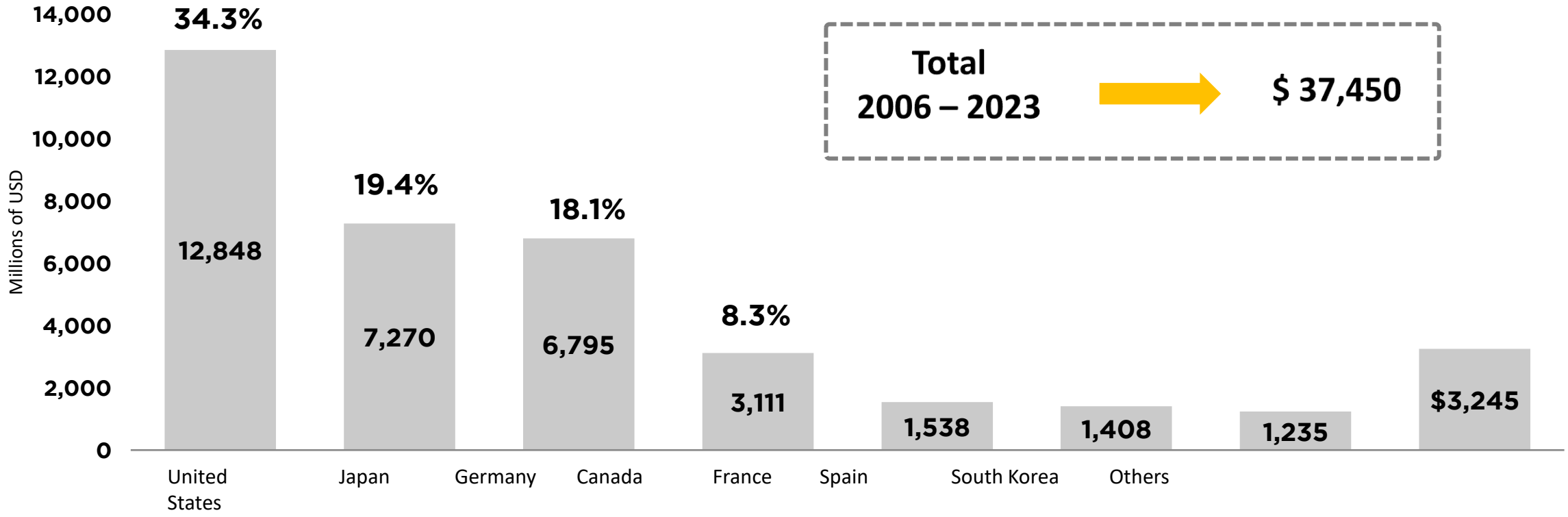
Source: Ministry of Economy (SE), line items 3361, 3362, 3363 of INEGI´s SCIAN code

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



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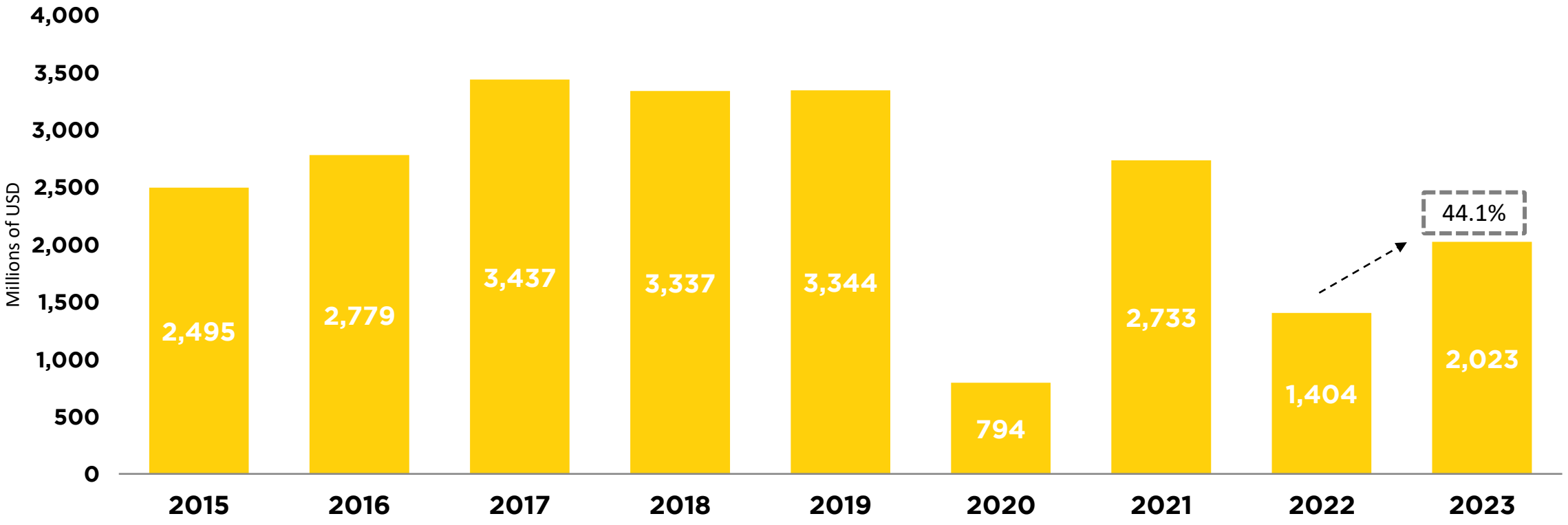
Source: INA based on information furnished by the Ministry of Economy

FDI in Auto Parts in Mexico

- In 2023, FDI increased 44.1% compared to 2022



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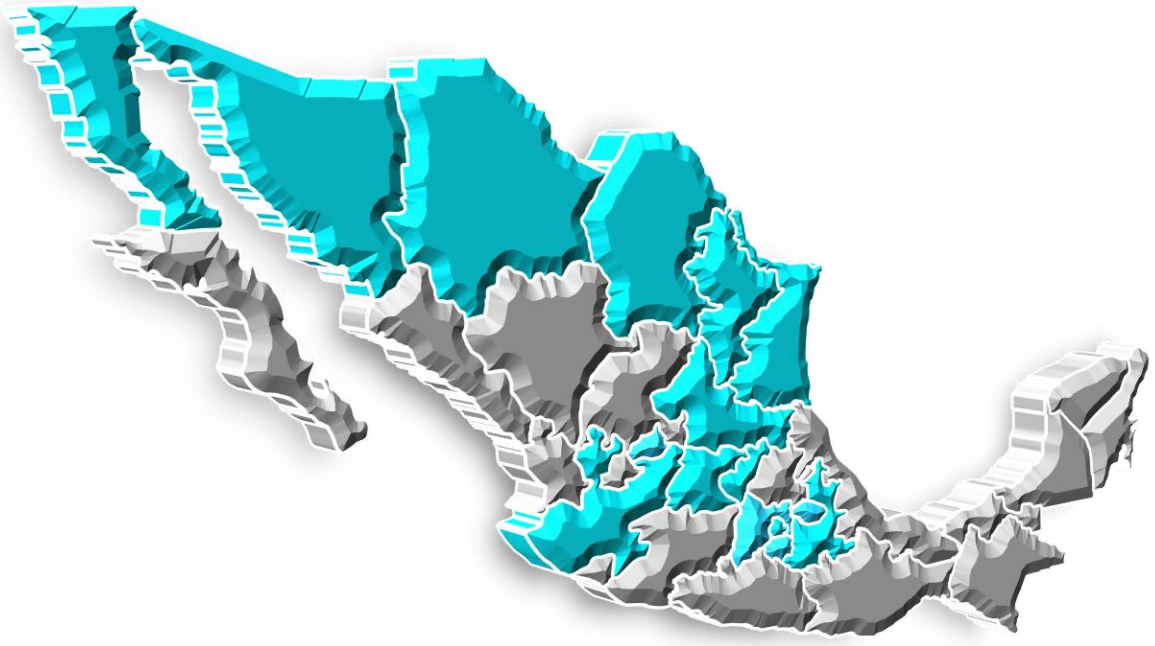
Source: INA based on information furnished by the Ministry of Economy

States that Received the Most FDI in Auto Parts in 2023



Total FDI 2023

$ 2.02 billion USD

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 %

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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%	83%	41%	27%	100%	71%
					
Inter-state passenger transportation	Ground transportation of goods within Mexico	Workers	Students	Delivery and distribution	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 Electric Mobility 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 electric mobility.

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

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Fuente: Frost & Sullivan

Pillars of Electric Mobility 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

Fuente: Frost & Sullivan

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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