

# May Mexican production and exports slip as sales rise 19.2% y/y

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## FCA, Ford, GM, Mazda, Nissan, and Volkswagen all report lower production

Mexico's output slipped 3.1% y/y in May to 279,508 units, down from 288,382 units in May 2015, as FCA, Ford, GM, Mazda, Nissan, and Volkswagen all reported lower production, although GM and Nissan each declined by less than 1%. Through May 2016, production slipped 4.6% to 1,354,848 units. Nissan, which easily remains Mexico's most significant contributor, posted output up 3.5% y/y in the YTD to 352,317 units, while second-placed GM's production slipped 7% to 263,096 units. Ford's output declined 7.1% y/y in the YTD to 177,678 units and FCA's slumped 24.1% y/y to 159,969. Mazda's production in the YTD tumbled 22.5% to 64,539 units while VW's dropped 18.1% to 164,517. Toyota and Honda led the percentage gains. Toyota reported a 68.6% surge in YTD output to 57,010 units. Honda registered a 43.4% y/y gain to 111,151.



Mexican light-vehicle exports in the YTD sagged 7.1% y/y and in May declined 6%. May's slide in exports stemmed from FCA, VW and Mazda plants. In the YTD, GM and Ford also posted lower exports. GM exports were down 7.9% y/y in the YTD to 202,425 units, while VW's shipments tumbled 28% y/y to 124,347 cars. Brazil's economic woes continue to drag on export numbers, despite strong demand from the United States. Over the first five months of 2016, Mexico exported 23,246 fewer units to Brazil than in the same period of 2015.

Mexico's light-vehicle sales continued to surge at a double-digit percentage rate in May, though at a slower pace than in April. In May, sales grew 19.2% year on year (y/y), following April's gain of 24.9% y/y, according to the latest data from the Mexican Automotive Industry Association (Asociación Mexicana de La Industria Automotriz: AMIA). Over the first five months of 2016, sales have increased 16.8% y/y to 587,320 units, with May sales at 121,587 units. The market grew 19.1% in 2015 to 1.35 million units, with passenger car sales up 19.7% to 892,194 units and light commercial vehicles (LCV) sales up 17.8% to 459,454. Mexico's sales trend in 2015 differed from those in other global regions, in that passenger-car demand outstripped LCV demand. IHS forecasts sales growth of 8.07% in 2016, with passenger cars providing 65% of sales and LCVs 35%.

Nissan (including Infiniti) stayed the best-selling group in Mexico, with Nissan sales up 7.9% y/y to 28,644 units and Infiniti sales up 23.2% to 175. GM, under the Chevrolet badge, remained the second-largest seller in May, with sales up 23.8% to 24,238 units. GM also kept ahead of Volkswagen (VW) in the year to date (YTD). VW including Audi, SEAT and Porsche sold 20,295 units in May 2016, an increase of 15%. Toyota jumped to fourth place, with 7,927 units and a 31.6% gain. Ford took fifth place in May, selling 7,671 Ford-branded units (up 7.8%) and 190 Lincolns (up 11.8%). Fiat Chrysler Automobiles (FCA) dropped to sixth with 7,254 units, a 2.9% y/y decline.

### Mexican light-vehicle sales, production, and exports

	May 2016	May 2015	Y/Y change	%	YTD 2016	YTD 2015	Y/Y change	%
<b>Production</b>	279,508	288,382	-3.1		1,354,848	1,420,863	-4.6	
<b>Exports</b>	226,240	240,709	-6.0		1,080,358	1,162,738	-7.1	
<b>Sales</b>	121,587	101,982	19.2		587,320	502,935	16.8	

Source: Mexican Automotive Industry Association (Asociación Mexicana de La Industria Automotriz: AMA).

## Outlook and implications

Largely though increased access to credit and improved consumer confidence, the Mexican light-vehicle market has returned to its pre-crisis levels, which topped one million units per annum (upa) between 2004 and 2008. In 2015, double-digit increases in many months contributed to a 19.1% gain in sales. The market has kicked off 2016 with a strong 16.8% y/y sales gain over the first five months, driven by solid gains each month. May was no exception, with sales up 19.2% y/y. IHS forecasts that conditions will continue to improve and that moderate sales expansion will ultimately become the trend, with growth projected for 2016 at 8.01% and in subsequent years at 1–2%.

The AMIA notes that the Banco de Mexico, the central bank, in May 2016 indicated an expectation of economic growth of 2.44% for 2016 and 2.84% for 2017, shifting from April's projection for 2.41% in 2016 and 2.86% in 2017. Inflation is now expected at 3.11% in 2016 and 3.35% in 2017, revised from 3.30% in 2016 and 3.41% in 2017 forecast earlier

in 2016. According to the AMIA, the economy remains at risk from the same potential headwinds: weakness of the external market and the global economy and international financial instability. As Mexico's fortunes tend to mirror those of the neighbouring United States, the current stuttering economic indicators north of the border will need to be watched closely. AMIA also reported in April that the fifth component of consumer confidence index, which measures the likelihood of purchasing durable goods, increased by 1.6% from a year earlier to 84.0 points (which is still 21.6% below April 2007, prior to the recession). A supplemental index of the possibility of buying a car rose to 66.1 points, 4.4% higher than in April 2015.

The AMIA reported that used-car imports remain low, which is a factor in our sales forecast. The slowdown in imported used cars in 2014 and 2015 helped provide some breathing room for new cars. In 2015, imports of used cars slumped 60.6% to their lowest volume since 2005, the AMIA reported. Over the first quarter of 2016, used car imports gained 17.1% y/y to 61,587 units, which is still notably lower than the first-quarter figure for 2014 of 185,075 and for 2013 of 207,645. The association continues to note that 7.75 million used vehicles in the country will have implications on the environment, road safety, and the renewal of vehicles. The AMIA remains concerned that the influx of used vehicles from the US affects the renewal of the vehicle parc and encourages the Mexican government to maintain current practices.

Investments by automakers and component suppliers continue, with a Ford announcement in early April 2016 about a new USD1.6 billion small car plant. Kia started production at a new Mexican plant, after a delay, in May 2016 and Audi is on schedule to start up a factory in September 2016. GM has also begun supplemental production of its Cruze in Mexico. After rising 9.9% to 3.21 million units in 2014, Mexican light-vehicle production grew more moderately in 2015, improving 5.7% to 3.39 million units. As new plants come online in 2016 and 2017, however, Mexico's output is forecast to reach 4.49 million units in 2018 and to pass 5.0 million units in 2023. Mexico's output eclipsed Brazil's in 2014 and is forecast to remain ahead throughout the forecast period, in part due to slowing markets in Brazil and Argentina.

## CONTACTS

### The Americas

+1 877 863 1306

### Europe, Middle East & Africa

+44 20 7176 1234

### Asia-Pacific

+852 2533 3565

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