



# The Mexican Fastener Market in 2018 and Beyond

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The manufacturing industry in Mexico recorded almost 90% of total Mexican exports last year, supported by vast exports to the US which is known as the main or even the only target market for the majority of Mexican merchandise. In August last year, Mexico exported about USD 40 billion of products to the global market. Amongst the total exports to the US, the automotive industry, is one of the major Mexico exports which represents about 28% of total exports backed by the increasing investments of foreign auto manufacturers in Mexico. Mexico is a major auto manufacturer, 89 of the world's top 100 auto parts makers have production in this country.

Despite the recent conflict between the US and Mexico, Mexico's low landed costs are still attractive for American manufacturers compared with other options and developing countries in the region. It is suited to serve as a Mexico manufacturing venue for short to medium-run products that have a high degree of engineered content. Mexico's location and its closeness to the US market allows technical and production personnel to coordinate activities in order to fulfil immediate requirements for just-in-time manufacturing. Additionally, Mexico has put some significant efforts to open up the economy and its market for foreign investors and to enforce patent and intellectual property. All have created edges for Mexico compared with other low-cost nations in the region like Brazil or Argentina or many other Latin American countries whose manufacturing sectors are either falling or not experiencing any solid growth.

The integration and dependencies of Mexican manufacturers to the US market have made their business slightly fragile as changes in the US trade policies (as happened just recently about NAFTA) may have enormous impacts on their business.

On the other hand, considering the US market as the sole exports market for its majority of manufacturers, has made them competitive alternatives to Chinese manufacturers. More specifically increase of wages in China as well as high end and high quality products manufactured in Mexico have positioned Mexican products well in the US market and helped them regain market share and export competitiveness.

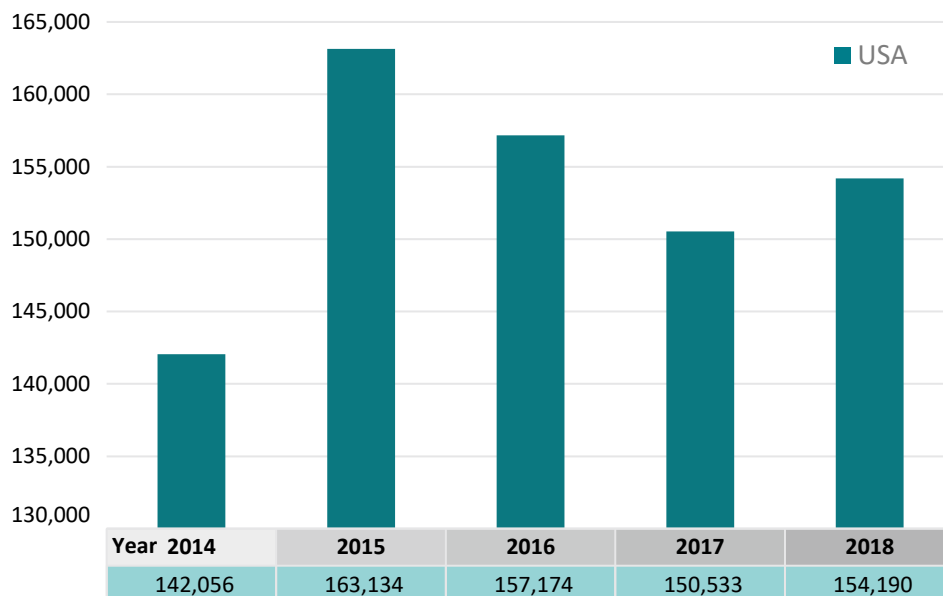
In the fastener industry, Mexican manufacturers have focused more on high quality and industry-specific products rather than standard and low quality fasteners. Auto parts and automotive fasteners could be good examples. This makes Mexico a strong supplier of specialized fasteners to compete with Chinese, Taiwanese or German brands. Although the NAFTA has been replaced by the new USMCA, the US and to some extent, Canada, are still the largest exports markets for Mexican fasteners. There is a huge gap between the total value of fastener exports to the US compared with other destinations including Canada. However, Canada after the US is considered one of the top major destinations for Mexican fastener exports. For instance, last year, the US imported more than USD 150 million of screws, bolts, nuts (HS Code 7318) from Mexico, followed by Canada with only USD 5.6 million and China with USD 3.3 million. These figures show clearly the degree of Mexican fastener manufacturers' dependency on the US market and vice versa. The total quantity of exports from Mexico is about 40 thousand tons. The ratio of value to quantity of exports explains the quality and price of fasteners are above average and should not be categorised as standard and low quality products.

In 2018, Mexico exported about USD 187 million of fasteners (HS Code 7318) to the global market (mainly to the US), with the total quantity of 40 thousand tons, as stated earlier. This makes an average of USD 4,675 per ton for Mexican fasteners.

The details of Mexico's fastener exports in the last five years have been illustrated in the following chart. We have segregated the US from other importers, as this country is the major imports market for Mexican manufacturers.

## Mexico Fastener Exports to the US

Unit : 1,000 USD





Mexico, is a very lucrative market for fastener exporters as well. This country has imported about USD 3 billion of fasteners in 2018 from the global market, mainly from America, Taiwan, China, Japan, and Germany. The US exporters contributed half of the value of imports to Mexico, as registered about USD 1.5 billion of fastener (HS Code 7318) exports last year, followed by Taiwan with USD 384 million and China 358 million.

In regards with the quantity of imports, American manufacturers have exported about 572 thousand tons to Mexico, followed by Taiwan (226 thousand tons) and China (135 thousand tons). By looking at China's exports to Mexico we can derive the average value of USD 2,651 per ton. This figure supports our earlier statement on Mexican fastener quality and price exported to the US compared with Chinese fasteners.

In conclusion, the growth of the fastener market in Mexico will continue as manufacturing and more specifically automotive industry as main sources of fastener demands are growing. As mentioned earlier, due to the close integration into the North

American market (America and Canada), Mexico is a major manufacturer and exporter of vehicles. In Mexico, the automotive industry has created more than 800,000 direct jobs.

Mexico is expected to continue its position as the best outsourcing market for American manufacturers, with the competitive production costs for both labour and logistics, with its strategic location and nearness to the North America compared with the other countries in the region. Mexico, has a long industry experience in automotive and fasteners with qualified labour force and developed infrastructure more specifically on communication, highways and ports. Additionally, Mexico has developed a national expertise in certain industries, which makes it more attractive for companies to locate or expand plants there.

Based on what mentioned above, we could conclude that Mexico market suits well for those American or even non-American manufacturers who are planning to either outsource their fastener operations or source their fasteners from Mexico. ■

## Mexico's Fastener Exports

Unit :1,000 USD

