

AMIA's report – Mexico's vehicle production picks up in June

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- The Mexican Association of Car Producers (AMIA) released its monthly auto-industry report for June
- Total vehicle production: 306,694 (6.7% yoy)
- Vehicle exports: 247,720 (7.5% yoy)
- Domestic sales: 106,890 (27.1% yoy)
- We believe that the auto industry will continue to gain momentum

Auto production increased 6.7% yoy in June. According to AMIA's report published today, car production increased 6.7% yoy in June. Today's figure was explained by an improvement in the production for both domestic and external markets. Moreover, vehicle exports expanded 7.5% yoy, while domestic retail sales edged-up 27.1% yoy, as shown in the table below.

Car industry in June 2015

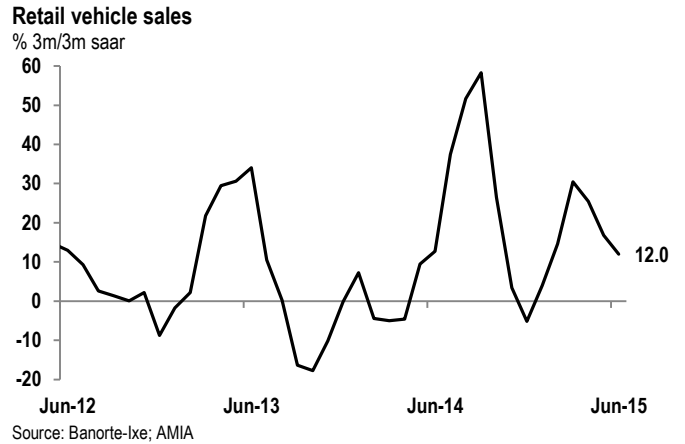
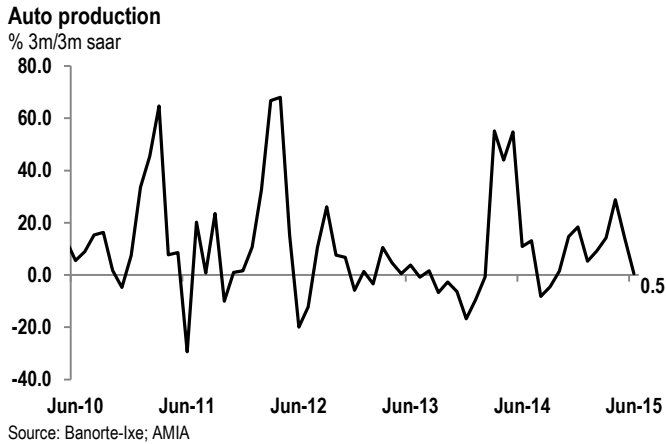
	Jun'15	Jun'14	Jan- Jun'15	Jan- Jun'14
Total Production	6.7	7.9	8.1	7.4
Retail	27.1	0.5	21.9	-0.3
Exports	7.5	2.1	10.7	9.7

Source: AMIA, Banorte-Ixe

Production picked-up in June. In seasonally adjusted terms, Mexico's auto production increased 1% m/m. Moreover, retail auto sales edged-up 7.5% m/m, while exports fell 5.1% m/m. With these figures, auto-production increased a scant 0.5% 3m/3m saar. Moreover, exports fell 1.7% 3m/3m saar, while retail sales grew 12% 3m/3m saar (refer to the charts on the next page).

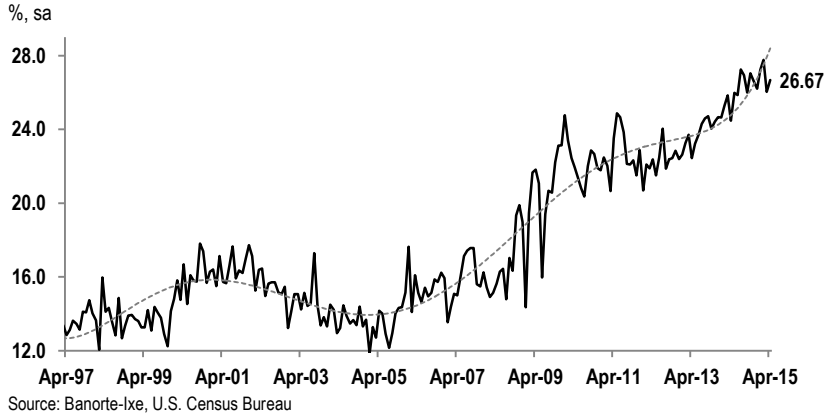
We believe that auto-industry will continue to gain momentum. Despite the deceleration in both vehicle production and exports during 2Q15 (refer to the chart on the left), we believe that Mexico's auto industry has begun to show a strong recovery, given the 1% m/m growth observed in June's production. Moreover, we also believe that the visible hike in vehicle retail sales (refer to the chart on the right) grants evidence that consumer spending is picking up. In this regard, we believe that Mexico's auto-industry will continue gaining momentum given the following factors: (1) A significant recovery in external demand given the downward trend in gasoline prices; (2) the depreciation of the Mexican currency, which will translate into stronger growth dynamics for the auto-exports; and (3) the better growth prospects for domestic demand which will reflect in a higher growth in domestic car sales.

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Looking ahead, and as we have discussed throughout our publications, we believe that Mexico’s expansionary growth in the auto-sector will continue not only in the coming months but for the next years. In particular, we highlight that today’s figure continues to position Mexico as the main provider to the U.S. (refer to the following chart). We also highlight that Mexico’s vehicle production is now the largest in *LATAM* on the back of: (1) Recent investments made in steel and plastic industries; (2) better retail sales dynamics in auto-firms within Mexico; (3) larger truck exports to the U.S.; and (4) higher foreign investments in the auto-parts sector given the relative competitive advantages of Mexico’s economy.

Mexico’s share of auto-exports within total U.S. imports



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