

AMIA – Slight bump in May’s vehicle production doesn’t modify its growth potential

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- The Mexican Association of Car Producers (AMIA) released its monthly auto-industry report for May
- Total vehicle production: 288,382 (0.3% yoy)
- Vehicle exports: 240,709 (2.6% yoy)
- Domestic sales: 101,982 (15.6% yoy)
- We believe that the auto industry will continue to gain momentum

Auto production increased a scant 0.3% yoy in May. According to AMIA’s report published yesterday, car production increased 0.3% yoy in May. Yesterday’s figure was explained by an improvement in the production for both domestic and external markets. Moreover, vehicle exports expanded 2.6% yoy, while domestic retail sales edged-up 15.6% yoy, as shown in the table below.

Car industry in May 2015

	May'15	May'14	Jan-May'15	Jan-May'14
Total Production	0.3	12.5	8.4	7.2
Retail	15.6	0.8	20.4	-0.5
Exports	2.6	22.7	11.5	11.6

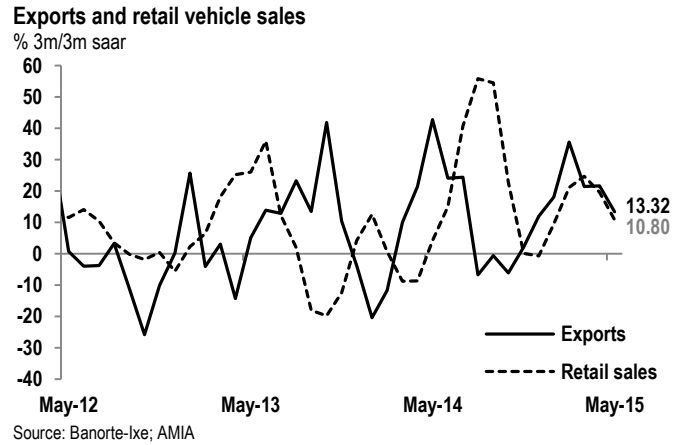
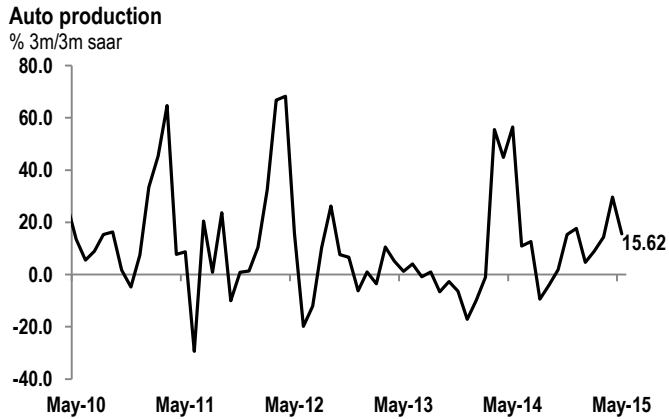
Source: AMIA, Banorte-Ixe

Production and exports fell significantly in May. In seasonally adjusted terms, Mexico’s auto production decreased 5.7% m/m. Moreover, retail auto sales edged down 3.1% m/m, while exports fell 1% m/m. However, given the significant growth observed in March and April, auto production increased 15.6% 3m/3m saar. Moreover, exports expanded 13.3% 3m/3m saar, while retail sales grew 10.8% 3m/3m saar (refer to the charts on the next page).

We believe that auto-industry will continue to gain momentum. Despite May’s significant fall in both vehicle production and exports, 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 recent and significant 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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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.



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