

# 12 REASONS TO INVEST IN MEXICAN NEARSHORING

## IN RECENT YEARS,

THE GROWING TREND WITH MANY U.S. COMPANIES HAS BEEN TO RELOCATE SOME OR EVEN ALL OF THEIR OFF-SHORE PRODUCTION BACK TO NORTH AMERICA. CHINA NO LONGER HOLDS THE SWAY THAT IT USED TO, BUT COUNTRIES SUCH AS MEXICO ARE QUICKLY BECOMING THE MUCH MORE ATTRACTIVE OPTION.

HERE ARE 12 REASONS WHY YOU SHOULD CONSIDER NEARSHORING IN MEXICO.



SHIPMENT OF CARGO U.S. PORTS FROM CHINA TAKES 15 TO 20 DAYS COMPARED WITH **TWO TO THREE DAYS FROM MEXICO TO THE U.S. VIA HIGHWAYS**

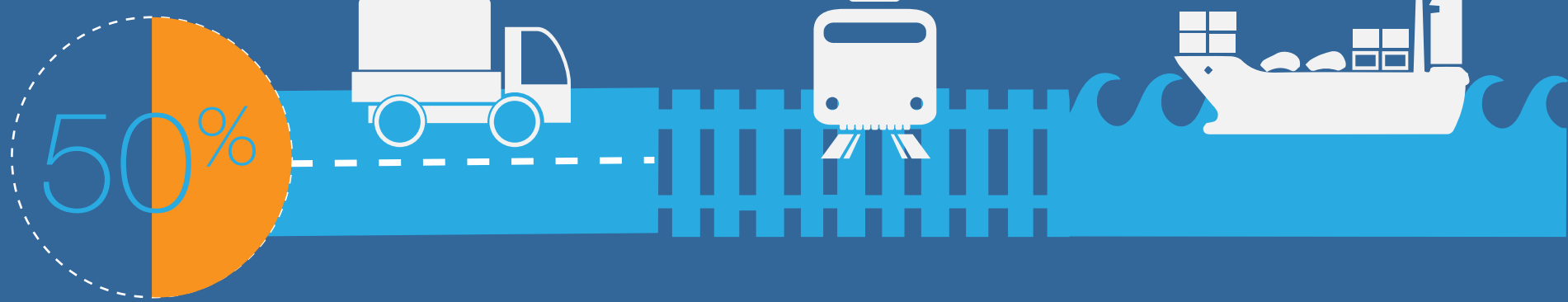
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ACCORDING TO A 2010 U.S. DEPARTMENT OF LABOR SURVEY, HOURLY MANUFACTURING PAY WAS \$4.30 IN MEXICO, WHICH IS **HALF OF THE RATE IN TAIWAN AND BRAZIL, ONE-THIRD OF THE REPUBLIC OF KOREA, AND ONE-EIGHTH OF THE U.S. AND CANADA**



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INVESTMENT IN SUPPLY-CHAIN INFRASTRUCTURE, SPURRED BY THE PRIVATIZATION OF THE COUNTRY'S MAJOR INDUSTRIES, HAS RESULTED IN \$226BN IN RAIL, ROADWAY AND PORT IMPROVEMENTS SINCE 2006, **A 50-PERCENT INCREASE OVER THE PREVIOUS SIX YEARS**



4

MEXICO HAS A **LOW-COST BUT HIGHLY SKILLED WORK FORCE**. THE POOL OF WORKING-AGE INDIVIDUALS IN MEXICO IS APPROACHING 62 MILLION, AND WORKERS ARE BECOMING INCREASINGLY AFFLUENT AND WELL EDUCATED, WITH THE LITERACY RATE NOW MORE THAN 93 PERCENT



5

MEXICO NOW HAS FREE-TRADE AGREEMENTS WITH **43 NATIONS**, COMPARED TO 20 IN CHINA AND 15 IN THE UNITED STATES



6

**INFRASTRUCTURE COSTS IN MEXICO**—SUCH AS ELECTRICITY, WATER AND SEWER, AND TRANSPORTATION—**ARE VERY COMPETITIVE**, GENERALLY WITHIN 10 PERCENT OF U.S. COSTS



COMPETITIVE WITHIN 10%

7

IN 2013, THE MEXICAN GOVERNMENT ANNOUNCED IT WOULD **INVEST NEARLY \$17 BILLION IN RAILWAY INFRASTRUCTURE TO BOOST THE USE OF THE CARGO SYSTEM AND INTERMODAL TERMINALS**, AND REDEVELOP THE PASSENGER RAILWAY NETWORK



8

**PRODUCTS CAN REACH DALLAS, TEXAS IN 22 HOURS BY TRUCK FROM GUADALAJARA** VERSUS 19 DAYS VIA OCEAN, RAIL, OR TRUCK COMBINATION, FROM CHINA



9

THE **SHORTER SUPPLY CHAINS THAT MEXICO AFFORDS MEANS IMPROVED INVENTORY TURNS** THUS THE PRODUCT YOU MANUFACTURE IS MORE LIKELY TO SELL AT FULL PRICE AS SHORTER SUPPLY CHAINS REDUCE OBSOLESCENCE AND INDUSTRY MARKDOWNS



10

**PRODUCTION CLOSER TO THE FINAL DELIVERY POINT HAS FEWER HAND-OFFS AND POTENTIAL DELAYS**, AND SUPPLY CHAIN DISRUPTIONS ARE MINIMIZED AS LONGER SUPPLY CHAINS ARE MORE SUSCEPTIBLE TO DISRUPTIONS



11

MOST OF **MEXICO OPERATES IN THE CENTRAL TIME ZONE OF THE U.S.**, SO GETTING TO PRODUCTION LOCATIONS IN MEXICO TAKES ONLY A FEW HOURS, PROVIDING A TIME-ZONE ADVANTAGE



12

ECONOMISTS EXPECT THAT **BY 2020, CHINA'S BASE PER-HOUR WAGE WILL BE 32% HIGHER THAN MEXICO'S** CHINA WILL FIND IT DIFFICULT TO OFFSET THIS DIFFERENCE WITH PRODUCTIVITY ESPECIALLY GIVEN MEXICO'S OWN PRODUCTIVITY STANDARDS



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SOURCES:

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