Mexico’s Growing Cost Advantage over China, Other Economies Will Boost Its Exports—and U.S. Manufacturers

- Lower Labor and Energy Costs Are Expected to Propel Mexican Manufacturing Exports, Adding $20 Billion to $60 Billion in Output to Mexico's Economy Annually by 2017; U.S. Suppliers Also Will Benefit, Predicts The Boston Consulting Group

CHICAGO, June 28, 2013—Within five years, higher manufacturing exports due to a widening cost advantage over China and other major economies could add $20 billion to $60 billion in output to Mexico’s economy annually. And thanks to the North America Free Trade Agreement (NAFTA), U.S. manufacturers of components for everything from automobiles to computers assembled in Mexico also stand to benefit, according to new research by The Boston Consulting Group (BCG).

The key drivers of Mexico’s improving competitive edge are relatively low labor costs and shorter supply chains due to the country's proximity to markets in the U.S. Another important advantage is that Mexico has 44 free-trade agreements—more than any other nation—allowing many of its exports to enter major economies with few or no duties.

A tipping point was reached in 2012, when average manufacturing costs in Mexico, adjusted for productivity, dropped below those of China. By 2015, BCG projects, average total manufacturing costs in Mexico are likely to be around 6 percent lower than in China and around 20 to 30 percent lower than in Japan, Germany, Italy, and Belgium.

“Mexico is in a strong position to be a significant winner from shifts in the global economy,” said Harold L. Sirkin, a BCG senior partner. “That is good news not only for Mexico, which relies on exports for around one-third of its GDP. It’s also good for America, since products made in Mexico contain four times as many U.S.-made parts, on average, as those made in China.”

The research is part of BCG’s ongoing “Made in America, Again” series on the changing global economics of manufacturing, produced by its Operations and Global Advantage practices. BCG has previously released research predicting that rising U.S. exports, combined with production “reshored” from China, could create up to 5 million new U.S. jobs in manufacturing and related services by the end of the

decade, thanks largely to significant labor- and energy-cost advantages over Western Europe and Japan and rising costs in China.

Global companies are expected to continue moving production to Mexico despite concerns over crime and safety. Research by the World Economic Forum has found that companies view violence and corruption as the most problematic factors of having operations in Mexico—as well as significant costs of doing business. Another drawback is the perception that Mexico lacks enough skilled workers.

But the cost advantages of producing in Mexico are becoming so attractive that many companies are finding ways to mitigate these perceived risks. “When the economics are a wash, U.S. manufacturers often keep production in the U.S.,” said Michael Zinser, a BCG partner who leads the firm’s manufacturing work in North America. “But when the economics are compelling, companies will invest in additional security and training to address these issues.”

Mexico’s labor costs are especially competitive when productivity differences with other economies are factored in. By 2015, for example, average manufacturing-labor costs in Mexico are projected to be 19 percent lower than in China, where wages are rising rapidly, and around 30 percent lower when adjusted for output per worker. In 2000, Mexican labor was 58 percent *more expensive* than in China. Mexico will also have lower energy costs than many other economies. Average electricity costs are around 4 percent lower in Mexico than in China, for example, while the average price of industrial natural gas is 63 percent lower.

The industries expected to see the biggest production gains are likely to be transportation goods, computers and electronics, appliances, and machinery. “These industries have relatively high labor content, stringent logistical requirements, and strong existing manufacturing clusters in Mexico,” explained Eduardo León, a BCG senior partner based in Monterrey. Due to Mexico’s growing cost advantage, production in these industries could increase between 7 to 19 percent by 2017 over and above the projected level if current growth trends remain the same. This could result in 300,000 to 900,000 direct manufacturing jobs annually in Mexico and 1.5 million to 3.5 million jobs in related services jobs.

“Companies investing in Mexico must balance the economics with the potential downsides,” said Sirkin, who, along with Zinser and BCG partner Justin Rose, is coauthor of The US

Manufacturing Renaissance: How Shifting Global Economics Are Creating an American Comeback (Knowledge@Wharton , 2012). “But the economic advantages are becoming so pronounced that global companies should include Mexico on a shortlist of locations for their next manufacturing plant.”

To arrange an interview with a BCG expert, please contact Alexandra Corriveau at 212 446 3261 or at corriveau.alexandra@bcg.com .

La Tribune du 1er juillet

D'après une étude publiée, ce vendredi 28 juin, par le Boston Consulting Group, le Mexique pourrait bientôt devenir plus compétitif que la Chine, notamment grâce au coût de ses salaires et de son énergie.

Les Chinois ont-ils du souci à se faire ? D'après une étude du Boston Consulting Group, publiée ce vendredi 28 juin, le Mexique devrait bientôt devenir plus compétitif que la Chine... en matière de coût de production. L'Empire du Milieu, surnommé "l'usine du monde", devrait perdre son titre au profit du troisième plus grand pays d'Amérique latine.

Les points forts de son rival américain ? Le montant de ses salaires, ses nombreux accords de libre-échange et le coût de son énergie.

Pour l'instant, le troisième partenaire commercial des Etats-Unis n'est que la 14e puissance économique mondiale. Le Mexique doit beaucoup à son grand-frère américain, puisque 75% de ses exportations sont dirigées vers les Etats-Unis, avec lesquels il partage 3.200 kilomètres de frontières... ultra-sécurisées.

Plusieurs millions d'emplois à la clé

D'ici à 2015, les salaires des Mexicains devraient être inférieurs de 30% à ceux des Chinois, plafonnant à un peu moins de 4 dollars de l'heure (taxes comprises), contre un peu plus de 4 dollars en Chine.

Ce pays hispanophone bénéficie également de nombreux accords commerciaux très avantageux. Il a ainsi signé quelques 44 traités tels que l'ALENA (Accord de libre-échange Nord Américain), en 1994, ou l'Alliance du Pacifique (Chili, Colombie, Mexique, Pérou) en 2012. La Chine, elle, n'en détient que 18... suite

Consultez la source sur Veille info tourisme: Le Mexique sera bientôt plus compétitif que la Chine