

MEXICO'S AUTO INDUSTRY REMARKABLE RECOVERY

**MEXICO SET TO BECOME #1
U.S. AUTO SUPPLIER IN 2011**

MEXICONOW Staff Report

Leveraging its export power, the Mexican Automotive Industry has found the way to a remarkable recovery. According to the latest statistics, the path for the Mexican Auto Industry to become the number one supplier for the largest consumer market of the world is set for 2011.

Total production in November (2010) grew 17.5% (207,560 units) and the accumulated total for the first months of 2010 showed an impressive 54.3% growth. This compares with the same span of time in 2009 when it was 5.5% higher than in 2008.

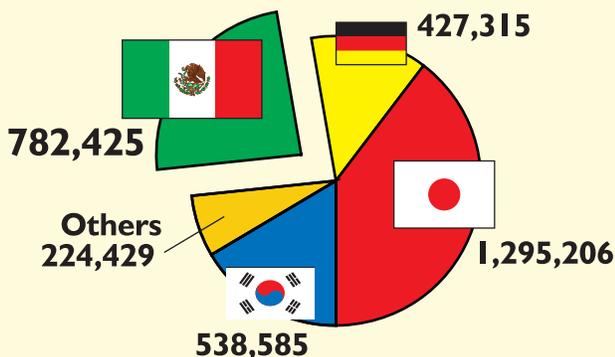
The exportation of vehicles increased 24.7% in November of 2010 with 168,227 units compared with the same month of the year in 2009. Here the accumulated growth is 57.8% and 10.3% respectively, compared with the volumes tallied in 2009 and 2008 in that order, for the months of January through November 30th for each of the three years.

Mexico is all set to become the number one auto supplier for the U.S. Market. For this market there was a 16.9% increase in Mexican exports registered in November of 2010, compared with the same month in 2009. From the period January through November of 2010, the United States continued to be the main destination for export of Mexican vehicles (68.9%).

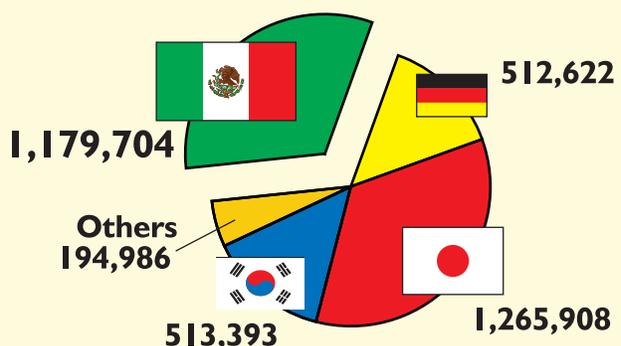
According to Dr. Eduardo Solis, President, Mexican Automotive Industry Association : "The numbers are telling the story. During the crisis last year we dropped to about five percent of the vehicles sold in the U.S. market. Now we are about 11 percent of the total vehicle market in the United States -- about 11 of every 100 vehicles sold in the U.S. are Mexican made. Mexico has been able to gain in the U.S. market; our exports are going up nicely. We know the U.S. economy is not growing at the pace we thought it would. It seems the U.S. recovery will take longer than expected. The U.S. industry in 2010 is growing at about 10

Light Vehicle Imports from the USA Market

January - November 2009
Total Imports: 3,267,960 units



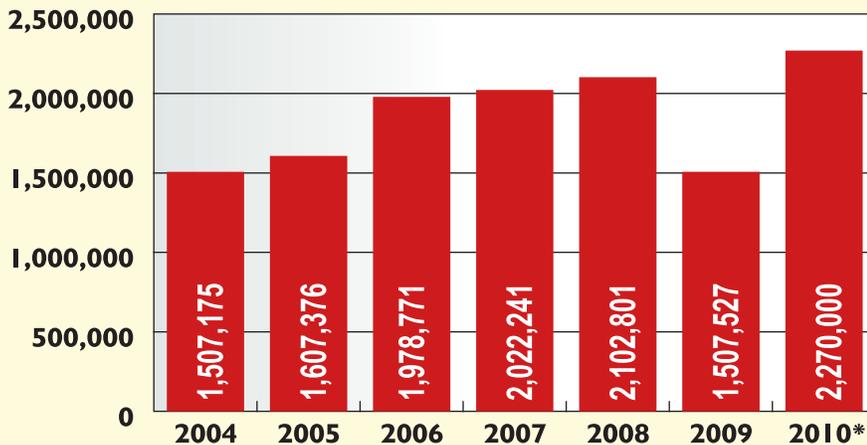
January - November 2010
Total Imports: 3,666,613 units



Source: Ward's Automotive Reports

Exhibit 3

Total Production of Vehicles in Mexico 2004 - 2010



Source: AMIA A.C.

*Projected Exhibit I

percent. Our Mexican exports are growing at a rate closer to 55 percent.”

The confidence indications for the U.S. and Mexico are still recovering, but at this time are still at inferior levels compared with those seen previous to 2008 which was the year of crisis.

In the United States, the Consumer Confidence Index for November stood at 54.1 points. This represents a 24% increase against the same month (November) of the previous year (2009). In Mexico, the 5th component of the Consumer Confidence Index measuring the possibilities of durable goods consumption registered 68.7 points in November. This represents a 24.7%

increase in contrast to the same category in November, 2009.

PRODUCTION

Production in Mexico keeps growing in an important way as a result of the high export levels.

The total production of vehicles in November of 2010 reached 207,560 units. Comparing this data versus the previous year for the same month (November 2009) an increase of 17.5% can be seen. This means that 30,905 more vehicles were produced in (November) versus the same month in 2009. It is important to point out that the November, 2010, result is the highest volume achieved for the month of

Accumulated Exports from Mexico

January - November

Destination	2009	2010
USA	782,425	1,179,704
Canada	87,670	134,117
Latin America	91,441	181,842
Africa	0	9,106
Asia	10,492	35,594
Europe	111,383	157,309
Others	1,500	14,293
TOTAL	1,086,920	1,713,975

Source: AMIA A.C.

Exhibit 2



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November in the history of light vehicles production in Mexico.

The 2010 accumulated total (January – November 30) in overall production of new vehicles is 54.3% higher than the one registered the previous year (2009) during the same period with an aggregate volume of 2,089,160 units. This means that during the time period from January to November 30th of 2010, the industry had fabricated 735,583 more cars and light trucks than the accumulated number during the same period in 2009. By comparing the totals for 2010 against 2008, there is an appreciable 5.5% increase. **Exhibit 1** shows the historical production of Automobiles in Mexico during recent years.

EXPORTS

The export of units in November of 2010 registered a total volume of 168,227 light vehicles commercialized in the exterior. This compares with 134,873 in November of 2009 representing an important 24.7% increase. The volume exported in (November 2010) also resulted in being the highest ever recorded for November in Mexico's export history. In any comparison, the U.S. Market is the main destiny for Mexican Auto production.

The accumulated bottom line for last year (January – November 30 of 2010) ascended to 1,711,965 vehicles. This figure is 57.8% higher than that accumulated during the same time span in 2009 and is 10.3% higher than output in 2008. **Exhibit 2** shows the statistics comparing the combined exports for January through November of the years 2009 and 2010.

By comparing the accumulated export volumes in 2010 with those obtained in 2009 up to November, according to the destination of the Mexican products, it can be seen that the U.S. market bought 1,179,704 vehicles from Mexico. This is an important 50.8% increase. Canada imported 134,117 Mexican units for an increase of 53.0%. As for the European Union Mexico exported more units to Latin America, Asia and Africa from January through November 30th, 2010.

VEHICLE MARKET IN THE UNITED STATES (January – November 2010)

The total combined sales volume from January through November of last year

(2010), in the light vehicle market in the U.S., showed an 11.1% increase compared to that added in the same period of 2009. However, the amount for 2010 is 15.4% below the registered sales for the same time lapse in 2008.

Exports from Mexico to the U.S. in 2010 represent an overall 50.8% increase. It passed from 782,425 units in 1009 to 1,179,794 in 2010. This happened during the first 11 months of the year. The vehicles manufactured in Mexico and exported to the U.S. represent 11.3% of the total for its light vehicle sales during 2010.

Ward's Automotive Report indicates that from January – November 30th of 2010, there were accumulated light vehicles sales in the U.S. of 10,414,585 units. At the same time Japan and Korea registered decreases of 2.3% and 4.7% each.

Exhibits 3 illustrates how the U.S. market has been acting during 2009 and 2010 in terms of light vehicle imports for January - November.

DOMESTIC SALES

But, according to Dr. Solis, the Mexican market is completely different. "It is the other side of the coin. As we have been performing quite nicely with our exports, unfortunately we cannot say the same about the Mexican market. The Mexican market has been performing quite poorly. Through October we have sales growing at seven percent compared to October of 2009. The fact is that 2009 was quite a terrible year for the industry and for domestic sales. When we compare to 2008, the period leading to the crisis, the 2010 sales are 24 percent under the 2008 sales for the same period. The consumer confidence index in Mexico is growing modestly."

"Reports by Banco de Mexico and INEGI show we have a total four percent lower than the index back in 2008. Consumer confidence index which drives domestic sales are still not growing at the pace we need to have in order to be at the numbers prior to the crisis. In absolute terms it means that in 2008 we had sales of 1,050,000 units. Last year we had 754,000 units sold in the Mexican market. This year we will be closer to 800,000. Our largest ever was 1,150,000 back in 2006. Domestic sales should be 1,800,000. We are one million below that.", said Dr. Solis. **MN**