

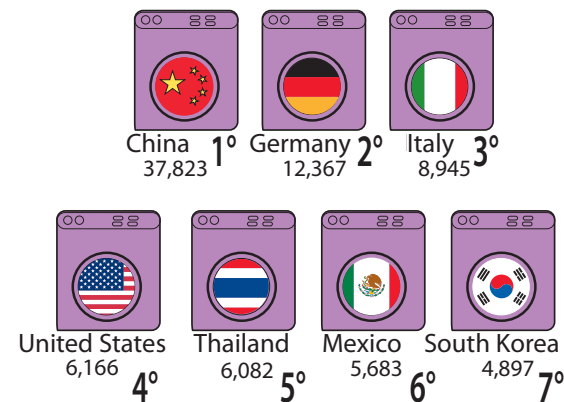
# The Household Appliances Industry

## Global Industry

The household appliances industry generated **237,000 million USD** in income in 2010 and **grew** at an average annual rate of **4.6%** in the 2005-2009 period.<sup>1</sup>

The world's main household appliances exporting countries are China, Germany and Italy. Mexico also figures among the prime household appliance exporters in the world.

### Exports in 2010 ( Million USD)



Source: Business Intelligence Unit (UII) estimates with data from the Global Trade Atlas

### Products Considered Part of the Sector

**Large Appliances.** Those used in a stationary position, such as air conditioners, water heaters, washing machines and refrigerators.

**Small Appliances.** Those which can be easily lifted and moved, such as vacuum cleaners, blenders, coffee makers and room heaters.

### Major Household Appliance Companies

The biggest companies in the sector are: Electrolux, Panasonic, Mabe, Daewoo, Samsung, LG Electronics, Black & Decker, Honeywell and Whirlpool, among others.

## Mexico Production

In 2010, production in the household appliance sector reached a total of **5,601 million USD**.<sup>2</sup>

According to estimates from Global Insight, production will grow at an average annual rate of 9.8% in the next four years. In 2015, production will reach a total of **8,944 million USD**.

**Mexico** has **260 economic units\*** related to the production of household appliances, mainly located in Mexico City and *Estado de Mexico*, Jalisco, Nuevo León, Querétaro, Tamaulipas and Baja California.<sup>3</sup>

In 2009, this sector **employed** a total of **51,990 people**.<sup>3</sup>

## Major Household Appliance Companies in Mexico



## Consumption

In 2010, the consumption of household appliances in Mexico reached a total of **3,095 million USD**.<sup>2</sup>

Consumption between 2010 and 2015 is expected to grow at an average annual rate of **11.6%**, reaching a total of 5,367 million USD in 2015.<sup>2</sup>

## International trade<sup>4</sup>

Mexico is one of the main suppliers of household appliances in the world. In 2010 it exported **5,683 million USD**, which positioned it in **6th** place on a global level.

Destination of Mexican exports	Exports	% of Exchange 2009/ 2010
United States	4,907	33.18%
Canada	225	49.77%
Colombia	120	31.98%
Venezuela	49	-37.83%
Chile	38	37.77%
Guatemala	30	0.93%
Others	314	42.08%
<b>Total</b>	<b>5,683</b>	<b>32.71%</b>

Source: Global Trade Atlas.

Mexican **imports** in the sector were **1,684 million USD** during the same year.

The **trade surplus** has grown at an average annual rate of **14.4%** over the last ten years.

The main products exported by our country are refrigerators and freezers with separate exterior doors. In 2010, 90% of these products were exported to the USA.

Major Mexican Household Appliance Exports		
Product	Exports 2010 million USD	Share of exports
Refrigerators and freezers with separate exterior doors	2,084	36.7%
Electric water heaters	186	3.3%
Vacuum cleaners and floor polishers	346	6%
Others	3,076	54%
<b>Total</b>	<b>5,683</b>	<b>100%</b>

Source: Global Trade Atlas

## Foreign Direct Investment (FDI)

From 2000 to 2010, direct foreign investment reached a total of **2,194 million USD**.<sup>5</sup>

1. Source: Datamonitor Global Household Appliances, June 2010.  
2. Source: Global Insight  
3. Source: National Institute of Statistics and Geography (INEGI), Economic Census 2009

4. Source: Global Trade Atlas  
5. Source: Secretariat of Economy  
\* Refers to manufacturing companies, plants and offices for distribution and sales.

## Success Stories

### Electrolux

ARTHUR MARTIN



In June of 2011, Electrolux and Plexus opened two new plants in Ciudad Juárez, representing an investment of **30 million USD** and **1,000 new jobs** for the manufacture of refrigerators, washing machines and dryers.<sup>6</sup>



Embraco, a global company in the market for refrigeration, announced the construction of its first plant in Monterrey, Nuevo León in northern Mexico. The investment in this project is estimated at 90 million USD and it is expected to create 500 jobs.<sup>6</sup>

## Competitiveness

Mexico is the most competitive country in the world in terms of **manufacturing costs** which are approximately **25% lower** than in the US, and even lower than in the BRIC countries.<sup>7</sup>

According to the World Bank, **Mexico is the best** country in **Latin America** for doing business, and also is ranked 35<sup>th</sup> in the world.

Only **9 days** and **6 processes** are required to start a new business, and this performance is demonstrably better compared to all Latin America region and the BRICs (Brazil, Russia, India and China).<sup>9</sup>

Mexico is one of the most open economies in the world, as its international trade is equal to **58%** of the **GDP** and represents more than 40% of the total trade of Latin America.<sup>4</sup>

In the past decade, the average annual growth rate of engineering graduates in Mexico was **7%** which places it above the population growth rate.<sup>10</sup> In 2010, the number of engineering graduates in the country totaled approximately **114,000**.<sup>11</sup>

6. Source: Bonded Assembly Portal [Maquila Portal]

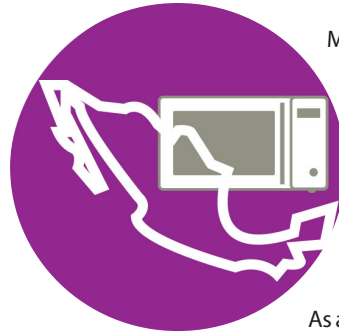
7. Source: Alix Partners 2010

8. Source: Doing Business, The World Bank [WB], 2010

9. Source: Foreign Direct Investment [FDI] Confidence Index, A.T. Kearney, 2010

## A Message for Investors

In 2010, **Mexico** was ranked **# 1** in the world for the value of its exports of **refrigerators and freezers**, **#2** in **electric water heaters** and **#3** in **vacuum cleaners** with a capacity of 1,500 W.<sup>4</sup>



Mexico is one of the **top suppliers** of household appliances to the **US**; just in 2010, it was that nation's main supplier of refrigerators and freezers and the second in kitchen appliances, vacuum cleaners and floor polishers.<sup>13</sup>

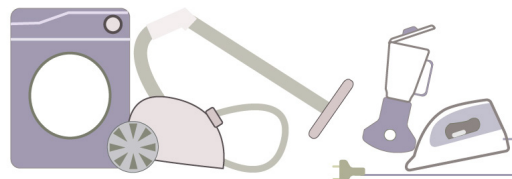
As a result of free trade agreements (FTAs) with **more than 40 countries**, Mexico has access to a **potential market** of more than one thousand million consumers, and 63% of the world GDP, positioning it as an important export platform.

Mexico's proximity to the US, Canada and Latin America allows the reduction in logistical costs for products, due to their weight and volume, are more costly to transport and store. Also, Mexico's access to the Atlantic and Pacific Oceans distinguish it as a strategic location to do business and exchange goods with Europe and Asia.

México is a safe place for foreign investment. Our country has signed **28 IPPAs** (Investment Promotion and Protection Agreements) and **DTTs** (Double Taxation Treaties) with more than 40 countries.<sup>12</sup>

Mexico is the **8th** most **attractive** country for foreign **investors'** worldwide.<sup>9</sup>

**Shelter Services:** these allow businesses to start operations more easily, as they issue the necessary permits for them to begin operations without having to worry about customs, legality and administrative topics.



10. 1.4% annual average in the period 2000-2010, National Institute of Statistics and Geography (INEGI)

11. Source: National Council on Science and Technology (CONACYT)

12. Source: Secretariat of Economy/Secretariat of Finance and Public Credit (SHCP)

13. US Census Bureau

## Support Programs<sup>5</sup>



### Refund of Taxes on Imports and Exports (Drawback)

In a case where the producer has imported materials which are incorporated into merchandise for export, the program offers the possibility of a refund of the general import tax on these materials.

### Sectorial Promotion Programs (PROSEC)

In a case where the producer has imported materials which are incorporated into merchandise for export, the program allows the import of such materials at a preferential ad-valorem rate.

### Manufacturing Industry, Bonded Assembly and Export Services (IMMEX)

It simplifies the procedures and requirements of the bonded assembly regime for those companies which already have a structured business plan. It allows for the temporary importation of goods or services used in the industrial process; it is geared towards the development, transformation or repair of imported foreign merchandise.



## Chambers & Associations

### National Association of Household Appliance Manufacturers (ANFAD)

It has 23 members which are companies that represent the 80% of this industry in Mexico.

### National Council for the Bonded Assembly and Export Manufacturing Industry (CNIMME)

It is an organization which represents more than 1,200 established businesses, employing 80% of the work force in the bonded assembly industry.

### National Chamber of Electrical Manufacturing (CANAME)

It is an organization with representation at a national level of electrical manufacturing companies.