

Supply Opportunities in Mexico

Mexico has emerged as one of the foremost exporting markets in the world. The country has a large and diversified labor pool that continues to grow and become more highly skilled, while labor costs simultaneously remain low. Mexico’s proximity to the U.S. can significantly shorten supply chains; combined with the robust infrastructure found in North America, it is a competitive alternative to China. Its horizontal capabilities support a wide variety of sectors, and the country specializes in manufacturing for several industries. Mexico’s economy is dependent on the U.S. export market and its recent economic growth has mirrored that of the U.S., with long-term prospects also looking favorable.

This report addresses opportunities in Mexico for Virginia companies seeking to optimize their international supply chains. It lays the foundations for why an importer may consider supply in Mexico. The report then provides concrete information about several strong supply options in Mexico as examples, although there are many others. It closes with a review of expectations Virginia companies should keep in mind for how to effectively develop relationships with suppliers and some tips and resources for successfully managing collaboration with suppliers in Mexico.

The following table provides Virginia companies an indication of states and provinces in Mexico with hubs for each sector.

Comparative analysis: Leading sectors for sourcing, by state

Sector	Baja California	Chihuahua	Cuidad de Mexico	Estado de Mexico	Jalisco	Nuevo Leon	Queretaro
Aerospace	x	x					x
Construction			x	x	x		
Electrical Components	x	x				x	
Medical Devices and Components	x		x		x		
Packaging			x	x	x		
Pharmaceutical Ingredients			x	x	x		

Source: D&B Hoovers

These supplier segments are full of experienced exporters. There are many more potential Mexican suppliers that have promising capabilities but may be new to exporting or haven’t yet worked at the scale required by their potential customers in Virginia. The experience of many U.S. companies seeking to import from Mexico is that the solutions they require typically need time and potentially other resources invested to develop suppliers. Shifting sourcing to Mexico by companies should be treated as shaping a potential long-term strategy.

To access the full report and learn more about VEDP’s Supply Chain Optimization Program, please contact Monica Sadie, VEDP’s Supply Chain Program Manager, at msadie@vedp.org.