

Apparel Market Trends and Opportunities in Mexico

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U.S. Commercial Service in Mexico

- The U.S. Commercial Service is part of the U.S. Department of Commerce.
- Our mission is primarily to help small and medium size, export-ready companies to enter Mexico and to protect U.S. business interests abroad.
- In Mexico we have four offices. Globally, we have a network of 100+ offices in the U.S. and 150 world-wide.

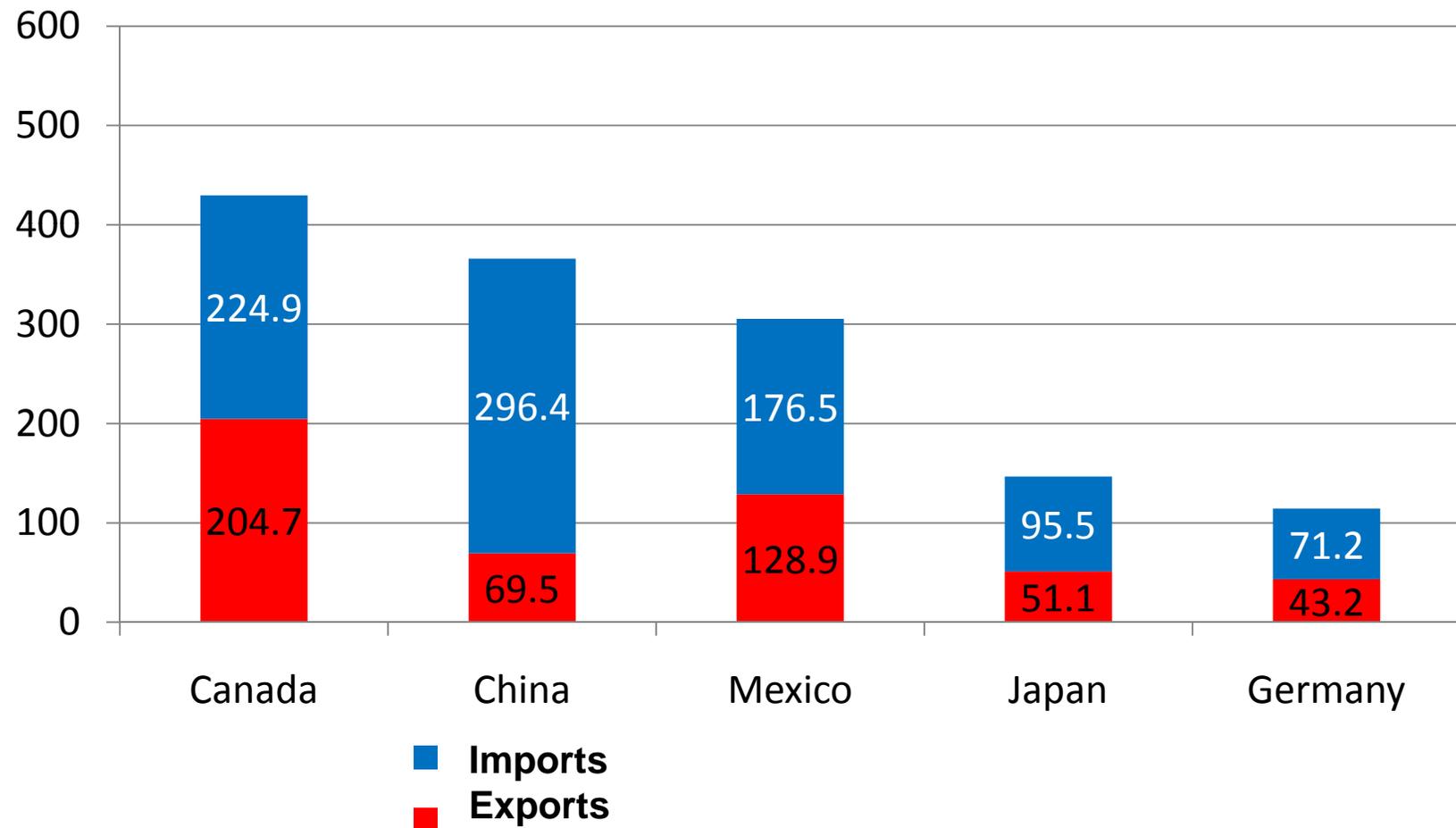


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- Population: 109.4 (projected 2010)
- GDP per capita: \$8,579 est. in 2009
- 74% urban
- Under 20: 44%
- Wealthy: 23%, Middle: 37%, Poor:40%
- Literacy Rate: 91%
- GDP Composition:
Services 62.2%
Industry 34.1%
Agriculture 3.7%
- Ranked 12th highest GDP in the world



U.S. Top Trading Partners in 2009

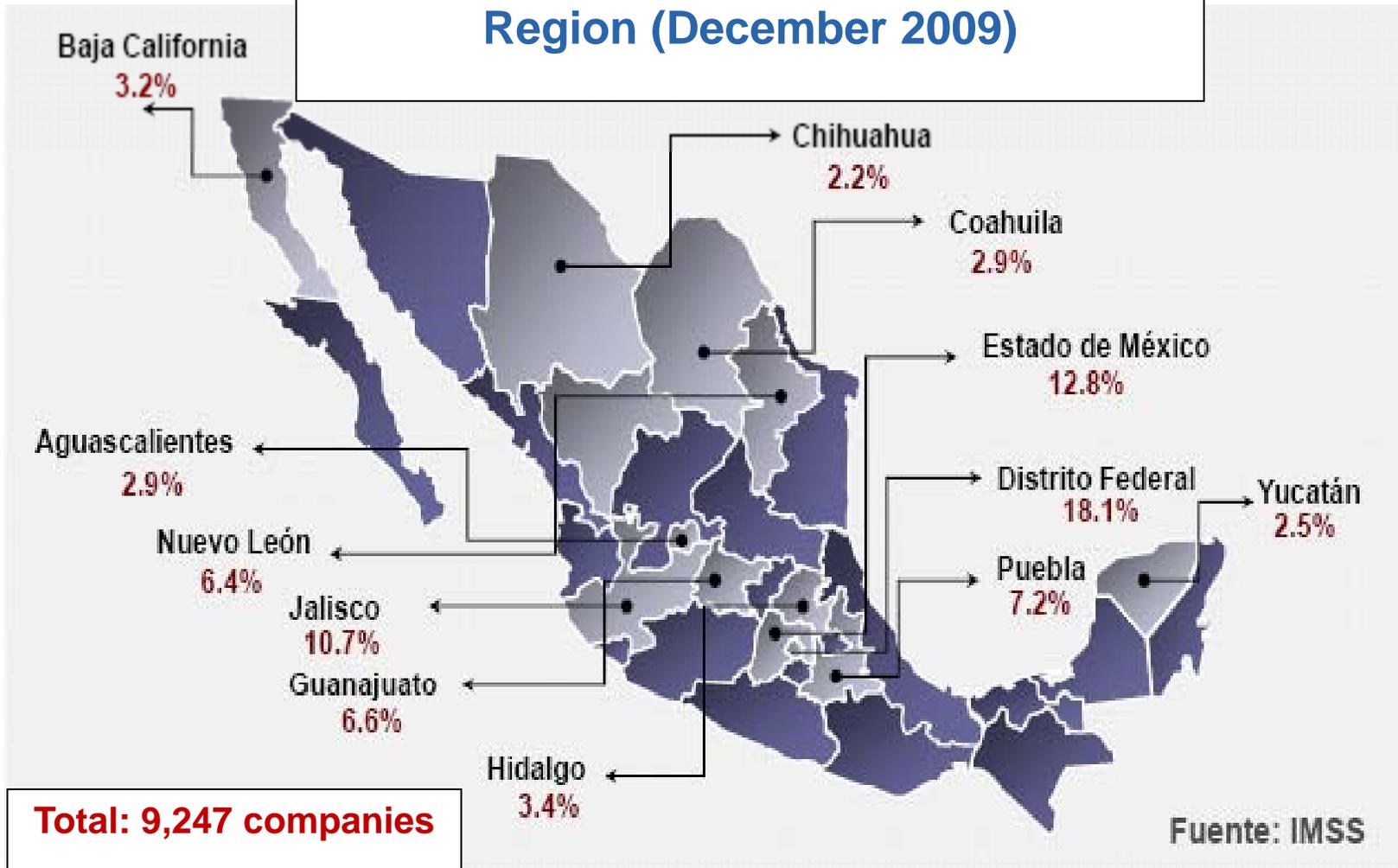




Key Facts: Mexico's Textile & Apparel Industry

- The textile and apparel industries account for 6% of Mexico's manufacturing GDP. (textiles 3.2%, apparel 2.8%). These sectors account for nearly 20% of all manufacturing employment in Mexico.
- In 2009, Mexico was the fifth largest supplier of textile and apparel products to the U.S. market, exporting nearly \$10 billion annually in textiles (\$4.7 bi) and apparel (\$5.1 bi) to global markets.
- Mexico's population is very young, as nearly half of its citizens are under the age of 30. The largest segment of the Mexican market is centered in Guadalajara, Monterrey, and above all Mexico City.
- The apparel industry is concentrated in the central and north eastern parts of the country

Distribution of Apparel Companies by Region (December 2009)



Source: Mexican Apparel Chamber



Mexico's Textile & Apparel Industry

- Mexico maintains free trade agreements with nearly all major trading partners; 80% of Mexico's textile imports are quota and duty free.
- Mexico's stiffest competition comes from China, where protectionist measures threaten survival of textile and apparel industries throughout the Western Hemisphere.
- In 2009, given the economic crisis and decreased global demand, Mexican apparel companies operated at 70% capacity, and several businesses closed.
- In the first semester of 2010, the total production of the apparel industry has increased 6.7%.
- Mexico's geographical proximity yields lower transportation costs and fast delivery. American brands/products maintain good reputation among Mexican buyers and distributors.

Best Prospects in the Apparel Industry

H.S. Code	Product Description
6204.6201	Cotton pants for women
6109.1001	Cotton T-shirts and underwear
6205.2099	Cotton shirts for men
6203.4299	Cotton pants for men
6110.3099	Sweaters and others
6110.2001	Cotton sweaters and vests
6206.3001	Cotton blouses, shirts and shirt blouses for women
6106.1099	Other cotton blouses and shirts for women



Best Prospects for Textiles



- Synthetic fibers mixed with rayon, and other artificial fibers
- Other fabrics with textured polyester dyes
- Other tafetta fabrics with discontinuous dyes made of polyester fibers
- Chenille, and other fine fabrics for upholstery
- Cotton fabrics with 85% denim
- Other fine wool fabrics
- Silk (for garments to be exported)
- Machinery and equipment





Market Entry Strategies

- Research the market carefully, as various market segments may behave differently from the overall industry data.
- It is also recommended to provide promotional materials in Spanish, and to offer good after-sales services.
- The Mexican Apparel industry has two selling seasons: winter and summer. Preparations for the winter season begins in September and in February for the summer seasons. Due to the importance of seasons and fashion trends, delivery deadlines are important. Also, the market for apparel products is highly price-sensitive.
- The best way to establish distribution channels in the local market is by visiting potential clients or distributors. Mexican business culture is based on relationships.
- Agents and distributors are commonly used to enter the Mexican market. Retailers represent another distribution channel.

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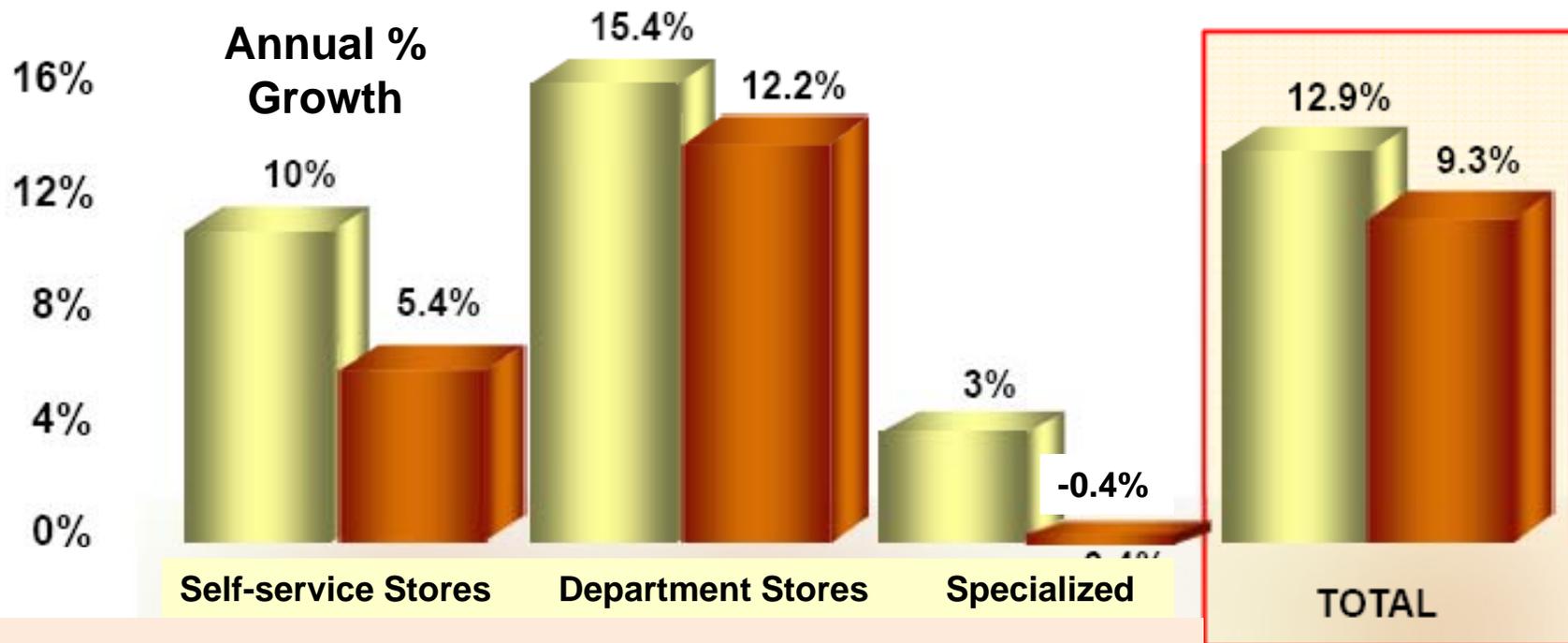
Total Market Share-Distribution Channel (Jan.-Dec.'09)

Distribution Channel	Children	Gentleman	Ladies	Total
Department Stores	27.3%	35.7%	29.4%	32.2%
Self-Service	15.8%	10.8%	10.1%	11.0%
Apparel Stores/Boutiques	16.5%	20.8%	29.1%	23.1%
Flea Markets	28.5%	21.7%	20.8%	22.3%
Direct Sale	4.2%	1.8%	4.1%	2.6%
Others	7.7%	9.2%	6.5%	8.7%

Source: Trendex

Apparel Retail Sales by Segment (Jan-July 2010)

**Total Sales:
USD \$ 498 billion**



Source: Mexican Apparel Chamber
Data: National Association of Self-service and Department Stores

Total Stores: 19,046

Crucial Advice for your Consideration includes...

- Familiarizing oneself with:

NAFTA Certificate of Origin



**Importer Registration & IPR
Protection**

**Industry Standards & Labeling
Requirements:
NOM-004-SCFI-2006**



NAFTA A _ P E _ T _

A) Certificate of Origin

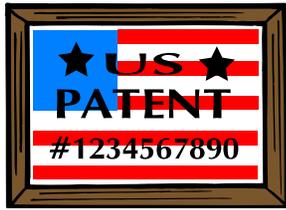
Mexico gradually reduced its tariffs on textile and apparel imports from the United States meeting the NAFTA rules of origin. Shipments must be accompanied by a complete NAFTA Certificate of Origin in order to receive tariff benefits.

B) Retaliation List

Effective March 19, 2009 Mexico imposed tariffs on certain textile products in retaliation for the cancellation of the Cross Border Trucking Program.

H.T.S. Codes 5511.10.01 and 5511.30.01 have a 15% import duty, which affects some U.S exports of yarns for the textile industries.

http://trade.gov/mas/ian/tradedisputes-enforcement/retaliations/tg_ian_002094.asp



Importer Registration & IPR Protection



- Exporters must verify that their Mexican importer is properly registered in the “Padron de Importadores” maintained by the Secretariat of Finance and Public Credit (Hacienda). Mexican customs law is very strict, specifically in the textile and apparel sectors, and requires proper submissions and preparation of customs documentation. Errors in paperwork can result in fines and confiscation of merchandise.
- Although NAFTA covers Intellectual Property Rights (IPR) obligations, the U.S. company will still need to apply for Mexican protection.
- 6 of 10 garments sold on the national market are knock-offs. The Mexican National Apparel Chamber and the Government is working to inhibit piracy and contraband.
- Trademarks should be registered with the Mexican Institute of Industrial Property (IMPI), for ten year renewable periods of protection.



Industry Standards & Labeling Requirements



- U.S. exporters should be aware of Mexican industry standards and labeling requirements: Specially,
- **NOMs** - Mexican Official Standards - these are technical regulations, including labeling requirements, issued by government agencies and ministries. Compliance is mandatory. NOM 004-SCFI-2006.
- **NMX** - Mexican “Voluntary” Standards – these are voluntary standards issued by recognized national standards-making bodies. Compliance is mandatory only when a claim is made that a product meets the NMX, when a NOM specifies compliance, and whenever applicable in government procurement.

Further tips...

Mexican Business Culture

- Mexico has its own business customs.
- Importance of establishing personal relationship before business is done.
- Breakfast, lunch and dinner!
- is flexible.
- Patience pays off.
- Physical contact: “un abrazo”.



Mexican Business Culture

Pay Attention To:

- Indirectness - difficulty in saying “no”
- Push for easy credit terms - be careful
- Follow up quickly with your Mexican partner - there is abundant international competition
- Use a qualified interpreter if needed
- Keep in contact: visit, phone not just e-mail



Thank You!

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