



Mexico's Marine Industry

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OVERVIEW

With a growing middle class, booming manufacturing industry, and expected positive changes with new fiscal, energy and telecom reforms, Mexico is on its way to become a greater market for recreational marine products. The Leisure Marine subsector is not a new segment in the country. However, Mexican boaters are only now becoming more knowledgeable users, ever more demanding of services and exhibiting a growing awareness of brand and product value. Mexico's relatively buoyant financial status has been particularly good for the leisure marine industry. However, there are a number of different market factors that continue to suppress market growth and keep the Mexican market relatively small. While the recreational market is not yet mature compared to similar-sized economies, this actually represents significant potential for U.S. exporters.

ECONOMY

Mexico is the United States' 3rd largest trading partner and 2nd largest export market for U.S. products. Negotiations are now underway for the Trans-Pacific Partnership (TPP), with U.S. and Mexican participation. Both countries seek to boost mutual economic growth by increasing exports in a region that includes some of the world's most robust economies and that represents more than 40 percent of global trade. The TPP presents an opportunity to go beyond NAFTA and is anticipated to be finalized by 2015.

CURRENT MARKET SITUATION

It is estimated that 7.2 million Mexicans, or 5.2 percent of the population, have the purchasing power for high-end goods, which puts the country into Latin America's top spot. Mexico has 55 percent of the market of high-end goods in Latin America, with sales totaling approximately US\$15 million in 2014. Moreover, the market has reportedly been growing at 10 percent for the past two years; an upward trend likely to continue.

The Mexican marine market favors vessels of over 35 feet. Nearly 80 percent of the target market stores their boats at second homes by the sea or inland lakes. Popular boating areas include Acapulco, Puerto Vallarta, Los Cabos, La Paz and Cancun and various other inland lakes.

According to the Secretary of Infrastructure and Transportation in Mexico, there are 167,805 registered boats in the country and 26 percent of those are for leisure and sporting

activities. In addition, there are approximately 12 federal marinas and 30 private marinas. On average, these marinas have enjoyed occupation rates of 50% to 63% since 2008. The main patrons of the majority of these marinas are foreign. For example, boats and vessels cruise southward from Canada and U.S. spending a few months in different marinas along the coast. Often foreign owners have houses at any of the mentioned touristic places, where they leave their boats for longer periods of time. Even though most of these affiliated marinas offer the essential services, the majority need to offer more and better services, to be able to host larger, newer and more sophisticated boats.

This lack of infrastructure in Mexico is likely due to the absence of an organized domestic industry to push for more development. This is an area where the American marina suppliers and service industry could play a key role in taking the Mexican market to the next level. As the infrastructure grows, so too will the opportunities for more Mexicans to own a boat.



Mexico (km²)	
Total Area	1,964,375
Land	1,943,945
Water	20,430
Marine Exdisive Area (Km²)	
Total	3,149,920
Pacific	2,320,380
Golf & Caribiean	829,540
Coast Line (Km)	
Total	9,330

PURCHASING MODEL

When purchasing a boat, Mexicans have the option to buy a \$50USD permit and make a temporary importation of up to 10 years without paying any Mexican taxes. Towards the expiration date of the import permit, the boat owner can either extend it for another decade or purchase the boat completely by paying the outstanding fees. The boat is not permitted to hoist a Mexican flag until the import taxes are fully paid.

OPPORTUNITIES FOR U.S. COMPANIES

The leisure marine industry is seeing an upswing in sales, and US boat builders and equipment manufacturers are in a prime position, given the geographic proximity as well as the benefits of the free trade agreement of NAFTA. The boatbuilding industry in Mexico is practically non-existent, with just a handful of companies manufacturing boats for recreational use. Most local builders are focused on the commercial sector of tourism and fishing boats.

U.S. exports of recreational marine products to Mexico totaled \$179 million in 2014 and are expected to grow at a compound annual rate of 10 to 12 percent to 2017, reaching \$272 million. This is largely due to the lack of domestic competition. The U.S. is the largest supplier of boats to Mexico.

	Country	2009	2010	2011	2012	2013	2014	% Change 2013 - 14
		<i>In 1,000 Dollars</i>						
	WORLD	1,863,336	2,299,823	2,321,479	2,369,517	2,268,162	2,257,997	-0.4%
1	Canada	482,526	612,417	647,333	698,664	719,451	657,133	-8.7%
2	Mexico	78,750	101,901	87,579	108,733	112,916	178,828	58.4%
3	Australia	123,747	254,133	260,528	206,944	206,648	162,596	-21.3%
4	Belgium	82,279	104,209	93,293	106,703	115,317	107,438	-6.8%
5	Spain	29,905	38,222	46,267	33,494	49,076	80,837	64.7%
6	Italy	88,197	95,645	75,699	57,012	55,929	80,175	43.4%
7	Brazil	41,487	72,034	78,640	89,529	72,200	60,908	-15.6%
8	Japan	26,791	26,040	36,149	63,415	52,995	52,703	-0.6%
9	United Arab Em	50,113	39,877	30,907	46,727	35,886	49,166	37.0%
10	China	18,315	29,063	42,677	42,888	49,595	44,604	-10.1%

CHALLENGES AND BARRIERS

There are many challenges for the Mexican market but few actual barriers. The NAFTA agreement means that there are no tariffs on imports from United States' manufacturers. Safety and emission standards in Mexico are not on par with American standards but haven't been a deterrent for U.S. manufacturers.

The primary challenges are those previously mentioned: lack of infrastructure and the lack of middle class demand for boating products. Other challenges include the necessity to grow the distribution channels in Mexico. Currently, only a handful of distributors control the majority of the market for larger boats so it is difficult to break into the Mexican market as these distributors do not want to compete against themselves and their biggest brands. More distributors would level the playing field by bringing on more competition and lower prices. The lack of distributors has also made it difficult for sustained growth for the ad hoc boat shows in Mexico, a key channel to enter the market.

The issue of security may also play a small role, when it comes to owners trying to keep a low profile. Potential boat owners sometimes fear that their boat may be stolen or damaged if not housed in a secured marina or dry-stack facility. This is particularly true around inland waterways and lakes. There is also an issue with Mexican government regulations and procedures. Different situations, such as the recent seizure of hundreds of boats (many of them owned by Canadian and U.S. citizens) gives a negative image and injects a certain lack of confidence into the market rather than attracting potential new comers.

Finally, in addition to these challenges just mentioned, one of the most significant weaknesses of the Mexican marine industry is the absence of an official marine industry association. Given that this is a quite complex and far-reaching industry, an association where boat dealers, accessories distributors, maintenance shops, marinas, and other businesses in the industry could work towards the same goal instead of making standalone efforts would support all of the players in the marine marketplace. This would provide the necessary changes to help the industry reach its potential.

DOING BUSINESS IN MEXICO

An important feature of the U.S.-Mexico bilateral relationship is the North American Free Trade Agreement (NAFTA), which created a free trade zone for Mexico, the United States, and Canada. Under the NAFTA, there are virtually no tariff barriers for U.S. exports to Mexico.

Firms wishing to export to Mexico will find a variety of market entry strategies. Many factors help determine the best strategy, such as the product/service, logistics & customs, distribution, marketing, direct or indirect sales, exporting experience, and language proficiency, among others. The U.S. Commercial Service can assess market potential of products and service, provide advice on export strategies, and facilitate business agreements with potential clients and/or partners through our three offices in Mexico: Mexico City, Guadalajara, and Monterrey.

POTENTIAL

Mexico's affluent middle-class is taking to the water in increasing numbers, a trend that has the potential to make it Latin America's leading marine market. There's been an uptick in sales in early 2012, mainly because the boating lifestyle has started to consolidate across the country, particularly on the Caribbean and the Pacific coasts where marine infrastructure is improving. Yet this is one of the areas where the industry could really overhaul its growth by offering more and better services to those marinas, in order to attract boats from the US and Canada, where some marinas are already full.

With so few domestic builders, most boats, not to mention equipment and accessories, are imported. This provides a stellar opportunity to US manufacturers to enter the market. However, key players in the industry would need to improve their supply of leisure marine-related services, refit and repair in particular, in order to fully realize the country's leisure marine market potential.

RESOURCES

INEGI – Instituto Nacional de Estadística y Geografía	http://www.inegi.org.mx/default.aspx
NMMA – National Marine Manufacturers Association	http://www.nmma.org/
IBI – International Boating Industry	https://plus.ibinews.com/
ICOMA – International Council of Marine Industry Associations	http://www.icomia.com/
BRITISH MARINE FEDERATION	http://britishmarine.co.uk/

TRADE EVENTS

Boat Show Acapulco.
2015 dates to be confirmed, Acapulco, Guerrero, Mex.
www.boatshowacapulco.com
+52 (744) 482-3559, info@boatshowacapulco.com

Cabo Marine Show
May 14-17, 2014. Los Cabos, Baja Sur, Mex.
www.cabomarineshow.com
+52 (55) 5605 5054, info@maseventos.com

Boat Show Cancun
October 22-24, 2015. (Dates to be confirmed) Cancun, Quintana Roo, Mex.
www.boatshowcancun.com
+52 (998) 892-3397, sales@boatshowcancun.com

ASSOCIATIONS

-Asociación Mexicana de Marinas Turísticas http://www.ammt.org/	(Mexican Touristic Marina Association)
-Asociados Náuticos Cancún http://www.nauticoscancun.org/	(Cancun Nautica Associates)
-Federación Mexicana de Esquí & Wakeboard http://femew.mx/	(Water ski and Wakeboard Mexican Federation)
-Federación Nacional de Pesca Deportiva http://pescaenmexico.com/	(Sport Fishing National Federation)
-Federación Mexicana de Vela http://www.fmvela.mx/	(Mexican Sailing Federation)

For More Information

The U.S. Commercial Service in Guadalajara, Mexico can be contacted via e-mail at: Hector.Jimenez@trade.gov; Phone: 011 52 33 3615-1140; or visit our website: www.buyusa.gov/mexico

The U.S. Commercial Service — Your Global Business Partner

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