

26 January 2017

Canadian manufacturing sector unexpectedly strong in Mexico, according to report commissioned by HSBC Bank Canada

Canadian merchandise exports to Mexico have posted a 30 per cent increase since 2010

Just three Canadian industries have the innovative products, demand and capacity to take advantage of opportunities presented by the Mexican economy, according to a report commissioned by HSBC Bank Canada. Titled [*Reaching Out for Business Opportunities in Mexico*](#) and published by the Conference Board of Canada, the report assessed Canadian industries on: high growth potential; export momentum; the expectation of strong export growth in the future; and the capacity to meet increased demand.

Despite Mexico having a clear cost advantage, these three industries - primary metal manufacturing; chemical manufacturing; and machinery manufacturing – are all manufacturing businesses. A further 11 industries, many of them also manufacturing, meet three out of four criteria for success.

What are driving the opportunities?

With economic growth bound to slow in Canada due to population aging, Canadian firms are encouraged to look internationally for business opportunities, with Mexico having plenty to offer in the coming years. The Mexican economy is poised for robust growth in the years ahead on the back of favourable demographics and targeted structural reforms.

In fact, although Canada still has a significant trade deficit with Mexico, Canadian merchandise exports to Mexico have posted a 30 per cent increase since 2010, reaching \$6.5 billion in 2015. Trade between the two countries is thus gathering momentum, and this could open new opportunities for Canadian firms.

Linda Seymour, Executive Vice President and Head of Commercial Banking at HSBC Bank Canada said: “Given Mexico’s clear cost advantage, Canadian firms will find it difficult to compete on this front. However, they can compete by offering innovative and differentiated products and services, leveraging the latest available technology, and making the most of Canada’s highly skilled workforce.”

Doing Business in Mexico

Mexico’s booming manufacturing sector and favourable demographics will open up business opportunities for Canadian firms in coming years. With Mexico becoming a manufacturing powerhouse in North America, the report foresees increased demand for Canadian industrial goods—including auto parts, machinery, plastics, and rubber, as well as primary metals and fabricated metals. On the consumer goods side, Mexico’s growing middle class will support demand for Canadian food products—particularly meat, pet food and cosmetics. In turn, strengthening trade ties between Canada and Mexico, particularly due to Mexico’s growing role in the North American supply chain, will increase demand for commercial and transportation services.

Canadian manufacturing sector unexpectedly strong in Mexico, according to report commissioned by HSBC Bank Canada / 2

“To identify business opportunities in Mexico, it is also important for Canadian companies to have a network of useful contacts on the ground, as well as an in-depth understanding of the market,” **adds Ms. Seymour.** “Doing business in Mexico does not come without its challenges. But, companies can overcome these challenges, as long as they are committed to this market for the long run.”

The 14 industries identified in the report

INDUSTRIAL GOODS	Motor vehicle parts manufacturing Primary metal manufacturing Motor vehicle manufacturing Synthetic rubber and fibres manufacturing Machinery manufacturing Plastics and rubber products manufacturing Fabricated metal manufacturing Aerospace product and parts manufacturing Miscellaneous products manufacturing Other transportation manufacturing
CONSUMER PRODUCTS	Food manufacturing Other chemical manufacturing
SERVICES	Commercial services Transportation services

A copy of the report, including profiles and insights on select companies, is available at [Reaching out for Business Opportunities in Mexico: A Special Report](#)

Canadian manufacturing sector unexpectedly strong in Mexico, according to report commissioned by HSBC Bank Canada / 3

Ends/more

Media contacts:

Caroline Creighton	416 868 8282	caroline.x.creighton@hsbc.ca
Aurora Bonin	604 641 1905	aurora.f.bonin@hsbc.ca

Notes to Editors:

About the Report

The research for this briefing was conducted by The Conference Board of Canada with funding from HSBC Bank Canada. In keeping with Conference Board guidelines for financed research, the design and method of research, as well as the content of this briefing, were determined solely by The Conference Board. As Canada's nominal exports to Mexico are forecast to increase by nearly 30 per cent between 2015 and 2019, the briefing highlights Mexico as a growing source of opportunity for Canadian businesses. To complement this research, the Conference Board interviewed three companies of different sizes and belonging to different industries, which have been successful in the Mexico market - **La Petite Bretonne, Morai Logistics and Energold Drilling**. Their experiences highlight two key tips for success in Mexico: building trust; and being committed for the long term.

HSBC Commercial Banking

For over 150 years we have been where the growth is, connecting customers to opportunities. Today, HSBC Commercial Banking serves more than two million businesses across the world, ranging from small enterprises focused primarily on their home markets through to corporates operating across borders. Whether it is working capital, term loans, trade finance or payments and cash management solutions, we provide the tools and expertise that businesses need to thrive. As the cornerstone of the HSBC Group, we give businesses access to a geographic network covering more than 90% of global trade and capital flows. For more information visit <http://www.hsbc.com/about-hsbc/structure-and-network/commercial-banking>

About HSBC Bank Canada

HSBC Bank Canada, a subsidiary of HSBC Holdings plc, is the leading international bank in the country. We help companies and individuals across Canada to do business and manage their finances internationally through three global business lines: Commercial Banking, Global Banking and Markets, and Retail Banking and Wealth Management. HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 4,400 offices in 71 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US\$2,557bn at 30 September 2016, HSBC is one of the world's largest banking and financial services organisations.

For more information visit www.hsbc.ca or follow us on Twitter [@HSBC_CA](https://twitter.com/HSBC_CA)

Canadian manufacturing sector unexpectedly strong in Mexico, according to report commissioned by HSBC Bank Canada / 4

Ends/all

