

## TRADE IN VALUE ADDED: MEXICO

The international fragmentation of production in global value chains (GVCs) challenges the way we look at the global economy. Today, “what you do” - the activities a firm or country is involved in - matters more for growth and employment than “what you sell” - the products that make up final sales or exports.

Understanding how GVCs work and how they affect economic performance is essential, as is determining which policies help derive the greatest benefits, and reduce the risks. The OECD-WTO Trade in Value Added (TiVA) database facilitates analysis of GVCs by measuring trade in value-added terms to generate new insights about the commercial relations among economies and the process of value creation. Drawing on the third version of the TiVA database, this note describes Mexico’s trade patterns in value-added terms, with a view to informing policy debates in a range of areas, including trade, innovation, and investment.

Accompanying this note is a User Guide designed to assist interpretation and provide context to the indicators presented: [http://www.oecd.org/sti/ind/TiVA\\_2015\\_Guide\\_to\\_Country\\_Notes.pdf](http://www.oecd.org/sti/ind/TiVA_2015_Guide_to_Country_Notes.pdf)

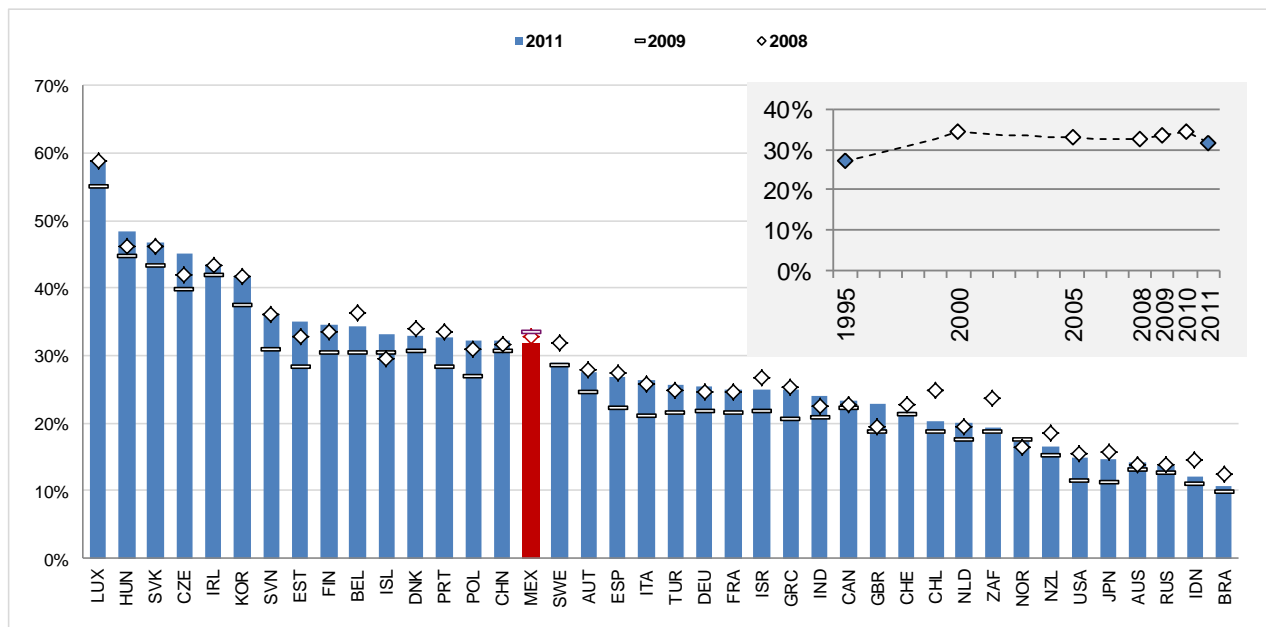
### Key findings

- The foreign content of Mexico's exports has remained broadly stable since 2000, possibly reflecting relatively mature value chains in the NAFTA region. In 2011 the foreign content share was 31.7%.
- The export orientation of Mexico’s manufacturers has steadily increased over the last two decades and, in 2011, 40.8% of the total domestic value added produced by the manufacturing sector in Mexico was driven by foreign final demand, marginally below the OECD average (41.9%).
- The Electrical machinery (83.2%) and ICT & electronics (82.0%) industries had the highest rates of export orientation in 2011.
- With negligible direct exports of services, the services content of total exports in Mexico (37.8%) was the second lowest in the OECD in 2011. Looking at manufacturing alone just under one-third of the total value of exports reflected services content, above the rates in the United States, China and Korea.

## The role of foreign and domestic value added in exports

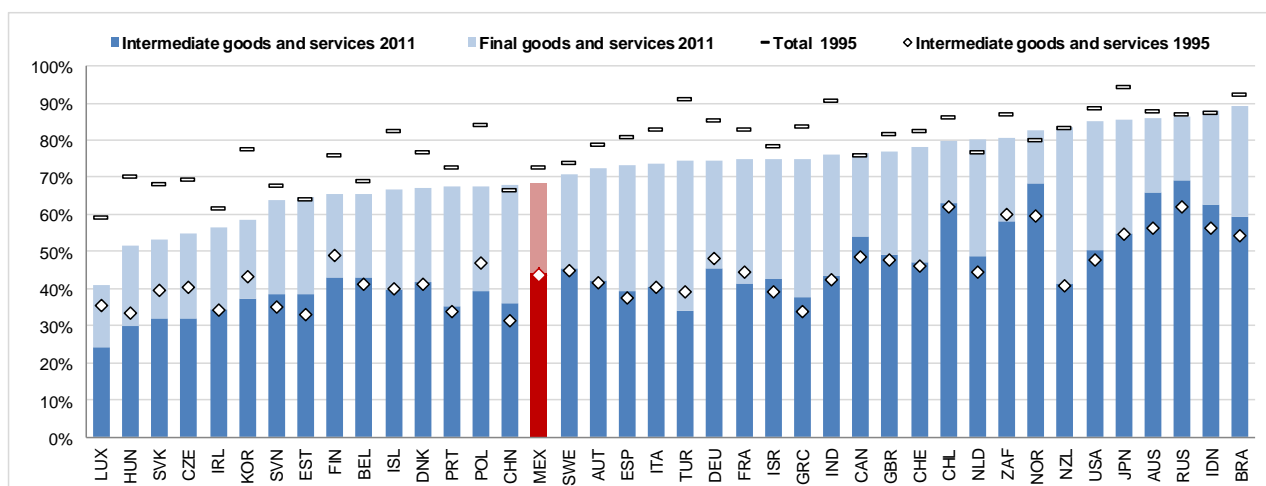
The foreign content of Mexico's exports has remained broadly stable since 2000, possibly reflecting relatively mature value chains in the NAFTA region. In 2011, the foreign content share was 31.7%, slightly below the rate in 2009 (33.5%) but 4.4 percentage points above the 1995 share.

**Figure 1. Foreign value added content of gross exports by country**  
percent, 2008, 2009, and 2011 (right insert = time series for Mexico)



Of Mexico's total exports of domestic value-added in 2011, 64.8% reflected exports of intermediates, higher than in 2009 (58.0%), in part reflecting the rebound in GVCs that were disproportionately affected by the crisis, and higher than in 1995 (59.8%) as well as the OECD average (61.5%) (Figure 2).

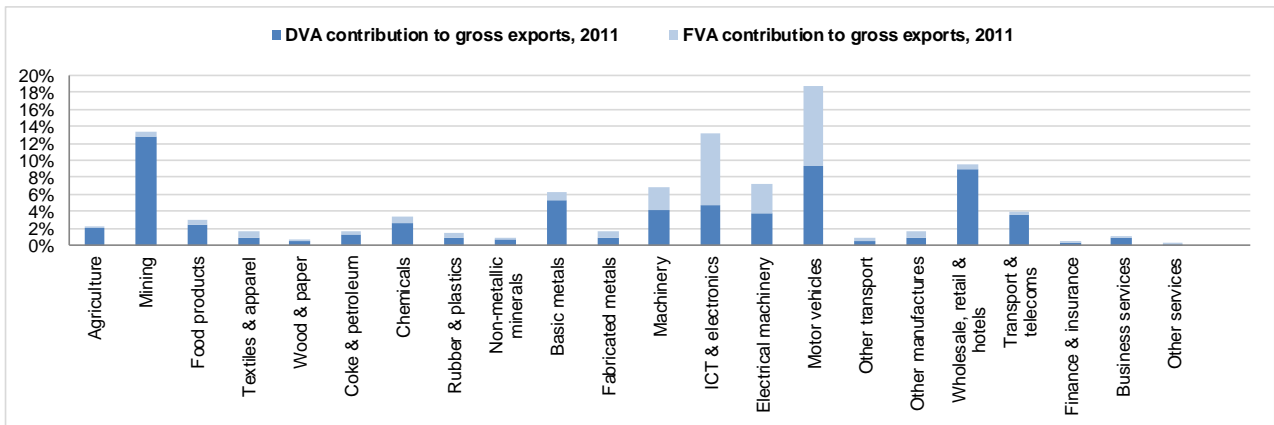
**Figure 2. Domestic value added content of gross exports by end-use category by country**  
percent, 1995 and 2011



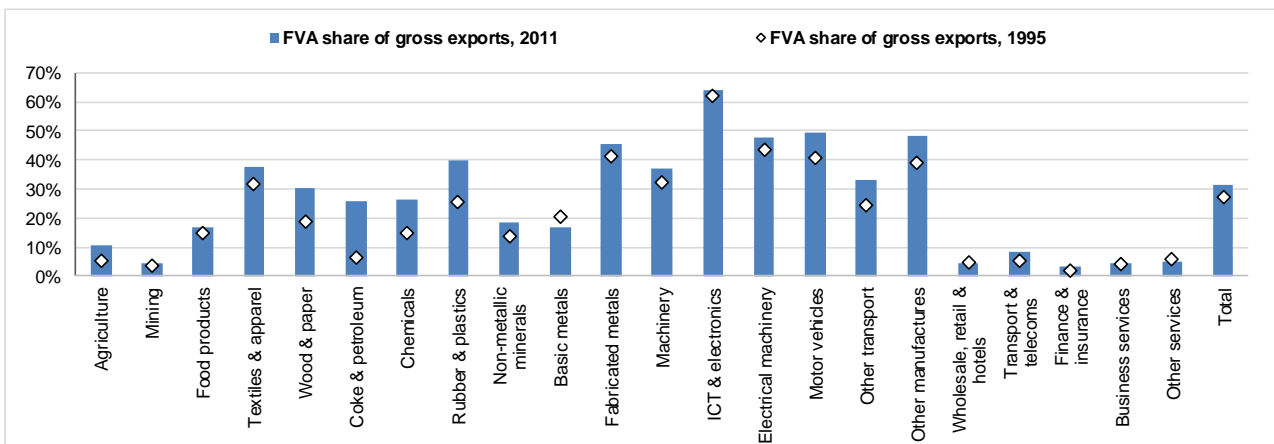
Direct exports by the Mining industry generated the greatest source (both direct and upstream) of domestic value added in 2011, accounting for 12.9% of the total value added of exports. The next three most important industries were Motor vehicles (9.4%), Wholesale, Retail & Hotels (9.1%, reflecting tourism and upstream distribution services), and Basic metals (5.2%) (Figure 3a). The largest foreign contributions were in the Motor vehicles and ICT & electronics industries, which together contributed 17.7% to Mexico's total exports.

The three industries with the highest foreign value added shares in Mexico's exports in 2011 were ICT & electronics (64.1%), Motor vehicles (49.6%), and Other manufacturing (48.6%), compared to the figures of 62.0%, 40.8% and 38.9% in 1995 (Figure 3b).

**Figure 3a. Mexico's industry share of domestic and foreign value content of gross exports**  
percent of total gross exports, 2011

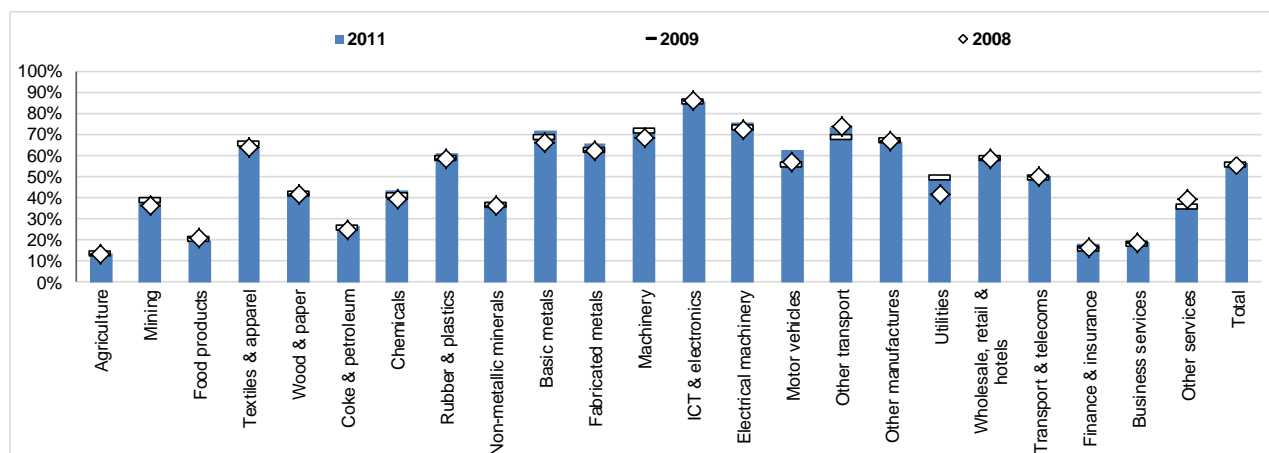


**Figure 3b. Mexico's foreign value added content of gross exports**  
1995 and 2011



Of the total value of Mexico's imports of intermediate products and services, 56.7% was subsequently embodied in exports, significantly above the OECD average (39.3%) and higher than in 2009 (56.3%) (Figure 4). The products with the highest shares were ICT & electronics (85.7%), Electrical machinery (75.6%) and Other transport (73.6%).

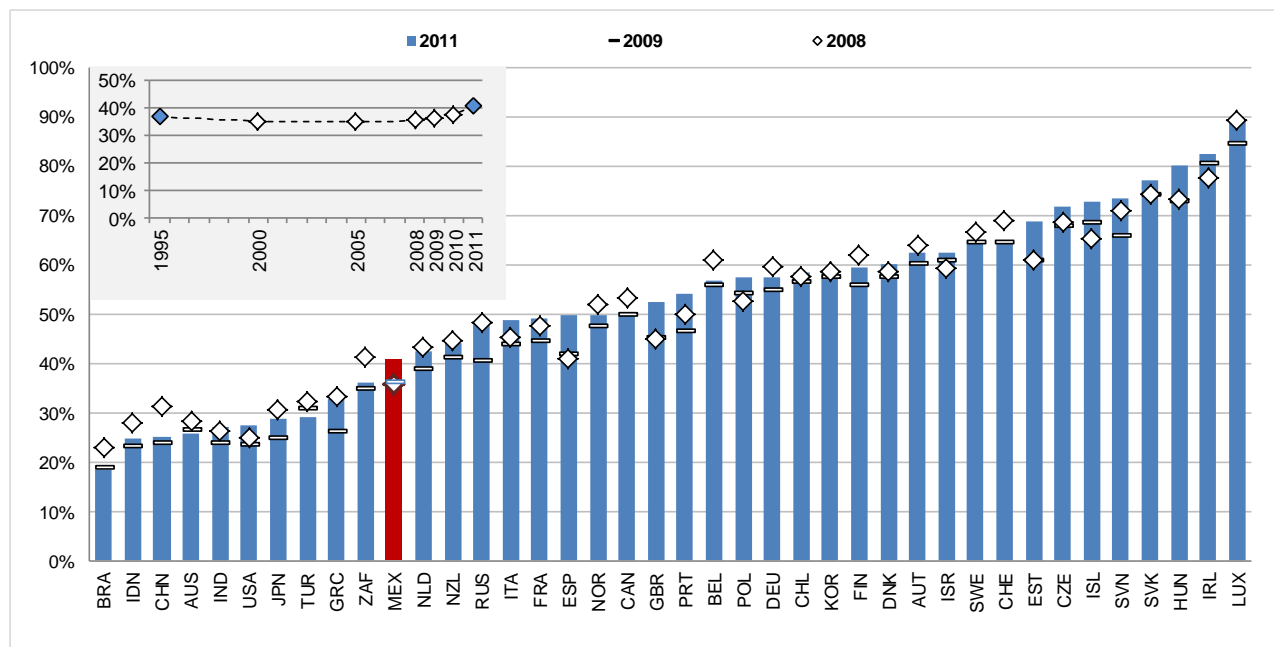
**Figure 4. Mexico's imported intermediate inputs used for exports, by import category**  
percent of intermediate imports, 2008, 2009, and 2011



### The destination of domestic value added produced in Mexico

Of the total domestic value added produced by the manufacturing sector in Mexico, 40.8% was driven by foreign final demand in 2011. This was the highest rate on record and higher than in 2009 (36.2%) and 2008 (35.5%) and marginally below the OECD average (41.9%) (Figure 5).

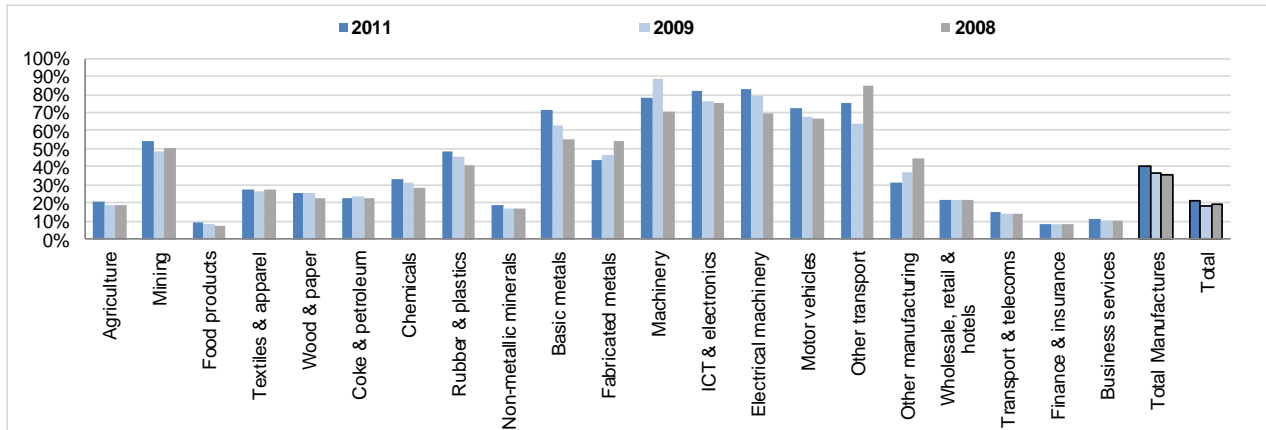
**Figure 5. Manufacturing domestic value added in foreign final demand by country**  
percent of total manufacturing value added, 2008, 2009, and 2011 (left insert = time series for Mexico)



Note: Final demand excludes inventories: See also [http://www.oecd.org/sti/ind/TiVA\\_2015\\_Guide\\_to\\_Country\\_Notes.pdf](http://www.oecd.org/sti/ind/TiVA_2015_Guide_to_Country_Notes.pdf)

At the total economy level, 20.8 % of Mexico's domestic value added was driven by foreign final demand, but significant differences exist across industries. Electrical machinery (83.2%) and ICT & electronics (82.0%) had the highest rates of export orientation in Mexico, with the lowest shares in Finance & insurance (8.1%) and Food products (9.0%) (Figure 6).

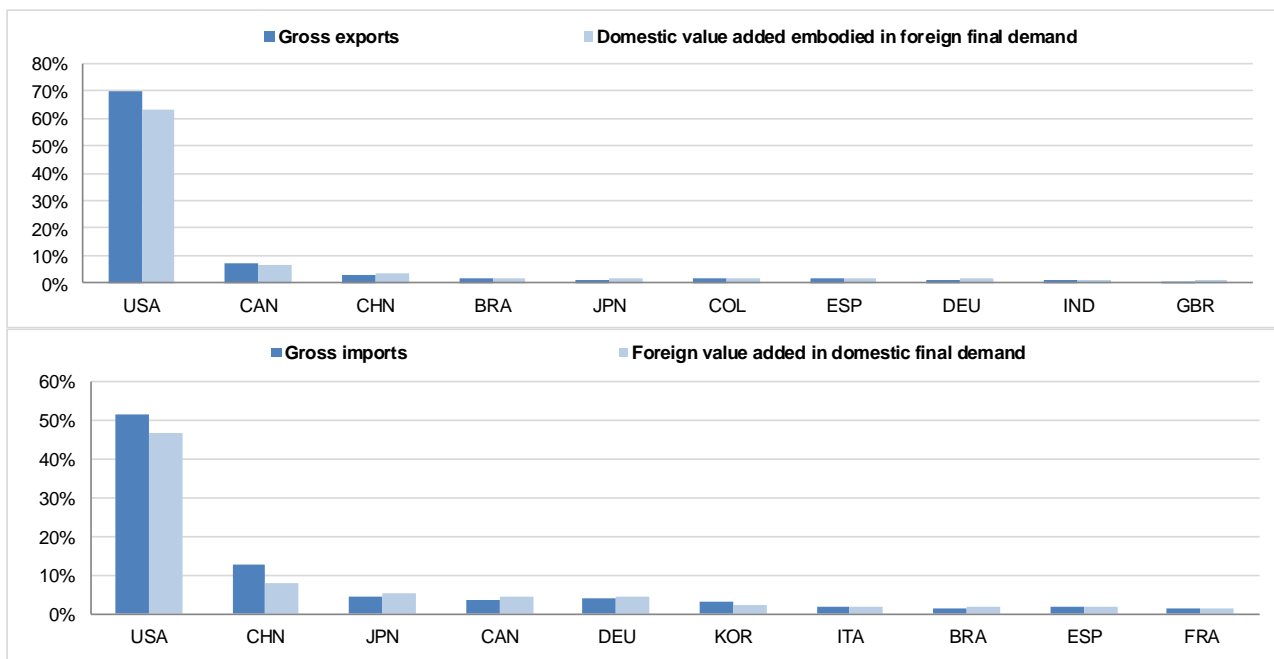
**Figure 6. Mexico's domestic value added in foreign final demand**  
percent of value added by industry, 2008, 2009, and 2011



Note: Final demand excludes inventories: See also [http://www.oecd.org/sti/ind/TIVA\\_2015\\_Guide\\_to\\_Country\\_Notes.pdf](http://www.oecd.org/sti/ind/TIVA_2015_Guide_to_Country_Notes.pdf)

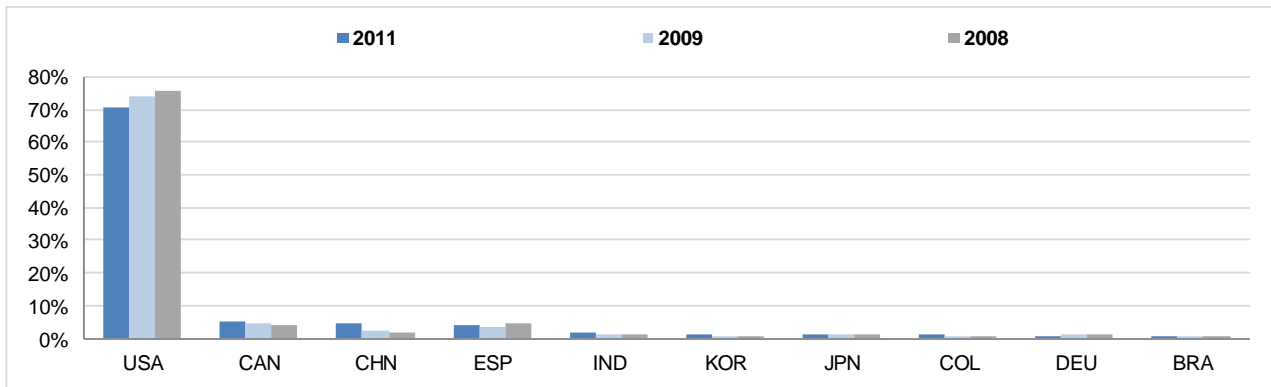
In both gross and value added terms, the United States strongly dominates Mexico's trade, being both the main destination market and source of imports. The importance of the United States is slightly smaller in value-added terms both for exports (69.8% gross versus 63.5% in value-added terms) (Figure 7, top) and for imports (51.6% versus 46.8%) (Figure 7, bottom), reflecting in part Mexican value-added embodied in US exports and US value-added embodied in Mexican imports.

**Figure 7. Mexico's exports to and imports from main partner countries**  
percent of total gross and value added exports and imports, 2011



Considering only exports of intermediates goods and services, Mexico's major export destinations in 2011 were: the United States (70.4%), Canada (5.4%), China (4.7%), and Spain (4.2%) (Figure 8).

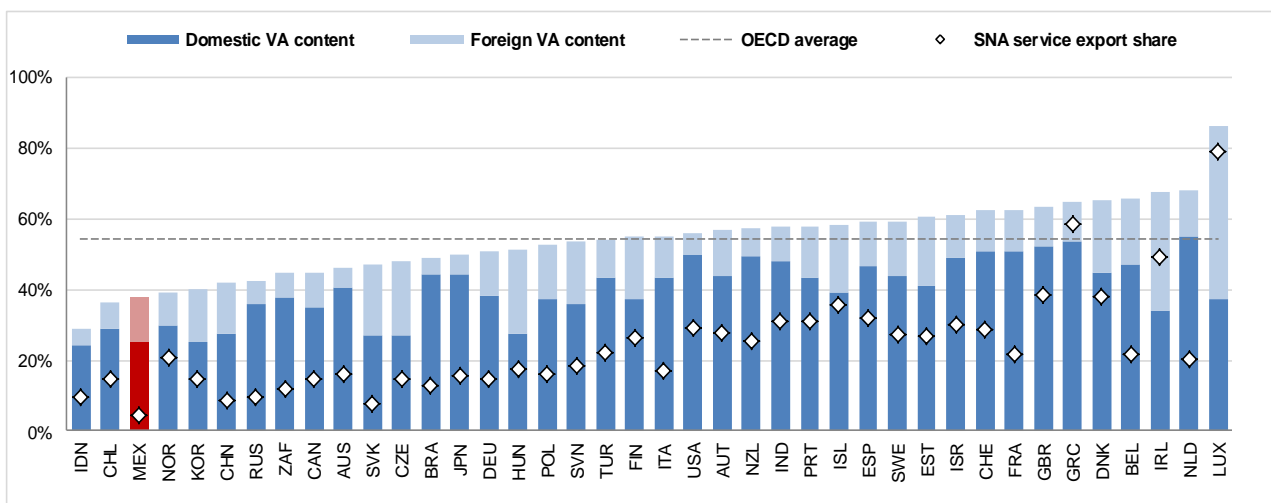
**Figure 8. Mexico's domestic value added embodied in intermediate exports to main partner countries**  
percent of total intermediate exports, in value added terms, 2008, 2009, and 2011



### The importance of services

In 2011, the services content of total exports in Mexico was 37.8%, below the OECD average of 54.3%, and the second lowest rate in the OECD, although this mainly reflects negligible exports of direct services (Figure 9).

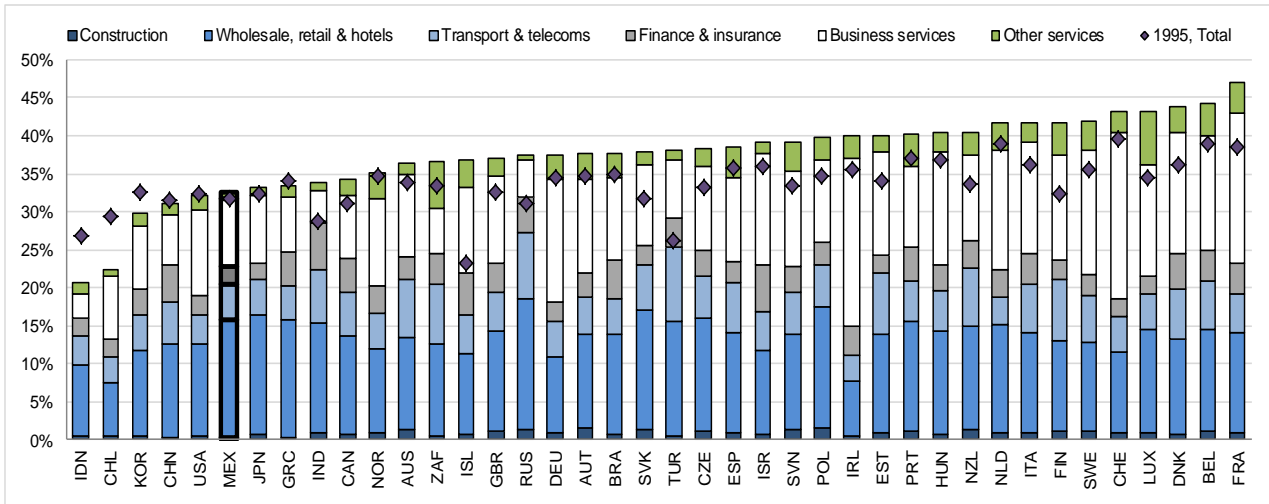
**Figure 9. Services content of gross exports by country, gross and value-added terms**  
percent of total gross exports, 2011



Note: SNA services export shares include re-exports in the denominator, and include any actual differences in free on board and basic prices (the distribution margin provided by resident distributors to resident exporters) in goods.

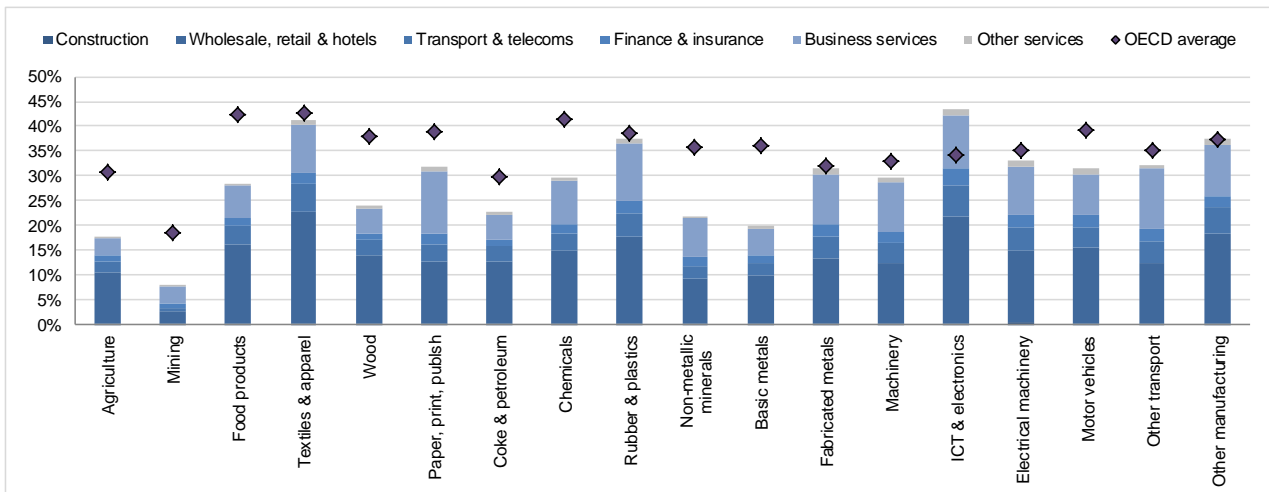
For exports of manufactured goods alone, 32.6% of the total value reflected services sector value-added, below the OECD average (36.9%). Of this share, the Wholesale, retail & hotels sector accounted for 15.6% of total gross exports, with Business services and Transport & telecoms accounting for 8.9% and 4.5%, respectively (Figure 10).

**Figure 10. Services value added embodied in manufacturing exports, by country**  
percent of total gross exports, 1995 and 2011



At the sectoral level, the services content of exports was below the OECD average in most industries but, notably, above the average in the ICT & electronics sector (43.4%) (Figure 11).

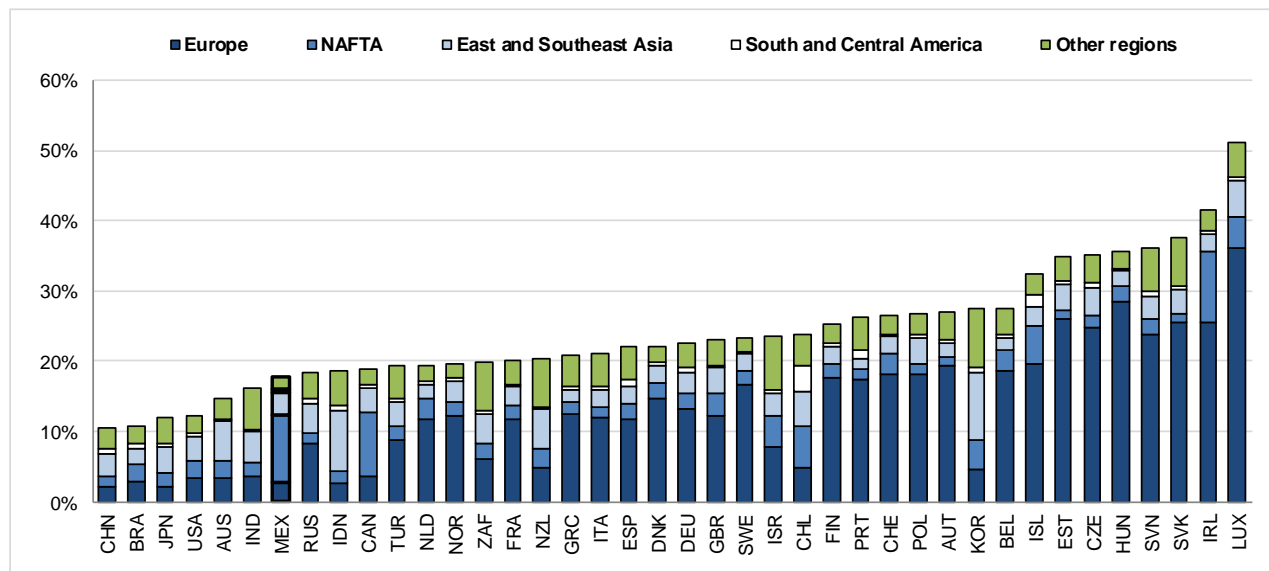
**Figure 11. Mexico's Services content of gross exports, by exporting industry and service category**  
percent of gross exports by industry 2011



## The origin of domestic consumption

In 2011, 17.8% of Mexico's total final domestic consumption reflected foreign content, of which Europe contributed 2.6 percentage points (pp), NAFTA 9.8 pp, East and Southeast Asia 3.0 pp, South and Central America 0.7 pp and other regions 1.8 pp (Figure.12).

Figure 12. Foreign value added content of domestic consumption by country  
by source region, 2011



### Further Information

The information included in this note is based on the 2015 edition of the Trade in Value Added (TIVA) database.

- » Access the data at <http://oe.cd/tiva>
- » Please contact us with your questions at [tiva.contact@oecd.org](mailto:tiva.contact@oecd.org)