

Mexico's Aerospace Industry – *Blasting Off*

The growing number of investment projects by multinational aerospace companies, such as those below, has turned Mexico into one of the most competitive and strategic destinations for manufacturing and sourcing services worldwide.



Disclaimer: Facts based on news reports up to late September, 2017. Company names and logos are intended for informational/educational purposes only and do not in any way constitute an endorsement of Entrada Group or its services. List of MRO providers is meant to be representative of leading companies, not exhaustive.

JOHN PAUL MCDARIS
 Director, Business Development
 Tel (US): +1 512-300-8383
 jpmcdaris@entradagroup.com

DOUG DONAHUE
 VP, Business Development
 Tel: +1 210-828-8300
 ddonahue@entradagroup.com

Strengths

- ▶ Mexico's aerospace sector has reported a growth rate of 17.2% annually since 2004. Currently, there are 287 companies and support organizations that employ more than 32,600 high-level professionals.
- ▶ Querétaro has 30 aerospace companies and support entities and has reported exports of \$693 million. Those include: Bombardier, Grupo Safran (Messier-Bugatti-Dowty and Snecma), Eurocopter, Brovedani Reme, Elimco Prettl Aerospace, Galnik, GE Infrastructure, Galnik and Crio.
- ▶ Mexico is the sixth-largest supplier to the United States aerospace industry, the world's largest aerospace market.
- ▶ Chihuahua has five OEMs and more than 37 certified suppliers, making it one of Mexico's strongest aerospace and defense manufacturing hubs.

Challenges

- ▶ Original equipment manufacturers and assemblers need to develop Mexico's in-country supply base to keep pace with production demand.
- ▶ Managing cost increases and driving innovation in design and materials are key challenges Mexico's aerospace sector must address in order to grow.

"Over the past decade, Mexico's aerospace industry has recorded an annual growth rate of nearly 20%."

– FEMIA

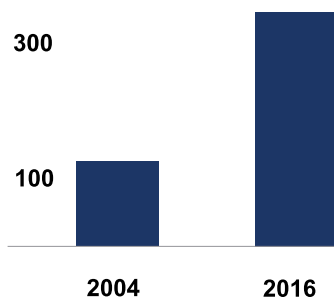
Prospects for Growth

- ▶ The manufacture and development of unmanned aerial vehicles (UAVs) shows that Mexico has the specialized manufacturing capacity, research and development talent and dual-use international technology agreements needed to become one of the key suppliers for this market.
- ▶ The continuity and full implementation of the Bilateral Aviation Safety Agreement (BASA) and the FAA is in line with the strategy for Mexico to provide products and services to address the entire lifecycle of an aircraft.
- ▶ Future opportunities will allow companies to certify manufactured and/or repaired products, as well as maintenance services performed in Mexico.

On the Horizon

- ▶ The aerospace industry in Mexico is expected to report exports of \$12 billion in 2021, with a 14% average annual growth rate.
- ▶ Engine design is fueling regional growth, including the design of parts, components and/or turbines in Mexico. The main companies are GE and ITP in Querétaro, which will probably be joined by SNECMA in the near future.
- ▶ Innovation will drive future growth, and the existence of a reliable supply chain will be of paramount importance for Mexico's aerospace growth.

**Mexico's Aerospace Industry Growth:
100 Manufacturers in 2004 to Over 300 in 2016**



Source: PwC

Querétaro is the strongest emerging aerospace cluster in Mexico focused on developing a local supplier base. The cluster's key specializations are in parts for fuselage, landing gear, cables, harnesses, precision machining and maintenance, repair and overhaul (MRO).

– FEMIA