

Contributors

**Eduardo Suárez**

VP, Latin America Economics  
+52.55.9179.5174 (Mexico)  
[esuarezm@scotiabank.com.mx](mailto:esuarezm@scotiabank.com.mx)

**Rodolfo Mitchell**

Director of Economic and Sectoral Analysis  
+52.55.3977.4556 (Mexico)  
[mitchell.cervera@scotiabank.com.mx](mailto:mitchell.cervera@scotiabank.com.mx)

**Brian Pérez**

Quant Analyst  
+52.55.5123.1221 (Mexico)  
[bperezgu@scotiabank.com.mx](mailto:bperezgu@scotiabank.com.mx)

**Miguel Saldaña**

Economist  
+52.55.5123.1718 (Mexico)  
[msaldanab@scotiabank.com.mx](mailto:msaldanab@scotiabank.com.mx)

## Mexico—Tariffs Shaping Trends in Auto Sector

- Recent uncertainty regarding economic policy has threatened North American supply chain integration, particularly in the automotive sector, which has historically had highly integrated value chains

The transportation equipment sector represents approximately 5.0% of Mexico's GDP, and since the signing of the first North American trade agreement (NAFTA in 1994, later replaced by the USMCA in 2020), this sector has become one of the engines of the Mexican economy, growing 5.7% on average versus the national average of 2.0% (chart 1). The industry's strength is fundamentally due to the incorporation of global value chains and its highly export-oriented profile.

As we have previously discussed, this sector faces a series of regional challenges that introduce uncertainty. In Mexico, this uncertainty has translated into annual declines in production and export volumes of light and heavy vehicles in the first months of 2025.

In terms of volume, light and heavy vehicles showed a recovery until 2024, following from COVID-19-related supply chain disruptions (chart 2). On the demand side, solid demand from 2020 to date has allowed the sector to advance. However, uncertainty has affected consumer plans. Even without the imposition of tariffs, the threat of them has resulted in important setbacks in the production and export of light vehicles and, more pronouncedly, heavy vehicles.

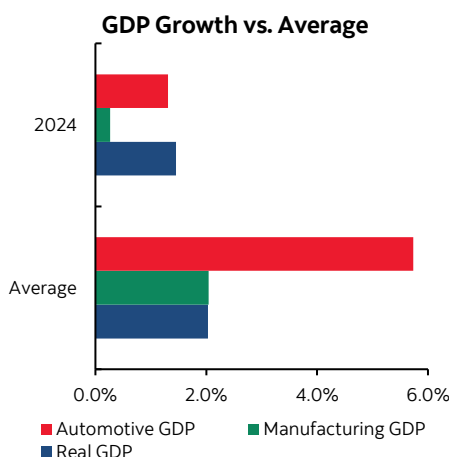
The decline in exports in the first months of 2025 has been due to the high percentage of exports destined for the United States, which was the destination of 80% of total light vehicle exports. In 2024 alone, the total value of automotive exports reached \$193.907 billion, equivalent to 31.4% of total Mexican exports during the period.

As previously mentioned by our team, in a scenario where the regional market seems to be reaching its equilibrium (having overcome COVID-19 disruptions), the sector's outlook during the Trump administration will be determined by tariff shocks. The effects of tariffs will depend on their scope in terms of tax rate, covered activities, and duration.

### SOME EXEMPTIONS FROM U.S. AUTO TARIFFS

On March 27, 2025, President Trump announced that the U.S. would impose 25% tariffs on car imports from any destination, including Mexico and Canada. However, the announcement had an important detail: U.S. input values would be exempt from tariffs in the case of autos that comply with USMCA regional-value requirements. According to the Peterson Institute, 38% of the content in Mexican vehicles comes from the United States.

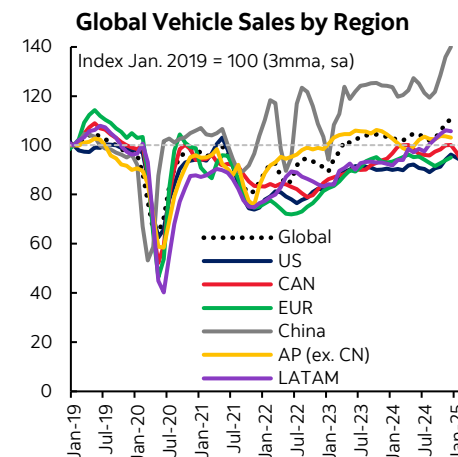
Chart 1



Sources: Scotiabank Economics, INEGI.

\*The average is calculated with data since 1994.

Chart 2



Sources: Scotiabank Economics, Wards

Automotive, national automotive associations.

The situation may change in the short term; however, uncertainty could create a risk-averse environment among economic agents, potentially suspending growth plans in the Mexican sector.

### FDI MOMENTUM WAS ALREADY MIDDLING PRIOR TO TRUMP

Recent trends in foreign direct investment (FDI, chart 3) in Mexico (\$36.7 billion in 2024) suggest that uncertainty has had negative impacts, as expected nearshoring did not occur or undershot expectations. In fact, 77.9% of FDI in 2024 came from reinvested profits of companies already established in Mexico, while new investments made up only 8.6%. Additionally, 53.9% of total FDI was directed toward manufacturing activities, with the transportation equipment manufacturing sector accounting for \$9.930 billion, growing by 35% annually and accounting for 50% of total manufacturing FDI. Although the United States is the largest source of FDI in transportation equipment activities (44.8% in 2024), Japan led overall FDI participation at 36% of the total, followed by Germany (24.1%), the Netherlands (14.7%), and only 5.6% from the United States.

### CHINESE IMPORTS IN FOCUS

On the other hand, the increase in Chinese products in Mexican imports is a concern for the Trump administration. China's participation in Mexican imports (chart 4), particularly inputs such as steel and aluminum, has been a focus of the U.S. administration. Additionally, the establishment of Chinese operations in Mexico to benefit from preferential trade schemes has sparked debate about rules of origin. In this sense, part of the USMCA review, in addition to being influenced by the application of tariffs, will likely revolve around mechanisms to ensure compliance with North American rules of origin to block (or heavily reduce) the entry of Chinese components into the production chain.

### SLOW MARCH FOR AUTO SALES, HUGE JUMP IN PRODUCTION

In March 2025, domestic sales of light vehicles in March continued moderating its trend, rising only 1.3% y/y from the previous 2.9% (5.9% in the same month a year earlier), registering 127,360 units in the month. Thus, in the first quarter, domestic sales totaled 365,025 units, equivalent to an accumulated annual increase of 3.3% YTD (vs. 12.1% in Q1 2024).

Within sales, we observe that the entry of new players continues, although with a slight loss of share in the first quarter in comparison to the 2024 (chart 5, table 1). At the beginning of this year, Chaguan joined the new competitors of Chinese origin, although in total these (Chirey, JAC, MG Motor, Great Wall, Jetour, and Foton) represented 8.5% of total sales (9.5% in 2024). In contrast, Nissan has regained some market share, rising to 17.9% (17.0% in 2024). Considering the numbers by automotive group, GM (13.5%), Volkswagen (10.8%), Stellantis (5.8%), and Ford (3.5%) lost some presence, which was taken advantage of by Kia (7.2%) and Toyota (8.4%).

On the supply side (chart 6, tables 2 and 3), we observed a significant rebound in March, accelerating annually from 0.2% to 12.1% y/y (with 296,964 units assembled). Thus, in 2024 Q1, light vehicle production accumulated an annual advance of 4.8% YTD. The behaviour varied significantly across companies, reflecting their different strategies to manage the impact of tariffs. In March, Toyota led the annual advance, growing by 68.9%. Additionally, the rebound of several companies in March is noteworthy; for example, General Motors, which represents 21.6% of Q1 2025 numbers, soared by 15.9% after two negative months. Ford, with 10.6%, also accelerated to 46.0%. In contrast, other companies showed setbacks, such as Nissan, with -0.9%. The most notable drop was Volkswagen, with -27.6%, adding six

Chart 3

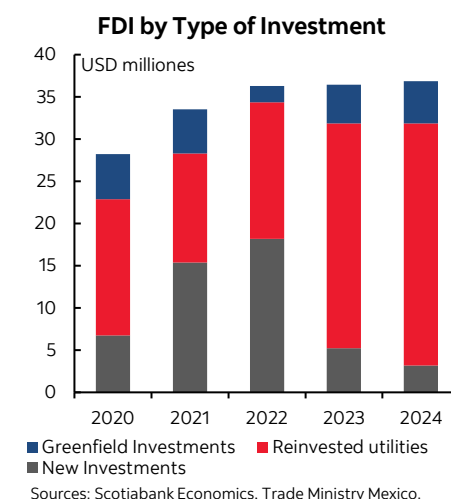


Chart 4

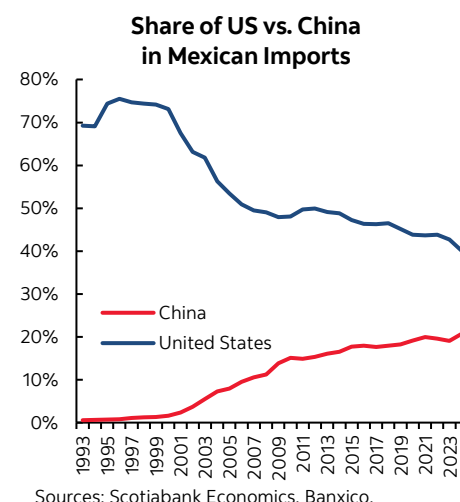
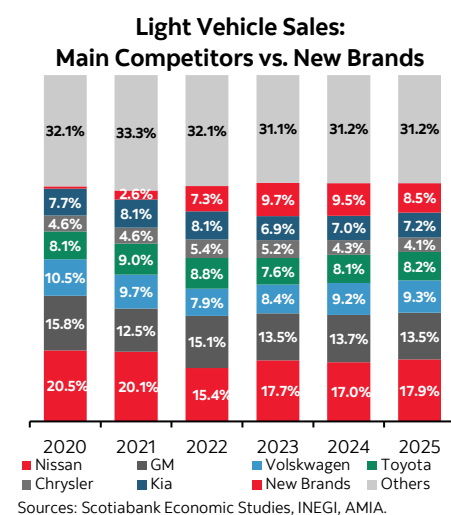


Chart 5



months of setbacks, all of them in double digits. JAC, which focuses exclusively on the domestic market, saw an 18.0% increase in production during the first quarter. Meanwhile, the commencement of Acura's operations (a Honda brand) boosted car assembly, accounting for 0.9% of the total production in January–March 2025.

### HEAVY VEHICLE INDUSTRY SHOWS TARIFFS HIT

In the heavy vehicle industry (chart 7, tables 4 and 5), the effect of uncertainty in the economic outlook has been considerably more pronounced than in light vehicles. During the first quarter of 2025, all of domestic sales, production, and exports have suffered double-digit setbacks.

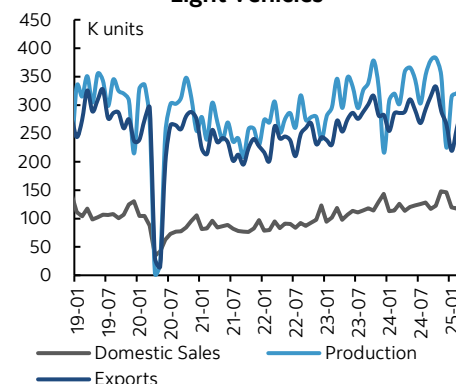
In the January–March period, retail sales of heavy vehicles fell by -16.2% accumulated annually (vs. 15.8% in the same period of 2024), totaling 11,188 units. In March alone, sales fell by -19.7%, stringing three months of setbacks. Meanwhile, wholesale sales of heavy vehicles (table 6) plummeted by -39.33% during the first quarter of the year. More related to investment, the collapse of wholesale sales suggests greater weakness in machinery and equipment investment, fostered by increased uncertainty due to changes in trade policy between Mexico and the United States.

Similarly, both production and exports accentuated their setbacks in the first three months of the year. Production added seven months of setbacks in March, falling by -26.7% annually, while exports fell by -24.9% with the same number of negative months; that is, since September 2024. In year to date number, 41,311 units were produced, while 33,808 were exported, equivalent to contractions of -21.8% and -19.7%, respectively.

In the short term, we believe that some exporting companies could place a proportion of the units affected by the implementation of tariffs in the United States on the domestic market, as a consequence of higher inventory in the domestic market. Additionally, we consider that light vehicle automotive plants will maintain the assembly lines installed in Mexico in previous years, although this may not be the case for heavy vehicles, where the collapse of units has been noticeable since the beginning of the year. Plans for the installation of new plants or production lines—which would drive long-term sector growth—could be suspended until there is greater clarity and confidence in the outlook and regional integration.

Chart 6

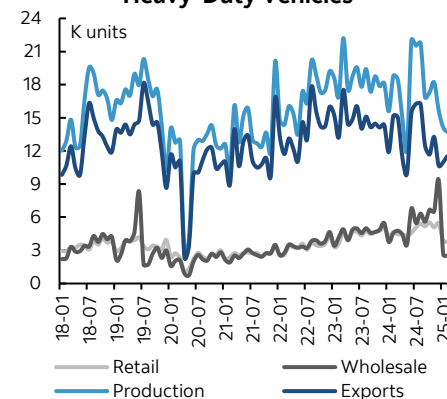
### Evolution of Automotive Sector: Light Vehicles



Sources: Scotiabank Economics, INEGI, mexican auto associations.

Chart 7

### Evolution of Automotive Sector Heavy-Duty Vehicles



Sources: Scotiabank Economics, INEGI, mexican auto associations.

**Table 1: Sales of Light Vehicles by Company & Brand**

Company	Brand	March 2025	% y/y	January-March 2025	% YTD	Market Share 2025	Market Share by Company
Audi	Audi	813	-13.7%	2067	-23.2%	0.5%	0.5%
BMW	BMW	1296	8.4%	3663	12.6%	1.0%	1.2%
	MINI	349	-2.2%	927	11.0%	0.2%	
Chirey Motor	Chirey	1245	-19.8%	3642	-31.4%	1.0%	1.5%
	Omoda	541	-18.0%	1917	12.1%	0.5%	
Ford Motor Company	Ford Motor	481	-66.0%	1604	-57.3%	0.4%	0.6%
	Lincoln	172	25.0%	494	29.6%	0.1%	
General Motors	General Motors	18009	23.9%	49346	43.6%	13.1%	13.1%
Honda	Acura	99	3.1%	233	-11.1%	0.1%	2.9%
	Honda	3782	1.8%	10502	3.0%	2.8%	
Hyundai Motor	Hyundai	4278	-1.0%	12363	-8.8%	3.3%	3.3%
Isuzu Motors	Isuzu	130	4.4%	422	7.7%	0.1%	0.1%
Jaguar Land Rover	Jaguar	2	-100.0%	5	-100.0%	0.0%	0.1%
	Land Rover	199	21.1%	548	-6.8%	0.1%	
Kia Motors	KIA	8801	76.1%	26308	39.4%	7.0%	7.0%
Mazda Motor	Mazda	9044	9.3%	26175	14.1%	6.9%	6.9%
Mercedes Benz	Mercedes Benz	1349	-20.1%	3384	-17.2%	0.9%	0.9%
Mitsubishi Motors	Mitsubishi Motors	2620	-73.2%	6740	-77.2%	1.8%	1.8%
Nissan Mexicana	Infiniti	103	-48.6%	299	-22.6%	0.1%	17.4%
	Nissan	23625	2.5%	65348	10.2%	17.3%	
Renault	Renault	2422	-7.3%	7838	-6.3%	2.1%	2.1%
SAIC Motor	MG Motor	4005	22.0%	11110	6.7%	2.9%	2.9%
Stellantis	Alfa Romeo	17	-66.0%	64	-57.6%	0.0%	
	Chrysler	5090	-20.5%	14964	-8.0%	4.0%	5.6%
	Fiat	481	-66.0%	1604	-57.3%	0.4%	
	Peugeot	1327	41.7%	4455	53.5%	1.2%	
Subaru Automotriz	Subaru	346	-10.4%	910	-1.0%	0.2%	0.2%
Suzuki Motor	Suzuki	3418	19.8%	10428	7.7%	2.8%	2.8%
Toyota Motor Sales	Lexus	253	-7.0%	614	3.3%	0.2%	8.1%
	Toyota	10894	5.5%	30102	6.9%	8.0%	
Volvo Group	Volvo	10894	5.5%	30102	6.9%	8.0%	8.0%
Volkswagen	Bentley	1	0.0%	7	600.0%	0.0%	
	Porsche-Rover	255	-23.2%	823	-13.4%	0.2%	9.7%
	Seat	1775	55.2%	5487	7.6%	1.5%	
	Volkswagen	10894	5.5%	30102	6.9%	8.0%	
<b>Non-affiliated companies to the Mexican Association of the Automotive Industry (AMIA)</b>							
Autos Orientales Picacho S.A. Pr	MOTORNATION	235	0.4%	617	5.7%	0.2%	0.2%
Changan Auto	Changan	1250	0.0%	-	-	-	-
Giant Motors Latinoamérica	JAC	2011	-84.6%	6061	-84.8%	1.6%	1.6%
Great Wall Motor	GWM	1338	10.6%	3924	2.6%	1.0%	1.0%
LDR Solutions	Foton	212	-3.9%	1534	-3.9%	0.4%	0.5%
	JETOUR	0	3.5%	195	6.1%	0.1%	
<b>Total</b>		<b>134056</b>	<b>1.9%</b>	<b>376928</b>	<b>9.8%</b>	<b>100.0%</b>	<b>100.0%</b>

Sources: Scotiabank Economics, Administrative Registry of the Automotive Industry of Light Vehicles (RAIAVL), INEGI.

Table 2: Light Vehicle Production by Brand

Brand	March 2024	March 2025	% y/y	January-March 2024	January-March 2025	YTD %	Market Share 2025
Acura	-	3604	-	-	8,985	-	0.9%
Audi	11,558	7995	-30.8%	21,372	22,670	6.1%	2.3%
Bmw	7,815	8584	9.8%	25,830	27,176	5.2%	2.8%
Chrysler	31,927	35960	12.6%	104,180	90,158	-13.5%	9.3%
Ford Motor	24,543	35840	46.0%	89,796	102,732	14.4%	10.6%
General Motors	69,216	80217	15.9%	208,474	210,215	0.8%	21.6%
Honda	14,759	16707	13.2%	49,958	49,509	-0.9%	5.1%
Jac	1,485	2082	40.2%	6,355	7,316	15.1%	0.8%
Kia	19,700	22750	15.5%	55,250	68,560	24.1%	7.0%
Mazda	16,450	18958	15.2%	52,310	57,324	9.6%	5.9%
Mercedes Benz	5,311	4966	-6.5%	16,464	14,354	-12.8%	1.5%
Nissan	50,810	50376	-0.9%	163,114	171,192	5.0%	17.6%
Toyota	16,150	27279	68.9%	36,330	78,464	116.0%	8.1%
Volkswagen	32,258	23351	-27.6%	99,467	64,830	-34.8%	6.7%
<b>Total</b>	<b>301,982</b>	<b>338669</b>	<b>12.1%</b>	<b>928,900</b>	<b>973,485</b>	<b>4.8%</b>	<b>100.0%</b>

Sources: Scotiabank Economics, Administrative Registry of the Automotive Industry of Light Vehicles (RAIAVL), INEGI.

Table 3: Export of Light Vehicles by Brand

Brand	March 2024	March 2025	% y/y	January-March 2024	January-March 2025	YTD %	Market Share 2025
Acura	-	2,029	-	-	2,565	-	0.3%
Audi	12,516	5,788	-53.8%	17,976	19,521	8.6%	2.5%
Bmw	7,160	7,622	6.5%	22,764	19,327	-15.1%	2.5%
Chrysler	30,689	31,243	1.8%	99,245	68,215	-31.3%	8.8%
Ford Motor	29,355	37,235	26.8%	93,556	102,290	9.3%	13.2%
General Motors	65,797	74,063	12.6%	198,756	186,368	-6.2%	24.0%
Honda	15,213	19,333	27.1%	51,947	48,244	-7.1%	6.2%
Kia	14,000	16,570	18.4%	42,250	51,909	22.9%	6.7%
Mazda	14,516	11,596	-20.1%	41,010	32,790	-20.0%	4.2%
Mercedes Benz	4,383	5,135	17.2%	16,624	10,656	-35.9%	1.4%
Nissan	47,825	41,020	-14.2%	133,279	112,819	-15.4%	14.5%
Toyota	17,780	25,529	43.6%	33,363	73,386	120.0%	9.5%
Volkswagen	26,776	19,801	-26.0%	74,937	47,776	-36.2%	6.2%
<b>Total general</b>	<b>286,010</b>	<b>296,964</b>	<b>3.8%</b>	<b>825,707</b>	<b>775,866</b>	<b>-6.0%</b>	<b>100.0%</b>

Sources: Scotiabank Economics, Administrative Registry of the Automotive Industry of Light Vehicles (RAIAVL), INEGI.

April 29, 2025

**Table 4: Retail Sales of Heavy Vehicles by Company**

Company	Brand	Segment	March 2024	January-March 2025	% YTD	Market Share 2025
Daimler	Freightliner	Trucks	775	3,023	- 17.25	27.02
	Mercedes-Benz	Passenger	211	707	- 32.08	6.32
Dina Camiones	Dina	Trucks	5	5	66.67	0.04
		Passenger	12	16	166.67	0.14
Hino Motors	Hino	Trucks	129	319	- 34.36	2.85
		Passenger	-	1	- 91.67	0.01
Isuzu Motors	Isuzu	Trucks	242	361	- 57.58	3.23
		Passenger	2	2	-	0.02
Kenworth	Kenworth	Trucks	881	2,737	- 4.27	24.46
LDR Solutions	Foton	Trucks	52	173	63.21	1.55
		Passenger	46	51	-	0.46
Traton Group	MAN	Trucks	9	53	-	0.47
		Passenger	1	1	- 93.33	0.01
	Volkswagen Camiones y Autobuses	Trucks	120	360	- 29.41	3.22
		Passenger	51	163	- 27.88	1.46
	International	Trucks	645	2,131	5.86	19.05
		Passenger	107	204	- 42.05	1.82
	Scania	Trucks	63	168	- 62.75	1.50
		Passenger	90	326	246.81	2.91
Volvo Group	Mack Trucks	Trucks	4	48	- 30.43	0.43
	Volvo	Passenger	76	161	- 55.65	1.44
<b>Non-affiliated with the National Association of Bus, Truck, and Tractor Producers (ANPACT)</b>						
Emobility Operations	Auteco	Trucks	-	11	-	0.02
Sparta Motors	Shacman	Trucks	41	178	12.66	1.59
<b>Total</b>			<b>3,562</b>	<b>11,199</b>	<b>11.10</b>	<b>100</b>

Sources: Scotiabank Economics, National Association of Bus, Truck, and Tractor Producers A.C. (ANPACT), INEGI.

**Table 5: Production of Heavy Vehicles by Company**

Company	Brand	Segment	March 2024	January-March 2025	% YTD	Market Share 2025
Daimler	Freightliner	Trucks	8,251	24,387	- 17.80	59.03
	Mercedes-Benz	Passenger	255	714	- 13.14	1.73
Dina	Dina	Passenger	6	6	- 64.71	0.01
Hino Motors	Hino	Trucks	22	22	- 88.60	0.05
Isuzu Motors	Isuzu	Trucks	144	192	- 38.46	0.46
Kenworth	Kenworth	Trucks	1,632	5,012	3.06	12.13
LDR Solutions	Foton	Trucks	35	242	- 26.89	0.59
	Volkswagen	Trucks	31	97	- 33.10	0.23
Volvo Group	International	Trucks	3,074	10,474	- 32.08	25.35
	Volvo Buses	Passenger	62	165	- 43.49	0.40
<b>Total</b>			<b>13,512</b>	<b>41,311</b>	<b>- 4.30</b>	<b>100.00</b>

Sources: Scotiabank Economics, National Association of Bus, Truck, and Tractor Producers A.C. (ANPACT), INEGI.

April 29, 2025

**Table 6: Wholesale Sales of Heavy Vehicles by Company**

Company	Brand	Segment	March 2024	January-March 2025	% YTD	Market Share 2025
Daimler	Freightliner	Trucks	278	1,296	-	56.97
	Mercedes-Benz	Passenger	373	748	-	21.68
Isuzu Motors	Isuzu	Trucks	328	406	-	40.47
		Passenger	2	2	-	0.03
Kenworth	Kenworth	Trucks	1,133	3,362	13.12	42.40
LDR Solutions	Foton	Trucks	27	83	-	70.36
		Passenger	2	11	83.33	0.14
Traton Group	International	Trucks	272	977	-	56.58
		Passenger	-	-	-	100.00
	Scania	Trucks	63	168	-	62.75
		Passenger	90	326	246.81	4.11
	Volkswagen Camiones y Autobuses	Trucks	101	150	-	67.81
		Passenger	-	20	-	90.91
Volvo Group	Mack Trucks	Trucks	10	42	-	47.50
	Volvo Buses	Passenger	76	161	-	55.65
<b>Non-affiliated with the National Association of Bus, Truck, and Tractor Producers (ANPACT)</b>						
Sparta Motors	Shacman	Trucks	41	178	12.66	2.24
<b>Total</b>			<b>2,796</b>	<b>7,930</b>	<b>22.80</b>	<b>100.00</b>

Sources: Scotiabank Economics, National Association of Bus, Truck, and Tractor Producers A.C. (ANPACT), INEGI.

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