Mexico: Apparel Industry

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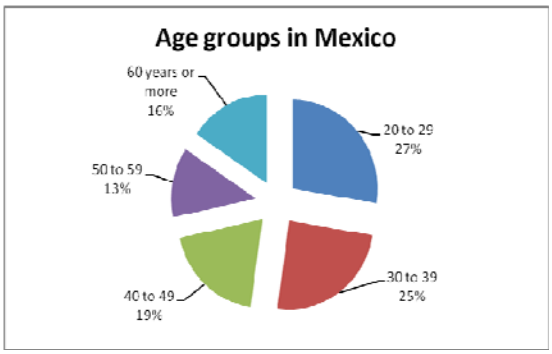
Summary

The apparel and textile industries benefitted highly from the signing of the NAFTA agreement. However, since 2001 those benefits have been decreasing due to a diversity of internal and external factors.

Currently, this industry is being severely affected by the financial crisis, given that it is highly dependent on the U.S. market. Nevertheless, Mexican manufacturers are still seeking high quality fabrics and distributors and frequently travel to the U.S. to find new fashion trends or apparel products for the Mexican market.

Market Demand

Mexico's population is very young, as nearly half of its citizens are under the age of 30. The largest segment of the Mexican market is centered in Guadalajara, Monterrey, and above all Mexico City, where luxury brands have a greater presence than in other states.



Source: National Institute of Statistics, Geography and Data Processing

In general, 3% of Mexicans are part of the highest income level and look for high quality foreign products. The middle income bracket, which buys mid-level and luxury products, constitutes 18% of the population.

Finally, the lower income bracket, roughly 79% of the population, look for low-end or economical apparel products.

Market Data

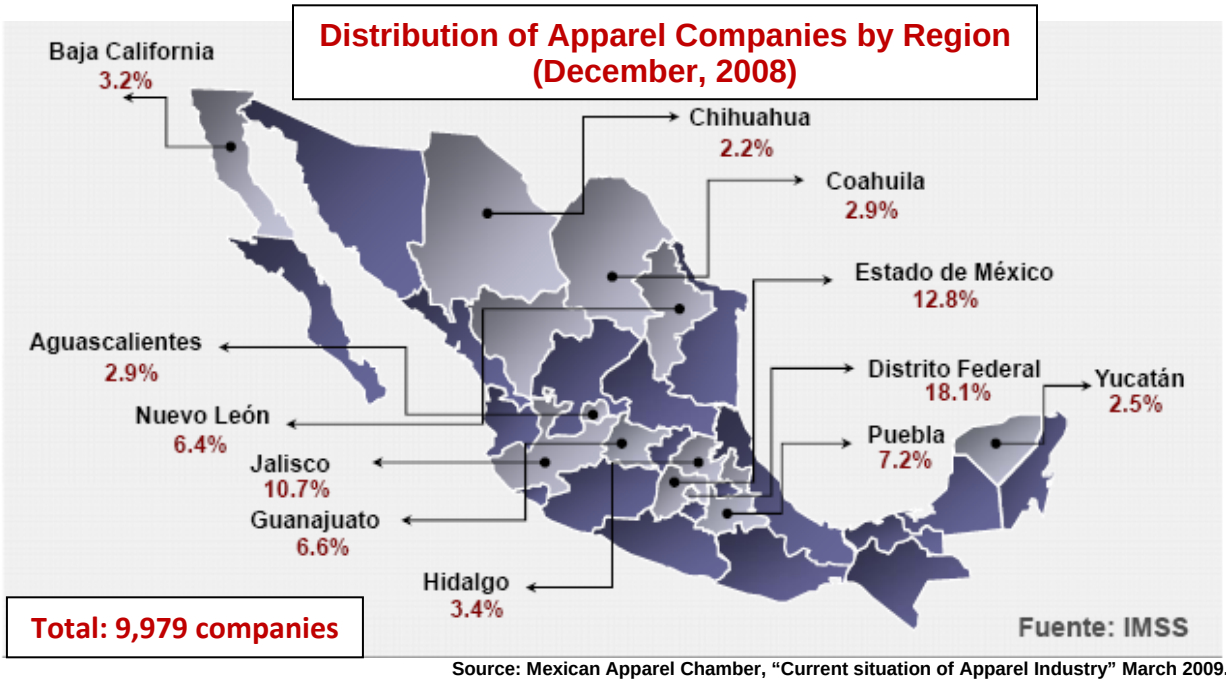
While the apparel Industry is represented by the National Chamber, the mexican textile industry is represented by three business chambers: one national and two regional and yarns are represented by a fourth, the Mexican Association of Chemical Industry.

The Mexican apparel industry has suffered a substantial loss in global market share in the last few years due to:

1. Changes in the production model
2. Changes in distribution channels
3. Elimination of import quotas and the inclusion of China in the W.T.O [i]

Due to this situation, the Mexican Government, by means of the Ministry of Economy, developed a "Programa para la Competitividad de la Cadena Fibras – Textil – Vestido" (Fiber-Textile-Clothing Competitiveness Program), which is planning to increase competition in both the international and national markets, secure employment and thus, create a reliable investment.

The industry is concentrated in the central and north eastern parts of the country: Puebla, Mexico City and the States of Mexico, Hidalgo, Tlaxcala, Jalisco, Guanajuato, Nuevo Leon and San Luis Potosi. Below is the current distribution of Apparel companies by region:



Source: Mexican Apparel Chamber, "Current situation of Apparel Industry" March 2009.

According to the Mexican Apparel Chamber, in 2008 the industry was severely affected by the financial crisis. At the end of the year, the sector contracted by 14% of its sales, due to the floating exchange rate and a decrease in demand of the local and international market. Apparel companies are working at 70% of capacity and 350 companies have gone out of business.

Best Prospects

The Mexican Apparel Industry has two selling seasons: winter and summer. Preparations for each season begin months in advance: in September for the winter and in February for the summer. Due to the importance of seasons and fashion trends, meeting delivery deadlines is a necessity. In addition, the market for apparel products is highly price-sensitive.

The products that were the most imported during 2008 are listed below:

Mexico: principle import products during 2008

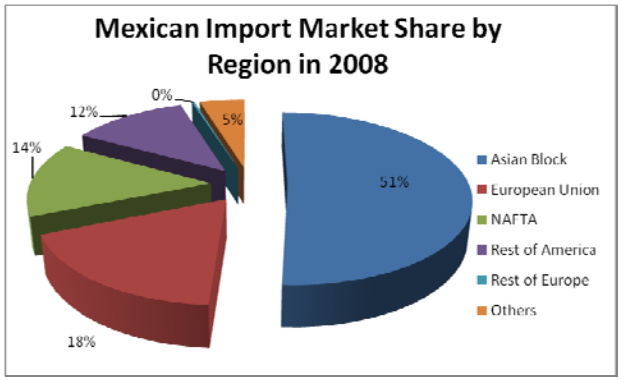
H.S. Code	Product Description	in USD Million dollars
6204.6201	Cotton pants for women	$108.9
6109.1001	Cotton T-shirts and underwear	$104.9
6205.2099	Cotton shirts for men	$99.2
6203.4299	Cotton pants for men	$98.0
6110.3099	Sweaters and others	$68.5
6110.2001	Cotton sweaters and vests	$58.6
6206.3001	Cotton blouses, shirts and shirt blouses for women	$51.8
6106.1099	Other cotton blouses and shirts for women	$47.5

Source Mexican Apparel Chamber / Mexican Customs Administration

The production of quality fabric for apparel is a weak spot of Mexico's garment industry, thus providing excellent opportunities for U.S. fabric manufacturers. The best prospects are listed below:

- Synthetic fibers mixed with rayon
- Other fabrics with textured polyester dyes
- Other taffeta fabrics with discontinuous dyes made of polyester fibers
- Fabrics with artificial fibers
- Cotton fabrics with 85% denim
- Other fine wool fabrics
- Silk (for garments to be exported)

Key Suppliers



Asian countries are currently the largest suppliers of the apparel industry. However, U.S. suppliers have a good presence in the Mexican market, given that they have several competitive advantages. For example, Mexico's geographic proximity permits lower transportation costs and fast delivery. Also, some products or brands have a good reputation for quality and are well liked among Mexican buyers and distributors.

The chart left depicts the Mexican import share by region.

Source: Mexican Apparel Chamber, "Current situation of Apparel Industry" March 2009.

Market Entry

Agents and distributors are commonly used in the Mexican market. The best way to approach the Mexican market is visiting potential clients or distributors. It is also necessary to provide promotional materials in Spanish and to offer good after-sales service.

Retailers represent another way to approach the market. The chart below chart depicts the total market share of this distribution channel as of 2008:

Distribution Channel	Children	Gentleman	Ladies	Total
Department stores	27.3%	35.7%	29.4%	32.3%
Self-Service	15.8%	10.8%	10.1%	11.0%
Apparel Stores/Boutiques	16.5%	20.8%	29.1%	23.1%
Flea Markets	28.5%	21.7%	20.8%	22.3%
Direct Sale	4.2%	1.8%	4.1%	2.6%
Others	7.7%	9.2%	6.5%	8.7%

Source: The Definitive source of Consumer market intelligence for the Canadian and Mexican markets (Trendex)

Market Issues & Obstacles

In Mexico, some industrial sectors are more affected by piracy issues than others, such as the film, music, software, pharmaceutical, textile and apparel industries. Protection of Intellectual Property Rights (IPR) is gaining importance for U.S. exporters who seek to prevent abuses and infringements of their products, which cost hundreds of millions of dollars annually.

Although the North American Free Trade Agreement (NAFTA) covers IPR obligations, it is necessary to know the importance of protecting U.S. products in Mexico before entering the Mexican market. Even though the product might already have international protection, the U.S. Company will still need to apply for protection in Mexico.

Once the U.S. Company has an International Trade Mark they have one year of protection to file in Mexico. A trademark should be registered with the Mexican Institute of Industrial Property (IMPI). Trademarks are protected for ten year renewable periods with a six month period before and after the current maturity for its renewal. [ii]

Since apparel is a sensitive sector in Mexico the exporter must verify that the Mexican company is properly registered in the "Padron de Importadores" maintained by the Secretariat of Finance and Public Credit (Hacienda). Mexican customs law is very strict and requires proper submission and preparation of customs documentation. Errors in paperwork can result in fines and even confiscation of merchandise as contraband.

U.S. Exporters must comply with the NOMS or Mexican Official Standards. For that reason, two important definitions are important to keep in mind:

NOMs – literally: Mexican Official Standards, these are Technical Regulations, including labeling requirements, issued by government agencies and ministries. Compliance is mandatory.

NMX – Mexican "Voluntary" Standards – these are voluntary standards issued by recognized national standards-making bodies. Compliance is mandatory only when a claim is made that a product meets the NMX, when a NOM specifies compliance, and or whenever applicable in government procurement**.**[iii]

The labeling **NOM-004-SCFI-2006** was published in the Mexican Official Gazette on June 21, 2006 to be effective on August 21, 2006. Other labeling NOMs are**:**

--**NOM-020-SCFI-1997** for leather and synthetic leather materials, published on April 27, 1998 in the Diario Oficial.

--**NOM-050-SCFI-1994** general provisions for all products

Finally, when Mexico signed the North American Free Trade Agreement (NAFTA) on January 1, 1994, Mexico gradually reduced its tariffs on textile and apparel imports from the United States meeting the NAFTA rules of origin (i.e., wholly processed in the United States, Canada and Mexico). Detailed tariff information may be obtained by calling the U.S. Department of Commerce, Trade Information Center at 1-800-USA-TRADE or OTEXA

Trade Events

Intermoda
www.intermoda.com.mx

Exintex
www.exintex.com.mx

Resources & Contact

Mexican Apparel Chamber
www.cniv.org

Mexican Textile Chamber
www.canaintex.org

Economic Ministry
www.econonomia.gob.mx

Mexican Institute of Industrial Property
www.impi.gob.mx

For More Information
The U.S. Commercial Service in Mexico City can be contacted via e-mail at: sylvia.montano@mail.doc.gov; Phone: 011-52-5551402633; Fax: 01152-55-55661115; or visit our website: **www.buyusa.gov/mexico**.

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[i] Economic Ministry. Nota de Coyuntura Cadena Fibras, Textil, Vestido, 2007
[ii] www.santistevan.com.mx
[iii] Doing Business in Mexico: 2009 Country Commercial Guide for U.S. Companies Country Commercial Guide 2008