

# TRADE IN VALUE ADDED: MEXICO

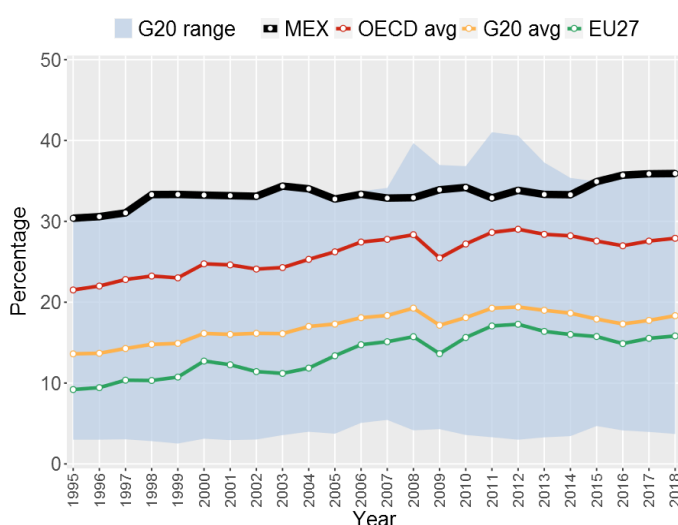
February 2022

Trade in Value Added (TiVA) indicators offer new insights into the commercial relations among economies and provide a broad view of where value is created along each stage of global value chains (GVCs). Painting a more complete picture than gross trade measures alone, the TiVA approach better reflects the significantly higher contribution made by services in GVCs, the role of imports in export performance, and the true nature of economic interdependencies. The 2021 version of the TiVA database covers 66 economies and 45 industrial sectors, for the years 1995 to 2018, and brings together indicators based on the value-added origins (both country and industry) of exports, imports and final demand. This note highlights the trade patterns in value-added terms for Mexico, with a view to informing policy making for a range of areas including trade, innovation, and investment.

## Key findings

- ▶ The foreign content of Mexico's total gross exports increased from 32.9% to 35.9% between 2008 and 2018, above the OECD average of 27.9% (Figure 1).
- ▶ Looking at Mexican integration in GVCs, in 2018, 25.9% of Mexico's domestic value added met foreign final demand. For the Manufacturing sector as a whole, about 50% of domestic value added met foreign final demand with *Electrical equipment* (80.2%) and *Motor vehicles* (78.8%) with the highest shares (Figure 2).
- ▶ In 2018, the United States represented 71% of Mexico's gross exports, 67% of its value added exported, as well as 47.9% of its gross imports and 46.2% of its imported value added, making the United States by far Mexico's most important trade partner. On a much smaller scale, the European Union and Canada were top export destinations, while China and the European Union were top import origins (Figure 5). Additionally, the United States is, by a large margin, the top exporter of Mexican value added to Mexico (Figure 6).
- ▶ While the services content of Mexico's manufacturing gross exports in 2018 was similar to that in 2008 (19%), the importance of services in gross exports increased considerably for some industries, namely *Coke and refined petroleum products* (15 percentage points), *Mining* (10pp.) and *Chemicals and pharmaceuticals* (7pp.). The latter was Mexico's sector with the highest services value-added content: 42.3% of gross exports (Figure 7).

**Figure 1. Foreign value added content of gross exports**  
As a percent of total gross exports, 1995 to 2018



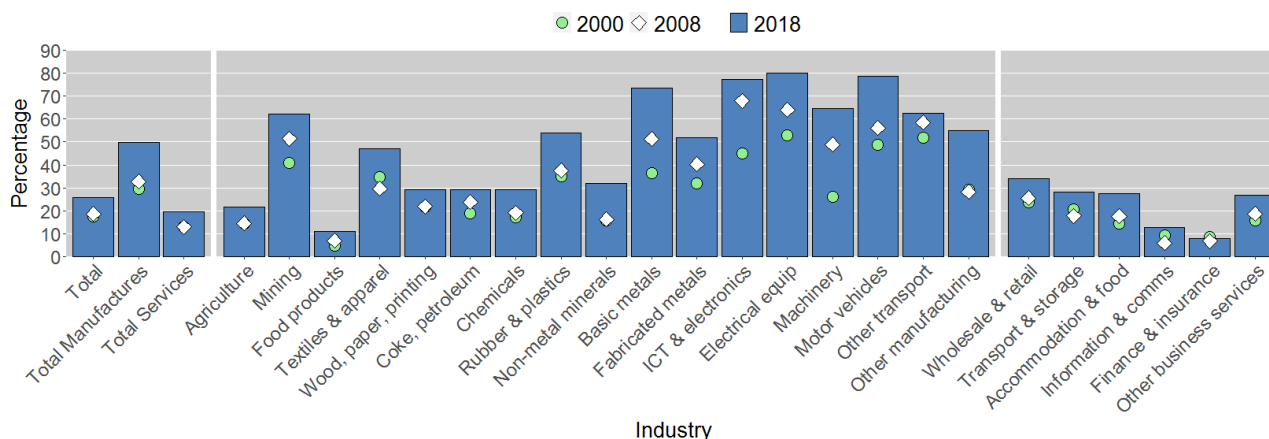
At the global level, the new TiVA indicators confirm that there has been a slowdown in GVC integration since the Financial Crisis in 2008-2009 (Figure 1). However, in general, foreign value added in trade increased between 2016 and 2018.

Between 2008 and 2018, the foreign content of Mexico's exports is estimated to have increased from 32.9% to 35.9% - above the OECD average of 27.9%. Compared to 2008, the foreign content of exports in 2018 was 3 percentage points higher.

## The role of foreign final demand in domestic production

Overall, in 2018, 25.9% of Mexico's domestic value added was driven by foreign final demand, up from 18.6% in 2008. By industry, the shares ranged from *Electrical equipment* (80.2%) and *Motor vehicles* (78.8%) at the higher end to *Financial and insurance* (7.9%) at the lower end.

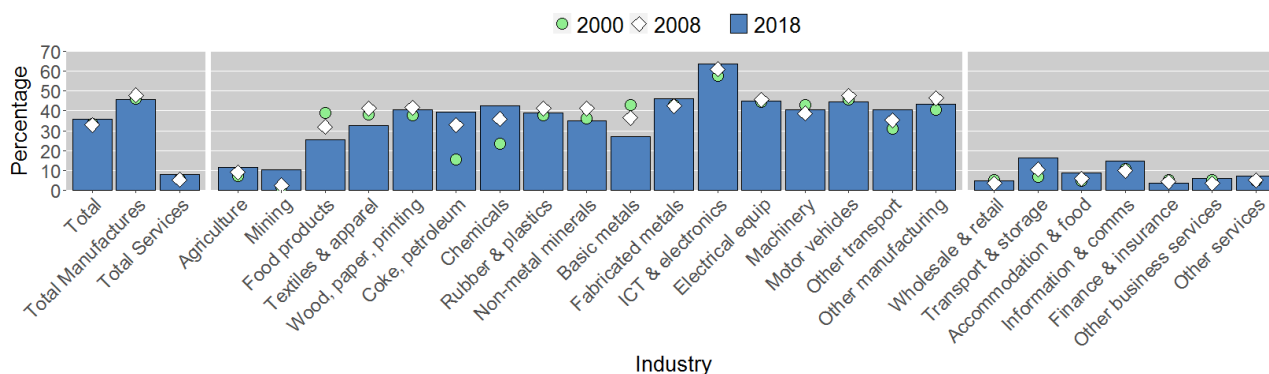
**Figure 2. Mexico - domestic value added in foreign final demand**  
As a percent of value added, by industry, 2000, 2008 and 2018



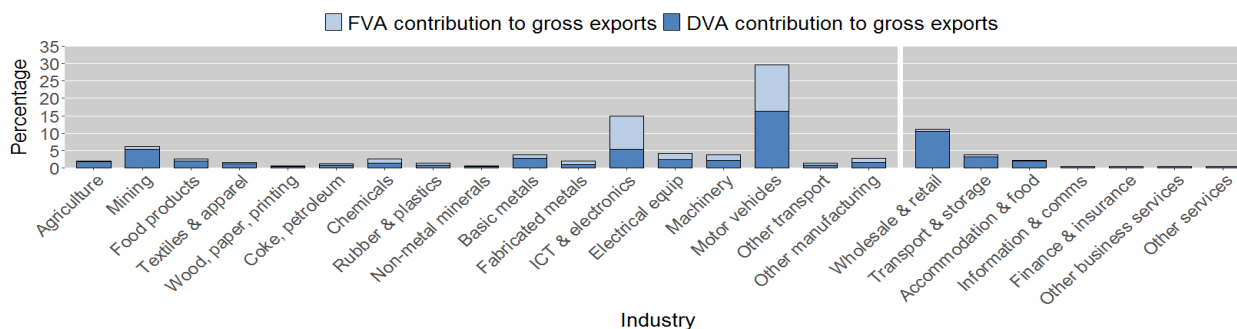
## The importance of imports for exports

The industries with the most foreign value-added contents in their exports (Figure 3a) were *ICT and electronics* (63.5%), *Fabricated metal products* (46.1%) and *Electrical equipment* (45%). *Motor vehicles* generated the greatest source of domestic value-added content of exports in 2018, accounting for 16.4% of gross exports (Figure 3b), followed by *Wholesale and retail trade* (10.5%) and *ICT and electronics* (5.4%). The most foreign content in total exports came from *Motor vehicles* (13.2%).

**Figure 3a. Mexico - foreign value-added content of gross exports**  
As a percent of gross exports, by industry, 2000, 2008 and 2018

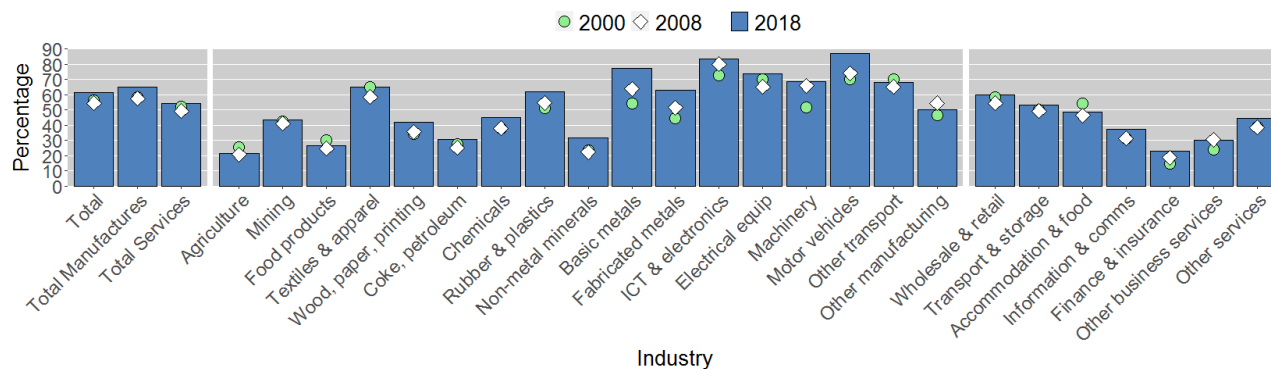


**Figure 3b. Mexico - industry share of domestic and foreign value-added content of gross exports**  
As a percent of total gross exports, 2018



Of the total value of Mexico's imports of intermediate goods and services in 2018, 61.3% was subsequently embodied in exports, significantly above the OECD average of 47.9%, and above the share in 2008 (54.3%). The originating industries with the highest shares of intermediate imports used in Mexico's exports were Motor vehicles (86.8%), ICT and electronics (83.4%) and Basic metals (77.4%).

**Figure 4. Mexico - imported intermediate inputs used for exports, by industry-origin of imports**  
As a percent of intermediate imports, 2000, 2008 and 2018

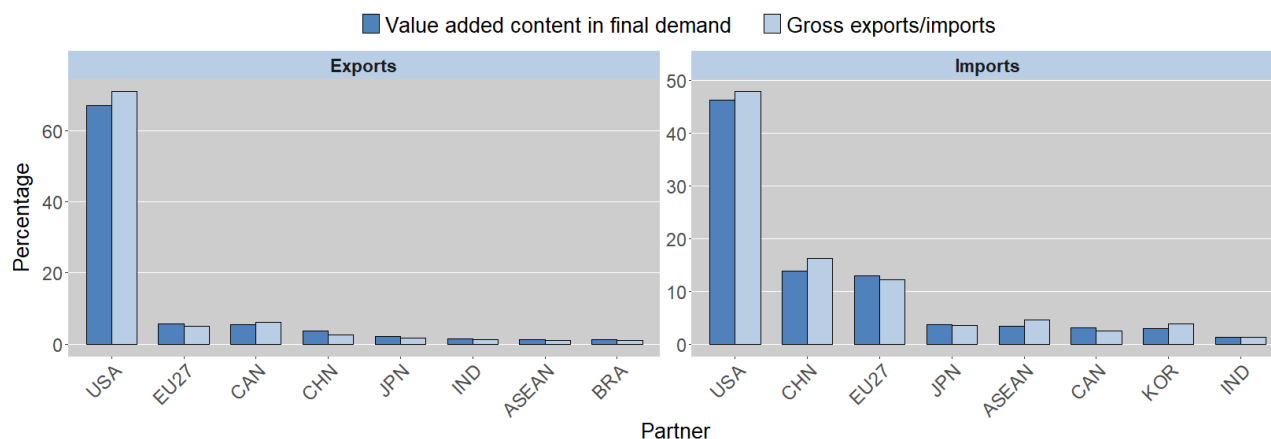


### Mexico: international flows of goods and services, main players

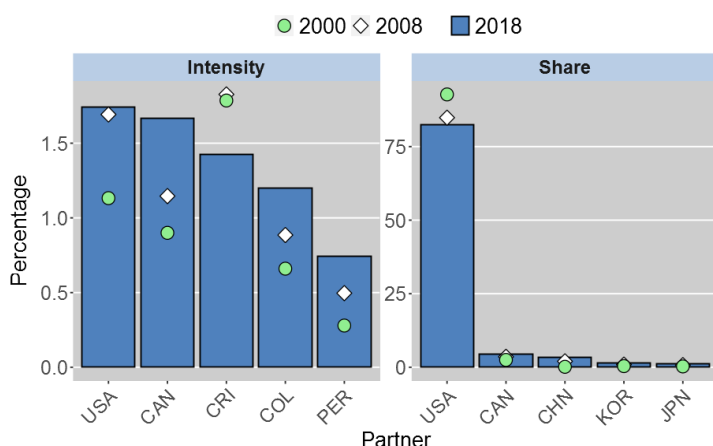
In gross terms, the United States (71%), Canada (6.2%) and the European Union (5%) were the three most important Mexican export destinations in 2018. The top three final destinations for Mexico's value added were the United States (67%), the European Union (5.7%) and Canada (5.5%).

For imports in gross terms, Mexico's top three partners in 2018 were the United States (47.9%), China (16.2%) and the European Union (12.2%), while in value-added terms, the top three were the United States (46.2%), China (13.8%) and the European Union (13%).

**Figure 5 Mexico - exports and imports: main partners**  
As a percent of total gross and total value-added exports and imports, 2018



**Figure 6. Mexico's domestic value-added content of manufactured imports, top 5 partners**  
*As a share of total Mexico's value added embodied in Mexico's imports (right) and as a percent of total imports by partner (left)*



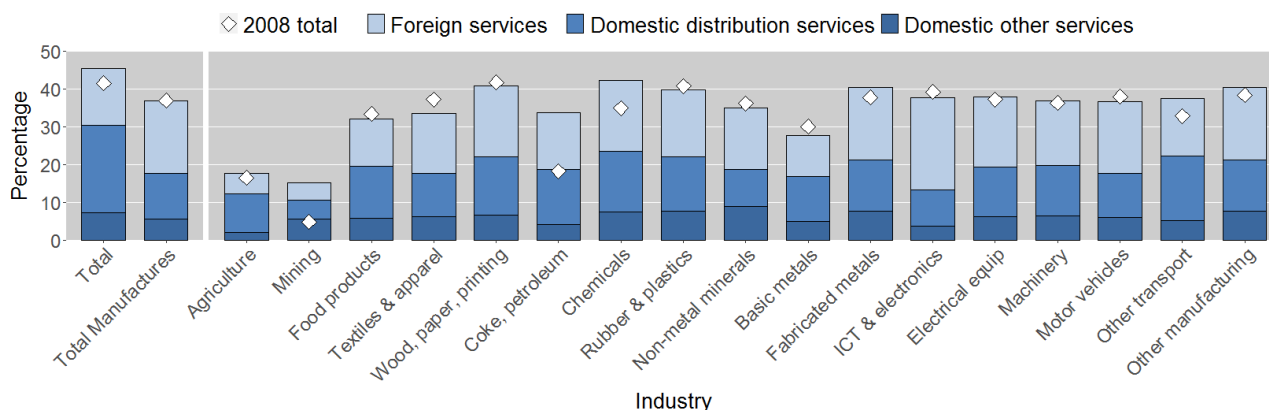
In 2018, the highest shares of Mexico's domestic value added embodied in Mexico's manufactured imports (Figure 6, right) came from the United States (82.4%), Canada (4.5%) and China (3.3%).

The trading partners with the highest shares of Mexico's value added in their exports of manufactures to Mexico (Figure 6, left) in 2018 were the United States (1.7%), Canada (1.7%) and Costa Rica (1.4%).

### The importance of services in international trade

Services are a significant contributor to Mexico's economy, accounting for 45.4% of Mexico's gross exports in 2018 (Figure 7) - significantly below the OECD average of 55.7%. Foreign services contributed 15% to the value of total gross exports. For manufactures, services value-added content was 36.8% of gross exports, with the highest shares in *Chemicals and pharmaceuticals* (42.3%), *Wood and paper products* (40.8%) and *Manufacturing nec* (40.5%).

**Figure 7. Mexico - services content of gross exports**  
*As a percent of gross exports by industry, 2018*



### Further information is available to supplement this country note:

- ▶ Access the data at: <http://oe.cd/tiva>
- ▶ Guide to TiVA 2021 Country Notes: [www.oecd.org/sti/ind/tiva-2021-guide-to-country-notes.pdf](http://www.oecd.org/sti/ind/tiva-2021-guide-to-country-notes.pdf)
- ▶ TiVA indicators are based on the 2021 version of ICIO tables: <http://oe.cd/icio>
- ▶ Related indicators of Trade in Employment <http://oe.cd/io-emp> and Trade in Embodied CO2 <http://oe.cd/io-co2>
- ▶ Trade policy implications of global value chains: <http://www.oecd.org/trade/topics/global-value-chains-and-trade/documents/trade-in-value-added-2021.pdf>

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