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# *California and Mexico Trade and Investment*



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*2015 Mexico Advocacy Day*

*May 5, 2015*

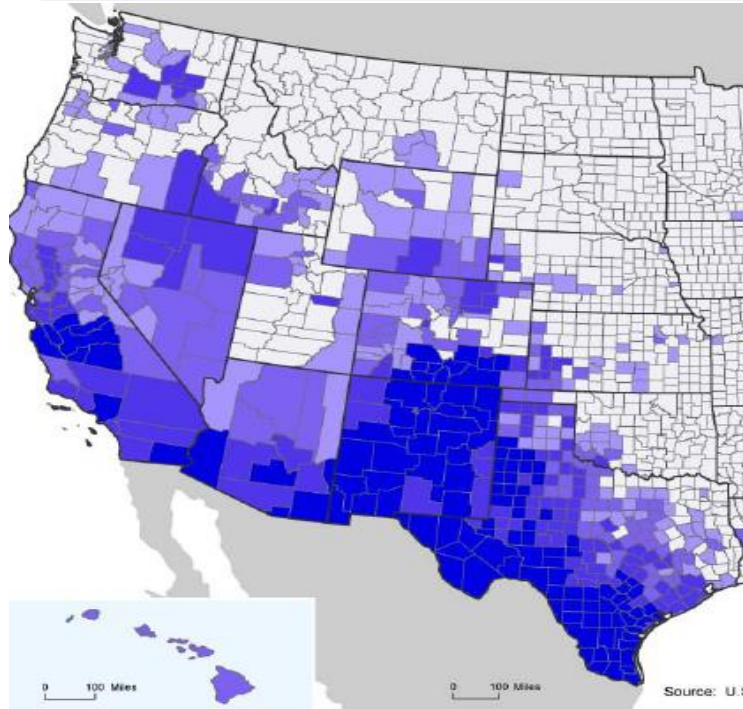
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# *Expanding Hispanic Population*

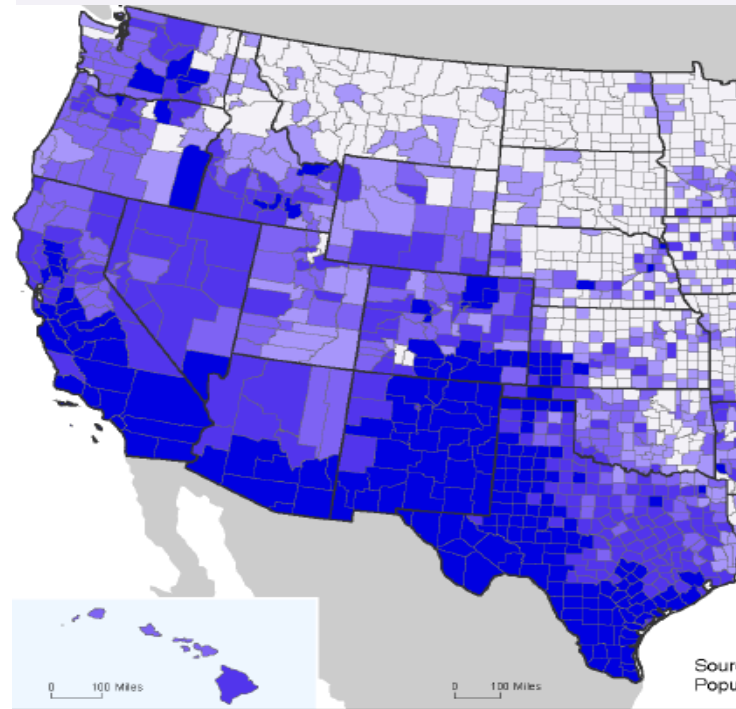


# Hispanic Population Expansion in the Western US

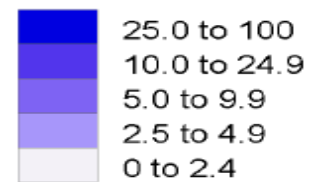
Percent of Population 1980  
Hispanic or Latino



Percent of Population 2006  
Hispanic or Latino



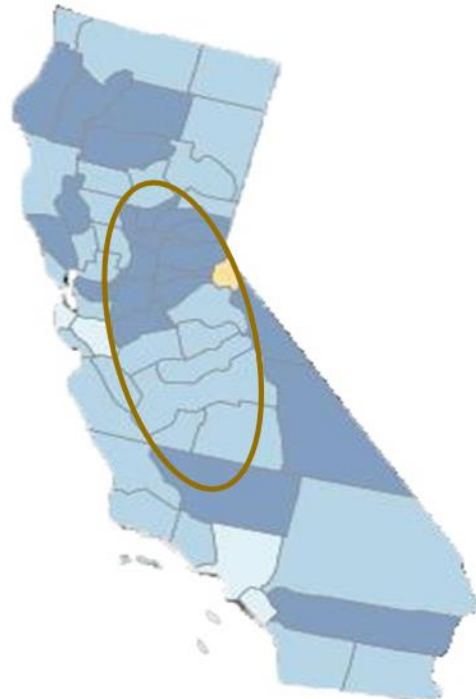
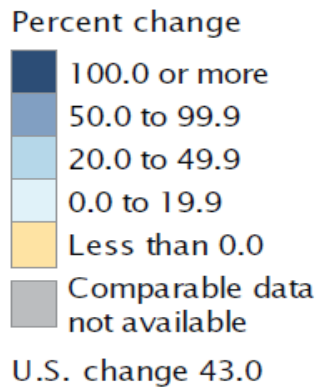
Hispanic or Latino population as a percent of total population by county



Source: US Census Bureau - Estimate 1980 and 2006

# Hispanic Growth Rate in the Central Valley

## Percent Change in Hispanic or Latino Population by County: 2000 to 2010



- The Central Valley has experienced one of the highest Hispanic population growth rates in California
- Sacramento Valley:  
50.0 - 99.9 %
- San Joaquin Valley:  
20 - 49.9 %

Source: U.S. Census Bureau,  
*Census 2000 Summary File 1* and  
*2010 Census Summary File 1*.

# California and Central Valley Population Growth

- Population growth in California and its Central Valley has and will be driven by robust Hispanic growth

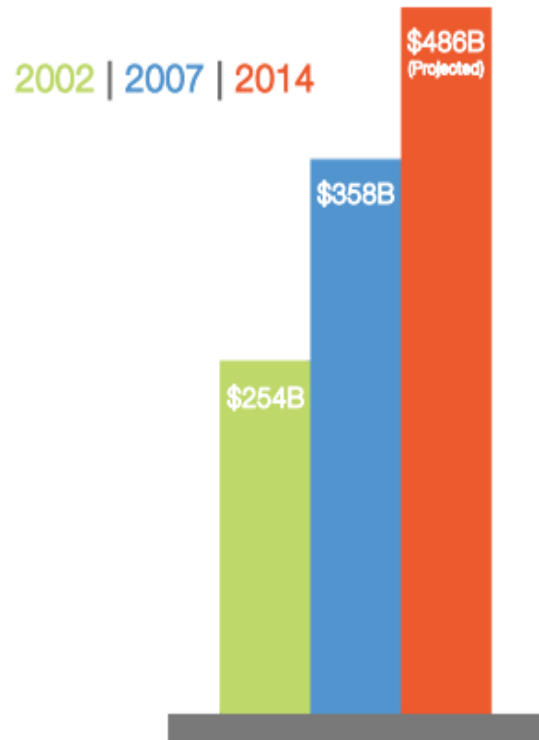
	<u>Hisp Pop</u>	<u>% Hispanic</u>	<u>Hisp Pop</u>	<u>% Hispanic</u>
<u>Region</u>	<u>2011</u>	<u>2011</u>	<u>2030E</u>	<u>2030E</u>
California (H)	14,359,500	38.10%	22,000,197	47.37%
U.S. (H)	51,939,916	16.70%	73,080,471	20.10%
	<u>Tot Pop</u>	<u>% Hispanic</u>	<u>Tot Pop</u>	<u>% Hispanic</u>
San Joaquin Valley	3,971,569	48.61%	5,381,971	62.27%
Sacramento Valley	3,091,049	20.01%	4,045,086	32.10%
Central Valley	7,062,618	36.09%	9,427,057	49.32%

**Source: U.S. Census H = Hispanic**

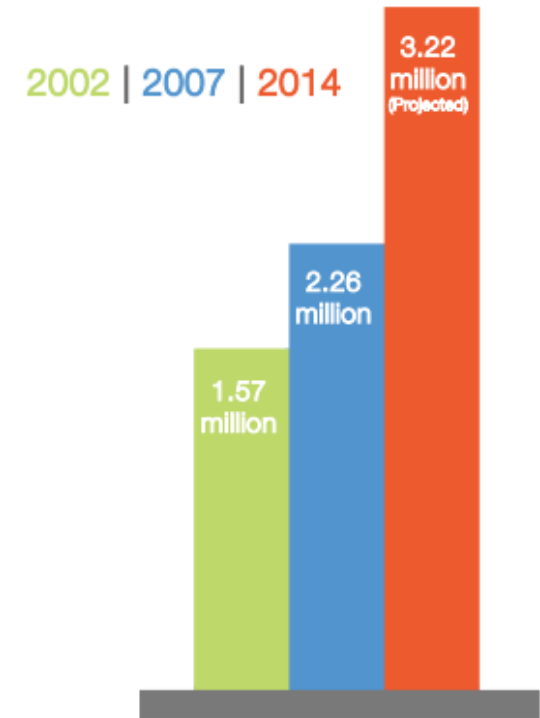
# Hispanic Business Trends

- 75% of all Hispanic firms are concentrated in 4 states, led by California and Texas
- California has 500k Hispanic owned businesses who were expected to generate \$100B in sales in 2012

Total Sales Receipts for Hispanic-Owned Businesses



Number of Hispanic-Owned Businesses in the U.S.

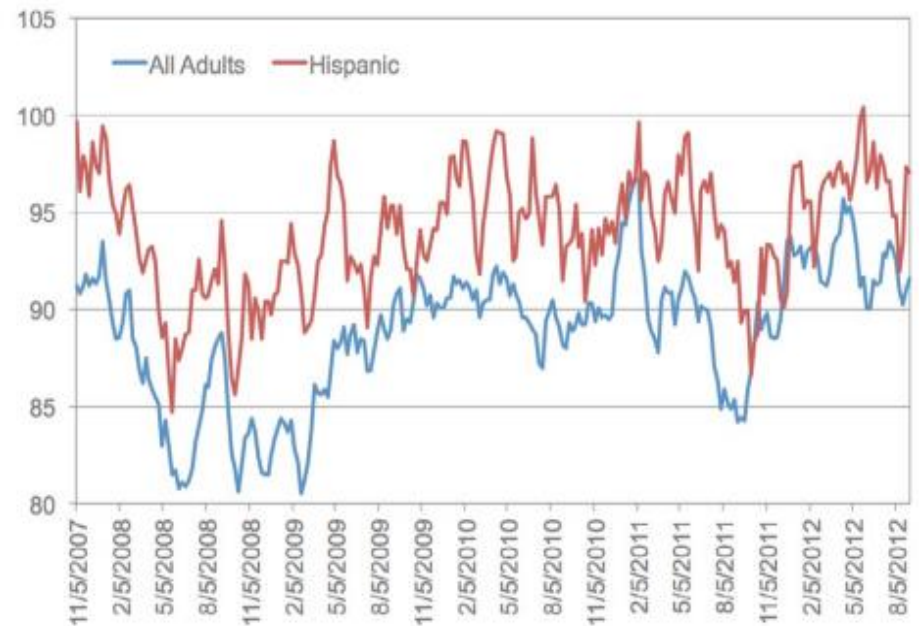


Source: Geoscape – “Hispanic Businesses & Entrepreneurs Drive Growth in the New Economy”

# Hispanic Consumer Trends

- Hispanic households accounted for \$164.2B of discretionary spending in 2012, up 14% YOY
- Remittances to Mexico reached \$2B in July 2014, rising 8.4% YOY and marking 12 months of consecutive growth
- Hispanic consumers, on average, are more optimistic concerning their personal spending outlook

Consumer Expectations Index by ethnicity, weekly November 2007 through August 2012



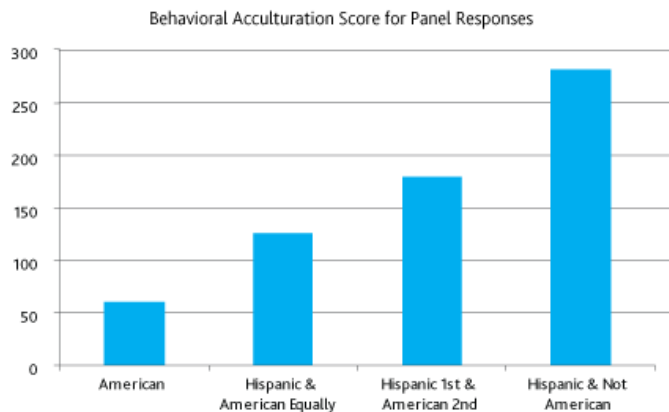
Source: Experian Simmons

# Hispanic Consumer Trends cont.

- Over 60% of U.S. Hispanics are below the age of 35, with a median age of 28
  - Hispanics will represent an increasingly important buying segment
- Acculturation level of Mexican-Americans influence purchasing patterns and product preferences.
  - Generational Acculturation – Second and Third generation Mexican-Americans are more acculturated than previous generation

## How U.S. Hispanics Rate Their Acculturation Level

- Language spoken at home and education also affect acculturation



Product	Less Acculturated	More Acculturated
Beer	Corona, Modelo Especial	Imported (various)
Cereal	Cheerios, Corn Flakes	Raisin Bran, Cap'n Crunch
Condiments	Goya, Chili	Ketchup, Lawry's
Toothpaste	Colgate	Crest, Aquafresh
Soap	Zest, Shower to Shower	Bath & Body Works
Cosmetics	Avon, Mary Kay	Lancôme

Source: The Nielsen Company, Homescan Hispanic Panel

# *Increased Economic Integration between California and Mexico*



# Growing Economic Integration

- Mexico is California's #1 export partner with \$25.4B, up 6% YOY.
- California trade with Mexico has grown 341% in the last 20 years and is expected to grow 7-10% annually.
- Mexican Exports to the California increased \$5.0B in 2014, representing a 14% increase.
- 692,240 jobs in California rely on trade with Mexico



## Mexico and California's Economy and Commerce

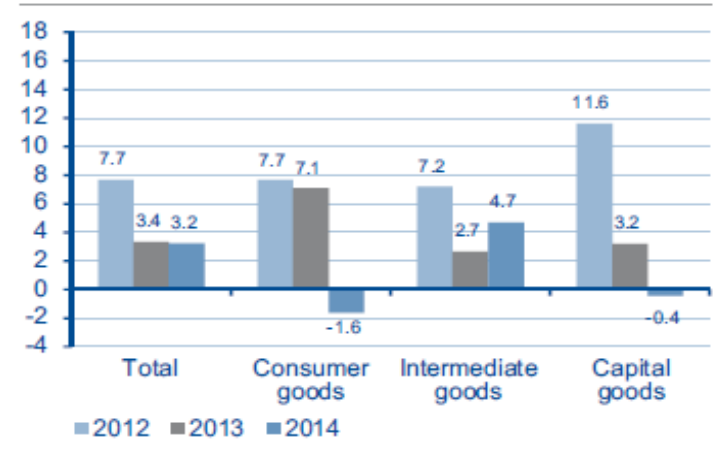
*(USD\$ Billions)*

Country	GDP		Commercial Flow between California and Mexico	
	Mexico	California	Exports	Imports
2000	\$865.2	\$1,320.0	\$17.5	\$20.3
2014	\$1,296.6	\$2,287.0	\$25.4	\$41.3
% Change	49.86%	73.26%	45.14%	104.43%

# The State of Mexican Trade

- Strong US exportation of Intermediate Goods to Mexico
  - Top Exports from California include: computers and electronics, transportation, machinery, chemicals, agriculture
- Consumer and capital goods backed up in early 2014, but have grown historically
- Above average economic performance for Mexican border states

Goods imports over the first six months of each year (Annual % change)



Source: BBVA Research with INEGI data

## Indicators of Economic Performance by State

REGION	REAL GDP (in Billion 2008 Pesos)					CAGR 2003-2012	REAL GDP GROWTH (% Annually)				
	2008	2009	2010	2011	2012		2008	2009	2010	2011	2012
<b>National</b>	11,941.00	11,375.00	11,966.00	12,435.00	12,934.00	<b>2.7%</b>	1.40%	-4.74%	5.20%	3.92%	4.01%
<b>Baja California*</b>	371.50	341.14	348.50	365.20	380.70	<b>2.4%</b>	0.00%	-8.17%	2.16%	4.79%	4.24%
<b>Baja California Sur*</b>	91.00	86.50	89.60	94.40	97.20	<b>4.2%</b>	3.50%	-4.95%	3.58%	5.36%	2.97%
<b>Sonora*</b>	320.90	309.00	331.00	353.70	375.30	<b>4.1%</b>	-0.20%	-3.71%	7.12%	6.86%	6.11%
<b>Coahuila</b>	381.50	332.80	380.90	414.80	435.60	<b>3.3%</b>	1.40%	-12.77%	14.45%	8.90%	5.01%
<b>Chihuahua</b>	346.70	319.60	326.70	335.30	355.40	<b>2.9%</b>	2.10%	-7.82%	2.22%	2.63%	5.99%
<b>Nuevo Leon</b>	846.50	784.30	855.00	907.40	948.50	<b>4.4%</b>	1.90%	-7.35%	9.01%	6.13%	4.53%
<b>Tamaulipas</b>	390.30	372.20	381.20	389.00	400.60	<b>2.5%</b>	3.30%	-4.64%	2.42%	2.05%	2.98%

\*California Border (or related)

Source: BBVA Research- Regional Outlook Mexico 2H14

# California - Mexico Tourism

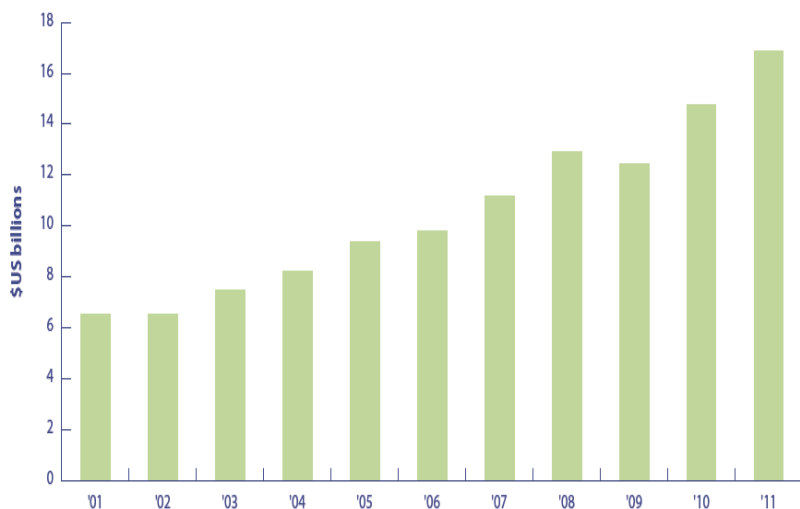
- California is the #1 Tourism destination for Mexican citizens,
  - Mexicans represented 50% of all international tourists to California
  - 2013: 7.5M Mexican tourists, up 3.4% YOY, with \$3B in total spending, up 7.6% YOY

California Tourism Summary								
(Annual % change)								
	2010	2011	2012	2013	2014	2015	2016	2017
Total Visits	5.9%	3.3%	3.1%	5.6%	2.6%	2.6%	2.4%	2.7%
International Total								
% change	9.0%	9.1%	3.5%	4.5%	4.3%	4.6%	5.4%	5.4%
Overseas	18.2%	10.5%	0.9%	6.6%	5.1%	5.4%	5.6%	5.4%
Mexico	1.8%	8.5%	5.7%	3.4%	3.7%	4.0%	5.4%	5.6%
Canada	10.0%	8.8%	4.6%	1.6%	3.8%	4.3%	4.6%	4.4%

- Tourism is Mexico's 5<sup>th</sup> largest source of revenue, generating \$13.8B in foreign exchange inflows, up 8.5% YOY
  - Accounts for 12.5% of GDP and 13.9% of total employment
- 2013-Received 24M international tourists and 54M “day trippers”
  - 20.3M trips by American, an increase of 9% year over year

# Central Valley and the Mexican Economy

Figure 2: The value of California agricultural exports is increasing



Sources: California Department of Food and Agriculture; Milken Institute.

- In 2014, California exported over \$664M in agricultural products to Mexico
- Despite the drought, Agricultural exports to Mexico rose 2.6% in 2014
- In 2010, it is estimated that California food processors imported over \$5.5B in fresh fruit and vegetables
- U.S. farmers cultivate about 200,000 acres of Mexican soil for off-season fresh produce

## California Agricultural Exports (\$ Millions)

PARTNER	2008	2009	2010	2011	2012	2013	2014
México	\$ 474.24	\$ 372.34	\$ 407.60	\$ 432.53	\$ 577.84	\$ 647.41	\$ 664.11
NAFTA	\$ 2,428.85	\$ 2,331.87	\$ 2,625.53	\$ 2,793.95	\$ 2,985.45	\$ 3,254.54	\$ 3,260.65
World	\$ 7,678.59	\$ 7,847.39	\$ 9,354.25	\$ 10,612.76	\$ 11,976.21	\$ 13,782.28	\$ 13,598.33

Source: International Trade Administration (US Dept. of Commerce)



# Mexico - U.S. Institutions

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