

Mexico Freight and Logistics Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Mexico Freight and Logistics Market are anticipated to register a CAGR of more than 9.5% over the forecast period.

Key Highlights

Covid-19 has had a significant impact on the Mexico Freight and Logistics Market. Flight cancellations exacerbated air freight capacity constraints. The road and railway transport disruptions were wreaking havoc on immobilized passengers, freight forwarders, and medics who needed to attend to their responsibilities. Shipment rerouting, consolidation of airfreight to ocean freight, and changing transit countries to catch aircraft are all becoming more common.

During Mexico's most recent six-year administration, public and private-sector investment in the country's transportation infrastructure increased significantly. More than 12,000 miles of the national road system, including freeways, tollways, and rural roads, were upgraded, expanded, and overhauled, bringing the percentage of those that meet international standards to 90%. On the other hand, numerous large-scale projects must be developed to transport people and goods across the country, filling gaps in Mexico's transportation networks and establishing new connections to international markets. States like Jalisco, Michoacan, Oaxaca, Puebla, Queretaro, Tlaxcala, Veracruz, and the Estado de Mexico are well positioned to receive a sizable share of the capital expenditure planned for the coming years under Enrique Peña Nieto's leadership.

The Mexican railway system consists of 26,727 kilometers of track, of which 20,722 kilometers are trunk and branches, 6,005 are secondary, 4,450 are auxiliary routes (yards and sidings), and 1,500 are owned by private individuals and connected to various trunk roads. They are currently licensed to private consortia for 17,799 km of operation in three main trunk lines and three short lines, as well as Railway Terminal del Valle de Mexico, a joint venture company in which the federal government has a 25% stake. Meanwhile, the federal government manages the 222-kilometer Isthmus of Tehuantepec.

Much of Mexico's logistics challenges in distribution and last-mile deliveries relate to land transportation management. 75% of carriers operating in southern Mexico have access to an average of 100 trucks or fewer, many of which are family owned. As a

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result, they lack the financial resources to invest in the purchase of new vehicles and thus keep up with the increase in demand for their services.

Mexico Freight & Logistics Market Trends

U.S-Mexico cross-border trade driving the market

The United States and Mexico will commemorate 200 years of diplomatic relations on December 12, 2022. Mexico remains one of the United States' closest and most valued partners, and US-Mexico relations are strong and vital. The two countries have a 2,000-mile border with 47 active land border crossings. Whether the issue is trade and economic development, education exchange, citizen security, drug control, migration, human trafficking, entrepreneurship, innovation, environmental protection, climate change, or public health, this bilateral relationship directly impacts the lives and livelihoods of millions of Americans.

The United States goods and services trade with Mexico will total USD 725.7 billion in 2021, making Mexico our second largest trading partner. Mexico was the United States' second-largest source of foreign crude oil in 2021 and the top destination for US petroleum product exports and natural gas. Machinery, electrical machinery, vehicles, mineral fuels, and plastics are among the top US exports to Mexico. According to the Department of Commerce, the stock of foreign direct investment by US companies in Mexico was USD 110.7 billion in 2021, while Mexican stock investment in the US was over USD 48.1 billion.

CBP processed more than 2.8 million entry summaries valued at more than USD 291 billion in September 2022 alone, identifying estimated duties of nearly USD 8.2 billion to be collected by the US government. The ocean environment accounted for more than 39.94% of total import value in September, followed by air, truck, and rail. CBP targeted 491 entries worth more than USD 158.6 million in September 2022 for suspected forced labor in the production of imported goods, including goods subject to the Uyghur Forced Labor Prevention Act and Withhold Release Orders.

E-commerce Sector propelling the market

E-commerce in Latin America is still growing after the pandemic, as consumers who became first-time online buyers during the lockdowns are expected to continue shopping online despite the reopening of brick-and-mortar stores. However, due to the high base of comparison and as inflation erodes people's purchasing power, growth in online sales is expected to slow in most countries. However, e-commerce still accounts for a small portion of total retail in the region, implying that there is still a wide range of growth opportunities for companies in the sector.

According to the Mexican Online Sales Association, the domestic e-Commerce market will be worth USD 19.7 billion in 2021, a 27% increase from 2020. In 2021, there will be 57.5 million Mexican e-Commerce users, an 11% increase over 2020. In 2020, women will account for 51% of Mexican e-commerce users. Experts predict that Mexico will have more than 77.9 million e-Commerce users by 2025 as a result of improved connectivity, increased financial inclusion, streamlined logistics, and increased digital literacy. Some challenges remain, most notably labour informality, low financial inclusion, and a lack of connectivity.

During the December holiday season, retailers report the highest number of e-Commerce sales. 'El Buen Fin,' a weekend promotion adopted by most Mexican retailers in mid-November, is the second-largest online shopping event. The following biggest events are Black Friday and 'Hot Sale,' a Mexican Association of Online Retailers initiative in late May/early June where e-Commerce vendors offer significant discounts. Cyber Monday and Mother's Day are two other major shopping holidays.

Mexico Freight & Logistics Market Competitor Analysis

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The Mexico freight and logistics market is highly fragmented, with many international players operating there. In recent years there has been a shift from services to price-based competition. The major international players operating in the country are DHL, DB Schenker, and Penske Logistics, while the domestic players are Solistica, Grupo TMM, and Grupo SID, among others. Mexico Freight and Logistics companies are adopting better and more modern technologies, such as radio frequency identification in warehouses, GPS trackers, cloud storage, and the internet of things for real-time inventory management and electronic data interchange, to facilitate the smooth exchange of information with clients during transportation.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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