



Mexico's 25% Tariff Against Fasteners: Implications for Overseas Suppliers

Introduction

In July, Mexico made headlines in the international trade arena by announcing the imposition of temporary tariffs on 588 non-FTA (Free Trade Agreement) tariff items. Among these items, fasteners, crucial components in various industries, were not exempt from this trade policy shift. Mexico, as one of the largest importers of fasteners in the greater Latin American region, has decided to impose a 25% import tariff on fasteners per kilogram. This tariff is valid until July 2025, sparking concerns and curiosity about its potential impact on overseas fastener suppliers.

In this article, we will explore the background of Mexico's tariff imposition, examine the significance of the fastener industry in the Latin American region, and delve into the potential consequences for foreign fastener suppliers.

Understanding Mexico's Tariff Imposition

Mexico's decision to impose temporary tariffs on a range of products, including fasteners, is a response to various economic and trade factors. The global trade landscape has seen its share of challenges, from trade tensions between major economies to economic uncertainties stemming from the ongoing COVID-19 pandemic. In an attempt to protect and boost domestic industries, Mexico implemented these tariffs. While the tariffs are temporary, set to expire in July 2025, their impact on various sectors, especially the fastener industry, remains a topic of keen interest. A quick look to the statistics shows that, Mexico's industrial production surged by 4.8 percent over a year in July of 2023, down from an upwardly revised 4.9 percent increase in the previous month and higher than market expectations of a 4.2 percent rise. It marks the twenty-first straight month of industrial growth at a solid pace.

Mexico's Role in the Latin American Fastener Market

Mexico's strategic geographical location and thriving manufacturing industry have made it one of the leading importers of fasteners in the greater Latin American region. The country's automotive, construction, and electronics sectors, among others, rely heavily on fasteners to support their production processes. With a rapidly expanding industrial landscape, Mexico has fostered a robust demand for fasteners.

- **Automotive Sector:** The automotive industry, in particular, has been a significant driver of fastener demand in Mexico. **With numerous international automotive manufacturers operating in the country, Mexico has become a key hub for automotive production in the region.** Statistics reveals that, in 2022, the country's passenger car market recorded an estimated revenue of over 37.2 billion U.S. dollars, triple its 2021 revenue. Demand for new cars remains high in the country: As of June 2023, around 67 percent of consumers intended to purchase a passenger car within the next twelve months, and 63 percent considered car ownership important.
- **Construction Industry:** Mexico's construction industry has experienced substantial growth, further fueling the demand for fasteners. Residential, commercial, and infrastructure projects have created a steady market for these essential components. **The Mexico construction market size was US\$177.8 billion in 2022.** The market is projected to achieve an AAGR of more than 2% during 2024-2027. The growth of the construction industry in Mexico will be supported by ongoing economic growth and an increase in corporate nearshoring investment and public infrastructure investment.
- **Manufacturing and Export:** Mexico's manufacturing sector has not only



served the domestic market but has also acted as a gateway for products destined for export. This manufacturing prowess, in tandem with fastener usage, underscores the importance of the industry within the country. In current U.S. dollars, **Mexico manufacturing output for 2022 was US\$265.67B, a 15.48% increase from 2021.** Mexico manufacturing output for 2021 was US\$230.07B, a 21.44% increase from 2020. And, Mexico total exports expanded 3.0 % YoY in Aug 2023, compared with an increase of 3.6 % YoY in the previous month.

Impact on Overseas Fastener Suppliers

In the fast-paced world of international trade, Mexico has exhibited promising trends in its fastener industry over the past two years. **In 2021, the country traded (import + export) US\$3.46 billion fasteners, and in 2022, this figure grew to US\$3.91 billion. It's anticipated that Mexico's fastener trade will continue on an upward trajectory, reaching an estimated trade value of around US\$4.07 billion.** These trends indicate a growing or stable industrial sector and competitive domestic production. The imposition of a 25% import tariff on fasteners by Mexico has raised pertinent questions for overseas suppliers. The consequences of this move are multifold and will likely be experienced by both suppliers within Mexico and those operating beyond its borders.



- **Competitive Pricing Pressure:** Overseas fastener suppliers may face increased pricing pressure as a result of the tariff. With the cost of importing fasteners into Mexico rising, suppliers may need to re-evaluate their pricing strategies to remain competitive in the Mexican market.
- **Supply Chain Optimization:** The tariff imposition may incentivize overseas suppliers to consider adjustments in their supply chain strategies. These adjustments could involve exploring new markets, diversifying product offerings, or seeking local partnerships to mitigate the tariff's impact.
- **Regulatory Compliance and Documentation:** Exporters will need to ensure compliance with Mexican regulations and accurately complete documentation to navigate the tariff successfully. This can be a complex process and may necessitate changes in administrative and logistical procedures.

- **Diversification of Customer Base:** Suppliers heavily reliant on the Mexican market for fastener sales may consider diversifying their customer base. While Mexico remains an important market, reducing dependence on a single market can help offset potential losses.
- **Market Research and Intelligence:** Staying informed about the evolving market conditions in Mexico is crucial. Keeping a close watch on industry trends, tariff updates, and consumer preferences can help suppliers make informed decisions.
- **Quality and Innovation:** To remain competitive, suppliers might focus on offering high-quality fasteners and innovative solutions. By providing value beyond cost, they can maintain their appeal to Mexican customers.

Conclusion

Mexico's temporary tariff imposition on fasteners, valid until July 2025, is set to impact both domestic and foreign suppliers. The significance of the fastener industry in Mexico, especially within the automotive and construction sectors, makes it an essential market for overseas suppliers. While the tariff introduces pricing and regulatory challenges, it also encourages suppliers to adapt and innovate in response to changing market conditions. By staying informed, diversifying customer bases, and optimizing supply chains, overseas fastener suppliers can navigate this challenging terrain and continue to thrive in the dynamic Mexican market. The effects of this tariff will undoubtedly be felt, but with strategic planning and adaptability, suppliers can minimize disruptions and continue to participate in Mexico's growing industrial landscape. ■

Copyright owned by Fastener World / Article by Sharareh Shahidi Hamedani

"ANCHORS"

WE SUPPLY MANY OTHER KINDS OF HIGH-QUALITY PRODUCTS



MAXTOOL INDUSTRIAL CO., LTD.
No. 93, Sec. 4, Chung Chin Rd., Daya Dist.,
Taichung City 42880, Taiwan
Tel: 886-4-25672336 Fax: 886-4-25671242
E-mail: service@maxtool.com.tw
<http://www.maxtool.com.tw>
<http://www.fastener-world.com/en/supplier/maxtool>

