

Manufacturers
ALLIANCE

Election Update Mexico's Competitive Advantage and Freight Outlook 2025

Presented by:



Agenda

Introductions

- Mauro Rodrigo González – Chief Commercial Officer & President, Mexico
- Micah Holst – Executive Vice President, Business Development

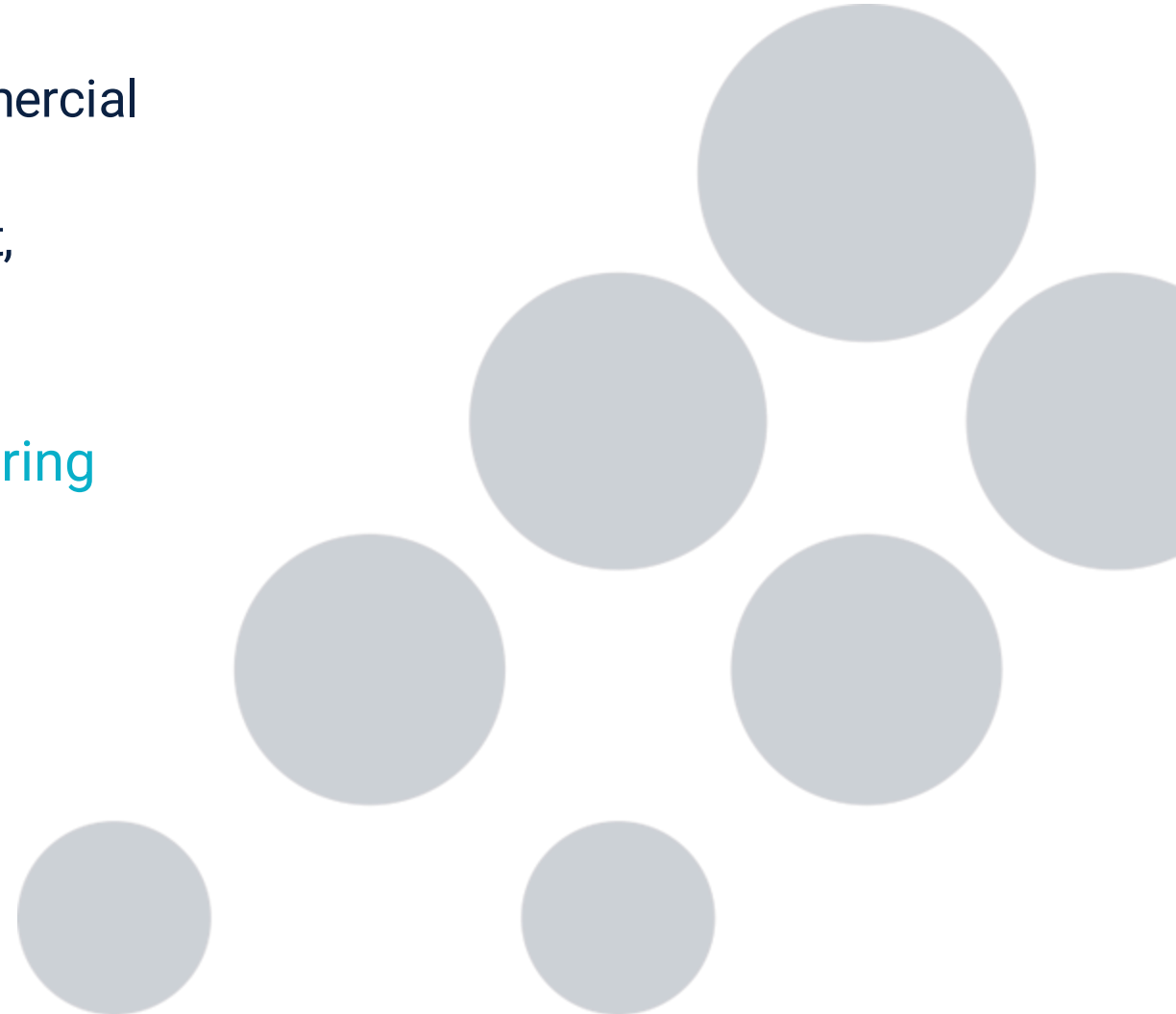
Recent Election Outcome Discussion

Mexico's Competitive Advantage – Nearshoring Hub

Current and 2025 Freight Market Outlook

- Ocean
- Air
- Ground
- Freight Outlook Summary

Q&A



The Ascent Portfolio



Strength of Expertise **since 1979**



On-Demand

- Air charter
- Ground expedite
- Airfreight
- On-board courier
- Spot buy truckload



USA Jet

As a service of Ascent, we provide the time-critical airlift necessary to reinforce supply chains across the North American manufacturing industry.



Forwarding

- Ocean freight forwarding
- Air freight forwarding
- Customs brokerage
- Order management
- Trade compliance



Brokerage & Managed Transportation

- FTL – dry van, temp control
- Less-than-truckload
- Flatbed & heavy haul
- Freight audit & pay
- BI tools & reporting

PEAK Marketplace

PEAK View
PEAK Essentials
PEAK Order Management

My PEAK Portal

peAK
Powered by Ascent Technology



Recent Election Outcome

Potential Impacts of the Election

on U.S. Supply Chain Logistics



Preparing for Potential Supply Chain Disruptions – The New Normal

**Potential ILA strike as
the contract expires
January 15, 2025**

**Mixed impacts from
previous elections on
supply chains**

**Trade Policy
Infrastructure
Regulations**

Economic policies

**Trade
Tariff-Based
Policy**

**Supply Chain
Congestion
from Frontloading
of Imports**

Republican Party Campaign Policies



Infrastructure

- Support for traditional infrastructure projects
- Improvement in transportation networks, but less emphasis on sustainability

Regulation and Compliance

- Deregulation agenda
- Potential regulatory leadership changes to create policy may favor employer flexibility over strict labor regulations

Trade Policy

- Tariff implementation
- Corporate tax rate cut for domestic manufacturers
- Appointment of a "Manufacturing Ambassador" to attract foreign manufacturers

Potential Impacts of the Election

on Mexico Supply Chain Logistics



Republican win in the U.S. could have a range of implications for the manufacturing sector, particularly for Mexico's role in the North American supply chain and companies operating within it.

**Increased
Reshoring and
Domestic
Investment**

**Stricter Trade
Policies and Tariffs**

**Changes in the
USMCA**

**Enhanced Focus on
Infrastructure and
Energy
Independence**

**Impact on Labor
and Skills
Development**

**Greater Investment
in Technology and
Automation**

**Pressure on
Sustainability and
ESG Initiatives**

**Sector-Specific
Growth**

Poll Question



If the incoming administration revises trade policies and promotes reshoring incentives, what do you believe will be the biggest impact on the manufacturing industry?

- A. Increased U.S.-based production and jobs
- B. Higher costs due to stricter import tariffs
- C. Greater investment in automation and technology
- D. Disruptions in global supply chains and partnerships

Mexico's Competitive Advantage – Nearshoring Hub



Recent Drivers of Nearshoring



↑ US/China – Tariffs

Tariffs imposed by the United States in 2018 have caused some businesses to look for alternative markets to reduce costs.

→ NAFTA vs USMCA (2020)

The United States-Mexico-Canada Agreement increased regional value content requirements for products to be made in North America, giving producers an incentive to relocate their supply chains.

↑ Technology

Uptick in e-commerce is changing the way companies manage their supply chains as they are closer to their customers.

↓ COVID-19

The rapid spread of COVID-19 led to closing of borders globally which impacted the availability of goods and delivery times during a time when the demand for various products increased.

↑ Disruptions to logistics

The availability of equipment globally and the increase in the cost and reliability of transport due to multiple factors.

↑ Geopolitical tension

Russia-Ukraine & Israel-Palestine war
US/China/Taiwan

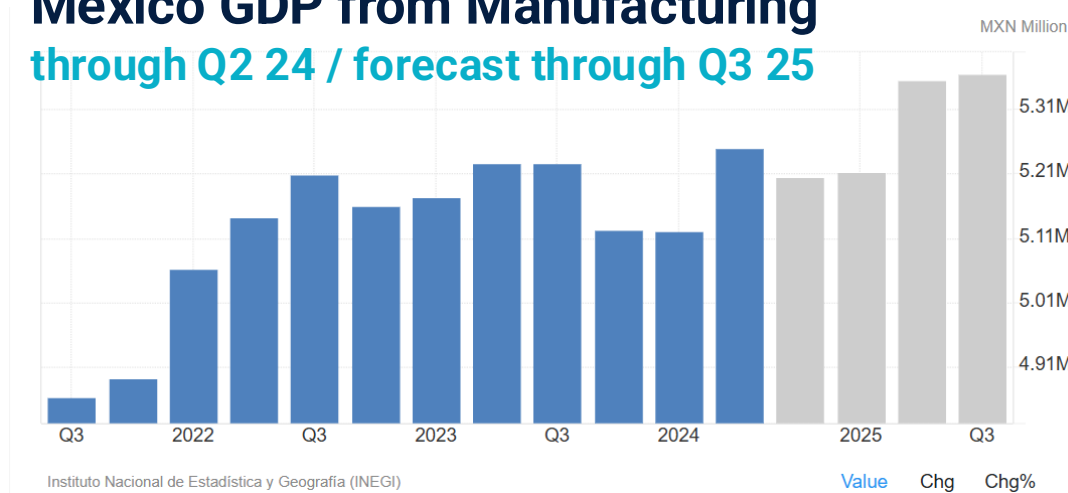
↑ Climate Change

Natural disasters are becoming more and more normal – need to be closer to markets

Update on Mexico Economic Growth



Mexico GDP from Manufacturing through Q2 24 / forecast through Q3 25



Value of Goods being imported to U.S. 2023



- Continues to be a once-in-a-generation opportunity for Mexico
- Q2 2024, Mexico's manufacturing sector contributed approximately 5.25 trillion Mexican pesos to the nation's GDP
- Accounts for 20% of Mexico GDP in 2023
Continues to supercharge the country's economic growth across different sectors
- Can add an additional 3% to its GDP in the next five years
- Imports to the U.S. from Mexico outpacing China by 11.25%

Poll Question



Which factor do you think will have the greatest impact on Mexico's manufacturing sector growth over the next year?

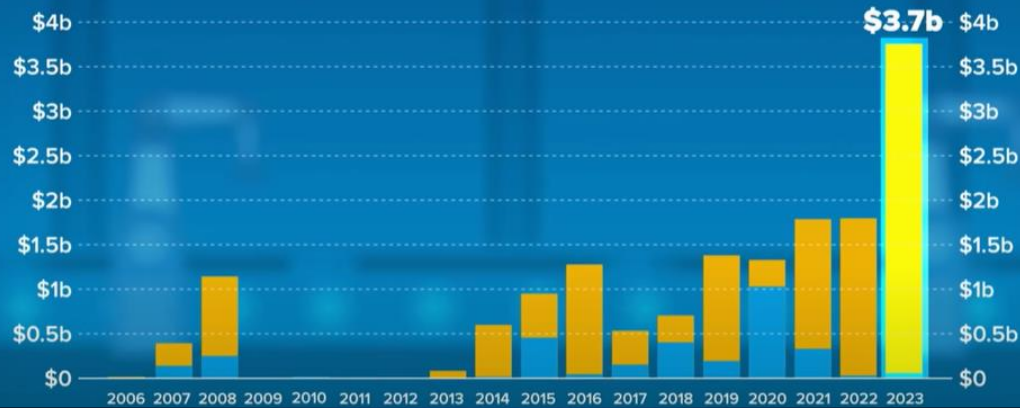
- A. Nearshoring trends and proximity to North America
- B. Government and private sector infrastructure investments
- C. Trade dynamics and free trade agreements (like USMCA)
- D. Overcoming challenges such as labor shortages and energy costs

Mexico – Chinese Foreign Direct Investment



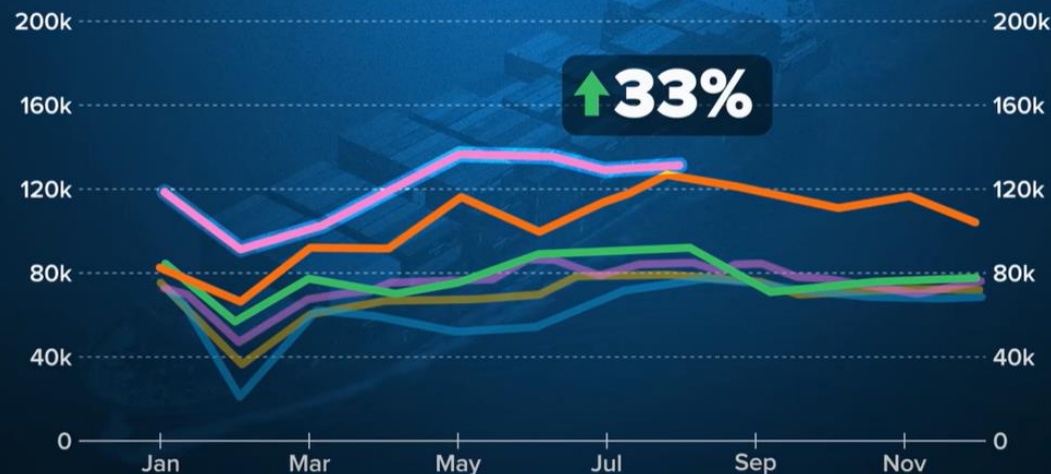
Chinese foreign direct investment (FDI) in Mexico

Acquisition New operations



Container traffic from China to Mexico in TEUs

2019 2020 2021 2022 2023 2024



Chinese foreign direct investment (FDI) in Mexico and the surge in container traffic from China to Mexico have significantly reshaped trade dynamics in recent years.

- **Rapid Growth:** Chinese FDI in Mexico has increased substantially
- **Underreported Figures:** The Rhodium Group estimates that actual Chinese FDI in Mexico could be six times higher than official figures suggest, approx.
- **Strategic Investments:** Chinese companies are increasingly using Mexico as a manufacturing hub to circumvent U.S. tariffs, particularly in sectors like automotive and electronics.

Barriers to new investments



Electric Energy



Infrastructure



Crime



Renewal Energy



Regulations



Human Capital



Water Supply

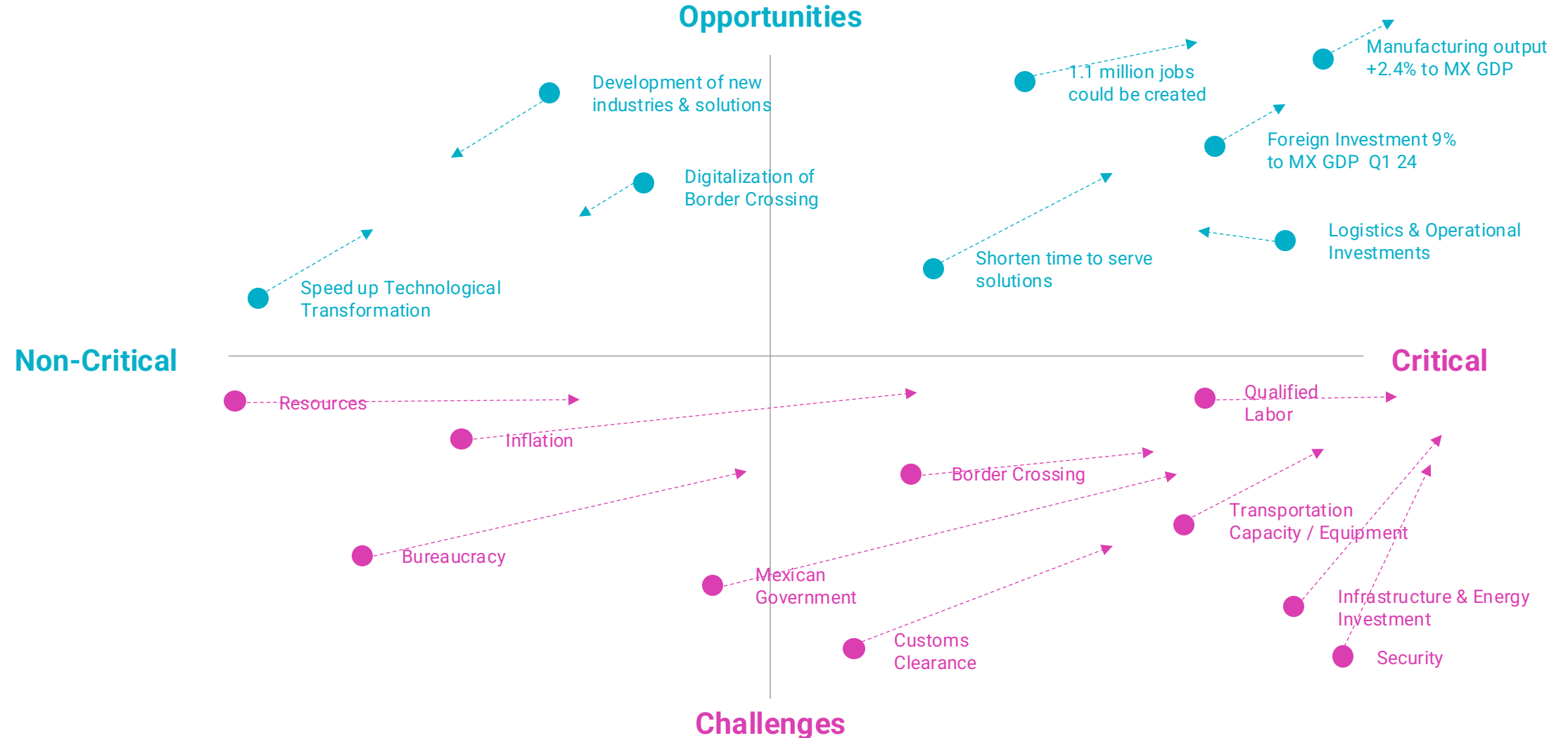


**Currency
Appreciation**



Wages

Mexico Nearshoring Opportunities & Challenges



Year at a Glance

Impact of U.S. – Mexico Disruption on Supply Chains



December 2023



February 2024



February 2024



June 2024



July 2024



September 2024

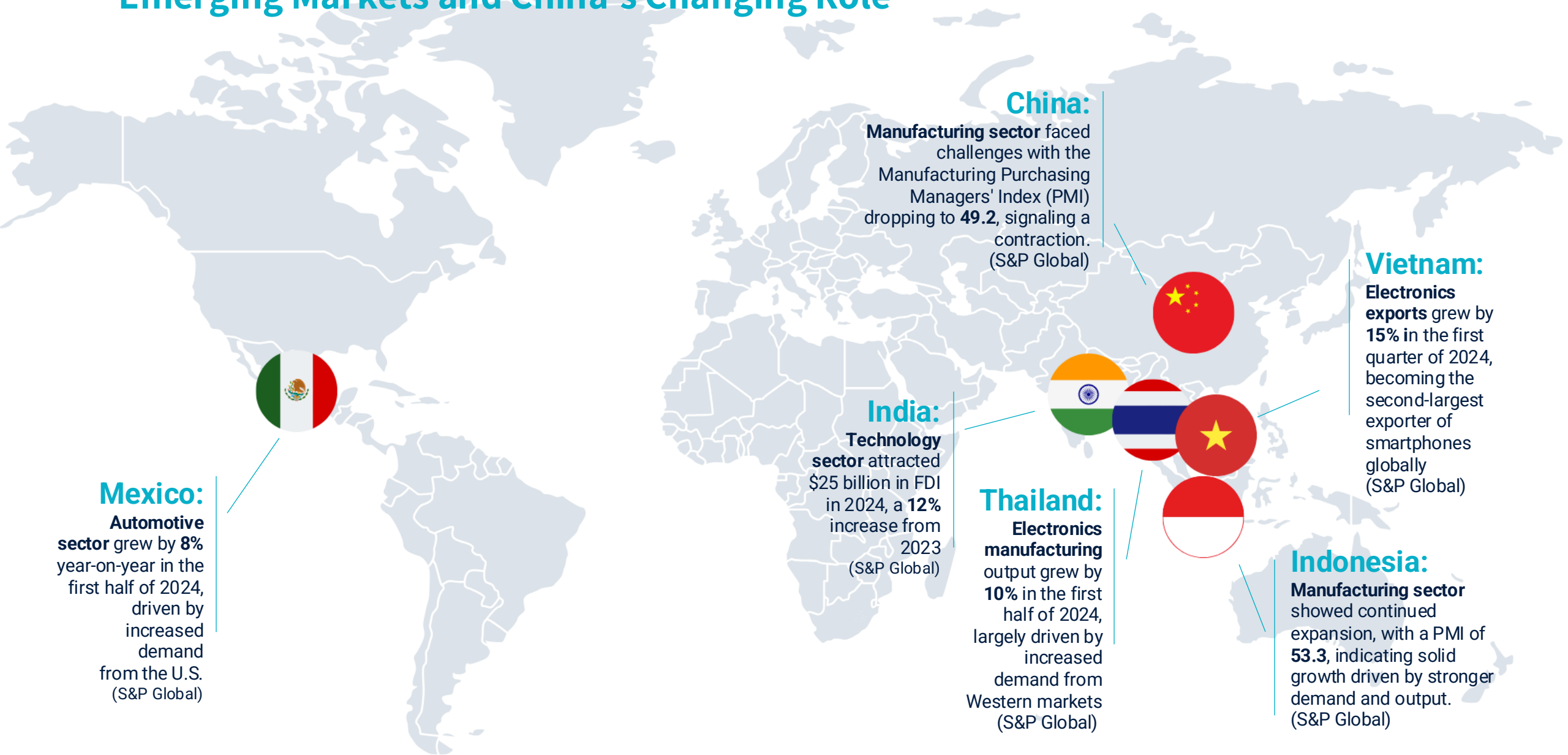


Ongoing:

Beyond border and highway blockages, carrier capacity has tightened with nearshoring growth—ground capacity is showing increasing challenges for intra-Mexico and northbound transportation.

Global Supply Chain Shifts

Emerging Markets and China's Changing Role



Mexico:

Automotive sector grew by 8% year-on-year in the first half of 2024, driven by increased demand from the U.S. (S&P Global)

China:

Manufacturing sector faced challenges with the Manufacturing Purchasing Managers' Index (PMI) dropping to **49.2**, signaling a contraction. (S&P Global)

India:

Technology sector attracted \$25 billion in FDI in 2024, a 12% increase from 2023 (S&P Global)

Thailand:

Electronics manufacturing output grew by 10% in the first half of 2024, largely driven by increased demand from Western markets (S&P Global)

Vietnam:

Electronics exports grew by 15% in the first quarter of 2024, becoming the second-largest exporter of smartphones globally (S&P Global)

Indonesia:

Manufacturing sector showed continued expansion, with a PMI of **53.3**, indicating solid growth driven by stronger demand and output. (S&P Global)

Summary

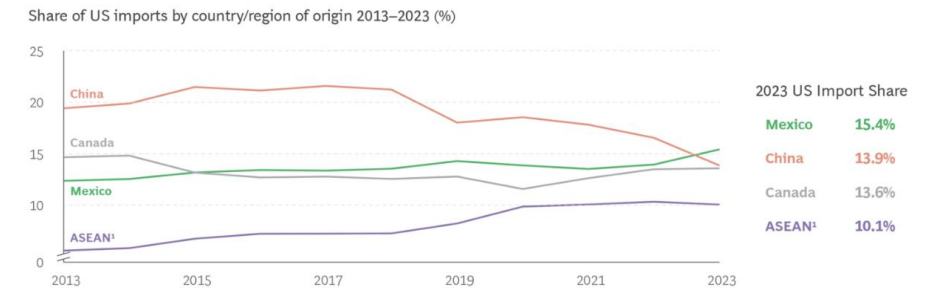


Mexico still enjoys big advantages as a manufacturer for North America. But growing labor and infrastructure constraints - and US protectionism - threaten to erode its competitiveness. Also, Mexico's new President needs to demonstrate a strong investment commitment.

- Powered by exports of manufactured goods, Mexico has overtaken China as the biggest US trade partner, and foreign investment in new factories continues to surge.
- Manufacturing wages have been rising sharply and worker shortages are growing, however, especially in industrial zones near the US border. Supplies of electricity, water, and logistics aren't keeping pace with demand.
- Suspicions that Chinese automakers plan to use Mexico as a duty-free export base for low-cost EVs to the US, circumventing high protectionist barriers, are raising calls in Washington to renegotiate the US–Mexico–Canada Agreement.
- Nearshoring is expanding to Centam, Caribbean and North Latam areas (it could go up to Argentina depending on the next government decisions and new politics).

Source: Alix Partners

Exhibit 1 - Mexico Has Surpassed China as the Top US Trade Partner



Sources: US Census Bureau; BCG analysis.

¹ASEAN includes Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

Exhibit 2 - Mexico Has Many Well-Established Industrial Clusters



Sources: Banco de México; media reports; BCG analysis.



Current & 2025 Freight Market Outlook

A photograph showing a road completely blocked by a large, fallen tree trunk and its branches. The surrounding trees and ground are heavily covered in snow or ice, indicating a winter storm. The sky is overcast and grey.

[illegible]

Poll Question



Until AI is able to predict pandemics, vessel blocks, fires, hurricanes and other political impacts, what tool will you use to master those?

- A. API
- B. EDI
- C. XML
- D. Logistics professionals

2025 Ocean Freight Outlook



Key Points

Ongoing Geopolitical Risks

Impact of Route Diversions

U.S.-China Trade and Tariff
Uncertainty

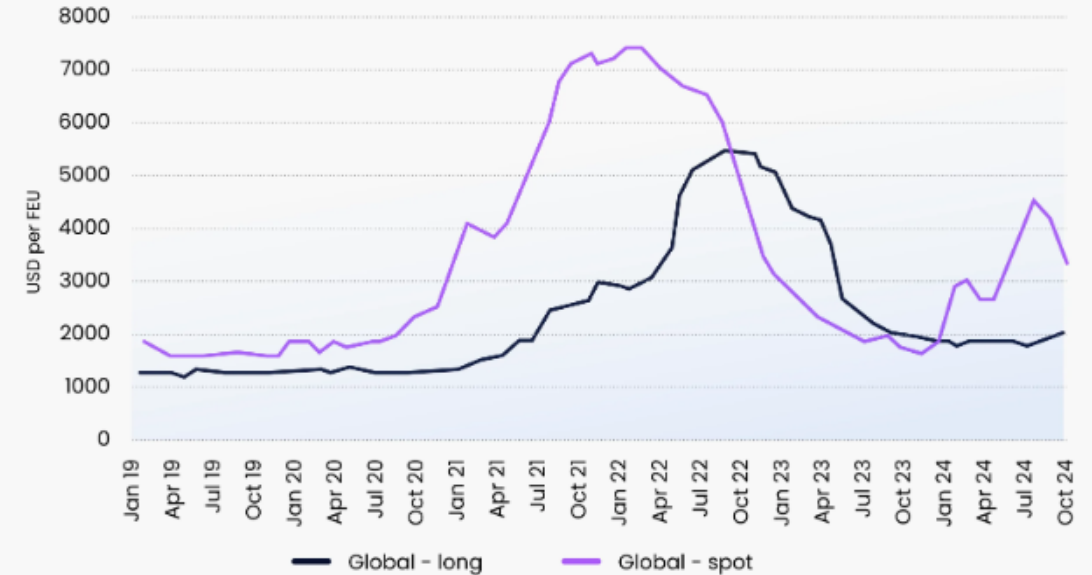
U.S. & Canada Port Strikes

New Market Alliances

Market Conditions for 2025
Contracts

Long-Term Contracts and Spot
Market Tension

Average weighted spot and long rates



Source: Xeneta

2025 is poised to be challenging, requiring realistic planning, budget management, and strong supplier relationships to sustain supply chains amidst uncertain market conditions.

2025 Air Freight Outlook



The international airfreight market in 2025 is expected to experience moderate growth, with pricing influenced by economic conditions, capacity dynamics and evolving trade policies.

- **Economic Growth and Demand:**
Global GDP is projected to grow by 3.2% in 2025
- **Capacity and Supply Dynamics:**
Recovering, however new freighter supply delays
- **Incoming Administration Trade Policies:**
Tariffs may alter trade flows
- **Energy Policies:**
U.S. energy production may affect fuel prices
- **Pricing Forecast:**
A potential 5-7% increase in airfreight rates



Businesses should plan shipments closely to the cargo-ready date, conduct market scenario planning and work with logistics partners that can support flexible, ad hoc capacity planning.

2025 Truckload Freight Outlook



Demand Recovery and Economic Growth:

- U.S. economic moderate growth in 2025..
- Increased volume as manufacturing and retail stabilize
- Benefit from a slightly tighter capacity environment

Capacity Adjustments:

- Capacity constraints could help support rate increases

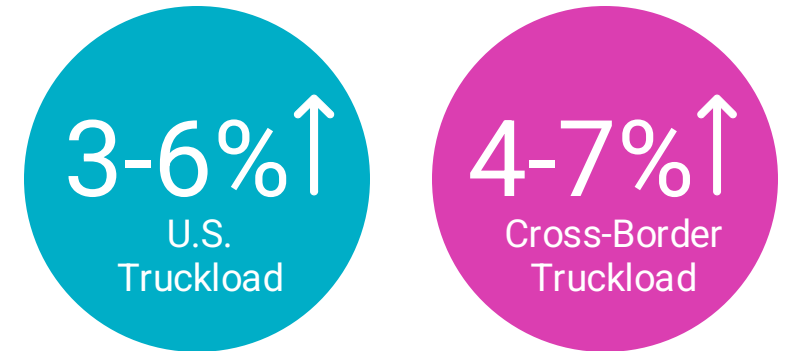
Producer Price Index (PPI) Trends for Truckload:

- As of late 2024, the index is stabilizing, suggesting that rate increases may continue through 2025

Growing Cross-Border Trade

- Continued expansion and more US investment in Mexico
- Mexico's truckload market is also seeing increased infrastructure / investments.

Producer Price Index (PPI) Trends



U.S. and Mexico truckload freight markets are expected to experience price increases due to a mix of economic growth, capacity adjustments, and the recent U.S. election outcomes impacting trade and energy policies.

2025 LTL Freight Outlook

Economic Headwinds: Slower U.S. GDP growth in 2025 due to tighter monetary policy, but resilient consumer spending provides stability.

Freight Rate Increases: Anticipated freight rate rises in 2025, with recent improvements in LTL yield and revenue per shipment.

Capacity Tightening: Increased shipment requests and tender rejections suggest tightening truckload capacity, potentially lifting LTL rates.

Technology Innovations: Growth in autonomous trucking for efficiency; progress will depend on federal oversight and public trust.

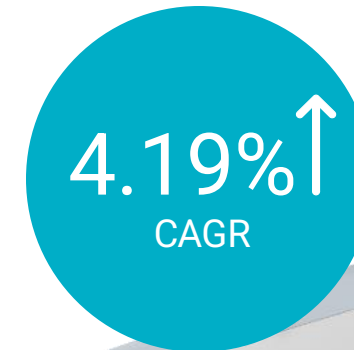
Regulatory Shifts: CARB Clean Truck Regulations and ZEV mandates impacting fleet operations; critical focus on infrastructure and incentives for adoption.

Political Influence: New administration may introduce trade and regulatory changes that affect demand; industry watching policy directions.

Nearshoring Momentum: drives cross-border LTL demand to cut costs and boost supply chain resilience.



Compound Annual Growth Rate (CAGR)



2025 Freight Outlook:



Economic Growth and Demand

- Flat Economic Growth
- Manufacturing Resilience

Freight Sector Trends

- Muted Q1 Performance
- Pricing Mode-Dependence
 - Truckload and ocean freight continue to face overcapacity
 - Airfreight may see moderate rate increases with demand for faster deliveries amid supply chain unpredictability
- Alignment with Economic Conditions

Election Aftermath and Policy Impact

- Potential Regulatory and Trade Changes
- Energy Policy Adjustments

In Summary: Key Challenges for 2025



**Labor
Disruptions**

**Continued
Overcapacity**

**Interest Rates
and Inflation**

**Global Trade
Policy
Adjustments**

**Emergence of
Manufacturing
Demand**

As we approach 2025, a cautious yet strategic approach will be essential for successfully navigating the shifting landscape of freight and logistics.

By closely monitoring economic indicators, adjusting capacity to align with fluctuating demand, and staying prepared for regulatory changes, we can position ourselves to weather disruptions and uncover new opportunities for growth and efficiency. With a commitment to adaptability and resilience, we're ready to move forward and lead the way in an evolving industry.

Q&A

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