



Mexico: The Story Behind the Headlines

September 2011



The Mainstream Media Headlines

“Mexicans have endured plenty of horrific crimes during their country's bloody five-year war against drug gangs. But the arson in the northern Mexican city that killed 52, mostly women, was a macabre milestone...”

NPR, August 2011



“Since President Felipe Calderón took office in December 2006, declaring war on traffickers, roughly 43,000 people have been killed in drug-related homicides [in Mexico], according to government figures and newspaper estimates. The pace of killings is escalating. More than half the dead, 22,000, were killed in the past 18 months, a rate of one every 35 minutes.”

Wall Street Journal, August 2011

THE WALL STREET JOURNAL.

“The number of murder victims unearthed in mass graves in northern Mexico this month has risen to 279, making it easily the worst discovery of its kind since the government began a campaign against drug cartels.”

Reuters, April 2011



Recent Business Headlines

“Direct foreign investment totaled \$10.6 billion in the first half of the year...this put the country on target to reach official forecasts of \$20 billion for the year.”

Reuters, August 2011



“Mexico's economy is expected to expand by more than 4.5 percent this year.”

CNBC, June 2011



“In 2010...the Mexican peso appreciated against the dollar. Inflation was essentially flat. Foreign reserves rose to \$113 billion...Trade with the U.S. reached an all-time high of nearly \$400 billion.”

The Wall Street Journal, May 2011

THE WALL STREET JOURNAL.

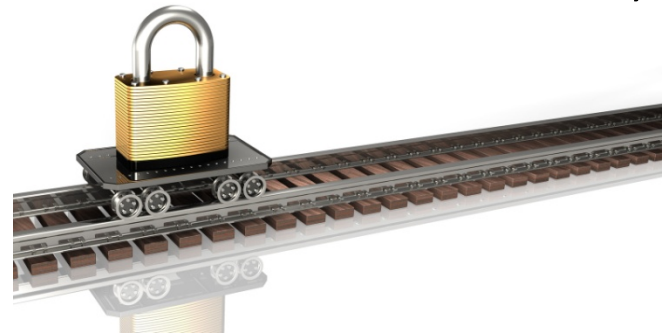
“When it comes to global manufacturing, Mexico is quickly emerging as the "new" China.”

Keith Fitz-Gerald, Chief Investment Strategist, Money Morning



KCSM Shipment Security

- 99.98 percent of shipments move without a claim
- Multi-layered safety and security process
 - *Full-time and contract agents*
 - *Canine units*
 - *Guard points*
 - *Patrol vehicles*
 - *24 x 7 security desk - tracks data, trends and serves as the communication link*
- Full process integration with U.S. and Mexico law enforcement
- VACIS scanning system in operation at Lazaro Cardenas, Nuevo Laredo and Laredo
 - *X-ray cargo imaging*
 - *Radiation scanning*



The Story Behind the Headlines

Trade Growth

- Mexico has 13 Free Trade Agreements involving more than 44 countries
- 2010 US imports rose 31.4 percent from 2009
- The United States is Mexico's largest trading partner

Wage Rate

- Labor costs are converging with China

Proximity

- Supply chain compression
- Time zones are similar
- Travel access is faster and cheaper

Currency

- In US dollar terms, since 2005 Chinese products have become about 40 percent more expensive than those sourced in Mexico

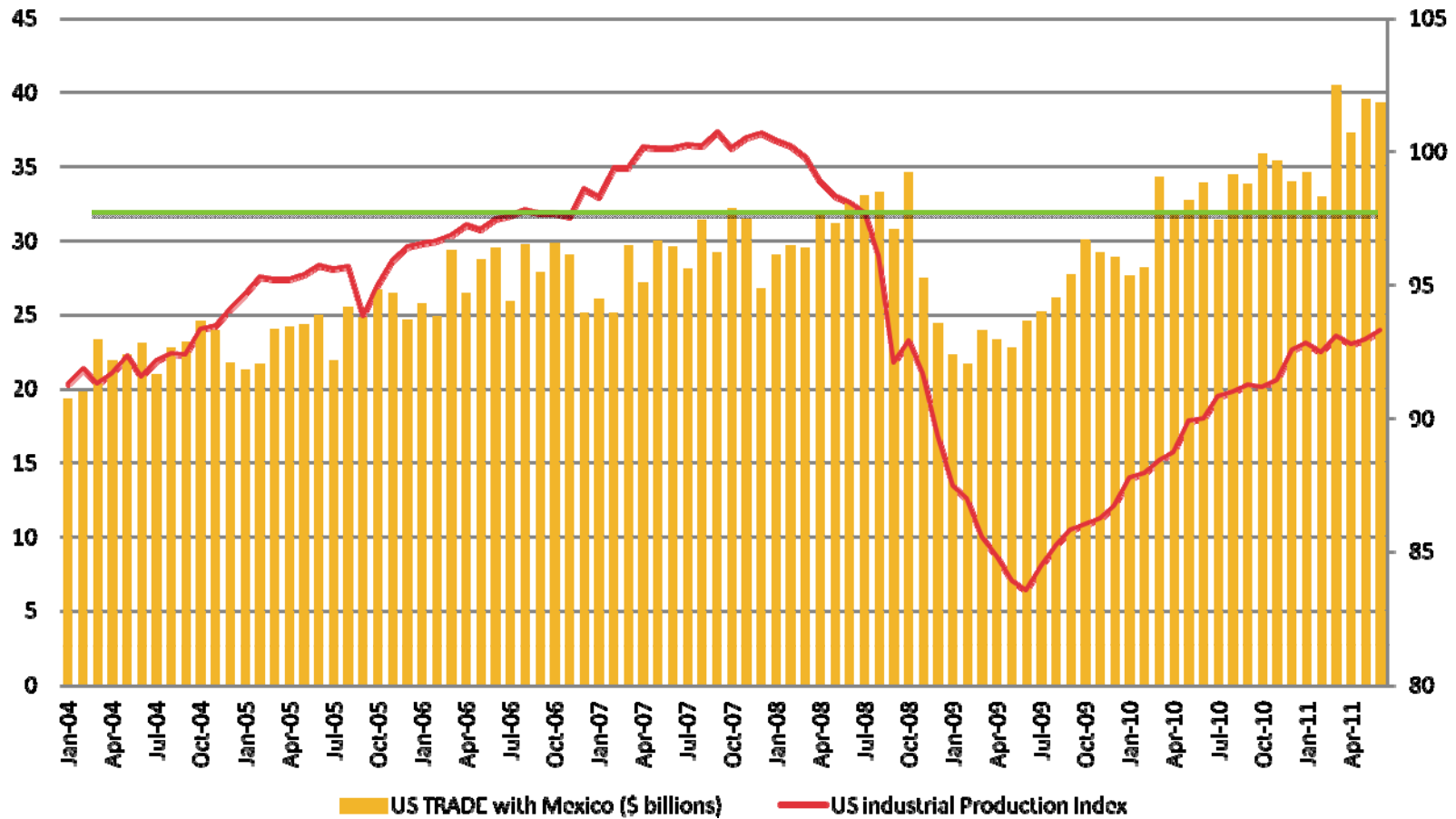
Transportation Costs

- 50-80 percent less expensive to U.S. Markets than for those coming from Asia



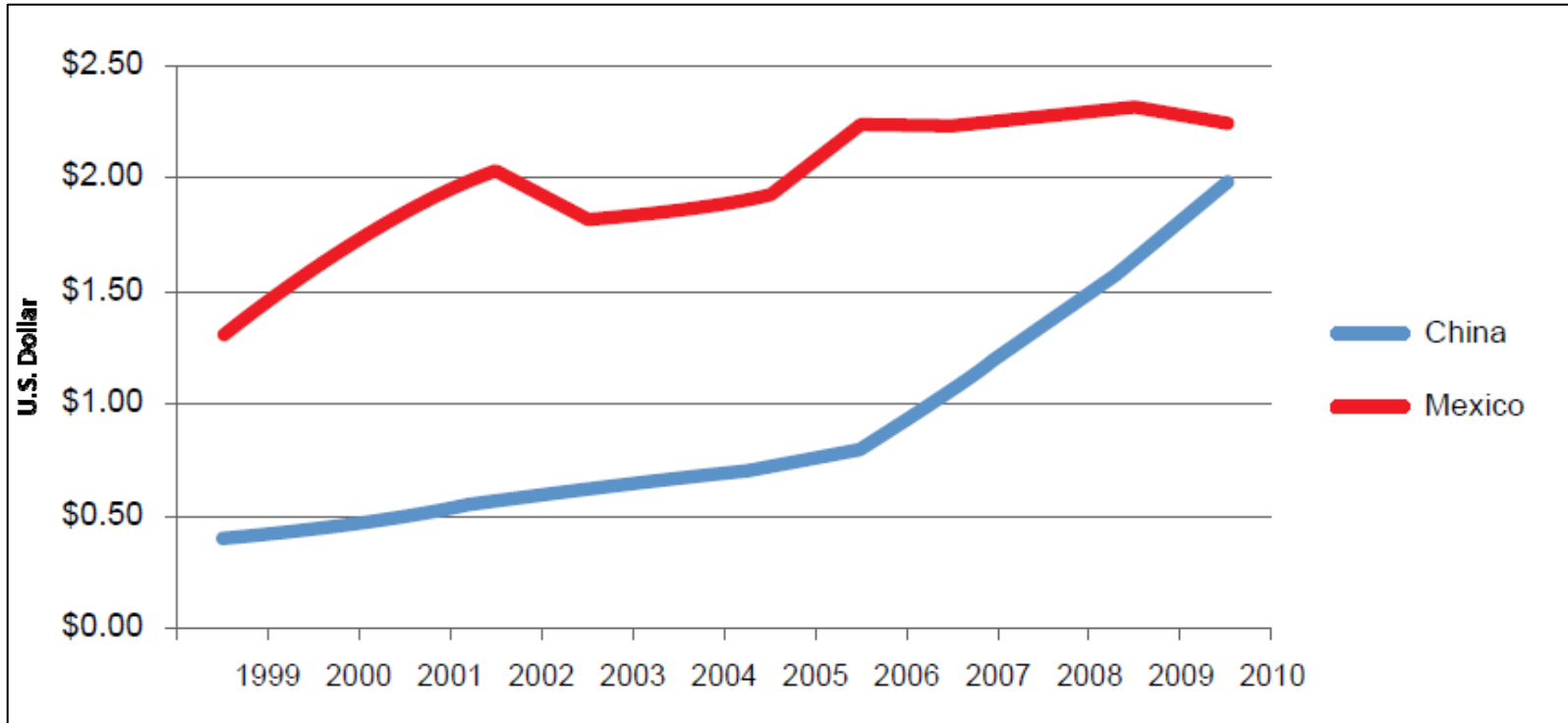
Cross Border Trade Volume

U.S. – Mexico trade has returned to pre-recession levels



Mexico vs. China Wage Rate

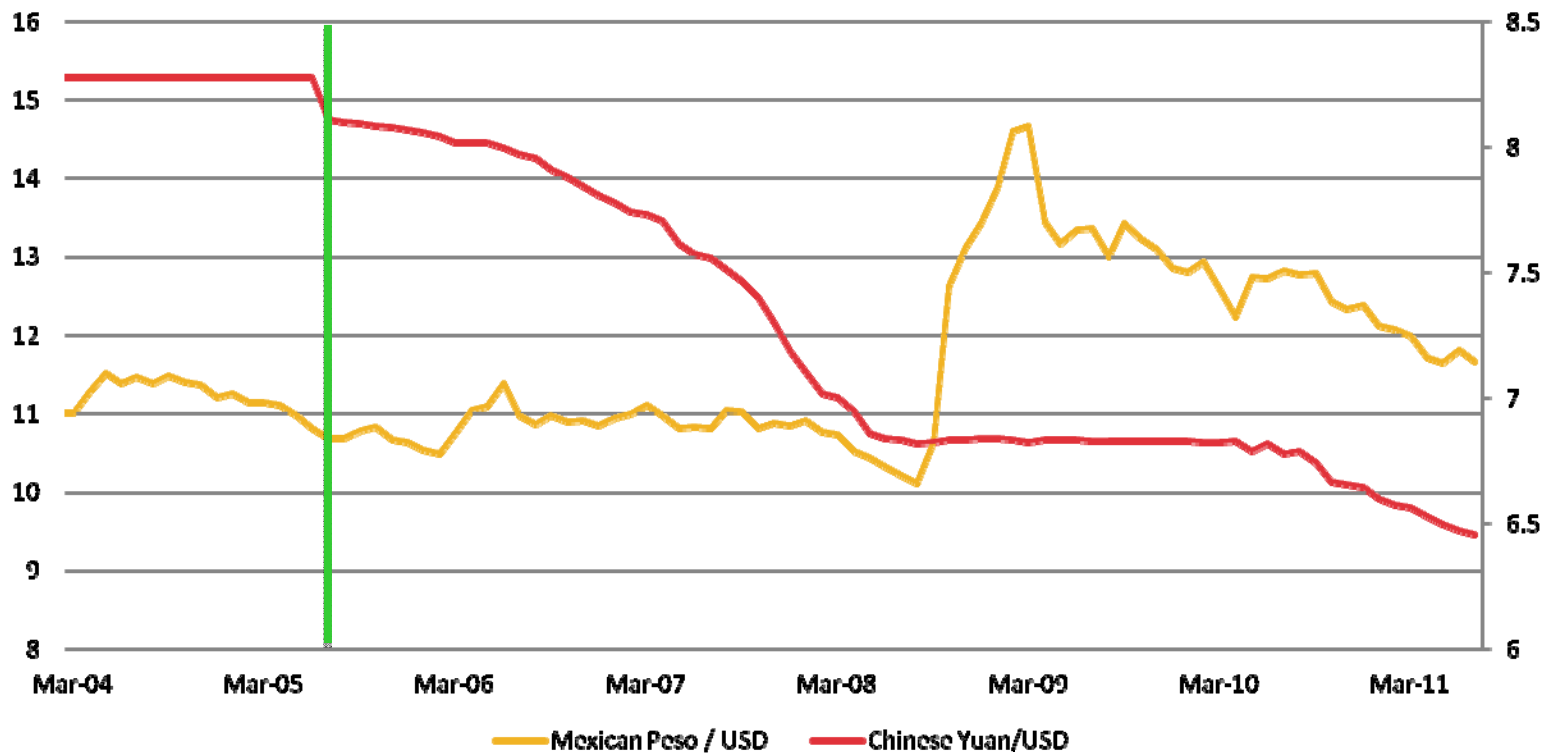
Since 2003, wages in Mexico have risen only 25 percent compared to 218 percent in China.



Mexico's Currency Advantage

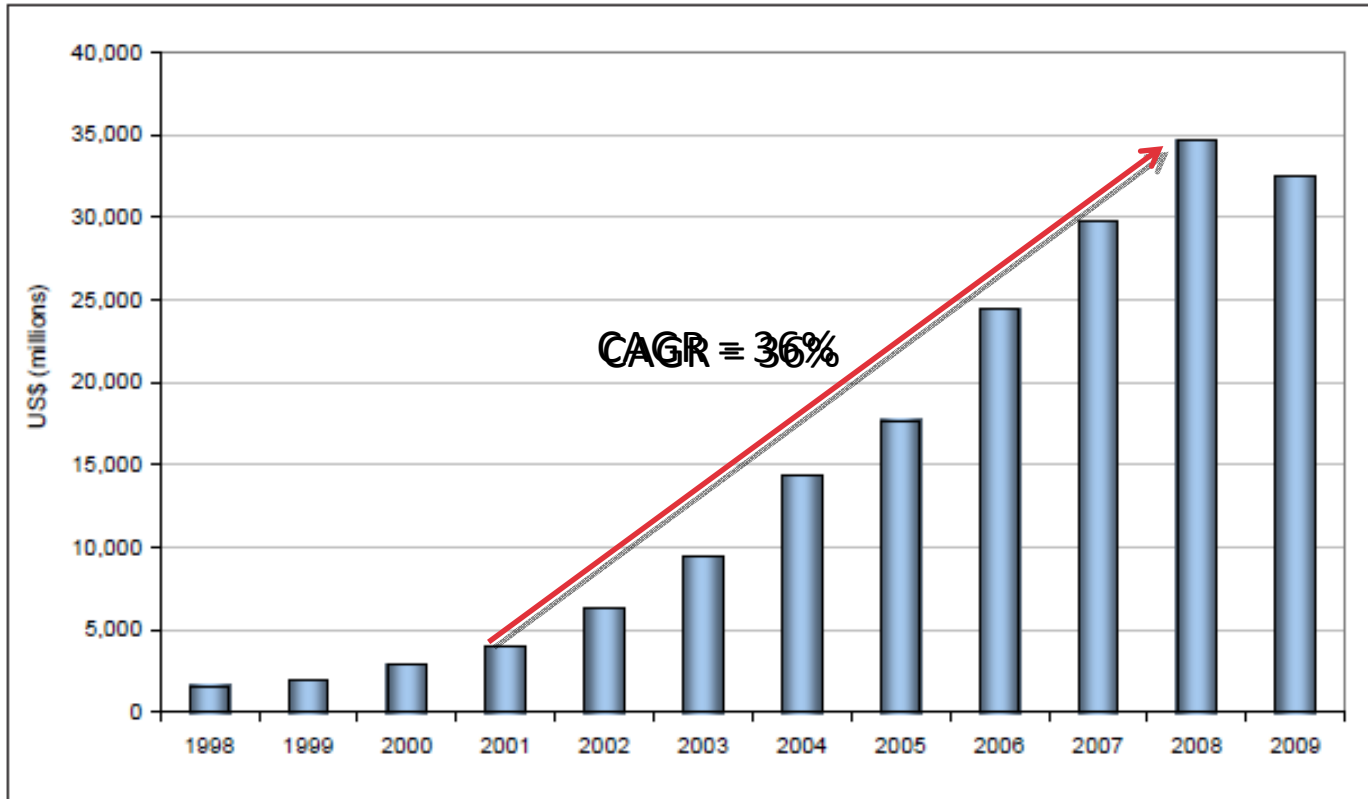
In US Dollar terms, since 2005 products sourced in Mexico have become about 40 percent less expensive than products sourced in China.

Peso & Yuan Exchange Rate



Mexico is Second Only to U.S. in Exports to China

Chinese Imports from Mexico



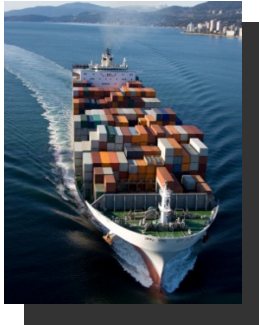
Highly Skilled Work Force

- Population of 112 million people (average age of 29 years old)
- By 2030, Mexico will reach its lowest Dependency Ratio
- More than 90,000 engineers graduate every year
 - *3x higher than the US (per capita)*
- 9th largest talent pool of IT professionals in the world



Shipping Costs Advantages to Chicago

- Marine and Ground Transportation Shanghai to Chicago



Shipping Cost	\$5,243
Cost per cubic foot	\$2.19
Transit Time	25 days

- Truck Transportation Monterrey Mexico to Chicago



Shipping Cost	\$3,479
Cost per cubic foot	\$0.91
Transit Time	4-5 days

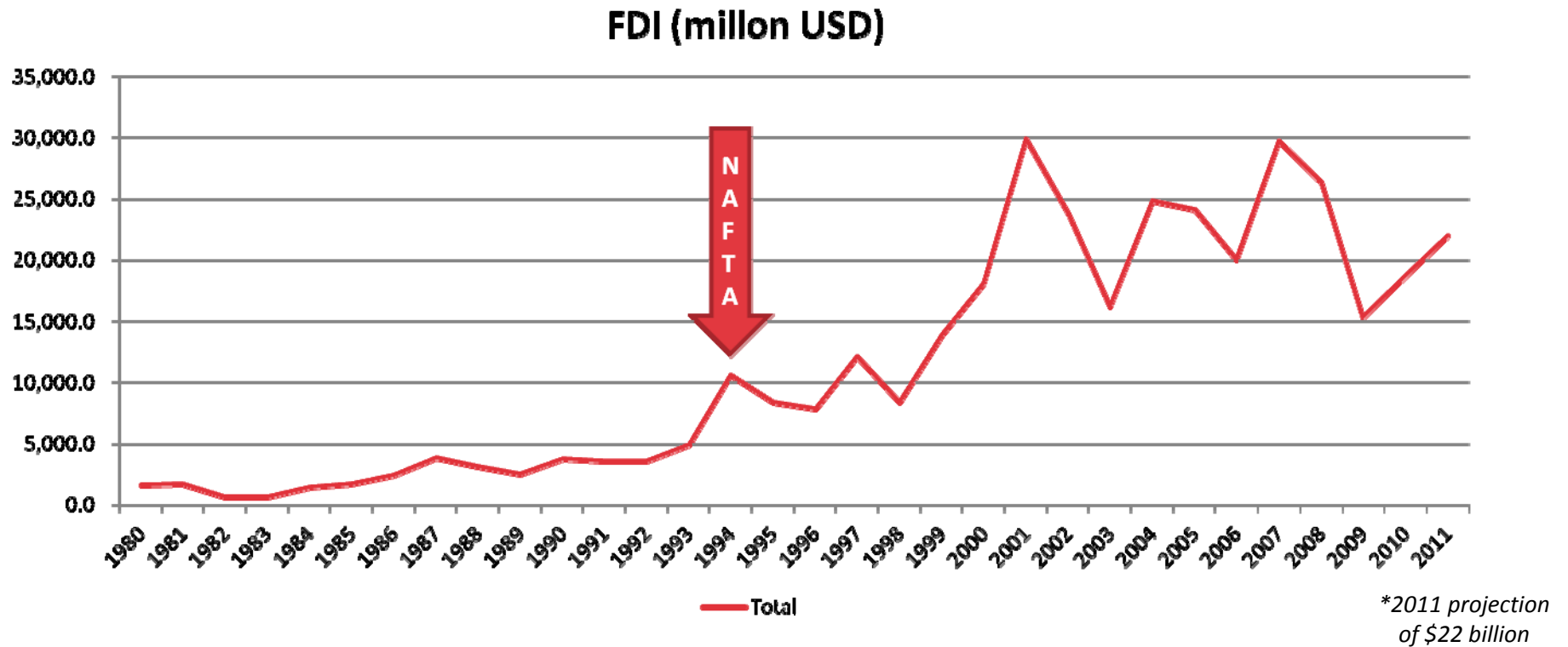
- Rail Transportation Monterrey Mexico to Chicago



Shipping Cost	\$1,525
Cost per cubic foot	\$0.40
Transit Time	6-7 days



Foreign Direct Investment Trend



Foreign Direct Investment (FDI) in Mexico

- 2010 FDI multiyear projects reached \$18.6 billion:
 - *New Investments: \$12B*
 - *Reinvestments: \$2.6B*
 - *Intra-company: \$4B*
- 2011 Q1 FDI reached \$4.8 billion
 - *Full year projected at \$22B*
- 75 FDI projects will be developed from 2010 – 2015
- Investments focus on: Aerospace, Automotive, Mining, Appliances & Wind Energy

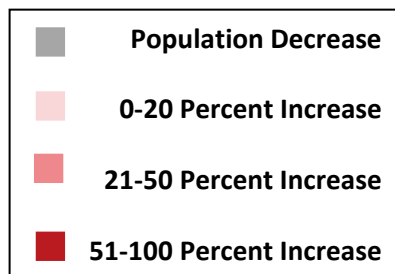
2010-2011 Multiyear Investments over \$150 million



The Emerging Population on KCS

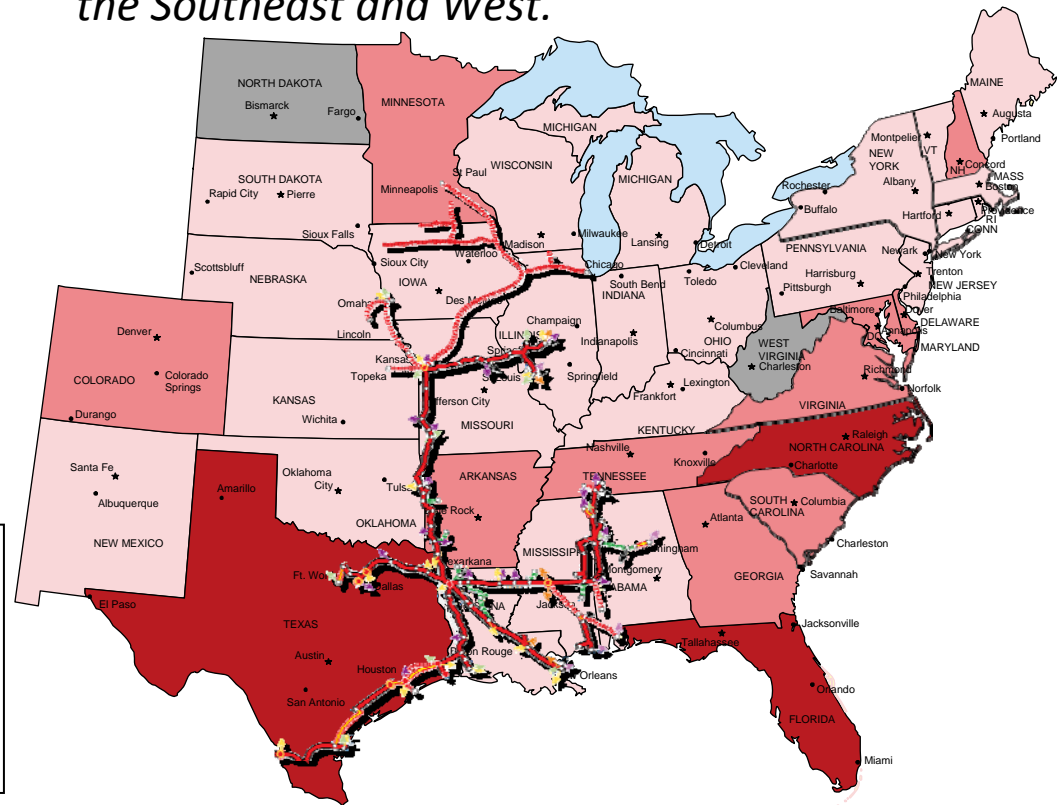
2000 – 2010 Population Growth:

- Overall, the **South and West** accounted for **84.4 percent** of the **U.S. population increase** from 2000 to 2010
- The **South** grew by **14.3 million** over the decade to 114.6 million people, while the **West** increased by **8.7 million** to reach 71.9 million people



Population Forecast:

By 2030, the U.S. population is expected to increase by 29.2 percent, with most of that growth occurring in the Southeast and West.



Total Cross Border Revenue

