



# LATAM MARKETS - MEXICO



## MARKET OVERVIEW

Mexico is a prime mining destination, with a 500 year history of exploration and production.

The country's abundant resources of gold, silver, zinc, copper and iron, along with a stable government and attractive financial market, interest is once again peaking. The Mexican Government has forecasted a total mining investment of US\$26.5bn for the 2020-2026 period.

Furthermore, BMI Research says Mexico will continue to be an attractive mining destination, due to a solid pipeline of projects and competitive operations costs.

The Australian junior miners, Azure minerals and consolidated Zinc, have recently moved from exploration to production. Other large Australian mining groups are actively performing exploration activities in Mexico, including BHP, Newcrest and South32. This opens a clear window of opportunity for Australian METS to access the Mexican market.

Overall, Mexico has significant opportunities for Australian METS as Mexican miners look for solutions to reduce operating cost, increase productivity while becoming more sustainable.

## MARKET OPPORTUNITIES

Australian companies wishing to investigate and build opportunities in the market should consider the key themes that are driving decision making in Mexico's mining sector:

- › **Productivity:** the current business environment is pushing organisations to become low-cost producers by driving operational efficiencies, optimising productivity and reducing costs.
- › **Innovation:** strongly linked with productivity, the introduction of innovation in the industry is seen as key to making the industry more cash-effective and resilient to downturns.
- › **Education:** there is demand for skilled workers with specialised knowledge and experience in areas related to extraction of resources, but Mexico is not producing enough human capital to satisfy this demand.
- › **Environment:** as the public is becoming more aware of the environmental impacts of the mining industry, the sector is under greater pressure than ever to comply with international practices around mine planning and operations, treatment and management of waste and energy efficiency.
- › **Community:** new approaches to community engagement are needed to ensure that mining operators provide jobs,

infrastructure and services to communities and pay fairly for the use of land while maintaining their competitiveness.

## MAIN CHALLENGES

The ruling Morena party's rhetoric towards the mining sector has resulted in rising investor uncertainty and will pose downside risks to our growth forecasts. Morena, led by Mexico's new president Andres Manuel Lopez Obrador, is now looking to pass new legislation that will modify regulation related to the environment, OHS and communities.

Besides the potential regulatory changes, the industry also mentions taxation, royalties, security, community relations and unionised labour as other risks of operating in Mexico.

Despite these challenges, Mexico continues to have fundamental competitive advantages that make its mining industry attractive, including its vast mineral reserves, low operating costs and an open business environment. This is keeping Mexico an attractive investment opportunity for foreign mining.

## KEY CUSTOMERS



Newmont



Grupo Mexico



Penoles

- › Mexico is home to 3 of the top 20 mining groups globally
- › The country, through its open foreign investment framework, has 242 foreign mining companies operating 1,189 projects.
- › The biggest foreign investors in the country's mining sector are Canada, USA and China.

## START THE CONVERSATION

For more information on Austrade's services and how we can help your business visit [www.austrade.gov.au](http://www.austrade.gov.au)

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