

FDRA Shoe Sourcing Snapshots: China Alternatives

Mexico

U.S. footwear imports from Mexico are poised to climb at a double-digit rate to a fifteen-year high in 2018, with shipments on track to surge to more than 20.5 million pairs, making the country America's fifth-largest foreign supplier of footwear.

Interestingly, as its shipments to America have surged, landed costs at US ports have far outpaced the world average in recent years. In fact, at \$22.35/pair in 2017, the average landed cost into the US was at least *twice as expensive* as the average world cost landed at the US port for the fourteenth straight year.

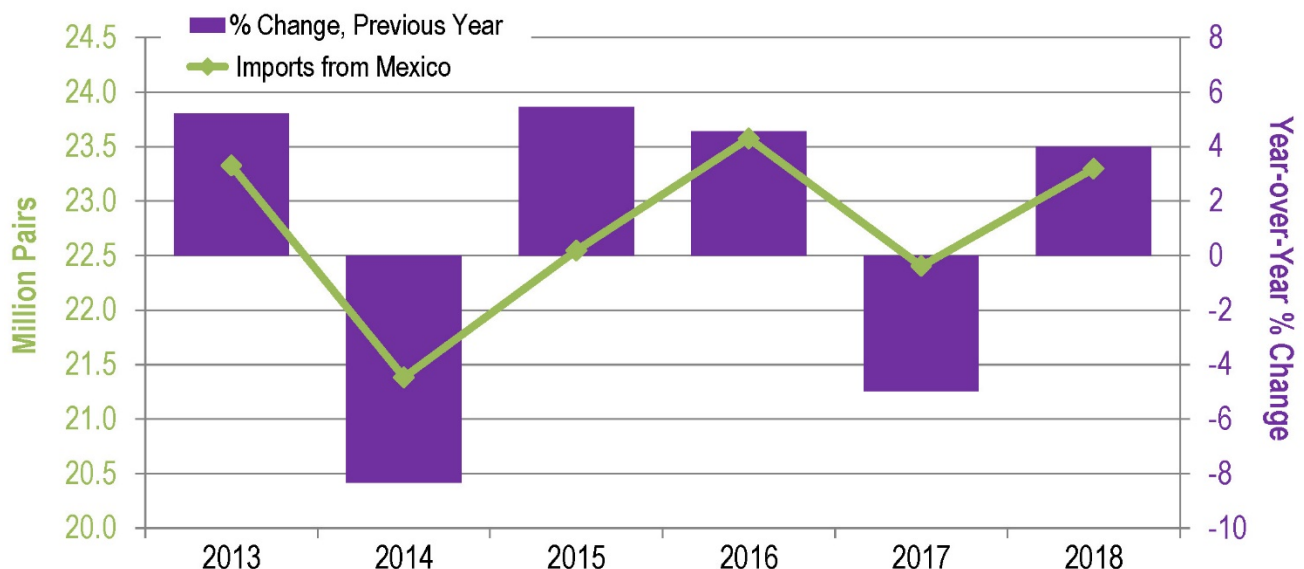
This curious issue is due to most (~66%) of Mexico's footwear exports are concentrated in HS subheading 6403, footwear with uppers of leather, typically a more expensive, higher-end product.

Mexico retains a key competitive position over other suppliers, given its proximity to US customers and its mostly duty-free status for footwear afforded under the NAFTA and under the forthcoming USMCA.

Monthly earnings of factory workers in Mexico average 6,011 pesos (~\$297), more expensive than several Asian competitors. But wages have grown slower than in several Asian competitors over most of the last decade, a welcome indicator when trying to forward contract.

Over 450 years old, Mexico's footwear industry is heavily concentrated in three main locations around the city of León (~68% of all production), Guadalajara (~18%), and the Mexico City area (12%). The advantages of this concentration are lower transportation costs for raw materials, and shared suppliers, educational infrastructure, and trained labor.

US FOOTWEAR IMPORTS FROM MEXICO REBOUND IN 2018



Source: USITC