

Mexican Motorcycle Market Growth Seen Spurring Investment

- Sales on the rise as commuters seek faster, cheaper transport
- Continued growth could prompt investment in manufacturing
- China principal source of motorcycle parts

MEXICO CITY (Dow Jones)--Growth in Mexico's motorcycle market is picking up pace as commuters in the country's congested cities increasingly opt to bypass traffic, or save money on gas.

Motorcycle sales in the first quarter of this year rose 26% from the like period of 2011 to 107,619 units, according to the Mexican Automobile Industry Association, or AMIA. Mexico is among the top 10 automobile and light truck producers in the world, turning out a record 2.6 million units last year, and exporting 2.1 million. But the more than half-million motorbikes sold in Mexico each year are either imported whole, or assembled locally using imported parts.

Industry officials say continued growth in demand for bikes is expected to lead to more investment in Mexico-based plants in coming years. Most of the demand is for smaller motorcycles with engines that fall between the 50cc and 250cc range.

The Italika motorcycle brand, sold by Grupo Salinas, which isn't a member of AMIA, dominates the domestic market with roughly 60% of all motorcycle sales. Many of its parts are imported from China and other Asian countries. Its four-wheelers are imported whole, whereas the rest of its motorcycles are assembled locally.

Italika Chief Executive Alberto Tanus said in an interview that the company aims to manufacture motorcycle parts domestically within the next five to seven years, when volume of production is expected to make such ventures cost-effective.

"Mexico can still expand four to five times what is now being sold in the market," he said, adding that the country is behind others in Latin America such as Brazil and Colombia. "But now that they're picking up the trend, it's growing very fast. We've created a fashion," he said. Tanus said Italika hasn't taken market share from other brands because it developed motorcycle use that didn't exist before, particularly among Mexicans who use bikes to get to work, or for delivery services.

He said the company is also promoting regulatory changes that would smooth the path for increased motorcycle use. "Some countries have prepared the way for the motorcycle, so that when it arrives it's a benefit. Then you have others that are taken by surprise and it becomes a plague," he said.

Other companies also see continued demand growth for cheaper and faster modes of transportation.

Edgardo Arzate, sales manager for Yamaha Motor de Mexico, expects the company's sales to reach 50,000 units in two years and 100,000 units in five to eight years. Yamaha is trying to encourage motorcycle use with free lessons at its stores.

"We do see a rising future in this market," he said. "Right now, the volume is low, but we

think the volume is going to increase and we're going to need to expand our lines of assembly as well as of production."

He said Yamaha would probably begin manufacturing motorcycle parts in Mexico when its annual sales reach 100,000. Yamaha's motorcycle sales in Mexico were up 52% in the first quarter from a year ago.

About 77% of new motorcycle imports last year came from China, and that share rose to 81% in the first quarter of this year when imports of new motorcycles nearly doubled to 54,978 units, according to AMIA. Used motorcycle imports increased 1% during the first quarter of the year to 2,119 units.

The motorcycle companies that are AMIA members include BMW AG (BMW.XE), BRP, Carabela, Harley-Davidson Inc. (HOG), Honda Motor Co. (HMC), Suzuki Motor Corp. ([7269.TO](#)), Yamaha Motor Co. ([7272.TO](#)) and most recently Keeway, making up 32,792 units of the total first quarter sales.

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