

State of Sinaloa Vision 2018

October 2012



Background

For years, Sinaloa's economic development has traditionally relied on two major industries: agriculture and tourism, which account for more than 50% of the state GDP.

However, three key changes have recently surfaced in Sinaloa's economic landscape, introducing brand new possibilities for a radical shift in the state economy:

Availability
of low-cost
natural gas

New statewide
transportation
infrastructure

A new generation of
skilled labor force

These high-impact, competitive advantages open a new window of opportunity for a transformational change in the state of Sinaloa.

Availability of low-cost natural gas

Natural gas has many uses, all of them critical for the economy:

- As fuel (i.e. the glass industry).
- To generate electricity.
- As raw material for other products (i.e. fertilizers).
- For transportation (i.e. compressed natural gas).

And since new shale gas technologies are bringing its price down, its importance is growing:

USD/MMBtu	Mexico	United States	Germany	China
Natural gas	\$2.50	\$2.80	\$8.00	\$15.00
Coal	\$4.50	\$2.60	\$3.50	\$4.30
Fossil fuels	\$16.37	\$30.00	\$32.27	\$21.00



The availability of low-cost natural gas through a new pipeline/distribution system is driving a statewide transformational change.

Improved network of transportation infrastructure

Sinaloa as an international hub of logistics and trade operations



Routes	Distance
Los Angeles – Atlanta	2,174 mi
Mazatlán – Atlanta	1,789 mi ✓
Los Angeles – New York	2,790 mi
Mazatlán – New York	2,659 mi ✓

A new generation of skilled, well-trained labor force

An improvement that demands the creation of better jobs

	Figure	Ranking (MX)	Leading states
Percentage of Sinaloans with a high school degree	22.7%	04	1. Quintana Roo (23.7%) 2. Mexico City (23.2%) 3. Baja California Sur (22.96%)
Percentage of Sinaloans with a college degree	22.6%	03	1. Mexico City (31%) 2. Nuevo León (23.3%) 4. Baja California Sur (22.5%)

Distribution of college graduates in Sinaloa (2009)

Engineering / High Tech	3,152
Agriculture and Food Science	315
Math and Science	218
Healthcare Science	1,364

Sinaloa's agenda for development

Strengthening current successful industries

- Agriculture and food production.
- Tourism.

Fostering the emerging industrial subdivisions

- Convention/business travel.
- Organic food products.
- Industrial byproducts of agriculture.

Taking advantage of new opportunities

- Logistics hub for the Asia–Mexico–USA trade routes.
- Manufacturing industry based on:
 - Availability of natural gas.
 - Low-cost energy and power.
 - Reliable logistics operations.
- Tech-oriented agro-industries.
- Regional center of business center and tech support.

Adjusting institutional and legal frameworks

**Sinaloa of
the Future**

Development Opportunities

Priority Areas

A. Current successful industries

A1. Agriculture

A2. Tourism

B. Emerging subdivisions

B1. Business travel

B2. Organic food products

B3. Industrial byproducts
of agriculture

C. New opportunities

C1. Logistics hub for the
Asia– Mexico–USA trade

C2. Manufacturing industry
based on natural gas,
low-cost energy, and
geographic location

C3. Tech-oriented agro-industries

C4. Regional center of business
services and tech support

A. Processing of food products and
agriculture byproducts.

B. Prominent logistics hub for the
Asia–México–USA trade routes.

C. Manufacturing industry based on
low-cost energy (natural gas) and a
favorable geographic location.

D. Special interest tourism.

E. Regional center of business
services and tech support.

Sinaloa: Mexico's leading state.

We are a sustainable state comprised of concerned tech-savvy entrepreneurs who aim for a revamped synergy between government, private sector, and the community:

As a state government, we guarantee incentives and certainty to foreign investors in order to fund and develop key projects in these priority areas:

- Food production and agriculture byproduct processing.
- Construction of a logistics hub for the Asia–Mexico–USA trade routes.
- Manufacturing industry benefiting from low-cost energy and a favorable geographic location.
- Special interest tourism with an emphasis on business travel.
- Developing a regional center of world class business services and tech support.

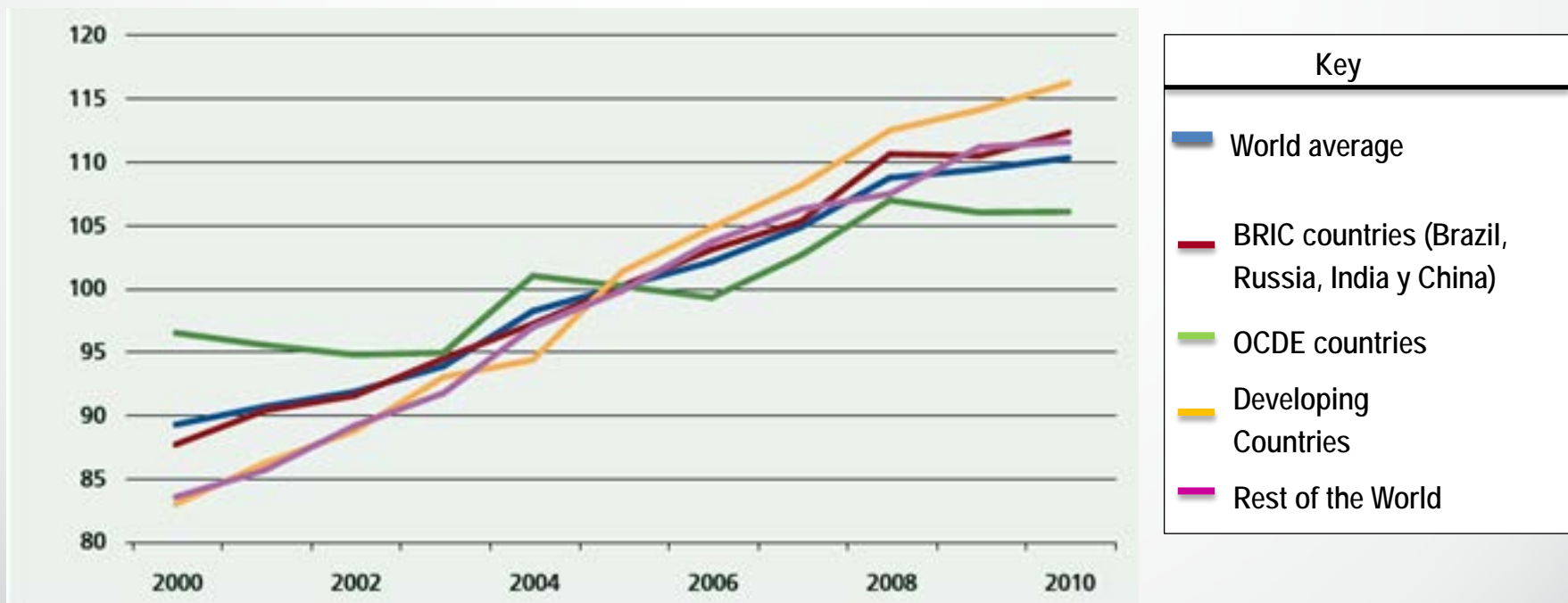
How do we get there?

By reinforcing Sinaloa as a powerhouse of food production and processing.

Demand, production, and price of food products has increased steadily during the last decade, and according to data released by the Food and Agriculture Organization, the trend will continue at least until 2030.

On average, households around the world spend about 35% of their income in food products. In the US and China, for instance, that expenditure represents 11% and 14% of their respective GDP.

Food Production Index, by economic bloc (2005 = 100)



How do we get there?

By making Sinaloa Mexico's most important logistics hub.

The US Department of Transportation estimates that global maritime shipping will double by 2020, and **incoming traffic to US ports will grow more than 50%** by that time, as well.

In 2011, US ports received more than **1.3 billion tons of goods** (about 59.1 million cargo containers). Most of the incoming trade from Asia was specifically from:

1. **China** (127 million tons / 5.8 million containers)
2. **Japan** (57 million tons / 2.6 million containers)
3. **South Korea** (38 million tons / 1.7 million containers)
4. **Taiwan** (17 million tons / 800 thousand containers)

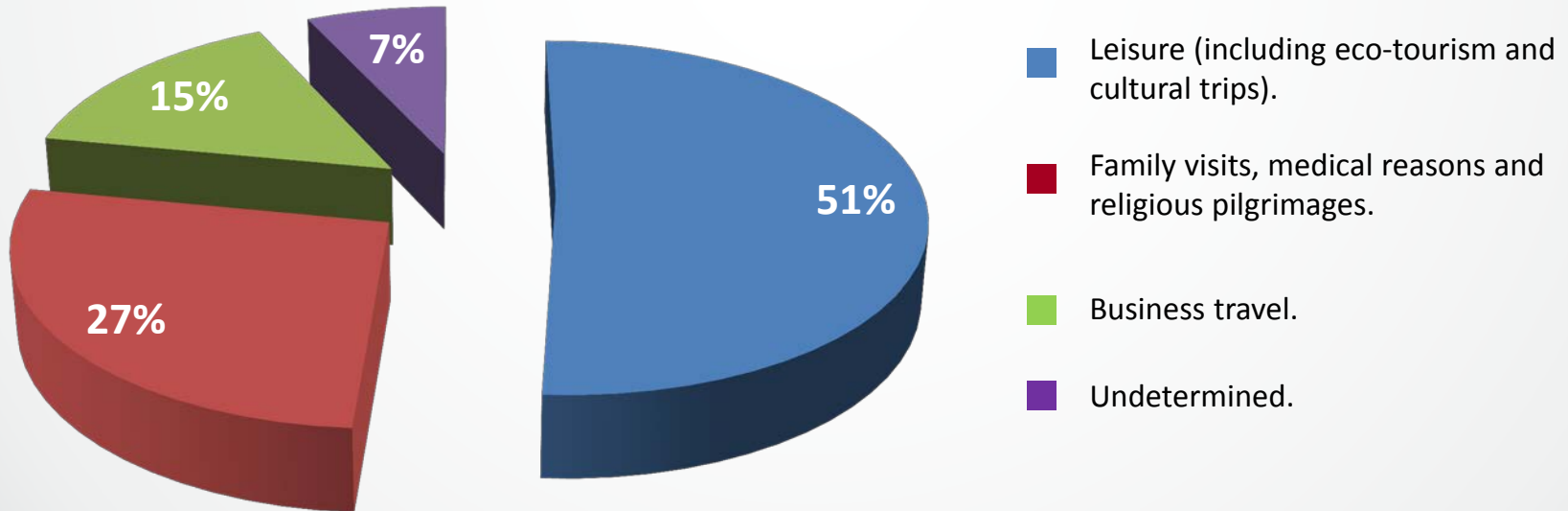
Traffic in Pacific ports	Tons (millions)	Containers (millions)
Los Angeles	196	8.90
Long Beach	169	7.70
Oakland	64	2.90
Seattle	56	2.50
Lázaro Cárdenas (MX)	16	0.58
Mazatlán (MX)	1.3	0.03

If we are able to attract 10% of the traffic of these two ports, that would mean **1.7 million containers**: about 56 times the cargo that the Port of Mazatlán currently handles.

How do we get there?

By also making Sinaloa a destination of special interest tourism and business travel.

In 2009, global tourism reached 882 million international tourists.



How do we get there?

By providing reliable, world class business services and tech support.

- **IT services** is an industry based in knowledge, **thus requiring a high skilled work force.**
- The **five largest markets** for IT services are the United States, Japan, China, Germany, and the United Kingdom.
- It is estimated that by 2014, the **global demand for IT professionals will outnumber other jobs** by a range of 18 to 26%.

Faster-growing specializations:

- Network computing
- Entertainment software
- Tech-sector software
- Healthcare information systems

The IT industry in Sinaloa

Per capita use of Information Technologies (CTI* ranking)

14° place in the nation
(3 up since 2010)

Increase in the PROSOFT fund

Annual rate of 65% (2005-2009)

Forecast: Sinaloa by 2018

SINALOA	2012	2018
Population	2.7 million	3.5 million
GDP (USD)	\$20.8 billion	\$36.3 billion
GDP <i>per capita</i> (USD)	\$7,692	\$10,385
Labor force (LF)	1.2 million	1.55 million
Formal jobs	286 thousand (24% LF)	700 thousand (45% LF)