

"handyman." This pattern has changed over the past few years as middle-class Mexicans have discovered the benefits of do-it-yourself (DIY) home improvements.

This trend has been fuelled both by a greater need for consumers to do the work themselves, and by the greater availability of DIY products in the Mexican market. Several American DIY retailers have moved into the Mexican market, and most supermarkets and department stores have also joined this trend. Product demonstrations and even training seminars are offered by a wide range of retailers.

Another positive development is funding for renovations being made available by the Mexican government. In early 1996, President Zedillo said that national housing organizations would grant 380,000 loans during the year, of which 115,000 would be for renovation projects.

These factors are behind a major growth in the home improvement market. There is demand for all types of tools and hardware that can be used by untrained people. The United States Department of Commerce has estimated that the 1996 market for DIY products was about US \$1 billion, or about 10 percent of the total market for residential construction and renovation.

SECTOR OVERVIEW

Tools and hardware in the do-it-yourself (DIY) consumer sector are those that can be used by an untrained person. These products are used throughout the home for repair and renovation projects. The tasks involved include carpentry, plumbing, electrical and masonry work, as well as painting and landscaping. In many cases it is difficult to separate home hardware items from similar products used in commercial construction or by other professional users. This summary

focuses on products that can be used for home improvements, even if they are also used by professionals. In fact, there is little distinction in Mexico, since many small contractors buy the same tools in the same consumer DIY stores frequented by homeowners.

A strong demand for tools and hardware for use in the home is driven by the fact that Mexico faces a housing shortage of crisis proportions. According to official government estimates, at least three million additional homes are needed to adequately house the current population. Independent experts put the shortfall closer to seven million units. According to the World Bank, more than 800,000 new houses are needed every year to keep up with demand, but only 600,000 are built. The economic crisis spawned by the devaluation of the peso in December 1994 has made the situation worse, and it is common for extended families to live in one home.

The housing shortage has led to a strong trend towards owner-completed renovation projects. This trend has been accelerated by the development of specialized DIY stores, many of them set up in partnership with American retailers. The American firm Payless Cashway, for instance, has partnered with *Grupo Alfa*, a major Mexican industrial group, to open 25 retail establishments in the next five years under the name Total Home. Their product mix is split evenly between domestic and imported products. Other foreign retailers in Mexico are Builder's Mart and Home Mart.

Products in demand include the full range of hand tools, including small electrically operated tools. They also include hardware such as fasteners, hinges, locks, electrical and plumbing components and painting supplies.

This product line is so diverse that it is difficult to make generalizations about the ability of Mexican manufacturers to supply the demand. But for

the most part, Mexican suppliers are most competitive in the middle market levels. At the lowest price points, Mexico has seen a flood of cheap Asian hand tools. Countervailing duties have been imposed against imports from China, and a system of minimum prices has been set up for basic hand tools. At the higher end of the scale, the US dominates the market for sophisticated hand tools and hardware products designed to make installation easier for untrained users. Import penetration is estimated at about 40 percent for hand tools, but it falls to only about 10 percent for paint and painting supplies.

FOREIGN TRADE

Imports of hand tools into Mexico fell by 42 percent in 1995, to US \$68 million. Imports of paints and painting supplies fell by 32 percent to US \$80 million over the same period. It is difficult to be precise about the specific products involved, since under Mexican import classification system, a large proportion is classified simply as "other."

Estimates by the United States Department of Commerce put the American share of the import market for hand tools at 68 percent, and the share of paint and painting supplies at about 76 percent.

Canada's share of the import markets for these products is not significant except for two products. Canada claims almost one-third of the import market for chains for chain saws, and about 15 percent of the market for polymer/aqueous paint. Total tool sales were less than US \$1 million, and paint and painting supplies totalled about US \$3 million.

It is not possible to estimate trade in consumer hardware products because they are mixed in with too many other goods in the international trade statistics. The statistics shown here are for