

3. MARKET ASSESSMENT

Mexico's automotive industry has two main branches: that of the automobile and truck manufacturers and that of the auto parts manufacturers. A related activity of interest to foreign suppliers to Mexico is represented by the industry that produces maintenance equipment and constitutes the after market to the automotive industry. We will look into the performance of the auto parts industry in the first place.

3.1 AUTO PARTS

Total apparent consumption of auto parts in Mexico has been increasing at an average annual rate of 21% in the last few years, prompted by the export oriented policies described in section 1. The total market for auto parts amounted to over \$9.7 billion in 1990, having grown 20% over the \$8.1 billion of 1989. Preliminary data for 1991, place apparent consumption as high as \$15.4 billion, reflecting a 58% increase. It is expected that apparent consumption will decrease its average annual growth rate to 10% during the following three years, and reach \$20 billion by 1994, since both the Mexican and the U.S. market are not expected to maintain such a dynamic purchasing capacity.

The composition of the market is also expected to change as a result of the new automobile decree. Local production of auto parts will continue rising but, since it will no longer be protected by such stringent national integration requirements as before, it will lose ground before imports. The latter are expected to grow 16% annually and represent 33% of total consumption by 1994, as opposed to 24% in 1989. Exports are also estimated to continue growing slightly in response to the long term export oriented policy of the automotive industry.