

A strong pressure has been created towards the reduction of prices (i.e. please refer to YPF's cost cuts). In the last 20 months prices of services and goods within the sector were reduced by, at least, 15%.

With reference to costs, the incidence of the still increasing "Argentine cost" and of the salary rigidity are parameters which endanger the economics of various companies for the near future.

The optimization of resources, the acquisition of newer technologies and the development of new products are seriously being considered by the more agile companies.

To sustain business some companies decided to enlarge their economic dimension (i.e. Quital-Co through the merging with Astrafor and Pérez Companc). Others bet in enlarging their exportations in order to reduce the incidence of fixed costs in final prices and at the same time, to lower their dependence on the local market conditions (i.e. Bolland exports 60% of its mechanical pumps and spare parts).

For other companies, demand fragmentation meant, in the short run, the strengthening of their marketing efforts, the widening of their products' stocks and the increase of some operating costs when, on the contrary, the current goal is to reduce them.

This situation has caused a reduction of the operation activity of those companies, specially within the manufacturing area (i.e. Hughes Tools Argentina).

Business Opportunities.

- As predicted in our previous report levels of activity remained effectively low, perhaps at their lowest point in many years, until April 1993, while capital continued to struggle for traditional interest rather to expanded operations programs.