Mexico's gross domestic product (GDP), after increasing 3.7% and 2.7% during 1984 and 1985 respectively, diminished by 3.5% in 1986. In 1987, it increased a moderate 1.5% and an additional 1.1% in 1988. Domestic economic activity recovered for the third consecutive year in 1989 with an estimated growth rate of 3.0% in 1989 to reach $200 billion (1). With an 84.5 million population, per capita GDP is estimated at Cdn$2,550. During the 1990-1994 period GDP is expected to maintain an average annual growth rate of 2%-3%.

In an effort to revitalize and open the Mexican economy, the Mexican Government undertook a series of structural changes, including the accession to the General Agreement on Tariffs and Trade (GATT) on August 24, 1986 leading to an extensive trade liberalization process: import permits were eliminated on all but 325 of the total 11,960 tariff items based on the recently adopted Harmonized System. Official import prices are no longer applicable, nor the 5% export development tax, and import duties were lowered from a maximum of 100% in 1982 to 20% in January 1988. The automotive and computer industries are also being opened up to allow free entry.

According to official data from the Mexican Secretariat of Commerce and Industrial Development (SECOFI), Mexico's trade surplus in 1988 was only $1.75 billion. Total exports in 1988 remained practically the same as in 1987, totalling $20.65 billion, while imports increased 48% from $12.2 billion to $18.9 billion. Imports of consumer products increased 150%, while those of intermediate goods grew by 45% and capital goods by 55% in 1988. January-September figures for 1989, place total exports at $17.1 billion and imports at $17.0 billion reflecting an annual growth rate of 8.8% and 26.2% respectively. Total Mexican imports from Canada increased 24% in 1989 and amounted to Cdn$603 million, while total Mexican exports to Canada were valued at Cdn$1,698 million. Mexico and Canada have traditionally been strong trading partners. According to Mexican figures, in 1989, 1.9% of Mexico's imports came from Canada, while 1.3% of its exports were to Canada. This makes Canada Mexico's fifth largest exporter and sixth largest importer.

3. MARKET ASSESSMENT

PEMEX's initial budget for l988 was set at $5.6 billion dollars or 13 trillion pesos, having increased 24% over the $4.5 billion assigned to PEMEX in 1987. In 1989, the budget was set at $6.2 billion and it is estimated at $7 billion in 1990. Of this total, 39% is for the purchase of materials, equipment and parts according to PEMEX's purchasing program.

The market for oil and gas field equipment and machinery, as estimated in this report, includes drilling equipment, pipes and tubes, accessories thereof, pumps, valves, compressors, winches and cranes, turbines, internal combustion engines, geological instruments, and parts and attachments for the above categories, all used in the oil and gas field industry. The results were based on data on Mexican import and exports published by the Secretariat of Commerce and Industrial Development (SECOFI) and on PEMEX's purchasing program for 1987, 1988 and 1990.

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1. NOTE: All values in this report, unless otherwise stated ($ Mexican pesos, Canadian dollars Cdn$, etc.) are quoted in United States dollar equivalents.