

and servobrakes; and Electronica Clarion, car radios. As can be seen, Canada represents an important market for Mexican auto parts.

3.2 MAINTENANCE EQUIPMENT

The total number of automobiles in circulation at present is of 10 million vehicles, 3.5 million of which are concentrated in the Mexico City metropolitan area. There is no reliable data on automobile maintenance needs at a national level, but there are good estimates on the Mexico City area. These indicate that the average life span of a car is eight years and that it goes to the repair shop four times a year, with a minimal expenditure of \$50 dollars each time. The rising costs of new cars will make car owners give priority to their vehicle's maintenance and repair before buying a new one. This, coupled with a high incidence of car accidents, will create a continued demand for service and repair equipment in the future.

Total apparent consumption of maintenance equipment increased 85.5% in 1989, from \$16.6 million in 1988 to \$30.8 million in 1989, and another 12% in 1990, to \$34.5 million. This was mostly a result of Mexico's trade liberalization policies, which have made importation easier and more affordable. This, in conjunction with an important demand backlog for this type of equipment, brought about by previous year's tight financial conditions, slack domestic demand and high inflation rates, translating into an unfavorable dollar-peso exchange rate, brought about a major surge in total market size, but in particular in imports. Also, beginning in 1989 a mandatory environmental control system was established in Mexico City, by which each vehicle must have a check up done every six months. To fulfill these conditions a great number of shops bought gas analyzers and other tuning equipment. In 1990, this trend continued, as the pollution control measures continued and another measure was added to the previous ones -the "one day without circulation" campaign, which consists in not being able to use the car one mandatory day a week. This has mostly translated into an increased sale of cars and therefore of maintenance needs.

In the next four years, this market is expected to continue increasing at an average annual rate of five percent, in close relationship to the general increase in the number of cars sold in the country. The trend of most shops and service agencies of modernizing their equipment in order to service recent car models will also continue driving demand. Total apparent consumption is expected to reach \$45.6 million in 1994, of which \$37.4 million, or 82%, will be of imported origin.