

1. BACKGROUND

The Mexican market for security and safety related products has traditionally represented good opportunities for foreign manufacturers and suppliers of these items, since the majority of demand is covered by imports. The increasing number of job-related accidents has translated into a growing awareness for the need for more and better security and safety precautions and equipment. The government has approved a series of regulations to improve the quality of industrial and commercial safety and has introduced new campaigns to help prevent accidents. The above, together with the rise in general criminal activity throughout Mexico, and in Mexico City in particular, has translated into an increased demand for security and safety related equipment and products by commercial and industrial establishments and by private users.

2. ECONOMIC ENVIRONMENT

With the objective of reducing the inflation rate, the Mexican authorities implemented a stabilization program in 1988, called the Economic Solidarity Pact, which features traditional austerity measures, entailing tight fiscal and monetary policies and unorthodox measures, such as price, wage and exchange rate controls. This program has been the cornerstone of Mexico's economic policy over the past four years, and has recently been extended to January 1993. It has resulted in a drastic reduction of the inflation rate, from an annual rate of 159% in 1987 to 19.7% in 1989. Inflation rebounded to 29.9% in 1990 but was brought down to 18.5% in 1991 and is expected to be of 10% to 12% in 1992. At the same time, interest rates have fallen substantially to the present 17%, and the peso-dollar devaluation rate has been set at Mex\$0.2 pesos a day or 2.4% per annum.

Along with the objective of consolidating the progress made in price stabilization, Mexico's macroeconomic policy in 1992 aims to reaffirm gradual and sustained economic recuperation, basically by establishing the necessary conditions to encourage national and foreign investment and by stimulating local demand, and to strengthen the improvement in living standards of the poorest segment of society through the Solidaridad program.

Domestic economic activity recovered for the third consecutive year in 1989, after the 1986 recession, with a gross domestic product (GDP) growth rate of 3.1%. In 1990 it grew 3.9% and another 3.6% in 1991 to reach \$280.3 billion (1). With an 82.8 million population, per capita GDP was estimated at \$3,385 in 1991. Additionally, manufacturing output grew by 5.2% in 1990 and

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