

3. MARKET ASSESSMENT

The Mexican market for forestry harvesting and woodworking equipment increased 83% in 1988, to \$41.6 million. This growth was brought about by a major surge in imports, which increased 118%, from \$15.9 million in 1987 to \$34.8 million in 1988. Two factors accounted for this growth: the general economic improvement together with the fact that the exchange rate between the dollar and the peso remained fixed during that year, despite the existing inflation, and after a major devaluation; and the general liberalization of trade conditions, which allowed for easier and cheaper imports. Imports increased to \$36.1 million in 1989, or 3.7% above 1988 levels, while the total market increased 3.4%, to \$43 million.

This market is expected to experience a moderate growth rate during the next five years, since no major investments have been identified up to date in this sector. The industry has been operating with old and outdated machinery and has started to substitute it for newer equipment as economic conditions have improved and imports have been facilitated. An important factor has also been the gradual reduction in interest rates with the decrease in inflation, as well as the availability of financial resources for equipment purchases, which was practically non-existent before 1989. This trend is expected to continue in the years to come. By 1994, the total market is expected to reach \$54.9 million after an average annual growth of 5%.

TABLE 1
THE MEXICAN MARKET FOR
FORESTRY AND WOODWORKING EQUIPMENT
((\$000 U.S. dollars))

	1987	1988	1989	1994p
Production	8,178	8,452	7,945	9,668
+ Imports	15,901	34,760	36,056	46,531
- Exports	1,363	1,590	981	1,294
TOTAL	22,716	41,622	43,020	54,905

p = projected

Source: Based on import and export data by Secretaría de Comercio y Fomento Industrial and trade interviews.

Imports have played a major role in this industry, since the bulk of forestry harvesting and woodworking equipment is not manufactured in Mexico. Local production is limited to the most simple tools, including saws, hand tools, motors, edge cutters and parts and accessories. All of the larger and more sophisticated equipment is imported, including circular saws, chain saws, plywood presses, particle board manufacturing equipment, boilers and dryers for wood or cellulose, hoists, winches and cranes, planes and cutting tools for working wood, machine tools for working wood, such as sawing machines, planing, milling or cutting machines, sanding or polishing machines, drilling, splitting, defibrating machines, bark stripping machines and lathes.