

## TRENDS AND OPPORTUNITIES

*The devaluation of the peso in December of 1994 doubled the cost of imported products and services. But it also triggered a wave of violent crime that is driving a strong demand for many security products.*

### THE PESO CRISIS

No sector of the Mexican economy has escaped the consequences of the abrupt devaluation of the peso that occurred in late December 1994. Within a matter of days, the peso fell to about half of its previous value relative to the US dollar. This doubled the price of imports and triggered a sudden drop of about 10 percent in gross domestic product (GDP). The devaluation occurred three weeks after the new government of President Ernesto Zedillo came to power. The economic disruption exacerbated the normal period of uncertainty that accompanies changes of government in Mexico. Economic hardship pushed up the rate of street crime. And, at the same time, political instability created an opening for the expansion of organized crime.

The rise in crime, combined with the inability of the government to do anything about it, reduced even further the faith that Mexican citizens and businesses place in the forces of law and order. This fostered a huge increase in the demand for commercial, home, automobile, and personal protective products and services.

Demand cannot be satisfied by Mexican manufacturers, so imports are filling the gap, in spite of their high peso prices. Economic conditions, however, have led to an influx of cheaper consumer products that do not meet basic needs. Recent media stories showed, for example, how some car steering locks can be broken in a few seconds.

Despite financial constraints, the commercial sector is continuing to purchase state-of-the-art equipment. Department stores are placing satellite tracking devices on their delivery trucks. Large companies are providing sophisticated personal protection for their senior employees and giving them allowances for home-security devices. Unfortunately, some of the most exposed sectors cannot afford to invest in security. Taxi cabs are a good example. The cost of installing impact-resistant plastic barriers is more than most owner-drivers can afford, and more than most fleets are willing to spend. Furthermore, the barriers are not effective against bullets, and robberies are almost always committed with firearms.