Mexico's 1992 macroeconomic policy has the objective of consolidating the progress made in price stabilization and of reaffirming gradual and sustained economic recuperation. Mexico aims to do this by establishing the conditions necessary to encourage national and foreign investment and by stimulating local demand. Mexico also hopes to improve the living standards of the poorest segment of society by means of 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 percent. GDP grew 3.9 percent in 1990 and 3.6 percent in 1991 to reach U.S.$280.3 billion. Per capita GDP was estimated at U.S.$3,385 in 1991 (Mexico has a population of about 83 million). Manufacturing output grew by 5.2 percent in 1990 and 3 percent in 1991, in real terms, private investment and consumption expanded 13.6 percent and 5.2 percent, respectively, and public investment was up 12.8 percent. During the 1992-1994 period, GDP is expected to maintain an average annual growth rate of 4-5 percent. Preliminary figures place GDP growth at 4 percent for 1992.

To revitalize and open the Mexican economy, the Mexican government undertook a series of structural changes. For example, on August 24, 1986, Mexico acceded to the General Agreement on Tariffs and Trade (GATT), leading to an extensive trade liberalization process. Import permits were eliminated on all but 198 of the total 11,812 tariff items listed on the Mexican Harmonized System adopted in 1989. Official import prices and the 5 percent export development tax are no longer applicable. Import duties were lowered from a maximum of 100 percent in 1982 to 20 percent in 1988, and the weighted average tariff rate is now 10.4 percent. The automotive and computer industries have also been liberalized, through the elimination of prior import permits, to allow free entry of products in these industries. The approval of the North American Free Trade Agreement (NAFTA) will further strengthen trade between Canada, the United States and Mexico.

According to official data from the Mexican Secretariat of Commerce and Industrial Development (SECOFI), Mexico's trade balance dropped in 1991 to a U.S.$10.4 billion deficit from -U.S.$3 billion in 1990. In 1991, exports increased by 2.6 percent, from U.S.$26.8 billion to U.S.$27.6 billion, and imports grew 22.2 percent, from U.S.$29.8 billion to U.S.$38 billion. Imports had already increased 27.2 percent in 1990 from U.S.$23.4 billion in 1989.

Canada is Mexico's sixth largest exporter and fifth largest importer. According to Mexican figures, in 1990, 1.6 percent of Mexico's imports came from Canada and 0.8 percent of its exports were to Canada. Canadian exports to Mexico increased 24 percent in 1989, but decreased by 1.5 percent in 1990 and by 26 percent in 1991. Canadian exports to Mexico totalled Cdn$594 million in 1990 and Cdn$440.8 million in 1991. Canadian imports from Mexico totalled Cdn$1.7 billion in 1990 and Cdn$2.6 billion in 1991.

3. MARKET ASSESSMENT

The Mexican market for construction and building products is a significant part of Mexico's economy. In 1990, the most current data, total apparent consumption in this market reached U.S.$3.7 billion, an increase of 18.2 percent over the U.S.$3.2 billion reported in 1989. The market is estimated to have grown another 5 percent during 1991. Between 1992 and 1994, the market is expected to show an average annual growth rate of 4 percent, placing total apparent consumption at U.S.$4.4 billion in 1994.

The construction sector as a whole has seen rapid growth, leading, of course, to growth in the market for building products and materials. Total construction GDP, 5 percent of total GDP, grew 2.1 percent in 1989 and 7.7 percent in 1990, a record growth rate since 1980. Two related factors account for this increase. First, economic activity has, in general, increased. Mexico's general deregulatory and privatization policies, the increased availability of financing and a reduction in the cost of money have allowed a reactivation in housing construction. Second, several banks, in particular NAFINSA, the government-owned industrial development bank, have made credit available to small- and medium-sized companies for the purchase of materials and supplies. These trends are expected to continue.

3.1 Imports

Imports, which before 1987 represented a very small portion of the Mexican market for building products and materials, have shown major increases since then (see Table 1). In 1988, imports