Trends and Opportunities

The most promising opportunities are for Canadian companies to partner with small- to medium-sized enterprises (SMEs) in Mexico to help them take advantage of the export boom and prepare for the return of domestic market growth.

Economic Trends

Chemicals are consumed by a wide range of industries and the health of the chemical sector is highly dependent on the state of the overall economy. Domestic demand was cut sharply in 1995 as the result of the December 1994 devaluation of the peso and the economic crisis that followed. Apparent domestic consumption of chemicals fell by almost 9 percent to US $15.8 billion. This was partly offset by a US $1.2 billion increase in exports. As a result, real output of chemical products fell by only 3.2 percent, compared with 6.9 percent for the overall economy.

By mid-1966, Mexican chemical producers were already seeing the results of the general economic recovery as well as a surge in export sales. A survey of 104 members carried out by the *Asociación Nacional de la Industria Química (ANIQ)*, National Association of the Chemical Industry, showed that 60 percent of the firms saw improvements in the first half of the year. According to this survey, domestic sales have recovered most rapidly for pigments and colourants, adhesives, and products for the construction industry. *ANIQ* reports that in the first quarter of 1996, all chemical industry subsectors had registered increases of at least 16 percent over the previous quarter.

ANIQ President Raul Millares has said that the industry will benefit from the removal of government price controls previously applied to many chemical commodities. The main negative factor is the high cost of capital and there is some uncertainty concerning the privatization of the *Petróleos Mexicanos (Pemex)*, the national oil company, petrochemical complexes.

Forecasts of 1996 gross domestic product (GDP) growth range from the official government number of 3 percent to private estimates that are as low as 1.5 percent. As domestic inflation caused by the crisis works its way through the cost structures of domestic producers, imports are recovering their competitive positions. The inflation rate is forecast to fall from more than 50 percent in 1995 to just under 30 percent in 1996.