

A private study published in 1996 by the *SIGMA* consulting firm paints a more optimistic picture. It defines high income people as those earning 100 or more times the minimum wage. That puts the high-income threshold at about C \$130,000 per year. Middle-income people are defined as earning more than ten times the minimum wage, roughly C \$13,000 annually. On this basis, the study concluded that in Nuevo León, 5.3 percent of the population were high income, and another 27.3 percent were in the middle-income bracket. This compares with 2 percent high income and 18.4 percent medium income for the country as a whole. The Federal District has a higher proportion of medium-income earners, but Nuevo León has more than twice the proportion of high-income earners.

Consumers in all income brackets were affected by the abrupt devaluation of the peso in December 1994, which roughly doubled the cost of imported goods. But the economy has been gradually recovering. The relative competitiveness of imports is also being restored, as high rates of domestic inflation work their way through the cost structures of domestic firms. Inflation in 1996 is projected at roughly 30 percent.

GOVERNMENT PROCUREMENT

State government procurement is open to foreign companies even though this is not a requirement under North American Free Trade Agreement (NAFTA). Recent cutbacks in government spending, especially in Nuevo León, have reduced the short-run opportunities in this market. Some observers believe that the opportunities for foreign companies as suppliers to the state governments will improve after the April 1997 elections. Regardless of which party wins, it is generally true that a new breed of politician is emerging in Mexico. A transparent procurement process is increasingly seen as a means of getting the most competitive prices possible. Patronage is becoming less common.

Procurements of less than \$6,000 Mexican pesos are discretionary and no bids are required. But those between \$6,000 and \$400,000 Mexican pesos result in direct invitations to suppliers to bid. Foreign companies may be invited, but this is not usual. Purchases of more than \$400,000 and up to \$4 million Mexican pesos are scrutinized by a procurement board, and there is a much greater likelihood that foreigners will be invited, especially for specialized products. Procurements of more than \$4 million Mexican pesos must be signed by the state governor, and these are handled by public tenders that are open to foreigners.