3. MARKET ASSESSMENT

3.1 PLASTICS PRODUCTION MACHINERY AND EQUIPMENT

3.1.1 Total Market Demand

In 1986, total apparent consumption of plastics production machinery and equipment reached its highest level since 1982, amounting to $124.6 million. This represented a 33% increase over 1985 and 60% over 1984 levels. Although the market contracted in 1987, in 1988 it reached its previous level and started growing at a very fast pace in 1989 and 1990, with growth rates of 37.1% and 19.6% respectively, reaching $205.1 million in 1990 (see Table 1). Economic and political conditions determined this trend in the market. The plastics industry had shown an important demand backlog for new machinery, since purchases were drastically reduced beginning in 1982. Important fiscal incentives and preferential credits have been granted for the purchase of machinery. Decreasing inflation and devaluation rates coupled with Mexico's trade liberalization policies have made imports easier and cheaper. Also, improved economic conditions have favorably affected the demand for plastic products and thereby for plastics production machinery. All of these factors have resulted in a demand upswing since 1986.

TABLE 1
THE MEXICAN MARKET FOR PLASTICS PRODUCTION MACHINERY AND EQUIPMENT
(million U.S.$)

	1988	1989	1990	1991e	1994p
Production	47.4	51.7	56.4	59.6	69.0
+ Imports	88.8	131.3	162.0	183.1	243.7
- Exports	11.1	11.5	13.3	14.4	17.6
TOTAL	**125.1**	**171.5**	**205.1**	**228.3**	**295.1**

Note: e=estimated p=projected
Source: Import-export data based on statistics published by Secretaría de Comercio y Fomento Industrial (SECOFI)

During 1991, total demand in this market grew another 11% and should then continue its upward trend with an estimated annual increase of 9% in the following three years, since the plastics industry is one of the most dynamic economic sectors in Mexico. On the one hand, there will continue to be a growth in the overall demand for plastic products, both in terms of volume and of the number and variety of applications; coupled with the increased integration and competitiveness of the domestic plastics producing industry as will be seen in Section 4 of this report. Major plastics producing companies are expected to continue replacing old machinery, which is estimated to have a