

Mexico

Market Environment

In 1992 445,303 new passenger vehicles were sold in Mexico plus 251,010 trucks. Some 12 million vehicles are presently in circulation in Mexico.

The value of the total 1990 auto repair and maintenance equipment market in Mexico reached US \$ 41.1 million. The import market was worth US \$ 32.9 million, local production US \$ 11.3 million and exports US \$ 3.0. The import market was shared by the US 77%, Germany 5.6%, Japan 2.5%, China 1.8% and Italy 0.7%. The Mexican equipment market is expected to grow 8% per annum and equipment imports 10% per year. The growth is mainly the result of Mexico's trade liberalization policies. In 1995 68% of all garage equipment is expected to be imported.

Mexico is highly dependent on imports of auto maintenance equipment since domestic production is limited to the simpler, technologically less sophisticated equipment such as jacks, hand tools and smoke analyzers. Repair shops prefer imported equipment and tools because of their quality and reliability. The domestic production is expected to continue to supply approximately 20% of the total market only.

The average lifespan of a car in Mexico is normally 8 to 10 years.

The Mexican Government included in the 1990-1994 Industrial Modernization and Development Program the fostering of micro, small and medium-sized enterprises. The importance of supporting the micro and small enterprises involved in the automotive industry which encompasses auto repair shops was being recognized. Since the micro enterprise employs up to 15 people and reports annual sales up to US \$ 160,000 and the small enterprise employs up to 100 people and reports annual sales of US \$ 1.6 million some 90% of the auto repair and service shops belong to the classification of micro and small enterprises.

Micro and small sized enterprises are now allowed to obtain long term credit. An opportunity was thus created for repair shops to acquire new technology equipment.

The principal automotive equipment buyers in Mexico are the auto repair and maintenance shops. In Mexico there are approximately 50,000 such shops ranging from large, fully integrated ones to very small operations offering only one particular service.

Traditionally vehicle dealerships and large, independent repair shops have been and will continue to be the most important buyers of equipment. Small and medium sized firms have not been an important buying group in the past but because of the new financial policies this