



sports equipment. This is especially true in the north where American cultural influences are the strongest. Baseball and basketball now have substantial followings, especially in Monterrey, where a new indoor sports arena was recently completed. Professional leagues exist for both sports, and there are also a growing number of amateur players. Several other individual and team sports have begun to attract young middle-class Mexicans, including volleyball, in-line skating, running, American football and cycling.

Golf and tennis have become very popular among wealthier Mexicans. Since there are virtually no public facilities for these sports, participants must be members of a private sports club or country club. This exclusivity creates a degree of status that is now attracting upwardly-mobile middle-class players, who have a preference for prestigious brand-name gear. The exclusivity of golf has been the source of some controversy. For example, when officials of the town of Tepotzlán approved the construction of a golf course designed by Jack Nicklaus, they were confronted with vocal protests from local residents. The project, which would have been built in an area of historic and cultural significance, has been indefinitely postponed.

A trend towards personal fitness and exercise among younger Mexicans is driving a growing market for exercise equipment. High rates of air pollution in Mexico City and other urban areas has forced fitness-minded Mexicans indoors. This has created a strong market for all types of fitness equipment both for use at home and at private fitness clubs and gymnasiums. This market is augmented by demand from Mexico's huge tourist sector. The most popular tourist destinations are the coastal resorts. Equipment for use in water and beach sports, as well as general fitness activities, is in continuing demand.

## **THE MEXICAN SPORTING GOODS MARKET**

The growth of the middle class has been the most important force behind the growing Mexican market for sporting goods. Over the past few years, greater leisure time, combined with higher purchasing power, has increased interest in both spectator and participatory sports as well as other recreational activities. An increased concern about physical fitness has reinforced this trend. Sales of imported sporting goods rose by 70 percent in 1994 alone.

The sporting goods market involves goods for individual and group recreational and fitness activities. This includes activities such as golf, tennis, gymnastics, physical fitness, team sports, watersports and watercraft. This market summary does not cover athletic apparel or footwear, firearms or camping equipment. Defined on this basis, the Mexican market for sporting goods has been estimated at about US \$350 million, about two-thirds of which is imported.

In December 1994, a large current-account deficit, combined with major capital outflows, brought about a sharp devaluation of the peso and precipitated an acute economic crisis. Because they are luxury items, sporting goods were highly vulnerable to the subsequent drop in disposable income. During 1995, consumer demand contracted and imports fell. As of early 1996, a gradual economic recovery had taken hold. Pent-up consumer demand is expected to resurface during 1996, leading to significant growth beginning in 1997.

The Mexican market presents substantial opportunities for Canadian sporting goods companies that are willing to adopt a medium- to long-term strategy. Companies that enter the market during the current period of recovery will be well-positioned

when high growth rates return. The North American Free Trade Agreement (NAFTA), which went into effect in 1994, gives Canadian and American sporting goods a distinct advantage in Mexico, since the treaty eliminated or reduced tariffs on most sporting goods that originate in North America.

## **THE ROLE OF FOREIGN TRADE**

The Mexican market for imported sporting goods equipment has grown strongly over the past five years, even though the overall market is relatively small. Imports rose by 70 percent in 1994 to reach US \$217 million. Canada's exports increased by 20 percent in 1994, to US \$5.1 million, for an import market share of just over 2 percent. Watercraft other than sailboards and similar small equipment are not included in this total because they are classified as transportation equipment in the trade data. In 1994, Mexico imported US \$22.6 million worth of pleasure vessels, of which US \$1.2 million came from Canada. Including pleasure vessels, Canada's market share was 2.6 percent in 1994.

The most rapidly-growing imported product categories have been game machines (including pin-setters for bowling), exercise equipment and roller skates. Golf equipment has been a consistently strong product line. Canada has been most successful in the market for exercise equipment. Sales increased by 70 percent in 1994 to reach US \$3.9 million, which is about 11 percent of the import market. This was about the same share as a year earlier, but is a dramatic increase from previous years.

The United States supplied 58 percent of the 1994 import market. Other important competitors are Italy, Germany, Pakistan and Hong Kong.