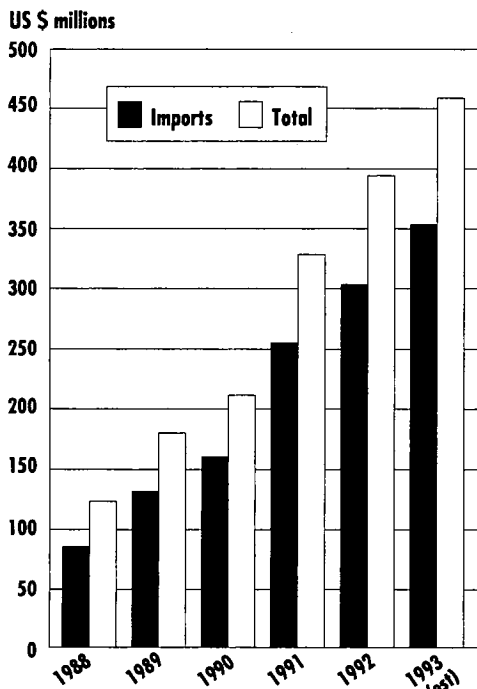


2. SECTORAL OPPORTUNITIES - PLASTICS PRODUCTION MACHINERY AND EQUIPMENT

MARKET DEMAND

THE MARKET FOR PLASTICS PRODUCTION MACHINERY AND EQUIPMENT IN MEXICO, 1988 TO 1993



Source: Secretaría de Comercio y Fomento Industrial (SECOFI), Secretariat of Commerce and Industrial Development.

The Mexican market for plastics production machinery and equipment has recovered steadily from a downturn during the 1982 recession. In 1986 it grew by one-third to reach US \$124.6 million. Although the market contracted in 1987, it rebounded the following year, and annual nominal growth has averaged 30 percent since then.

Much of this market growth reflects a demand backlog resulting from the recession. In addition, a number of government incentives have encouraged the capital expansion. Decreasing inflation, and a stabilizing currency combined with Mexico's liberalized trade policies make importing easier and less expensive.

At the same time, economic growth has increased the demand for plastic products and therefore for plastics production machinery. Increased competition from abroad has placed the industry under a great deal of pressure to increase efficiency. This has been accomplished mainly by the introduction of new technologies.

Total demand, for plastics production machinery and equipment and related molds and parts, more than tripled between 1988 and 1993 to reach an estimated US \$461 million. Imports played a particularly strong role in this growth. Domestic production of plastics machinery and equipment jumped sharply in 1991 and 1992 but a significant amount of this increase was exported.

The equipment market is expected to continue to grow steadily, although at a slower pace than in the past few years. Annual growth is projected at 12.5 percent between 1994 and 1996 in current dollar terms.

The demand for plastics products will continue to grow, and a wider variety of products will be needed. Major plastics-producing companies are expected to continue replacing old machinery. The machinery and equipment used in Mexico is considered to have a life span of nine to ten years, but in some cases has been used for 25 years or more. Typically, it is technologically outdated and in some cases even obsolete, which accounts for its low productivity. In the new export-oriented industry, new products need to be introduced, new materials used, quality improved and, in general, efficiency increased in order to compete effectively in domestic and international markets.

