

and to strengthen the improvement in living standards of the poorest segment of society through the Solidaridad program.

Domestic economic activity recovered for the third consecutive year in 1989, after the 1986 recession, with a gross domestic product (GDP) growth rate of 3.1%. In 1990 it grew 3.9% and another 3.6% in 1991 to reach \$280.3 billion (1). With an 82.8 million population, per capita GDP was estimated at \$3,385 in 1991. Additionally, manufacturing output grew by 5.2% in 1990 and 3% in 1991 in real terms, private investment and consumption expanded 13.6% and 5.2% respectively and public investment was up 12.8%. During the 1992-1994 period, the GDP is expected to maintain an average annual growth rate of 4%-5%. Preliminary figures place GDP growth at 4% for 1992.

In an effort to revitalize and open the Mexican economy, the Mexican Government undertook a series of structural changes, including the accession to the General Agreement on Tariffs and Trade (GATT) on August 24, 1986 leading to an extensive trade liberalization process: import permits were eliminated on all but 325 of the total 11,950 tariff items based on the Harmonized System adopted in 1989. Official import prices are no longer applicable, nor the 5% export development tax, and import duties were lowered from a maximum of 100% in 1982 to 20% in January 1988. The weighted average tariff rate is now 10.4%. The automotive and computer industries have also been liberalized, through the elimination of prior import permits, to allow free entry of products in these industries. The approval of the North American Free Trade Agreement will further strengthen trade between Canada, the United States and Mexico.

According to official data from the Mexican Secretariat of Commerce and Industrial Development (SECOFI), Mexico's trade balance dropped once again in 1991 to a \$10.4 billion deficit from -\$3 billion in 1990. Exports increased by 2.6% in 1991, from \$26.8 billion to \$27.6 billion, while imports grew 22.2%, from \$29.8 billion to \$38 billion in 1991, having already increased 27.2% in 1990 from \$23.4 billion in 1989.

### **3. MARKET ASSESSMENT**

The total Mexican market for office and household furniture and lighting fixtures amounted to \$435.4 million in 1988 and increased by 24% in 1989 in response to the economic recovery and the increase in disposable income as inflation fell. In 1990, the market grew again by 12% to \$605 million in 1990, prompted by a 36.8% increase in imports and a 6% increase in local production (see Table 1). During 1991, demand increased an estimated 6% and reached \$642.2 million. The total market for office and household furniture and lighting fixtures is expected to grow at an average

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1. Note: All values in this report, unless otherwise stated (Mexican pesos, Mex\$, Canadian dollars, Cdn\$, etc) are quoted in United States dollar equivalents.