

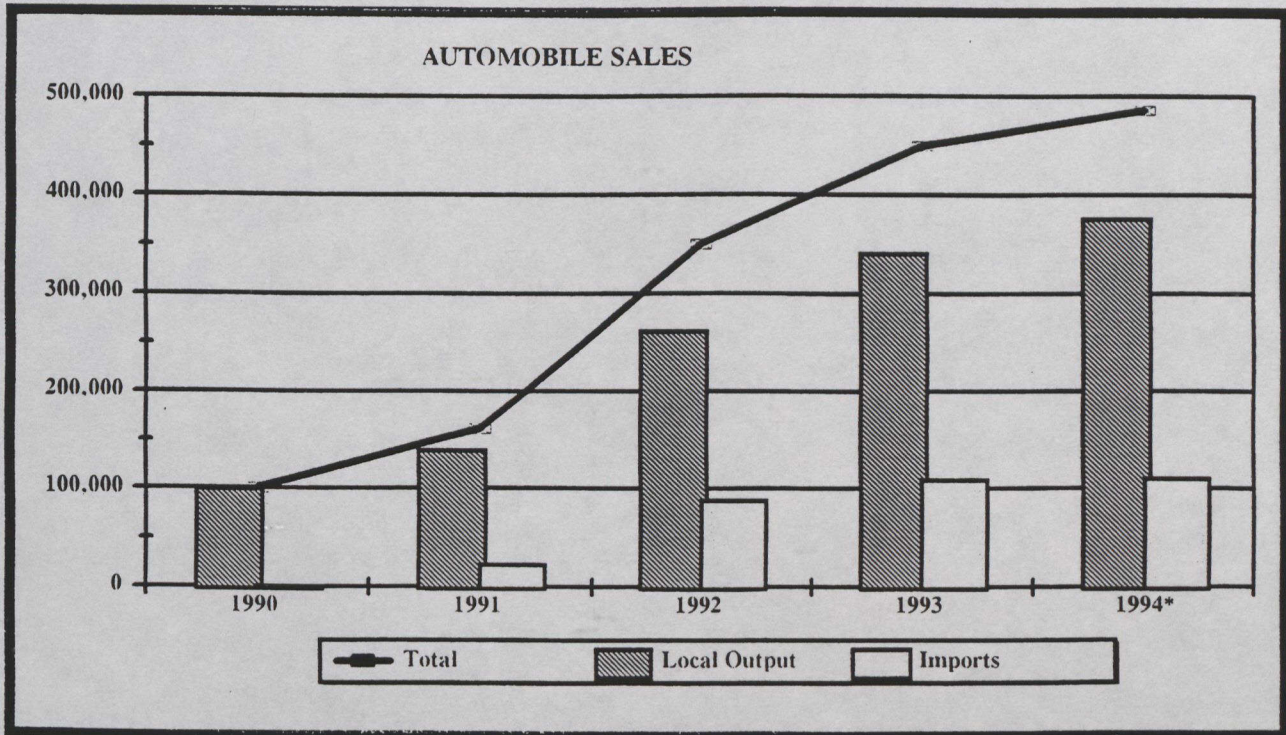
6. MARKET EVOLUTION

Since the implementation of the *Convertibility Plan* there has been a sharp recovery in the automotive market, encouraged both by the conversion program and the regulatory framework established in December 1991.

During the last three years there has been considerable growth in production, consumption, imports and exports. Even though local production greatly increased, it did not satisfy the rapidly growing local demand and the difference was made up by imports.

Production and Consumption

Production has reached new peaks every month, resulting in capacity utilization in excess of 90%. As an example, automobile manufacturers assembled 36,077 units in July, 4.8% more than in June, and 12.2% more than in July, 1993. Local output and imports over the last four years, and estimates for 1994, are shown graphically below. The sharp increase in annual output is particularly interesting.



* Estimate

From 1973 to 1993 there have been record breaking numbers of cars produced. There were 340,000 cars produced in 1993; over 400,000 are forecasted for 1994 and between 440,000 and 500,000 cars in 1995. This is because the market is undergoing a period of recovery and