

The metalworking industry is facing strong pressure to improve quality and productivity. Customers are demanding uniform quality, compliance with international standards, lower production costs, just-in-time deliveries, and above all, reliable local service and maintenance programs. This market pressure is the driving force behind the expanding market for custom tools, especially those associated with numerical control.

CUSTOMERS IN THE PLASTICS INDUSTRY

The Mexican plastics market has grown by about 150 percent over the past three years, and imports have been the primary source of new machinery. Plastics and rubber processing machinery imports were up by 159 percent in 1992 alone, although the rate of increase fell off to 15.2 percent in 1993. Imports from Canada grew by 47 percent in 1992 and 20 percent in 1993.

Demand is expected to continue growing as the industry modernizes, and plastics are substituted for other materials. Household appliances and vehicle parts are particularly dynamic markets.

Seventy percent of the plastics industry is located around Mexico City. There are currently about 400 companies using blow-moulding technology. These are mainly small companies making bottles, containers, automotive parts and household products.

SPECIFIC PRODUCT OPPORTUNITIES

Mexico's imports of custom tools for the years 1991 through 1993 fall into 29 different classifications under the Mexican tariff classification system. Canada exported products to Mexico over this period in all but seven categories (see table on the next page). A large and growing proportion of imports are classified as "other". This suggests that the

MAJOR USERS OF CUSTOM TOOLS IN MEXICO

Metal Forging Industries

Castings
Forgings
Metal moulding
Custom machining
Iron and steel

Metal Working and Engineering Industries

Plastics industry
Food industry
Ceramic industry
Household appliances
Metal furniture
Automotive industry
Iron and steel industry

Finished Goods and Durable Consumer Goods Machinery Industries

Machine tools
Food processing machinery
Metalworking machinery

classification system has not adequately captured recent changes in the product mix.

The trend towards the use of numerically-controlled machine tools is an

important factor driving the demand for specific types of custom tools (see chart). Even though the overall demand for machine tools fell in 1993, the demand for numerically controlled equipment continued to rise. Numerically controlled equipment rose from about 16 percent of total machine tool imports in 1991 to almost 26 percent in 1993.

MARKET ENTRY STRATEGIES

The market for custom tools and custom toolmaking consists largely of small to medium-sized enterprises. In most cases, the best way of entering this market is to engage the services of a Mexican agent or distributor. Often, the companies selling machine tools also act as distributors for custom tools.

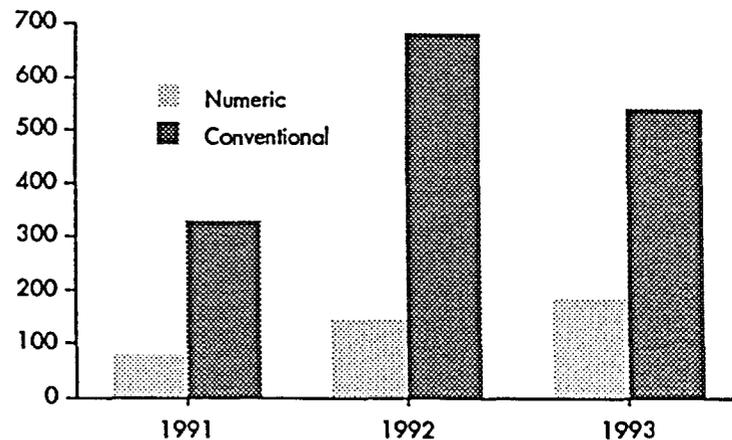
Large distributors have offices in Mexico City, Guadalajara and Monterrey, and have sales agents for other industrial centres. They usually have well-equipped technical staff, but they serve a large portfolio of products and suppliers. Some Canadian exporters prefer to have agents with strengths in specific

regions or market niches.
Min. des Affaires étrangères

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MEXICAN IMPORTS OF MACHINE TOOLS

US \$ millions



Source: Secretaría de Comercio y Fomento Industrial (SECOFI), Secretariat of Commerce and Industrial Development, Banco Nacional de Comercio Exterior (Bancomext), Mexican Foreign Trade Commission.

