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Motor Vehicle Output Up Slightly in First Quarter

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Category/Department: Mexico
Published: 1994-05-04

In April, the Mexican Automobile Industry Association (Asociacion Mexican de la Industria Automotriz, AMIA) reported production of motor vehicles in January-March 1994 at 274,820 units, an increase of 1% from the same period in 1993. The AMIA said the increase in production was mainly the result of a growing export market, since domestic sales remain in a slump. Exports of motor vehicles surpassed 123,000 units during the quarter, an increase of more than 44% from the same time last year. The statistics on exports included an increase of almost 52% for passenger automobiles, and nearly 5% for trucks and other heavy vehicles.

In contrast to the increase in exports, however, domestic sales of passenger automobiles during the first quarter totaled about 112,000 units, down almost 14% from a year ago. Similarly, sales of trucks and other commercial vehicles during the same period declined about 15% from the first quarter of last year to less than 44,000 units. Due to expectations of continued high interest rates this year, along with a reduction in consumer purchasing power, the AMIA is projecting total domestic sales of automobiles for this year to decline by about 12% from last year's 600,000 units. This rate of decline would be similar to that registered between 1992 and 1993 (SourceMex, Jan. 26, 1994).

The interest rate charged on automobile loans in Mexico currently stands at about 35%. Despite the expected decline in domestic sales, the Ford Motor Co. one of the top five automobile companies in Mexico-announced plans to import 50,000 three- and five-door Escort models for sale in the Mexican domestic market. The cars will be shipped from Ford's assembly plant in Wayne, Michigan.

Ironically, Ford already assembles Escorts at its plant in Hermosillo, Sonora state, although these are the four-door models, which are exported to the US. In addition, Ford recently announced plans to ship an undetermined number of Lincoln Mark VIII luxury models from its plant in Wixon, Michigan, to Mexico. Ford also recently started shipping Thunderbird and Mercury Cougars from its plant in Lorain, Ohio, to Mexico over the past year.

Meanwhile, according to the Trade Secretariat (Secretaria de Comercio y Fomento Industrial, SECOFI), the strong export market for cars assembled at plants in Mexico is expected to sustain the Mexican automobile industry until domestic demand recovers. In a report released in mid-April, SECOFI projected new investments by automobile and auto parts manufacturers at more than US $2.4 billion this year.

SECOFI estimates these expansion projects will create about 18,000 new jobs. SECOFI said the five largest automobile manufacturers Nissan, Ford, Chrysler, General Motors, and Volkswagen will account for US$1.44 billion of the total investment. In fact, on April 7, the Japanese automobile manufacturer Nissan projected investments in Mexico this year at US$250 million. Shoichi Amemiy, Nissan's global director for auto parts, told reporters the expenditures will be used mostly to modernize the company's assembly plants and to acquire advanced technology. Nissan
projects Mexican operations to produce 220,000 motor vehicles and 500,000 engines during 1994. Export revenue is projected at US$500 million, of which 80% will come from shipments to the US.

Meantime, on April 25, the German automobile manufacturer BMW announced plans to begin assembling BMW automobiles in Mexico. The company will invest US$700 million to launch operations at its assembly plant in Lerma, Mexico state, by the middle of 1995. According to BMW officials Hoerst Teltschik and Luder Paysen, in addition to the assembly facilities, long-term plans include the establishment of manufacturing capabilities for auto parts as well as investments in distribution outlets. Together, the operations are expected to create about 1,600 new jobs. With the new operations, BMW would join two other German automobile manufacturers in Mexico: Volkswagen and Mercedes Benz.

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