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Mixed News for Auto Industry: Exports Rise, Domestic Sales Decline

by LADB Staff

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The devaluation of the peso has continued to boost Mexican exports of motor vehicles during the first several months of this year, but the economic crisis that accompanied the devaluation has also caused domestic sales to remain extremely depressed. According to statistics released in early June by the automobile industry association (Asociacion Mexicana de la Industria Automotriz, AMIA), almost 290,000 motor vehicles were exported in January-May, compared with about 220,000 units exported in the same five-month period last year.

On the other hand, domestic sales in January-May declined to fewer than 79,000 units, down about 18% from the first five months in 1994. The increase in exports, however, was not enough to compensate for the decline in domestic sales. According to the AMIA, domestic and overseas sales of trucks and cars in the first five months of the year together reached 369,000 units, down more than 20% from the nearly 470,000 motor vehicles sold in January-May of last year.

The decline in total sales reflected a drop in car and truck production in January-May, which barely reached 378,000 units, compared with more than 463,000 motor vehicles during the same period last year. The devaluation of the peso and a drop in purchasing power for most of the Mexican population have also caused a significant decline in automobile imports.

Speaking to reporters at a Mexico-Europe trade show, deputy trade secretary Decio De Maria Serrano said fewer than 9,000 motor vehicles were imported in January-April, a decline of almost 60% from the 22,000 cars and trucks imported during the same period in 1994. The decline in purchasing power has had such a profound effect on domestic sales that even though imports declined, they still increased their percentage of the total motor vehicle sales during January-April.

According to AMIA statistics, the 9,000 cars imported during the four-month period accounted for 13.3% of all cars sold in Mexico. In January-April of last year, the 22,000 car and truck imports sold in Mexico represented only about 10% of total sales during the four-month period. Gary Cowcer, an executive for General Motors de Mexico, told an industry group that total motor vehicle production in Mexico this year would decline by more than 50%. He projected total sales of cars and trucks at the retail level in Mexico would total about 300,000 units this year, compared with 620,000 in 1994. Cowcer said domestic sales of General Motors cars assembled in Mexico so far this year are down about 43% from the pace in 1994. Despite the prospect of sharp reductions in production and sales for this year, deputy trade secretary De Maria optimistically forecast that Mexico's annual output of motor vehicles would reach 2 million units by the year 2000, of which roughly 1 million would be destined for the export market.

De Maria said the Trade Secretariat (Secofi) will continue to support the Mexican auto industry, which he said is expected to invest more than US\$1 billion to expand operations over the next

several years. The assistance will include such actions as deregulation, tax breaks, and subsidies to small- and medium-sized producers of automobile parts. On a related matter, Secofi announced a small reduction in the percentage of content for motor vehicles assembled in Mexico. In a decree announced on June 1, Secofi said Mexican automobiles are required to be assembled with 34% parts of Mexican origin, compared with the previous requirement of 36%. The changes were made to comply with terms of the North American Free Trade Agreement (NAFTA). The 34% rate will remain in place through 1998 and will be reduced gradually each year thereafter to 29% in the year 2003. (Sources: Notimex, 05/23/95; Agence France-Presse, 06/05/95; La Jornada, 06/01/95, 06/06/95; Reforma, 06/06/95; El Economista, 06/07/95; Reuter, 06/12/95)

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