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Slow Auto Sales in Mexico Reflect Impact of Economic Crisis, Devaluation

by LADB Staff

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According to the automobile industry association (Asociacion Mexicana de la Industria Automotriz, AMIA), Mexican automobile companies sold only slightly more than 89,400 motor vehicles in the domestic market during January- June, a decline of more than 70% from the 302,000 cars and trucks sold in the first six months of 1994. By category, sales of automobiles were down about 74.3%, while commercial vehicles sales were down about 60%.

The decline in sales is widely attributed to the devaluation of the peso and President Ernesto Zedillo's emergency economic measures, which resulted in sharp increases in interest rates, a surge in unemployment, and a sharp reduction in purchasing power. The report said a 29.4% increase in exports was not able to compensate for the depressed domestic sales. Total sales of cars and trucks which include both domestic sales and export shipments reached 445,132 units during January-June, a sharp drop from the 577,280 cars and trucks sold during the same period last year. In addition to a lack of sales, many automobile dealerships were forced to repossess cars for lack of payment. According to the AMIA and its sister organization the automobile distributors association (Asociacion Nacional de Distribuidores de Automobiles, AMDA) more than 19,000 cars were repossessed in the first half of the year.

Many automobile manufacturers have been forced to suspend production since December, resulting in the layoff of thousands of workers. On the other hand, manufacturers point out that in the long term, layoffs would have been much more extensive if the plants had not temporarily suspended production earlier in the year. The depressed economy has had the greatest impact on Volkswagen, which sells more cars in Mexico than other manufacturers in the country. Other companies such as Chrysler, General Motors, Nissan, and Ford- -have also reported significant declines in car sales. According to AMIA statistics, total production of motor vehicles in January-June reached 452,104 units, a decline of almost 112,000 units, or about 20%, from the same period last year.

Additionally, according to AMDA, many consumers voluntarily canceled purchases for more than 14,000 vehicles, or 16% of the total sales that had been projected for the first six months of the year. A surge in interest rates was cited as the primary reason for the cancellations. Despite the crisis, Nissan announced plans in mid-July to spend more than US\$300 million in 1995 and 1996 to retool plants to produce new models in Mexico. In an interview with El Financiero daily business newspaper, Nissan executive Masao Horie said his company expects the Mexican economy to recover enough in coming years to boost domestic purchases of automobiles. In fact, he boldly predicted that the economic performance of the Mexican automobile sector would increase by 20% in 1996 relative to this year. (Sources: Agence France- Presse, 07/12/95, 07/13/95; Excelsior, 07/13/95; La Jornada, 07/13/95, 07/17/95)

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