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The downturn in the Mexican economy, due to the devaluation of the peso, continues to have a profoundly negative impact on domestic sales of motor vehicles in Mexico. According to statistics released in mid-September by the automobile industry association (Asociacion Mexicana de la Industria Automotriz, AMIA), sales of new cars and trucks on the domestic market in the January-August period totaled only about 107,064 units, or almost one-fourth of the 400,000 units sold in the same eight-month period in 1994. Sales on the domestic market include both cars assembled in Mexico and imports, which are shipped mostly from the US.

According to the AMIA report, automobiles comprised 66,087 of the total vehicle sales in January-August, compared with 211,472 cars sold in the same period last year. Sales of trucks and buses totaled 40,977 units in the same eight-month period of this year, compared with 113,516 in January-August 1994. The lack of sales was also reflected in a sharp decline in production of motor vehicles. According to the AMIA, only 594,490 cars and trucks were assembled in Mexico during January-August, a decline of 17.8% relative to 1994. Of that total, 111,422 vehicles were produced for the domestic market, meaning that 483,068 cars and trucks were assembled for export.

To address the severe downturn in domestic sales, all the motor vehicle manufacturers have imposed frequent work stoppages this year. The latest company to announce a suspension of production was Nissan, which in early September said a number of workers at its plant in Aguascalientes would receive furloughs this year. Nissan said the furloughs would prevent the company from having to implement permanent layoffs. On the other hand, a relatively strong export market continued to keep the Mexican automobile industry afloat. According to the AMIA report, a total of 476,068 cars and trucks were exported from Mexico in January-August, an increase of more than 32% from the 360,455 sold to overseas customers in the same period last year. Exports of automobiles totaled 381,311 units, compared with 314,460 units sold in January-August of last year.

Similarly, truck exports reached 94,577 units, or more than twice the 48,762 shipped overseas a year ago. Indeed, the continued weakness of the peso and the potential for domestic sales to remain depressed for some time has led the major automobile producers in Mexico to consider plans to shore up their production for the export market. The AMIA statistics appear to confirm this trend. According to the organization, total output of cars assembled specifically for shipment overseas totaled 387,826 units, an increase of 21% from last year. At the same time, 95,242 heavy trucks and buses were produced in January-August, compared with 47,753 a year ago. In reference to the increased motor vehicle exports, the AMIA noted that the automobile industry contributed significantly to Mexico's positive trade balance for January- July 1994.

According to the AMIA report, the total value of exports by the Mexican automobile industry during the first half of the year amounted to US$4.98 billion, an increase of 56.3% relative to a year ago.

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Still, according to the New York Times, the increased export orientation was probably easier for two companies Ford and Volkswagen. Even before the devaluation of the peso in December 1994, the two companies had already made the necessary changes at their plants to increase shipments to the US. Indeed, during August, Volkswagen announced plans to transfer annual production of 5,000 Golf and Cabriolet models to its plant in Puebla. These models, which will be assembled almost exclusively for export to the US, were previously produced at a plant in Germany. For its part, in early September, Ford announced plans to export 200,000 vehicles from its plants in Hermosillo, Coahuila, and Chihuahua states.

Philippe Mellier, an executive with Ford de Mexico, told El Financiero International weekly business newspaper that the revenues earned from the exports will compensate for the potential revenues lost from the lack of domestic sales in Mexico. In contrast, two other major automobile companies operating in Mexico, US-based Chrysler and General Motors, have been forced to make greater adjustments to their facilities in order to produce the vehicles that are in greatest demand in overseas markets, especially in the US. Until the devaluation of the peso, the two companies were placing a strong emphasis on trying to increase their market share in Mexico. "We were aiming to take advantage of the higher growth in Mexico with more sales there," Chrysler vice president James Donlon told the New York Times. (Sources: New York Times, 09/10/95; Agence France-Presse, 09/11/95, 09/15/95; Reforma, Excelsior, 09/15/95; El Financiero International, 08/28/95, 09/04/95, 09/11/95, 09/18/95)

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