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Sales Of Motor Vehicles in Mexico Remain Depressed in January

by LADB Staff

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According to the automotive industry association (Asociacion Mexicana de la Industria Automotriz, AMIA), sales of cars and trucks remained extremely depressed during January, still reflecting the impact of the economic crisis that followed the devaluation of the peso in late 1994. In a report released in late February, the AMIA said domestic sales of cars and trucks during January of this year barely surpassed 19,700 units, a decline of 23% compared with January 1994. Of the total, sales of passenger automobiles dropped 27% from January of last year to about 12,000 units, while sales of trucks and other commercial vehicles declined by 14% to just over 7,000 units.

The AMIA said the highest sales during the month were reported by Chrysler, which managed to place 5,075 units on the domestic market. Chrysler's relatively strong performance was surprising, since the company ranked last in 1995 for car and truck sales. General Motors ranked second in domestic sales, followed by Nissan, Ford, and Volkswagen. However, industry executives are confident that domestic sales will improve during 1996. In an interview with the daily newspaper *Reforma*, General Motors public relations director William Pelfrey said the automobile industry as a whole expects domestic sales to recover from last year's severely depressed levels. Pelfrey said, however, this recovery will come more gradually than most in the industry had anticipated.

The AMIA said relatively strong exports during January partially offset the impact of the extremely slow domestic sales. According to the association, exports during January amounted to 80,730 units, an increase of almost 60% from the approximately 51,000 units exported in the first month of 1995. Of the total, Chrysler reported exports of more than 28,000 vehicles. The strong export figure for January showed that the Mexican automotive industry continues to rely on overseas sales to prevent total economic ruin. According to the daily newspaper *Excelsior*, this recent trend of increased exports and reduced domestic sales has been magnified by the devaluation of the peso and the ensuing economic crisis.

A side effect of the crisis has been the development of "maquiladora plants" in the Mexican motor vehicle industry, where the vehicles that are assembled are primarily for export and contain a higher percentage of foreign parts, including engines. Because of this trend, the domestic-parts content of vehicles rolling off assembly lines in Mexico has declined by as much as 18% in some models. Indeed, INA statistics showed that domestic sales by the auto-parts industry last year declined by 33%, resulting in the loss of 27,000 jobs.

"Since 1960, Mexico has attempted to create a solid automobile sector, which involved the increased use of domestic auto parts and the creation of a domestic labor force," said *Excelsior*. "Now, the only advantage we offer is cheaper labor costs." The newspaper noted that auto workers in Mexico earn an average of US\$7 per hour, while their counterparts in the US and Canada receive an average of US\$24 per hour.

Additionally, Excelsior noted the economic crisis in Mexico has severely constricted new investment in automotive plants. The newspaper said the only capital expenditures that plants will make this year are "maintenance" investments, which are intended merely to ensure normal operation of plants. (Sources: Reforma, 02/20/96; Excelsior, 02/21/96)

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