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Mexico's Domestic Motor Vehicle Sales Recover in First Quarter, Exports Slump

by LADB Staff

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The Mexican automotive sector has shown an uneven recovery in the first quarter of this year, as evidenced by the latest statistics published by automobile industry associations. According to reports released in mid-April by the Asociacion Mexicana de la Industria Automotriz (AMIA) and the Asociacion Mexicana de Distribuidores de Automotores (AMDA), domestic sales have generally improved in recent months, while exports have fallen off slightly.

According to the two industry groups, a total of 94,000 motor vehicles were sold in the domestic market during January-March of this year, an increase of 33% from the first quarter of 1996. AMDA director Rodolfo de Lima said that, despite an improvement from last year, sales remain inconsistent because of tight consumer credit and an increase in retail prices for automobiles in recent months. For example, De Lima said that 29,000 units were sold on the domestic market in March, representing a 10% increase compared with March 1996.

Nevertheless, the March sales represented a decline of 10% relative to sales in February of this year. According to the AMDA, exports sales showed signs of weakness in the first quarter of 1997, dropping by 7% in March compared with the same month in 1996. For the January-March quarter, exports were down about 4.7% compared with the first quarter of 1996. AMIA director Fausto Cuevas said sluggish export sales in part reflect a lack of market diversity, with more than 85% of the sales going to the US and Canadian markets. According to industry statistics, Mexican motor-vehicle exports increased during the first quarter to such markets as Brazil, Chile, and Panama.

Strike follows Ford decision not to offer profit-sharing bonus

The improvement in domestic sales follows a generally depressed year in 1996. The slow sales last year, in turn, forced companies such as Ford de Mexico to forego distribution of profit-sharing bonuses to workers at its three plants in Mexico. According to company spokesman Carlos Hernandez, a sharp decline in domestic sales in 1996 resulted in losses of 1.657 billion pesos (US\$210 million), which eliminated the possibility of profit-sharing bonuses. The company's decision not to award the bonuses angered members of the Ford de Mexico labor union (Sindicato Nacional de Trabajadores de la Ford de Mexico), which ordered 6,000 employees at the six plants to walk off the job.

At the same time, the workers demanded that the Finance Secretariat (SHCP) conduct an audit of Ford de Mexico's finances to determine whether the company actually incurred the losses claimed. Union members argued that the company was hard pressed to claim losses when its share of the domestic motor-vehicle market had increased to 20% in 1996. Management averted a prolonged strike by offering the union a one-time bonus of 3,000 pesos (US\$381), which will be distributed on May 15. Ford officials said the one-time payment was presented as a token of good faith on the part of the company and did not in any way represent a distribution of profits.

According to Hernandez, during the strike, production by Ford de Mexico dropped by about 1,300 vehicles and 2,000 engines. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on April 23, reported at 7.87 pesos per US\$1.00] (Sources: Associated Press, El Universal, 04/16/97; Excelsior, 04/15-17/97; El Economista, 04/16-18/97; Reuter, The News, 04/16/97, 04/17/97; El Financiero International, 04/21/97)

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