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Mexican Motor-vehicle Industry Begins 2008 With Slump In Domestic Sales

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The Mexican motor-vehicle industry began 2008 by experiencing a slump in domestic sales of cars and trucks while at the same time raising production and exports. The slump in domestic sales in January follows a pattern evident in 2007, when sales declined by 3.5% from 2006. A report published by the Asociacion Mexicana de la Industria Automotriz (AMIA) said Japanese manufacturers increased their sales in Mexico during January, boosting their market share at the expense of the subsidiaries of two of the three US companies with a presence in the Mexican auto industry.

The AMIA report, released in mid-February, said sales of new motor vehicles slowed in January, reversing a pattern prevalent in recent years. Sales of new cars and trucks have increased each January since 2003. The AMIA reported sales at about 97,000 units in the first month of the year, a decline of 0.8% relative to January 2007. The slump is of special concern to car dealers, who are represented by the Asociacion Mexicana de Distribuidores de Automotores (AMDA). "The slowdown in the US economy, the reductions in Mexico's growth forecasts, the fluctuations in the Mexican stock exchange, and the influx of used vehicles from the US and Canada are all factors that prevented our domestic sales from increasing in January," said Guillermo Rosales, AMDA's deputy director for government affairs.

The trend was already apparent in 2007, when 40,000 fewer vehicles were sold in Mexico relative to 2006, said AMDA. AMIA and AMDA predicted that sales would continue on a downward trend the rest of the year, with sales of new vehicles possibly declining by 40% relative to 2007. "These are the signs that federal authorities should be watching," said outgoing AMIA president Cesar Flores. "The motor-vehicle industry is more important than [state-run oil company] PEMEX as a catalyst for development in our country." AMDA said a large part of the problem lies with the influx of used cars from the US and Canada. These vehicles are brought into the country informally by expatriates working north of the border.

The problem could worsen even more in 2009, when import restrictions on motor vehicles will be eliminated under the North American Free Trade Agreement (NAFTA), officials for both organizations said. The Mexico City daily newspaper Reforma said the slump in the Mexican auto industry during January was a stark contrast to its counterpart in Brazil, which reported a 41% increase in domestic sales during January. "The growth in the amount of credit available for automobile purchases was the main reason for this increase," Brazilian automobile industry official Jackson Schneider said. Brazil and Mexico are among the leading manufacturers of motor vehicles in Latin America. Despite the decline in domestic sales in Mexico, total production and exports increased during January. Production of motor vehicles surpassed 166,000 units, an increase of 26% from a year ago. Exports of cars and trucks, primarily to the US and Europe, amounted to more than 118,000 units, an increase of slightly more than 33.2% from January 2007.
While exports to the US remained flat in January 2008, sales to Central and South America and Europe increased by 33%. "There are expectations that shipments will increase to Europe," said Flores. The models in greatest demand in Europe during January were the Ford Fusion, the Volkswagen Bora, and Chevrolet's HHR, said AMIA. Japanese manufacturers outperform US counterparts AMIA said the Mexican subsidiaries of Toyota, Honda, and Nissan increased their sales of new motor vehicles in Mexico by more then 3,900 units during January. "This total is about the same as the decline reported by General Motors and Ford," said the Mexico City daily newspaper El Universal. Of the three Japanese manufacturers, Toyota appears to be experiencing the largest growth, increasing sales in Mexico by 10% in 2007, compared with 3.5% slump for the entire industry.

Toyota, a relative newcomer among Japanese manufacturers in Mexico (SourceMex, September 27, 2006), has projected sales of 72,000 units in Mexico this year. This would give the company about a 7% share of the Mexican motor-vehicle market. Toyota's rapid ascent in Mexico has created friction with AMIA, which went so far as to expel the company from the association early this year because of an organizational dispute. While there were few details of the dispute, observers said Toyota challenged AMIA's tendency to favor the five companies that have traditionally dominated the Mexican motor-vehicle market: Chrysler, General Motors, Ford, Nissan, and Volkswagen. "Toyota, led by [CEO] Adolfo Hegewisch, pushed for greater equity, transparency, and openness within the organization," said Marco A. Mares, a columnist for the Mexico City daily newspaper La Cronica de Hoy. In itself, the company's move to challenge the statutes is not grounds for expulsion.

AMIA used the excuse that Toyota was planning to undermine the association by creating a parallel organization. "This was considered treason," said Mares. Incoming AMIA president Eduardo Solis, who replaced Flores, defended the organization's promotion of the five largest manufacturers. "Toyota entered the organization with full knowledge of this policy," he said. Mares questioned whether AMIA could survive if it remained so restrictive. "Manufacturers are facing a change at the global level, and organizations [representing these manufacturers] must adjust to these changes," said Mares.

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