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According to Probursa Stock Exchange analysts, the Mexican economy will not be affected by oil export prices averaging as low as $13 for the year, due to the creation of a contingency fund last December. They said that the fund, which now contains $1.8 billion after the first stage of the privatization of Telefonos de Mexico (TELMEX), can contribute the equivalent of an additional $4 per barrel if necessary. Probursa analysts pointed out that the contingency fund will be further increased from additional payments received by the government in the TELMEX privatization, as well as from privatization of the banking industry, the iron and steel industry (SIDERMEX), and other state-run companies. Expected revenue from these transactions ranges from $4 billion to $8 billion. Probursa's positive outlook was echoed by Carlos Eduardo Represas, president of the Free Enterprise Studies Center (CEESP). Represas told reporters Feb. 24 that the Mexican economy can withstand oil prices as low as $12 per barrel without experiencing serious setbacks. However, the consulting firm Macro Asesoria Economica's (MAE) most recent analysis predicts that low oil prices, combined with the effects of the US recession, will have a strong negative impact on the economy. According to MAE, as a result of lower-than-expected oil revenues the government would abandon attempts to fix the exchange rate during 1991, inflation will escalate to over 20%, and interest rates would surpass 25%. MAE also predicted that non-oil exports will experience moderate growth. The analysis emphasized that "foreign capital flows must increase enormously during 1991 in order to maintain the viability of current economic policies." In contrast to Probursa's analysis, Macro Asesoria Economica argued that even if oil prices fall to $15 per barrel, the government will have to implement spending cuts, and adjust budget projections. (Sources: El Nacional, El Financiero, 02/22/91; La Jornada, El Financiero, 02/25/91)

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