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According to statistics released in mid-March by the Finance Secretariat (Secretaria de Hacienda y Credito Publico, SHCP) and the government statistics agency (Instituto Nacional de Estadistica, Geografia e Informatica, INEGI), President Carlos Salinas de Gortari's administration is on target in relation to its goals of keeping consumer price inflation under control again in 1994. The INEGI-SHCP report put the cumulative rate for January and February at 1.3%. The rate reported for February alone was 0.5%.

The report noted that during February consumers paid a higher price for housing, clothing and footwear, automobile insurance, telephone service, heating oil, medicine, bus fares, newspapers and magazines, books, and certain food items (sugar, rice, seafood, cooking oil, and bananas). This was partially offset by lower prices for mattresses and a number of other food items (tomatoes, chile peppers, onions, poultry, cold cuts, cheese, and fruit preserves, among others). The government's target for the year of a cumulative rate of 5% appears unlikely, unless inflation for March-December averages less than 0.37% per month.

Nevertheless, the statistics for the first two months indicate that single-digit inflation is again within reach. Inflation was reported at 8.0% for 1993, the lowest rate in 21 years. Private analysts fear that the Salinas administration's commitment to boost spending on social programs in the aftermath of the uprising in Chiapas could create new inflationary pressures. Still, Salinas has promised that the social programs will not be financed through deficit spending, but rather through last year's budget surplus. Notwithstanding price stability, however, the government's efforts to limit inflation by tightening the money supply and controlling wages and prices has simultaneously resulted in very slow GDP growth.

According to the New York Times, a report recently released by INEGI indicates that GDP growth during 1993 was only 0.4%. "Although Mexican officials are reluctant to say so, the [GDP] figures strongly indicate that their strategy of bringing down inflation to single digits by cooling off the economy has been too successful," read the Times article. The Times added that the government's rigid "belt-tightening" was especially harmful to the manufacturing sector.

Meantime, economic analysts interviewed by Agence France- Presse predict that GDP growth for 1994 will only reach about 1%. The Salinas administration is projecting 2% GDP growth for this year. The analysts explained that several key sectors of the Mexican economy are not strong enough to contribute to the large-scale recovery sought by the Salinas administration. A continued slowdown in the Mexican economy could result in massive layoffs, as was the case in 1993. A joint report released by three government agencies in early March indicated that the slowdown in the manufacturing sector last year resulted in the loss of more than 500,000 jobs or a decline of 14.9% from 1992 in the sector's total workforce. The three agencies producing the report were INEGI, the

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Labor Secretariat (Secretaria de Trabajo y Prevision Social, STPS), and the Mexican Social Security Institute (Instituto Mexicano del Seguro Social, IMSS). In a separate report released in mid-March, Grupo Financiero Bancomer reported that 150,000 of the workers who were laid off during 1993 were unable to find new jobs in the formal economy. The report said this represented a contraction of 1.7% in the country's labor force. According to the report, employment levels declined in 14 of Mexico's 32 states last year, but increased in the other 18. The two areas hardest hit by employment losses were the southeastern states of Campeche, Chiapas, Quintana Roo, Oaxaca, Tabasco, and Yucatan, and the eastern states of Hidalgo, Puebla, Tlaxcala, and Veracruz.

In a speech to representatives from the country's largest business organizations on March 8, President Salinas pledged to take following steps to stimulate economic growth during the rest of this year:

-Use some of the funds generated from last year's budget surplus to reduce the tax burden on wage earners, and to reduce interest rates for businesses, in order to stimulate consumption;

-implement policies to encourage a reduction in interest rates, especially for industrial projects, in order to attract increased investments and promote greater job creation. This will be achieved partly through the approval of permits for new banks;

-Maintain a balanced budget, in order to keep consumer price inflation low. While these measures should help stimulate growth, more efforts must also be made to resolve the large number of overdue loans held by the private sector, which contributed to sluggish economic performance last year.

Because of their outstanding debt, companies have been unable to obtain new financing to expand their operations, and some are even facing bankruptcy. To resolve the problem, Roberto Hernandez president of the Mexican Banks Association (Asociacion Mexicana de Bancos, AMB) has pledged to work closely with two government agencies: the small business lender Nacional Financiera (NAFINSA) and the foreign trade bank (Banco Nacional de Comercio Exterior, Bancomext). Hernandez promised that Mexico's largest banks will attempt to reach agreements with businesses to restructure about 80% of the debt by May. According to some estimates, Mexican businesses owe about US$6 billion in overdue debt to the banking sector.

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