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Mexico: Economic Notes

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## **Mexico: Economic Notes**

by John Neagle Category/Department: General Published: Thursday, June 29, 1989

Highlights from a report by the Finance Secretariat prepared for the Paris Club (informal organization of western government creditors), are summarized below: \* Mexico's foreign debt is equal to 60% of its annual gross domestic product (GDP), while annual debt service payments correspond to 6% of GDP. In negotiations with foreign creditors, Mexico City is aiming to reduce the debt to 40% of GDP, and annual debt service payments to 2% of GDP. \* Inflation for the May 1988-May 1989 period was 18%. The government's inflation projection for the May 1989-May 1990 period is 12%, and for May 1990-May 1991, 5%. \* Government GDP growth projections: 1989, 1.5%; 1990, 3.5%; and, 1991, 4.5%. Beginning in 1992, a growth rate of 5.5% to 6% is possible. According to the Finance Secretariat, consistent per capita consumption decline is inevitable until 1991. \* If commercial bank creditors accept a 4% fixed interest rate on old debt, Mexico's annual interest bill would total about \$5 billion, down from \$8.4 billion. \* Fixed interest rates on previously contracted debt combined with a 50% reduction in the nominal value of old debt, would bring Mexico's annual current account deficit to about \$1.5 billion. Assuming Mexico obtains its principal demands in debt renegotiations with commercial banks, the country would still need between \$1 billion and \$2 billion in foreign monies per year for the next five to six years. (Basic data from Notimex, 06/15/89)