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## **Mexico's Trade Deficit Narrows to US\$450 Million in January**

*by LADB Staff*

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The economic emergency actions imposed by President Ernesto Zedillo's administration following the devaluation of the peso have begun to achieve one of the intended results: a reduction in the country's trade deficit. In early January, Zedillo had pledged to reduce Mexico's current account deficit by half during 1995 to US\$14 billion, mainly by lowering the trade deficit (see SourceMex, 01/04/95). In a report released on Jan. 23, the Finance Secretariat (SHCP), said Mexico's trade deficit narrowed to US\$450 million during January, a 74% drop compared with the US\$1.7 billion deficit recorded in December. According to the SHCP, the trade deficit is now at its lowest level in four years. However, some economists said the report was somewhat disappointing, since they had expected Zedillo's policies to create a trade surplus, not merely reduce the deficit.

The SHCP statistics indicate that the devaluation of the peso helped promote a 35% increase in exports of Mexican products, but was not able to lower imports by the anticipated rates. According to the SHCP report, the value of imports reached US\$6 billion, still 8% higher than during January of 1994. On the other hand, the US\$6 billion represents a drop from the monthly average growth of 21% in imports during the last several months of 1994. The statistics showed that imports of consumer goods amounted to only US\$441 million, representing a 28.4% drop from January 1994.

Similarly, imports of capital goods dropped by 17.4% to about US\$789 million. Nevertheless, the declines in those two categories were offset by an increase in imports of intermediate goods, which include raw materials and parts used in manufactured products. On a related matter, Zedillo in late February announced plans to raise import tariffs for garments, footwear, and leather goods to protect some industries. The new restrictions are expected to help Mexico further address its trade deficit. The measures, which are expected to raise tariffs primarily on Asian imports, will not affect countries with which Mexico has signed trade pacts, including the United States, Canada, Chile, Colombia, Venezuela, and Costa Rica. (Sources: Associated Press, Reuter, 02/23/95; La Jornada, 02/17/95, 02/19/95, 02/24/95; Reforma, 02/24/95; Agence France-Presse, 02/28/95; United Press International, 02/28/95, El Financiero International, 03/06/95)

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