

8-21-1996

Mexico's Economic Growth Surpasses 7 Percent in Second Quarter

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/sourcemex>

Recommended Citation

LADB Staff. "Mexico's Economic Growth Surpasses 7 Percent in Second Quarter." (1996). <https://digitalrepository.unm.edu/sourcemex/3620>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in SourceMex by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

Mexico's Economic Growth Surpasses 7 Percent in Second Quarter

by LADB Staff

Category/Department: Mexico

Published: 1996-08-21

According to the Finance Secretariat (SHCP), Mexico's GDP increased by 7.2% in April-June of this year, the largest growth rate for any quarter since the devaluation of the peso in December 1994. The day after the statistics were released, a jubilant President Ernesto Zedillo said the strong growth report is a sign that Mexico's economy is on the right track. "With this substantial economic growth, we must remain steadfast and continue our planned policies," Zedillo said in a press conference. The official report on growth was slightly higher than estimates by private economists, who had forecast a GDP growth rate of 6% for the second quarter. In fact, because of the economy's strong performance in the April-June period, the SHCP and several business organizations said they now expect Mexico's economic performance to surpass the Zedillo administration's initial expectations for this year.

Unofficially, SHCP spokespersons are optimistically projecting that the country's annual GDP could grow by 7% this year. The SHCP forecast takes into account the economy's overall performance for the first half of the year, which was reported at 3%, in relation to the first half of 1995. The strong GDP growth in the April-June period more than compensated for a negative growth of 1% in the January-March quarter. For their part, business organizations, such as the national manufacturing-industry chamber (Camara Nacional de la Industria de Transformacion, CANACINTRA) and the national confederation of industrial chambers (Confederacion Nacional de Camaras Industriales, CONCAMIN), took a more cautious approach, suggesting that sustained growth in the third and fourth quarters of the year could bring the annual economic growth "beyond the 3.5% originally forecast by the administration."

Some economic forecasters, such as US-based Morgan Stanley, suggest that the statistics for the second quarter do not necessarily signal a surge in GDP for the rest of the year, but do solidify the administration's original forecast of annual GDP growth of 3% or more in 1996. Indeed, the SHCP cautioned that the statistics for the second quarter may be somewhat misleading, since they are based on a comparison with economic performance in April-June of 1995. In the second quarter of last year, the government reported a GDP decline of 10%.

Some business leaders and economists also took the GDP statistics for the second quarter of the year with a note of caution. For example, Guillermo Beltran Perez, an economist with the Nuevo Leon state industry and manufacturing chamber (Camara de la Industria y de la Transformacion), said the government should not expect a quick and dramatic recovery from last year's GDP decline of 6.9%. "What is important is to ensure that stability returns to the economy," he said. For his part, CANACINTRA president Carlos Gutierrez suggested that the Zedillo administration will have to begin finding solutions to such problems as surging unemployment and a severe deterioration of the purchasing power of most Mexicans.

This same issue was also raised by members of the finance committee (Comision de Hacienda) in the Chamber of Deputies, who said the strong GDP growth statistics have not translated into increased employment. According to the report, only 280,000 new jobs have been created this year, far short of the 1 million positions that were lost during the height of Mexico's economic crisis last year. The Mexican Stock Exchange (BMV) was also slow to react to the GDP report. On Aug. 19, the day after the SHCP statistics were released, the BMV's main index (Indice de Precios y Cotizaciones, IPC) actually declined by 1.09%. However, the IPC surged the next day, closing 2.3% higher at 3361.39. Analysts said the market was initially cautious about the statistics for the second quarter, but investors later realized that Mexico may be on the verge of sustained economic growth.

In a piece published in the Mexico City daily English-language newspaper *The News*, columnist Roberto Salinas Leon suggested that the Zedillo administration must continue to seek ways to stimulate the domestic market. He noted that domestic consumption has increased by only 1.7% this year and remains far below the levels prevalent before the devaluation of the peso in late 1994. "What is imperative for the next stages of development is to embrace an aggressive policy of high growth rates, a stable price system, and an unqualified commitment to create the climate needed to capture large quantities of productive foreign investment," said Salinas Leon.

The SHCP attributed the recovery in the second quarter to the continued expansion of exports and a recovery in construction activity. By sector, the report noted strong performances in industrial manufacturing, construction, mining, and utilities. Industrial manufacturing experienced the largest growth, rising by a whopping 13.9% in the April-June period relative to the second quarter of last year. Some categories within industrial manufacturing showed impressive growth. For example, the primary-metal sector and the metal-machinery and equipment sector registered increases of 19.7% and 28.9% over the levels of April-June 1995. In fact, of the 49 branches of industrial production, 86% increased their production, 10% saw a decline, and 4% remained at the same production level.

Similarly, the construction and mining sectors each reported growth rates above 7%, while the utilities sector (electricity, gas, and water) grew by 4% in April-June. CANACINTRA's Carlos Gutierrez urged the Zedillo administration to continue supporting the construction industry, which he said was key to sustained economic growth, since this sector has been a source of many of the new jobs created in the Mexican economy. "Many productive sectors rely on a sustained and stable growth in the construction sector," he said. The SHCP also reported 4% growth for agriculture and 5.4% growth in the services sector. On the other hand, the SHCP report showed that economic recovery has yet to reach the paper and paper-products sector, which reported a decline of 1.5%. (Sources: Agence France- Presse, 08/18/96, 08/19/96; *El Financiero*, *La Jornada*, 08/19/96, 08/20/96; *Novedades*, *The News*, 08/19-21/96)

-- End --