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In mid-September, the government statistics agency (Instituto de Estadisticas, Geografia e Informatica, INEGI) announced that the country's open unemployment rate in urban areas has declined to 5.3% of the economically active population (EAP). The country's jobless rate has not been this low since February 1995, when unemployment began to skyrocket because of the devaluation of the peso in late 1994 and the ensuing economic crisis.

Significantly, the unemployment rate for August was lower than the average rate of 5.7% forecast by a group of private economists. In addition, the August rate represented a 0.5 percentage point decline from the July unemployment figure of 5.8%. And, the August jobless rate was in sharp contrast to the rate of 7.6% registered in August 1995.

According to the INEGI report, the jobless rate in 30 of the 41 metropolitan areas used for the survey in August was lower than the 5.3% average recorded. Unemployment was lowest in such cities as Acapulco, Leon, and Campeche. The statistics also showed a relatively low jobless rate in three cities that border US states: Ciudad Juarez, Tijuana, and Nuevo Laredo. On the other hand, the jobless rate surged in Mexico City, where unemployment was reported at 6.5% of the EAP. Other cities that reported high unemployment were the industrial cities of Monclova and Saltillo in Coahuila state, Coatazcoalcos in Veracruz state, and Queretaro.

In determining open unemployment rates, INEGI includes people age 12 and older who have not worked at least one hour a week in the last month, but who actively looked for a job in the two months prior to the survey. In addition to the unemployment data, President Ernesto Zedillo's administration has attempted to demonstrate a decline in the jobless rate by pointing to recent statistics from the social security institute (Instituto Mexicano del Seguro Social, IMSS). The IMSS statistics show that the number of workers receiving benefits from the institute is up 6% from August of 1995, an indication that the number of jobs in Mexico has increased. Still, private analysts had mixed reactions.

Many economists and business executives suggest that the government statistics, when taken at face value, are indeed good news for the Zedillo administration. At the same time, those same observers also cautioned that the jobless statistics are not necessarily good indicators that the country's employment picture has stabilized. "I am a bit skeptical about statistics," said business attorney Luis Manuel Guaida, who also chairs the labor affairs committee for the American Chamber of Commerce in Mexico City. "Indeed (an unemployment rate of 5.3%) is a good sign, but the way unemployment is defined is not varied or detailed enough," Guaida told the English-language daily newspaper The News.

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For his part, Erick Guerrero Rosas of the Mexico City- based International Center for Private Enterprise suggested that the employment report could indicate that the government has succeeded in bringing the number of jobs in Mexico back to levels that existed before the county's economic crisis erupted in early 1995. "The problem is that in the same year that we've managed to recover jobs lost during the crisis, another million people have entered the job market," said Guerrero.

These sentiments were echoed by Emilio Illanes Diaz Rivera, president of the Mexican institute of finance executives (Instituto Mexicano de Ejectivos de Finanzas, IMEF), who urged the administration to take steps to create jobs, and not depend only on economic growth to ease unemployment. According to Illanes, even optimum annual growth rates of 6% to 7% will be insufficient to produce the number of jobs required by the Mexican economy, since the EAP has been growing at a faster rate than the economy. Private economists generally agree that the country has embarked on a steady recovery, but the growth rate could still be relatively small, since the Mexican economy lacks the resources and infrastructure needed for higher growth rates.

One economic analysis organization,, the privately run economic studies center (Centro de Estudios Economicos del Sector Privado, CEESP), has projected GDP growth of 4.1% for 1996 and 4.4% rate 1997, which are still below the optimum rates of 6% to 7% mentioned by IMEF's Illanes. The CEESP's forecasts were derived from a recent survey of business owners. Many respondents suggested that economic growth is hampered by continuing uncertainty in the government's economic policies, the lack of resources for business, political instability, and the continuing problems in the banking sector. In fact, only one of every two respondents to the CEESP survey reported some improvement in business over the past year.

As a partial response to the problem, both IMEF and CEESP are urging the Zedillo administration to provide incentives to the business sector to create jobs, such as an overhaul of the country's tax structure and greater deregulation. Both organizations also pushed the administration to continue efforts to reduce the country's inflation rate and to maintain tight monetary and fiscal policy. In contrast, other business analysts have suggested that the Zedillo administration should not focus efforts only on reducing unemployment, but also on increasing the purchasing power of workers and providing jobs for workers in the informal economy.

According to a joint report produced by British-based Oxford Economic Forecasting, US-based Standard & Poor's, and Mexico's CAPEM, the Zedillo administration must address such matters as a 30% drop in the purchasing power of workers. In fact, the workers congress (Congreso del Trabajo, CT) continues to press for an end to salary caps during negotiations on a new economic and anti-inflation agreement. The three parties in the negotiations labor, business, and the government are expected to announce an agreement in late September or early October. (Sources: El Universal, 09/18/96, 09/20/96; The News, 09/20/96; Novedades, 09/20/96, 09/23/96; Excelsior, 09/19/96 09/24/96; El Financiero, 09/24/96)

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