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Mexico's Economic Growth Reached 5 Percent in 1996

by LADB Staff
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In mid-February, the Finance Secretariat (SHCP) reported Mexico's GDP growth for 1996 at 5%. The final figure is higher than the 3% forecast by President Ernesto Zedillo's administration in February of last year (see SourceMex, 02/21/96). It is also higher than the expectations of many private economists, who had predicted a GDP growth rate of between 3% and 4%. The 5% growth rate last year represented a sharp turnaround compared with 1995, when the GDP declined by 6.9%.

Economic performance in 1995 had been severely hampered by the devaluation of the peso in late 1994. Some private economists anticipate GDP growth rates will remain at about 4.8% in 1997, based on strong performances in the manufacturing, industrial, and construction sectors. The private forecasts are slightly higher than the Zedillo administration's initial projection of 4% GDP growth for this year. The administration's projection was made in late 1996, before statistics for the final quarter of 1996 were announced (see SourceMex, 11/27/96).

Economist says positive growth data masks other problems

Notwithstanding the positive GDP results for 1996, the SHCP report drew a mixed reaction from the private sector's economic studies center (Centro de Estudios Economicos del Sector Privado, CEESP). Speaking at an export-import seminar in Mexico City, CEESP director Raymond Winkler said the GDP report was encouraging but does not provide a totally accurate picture of the health of the Mexican economy. According to Winkler, last year's economic growth helped create about 800,000 new jobs in the formal economy, but this was insufficient to meet the needs of the population. He estimated that 400,000 new jobs were created in the informal sector because of a lack of employment opportunities in the formal economy. In recent years, this trend has been especially apparent in Mexico City (see SourceMex, 02/05/97).

Winkler also noted that last year's economic growth failed to promote any significant economic improvements for large segments of the population, since the cost of living is increasing at a faster rate than salaries. He said the minimum wage has fallen by 20% over the past two years, while the average salary of contract workers has declined by 24% since the end of 1994. Opposition party presents its own economic growth plan On a related matter, the executive committee of the opposition Democratic Revolution Party (PRD) released its own economic proposal, which promises an annual GDP growth of between 5% and 6% by the year 2000.

According to the PRD plan, which was released in early February, the party's program attempts to "correct the imbalances" caused by the sudden change from state control to neoliberalism. "This plan rejects a return to the past," said PRD president Andres Lopez Obrador, referring to the policies before 1982, when the government maintained relatively strict state control of the economy. "But we also reject the total adoption of neoliberal theory, which has destroyed our economy, broken our social contracts, and weakened our institutions."

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Among other things, the plan seeks an increase in luxury taxes, the implementation of a capital-gains tax, the closing of tax loopholes, a renegotiation of the country's foreign debt, and changes in the North American Free Trade Agreement (NAFTA) to Mexico's benefit. According to Lopez Obrador, the PRD is targeting the creation of 3.5 million permanent jobs by the year 2000. (Sources: El Financiero International, 02/10/97; La Jornada, 02/06/97, 02/11/97; Spanish news service EFE, Novedades, 02/11/97; The News, 02/12/97; El Universal, 02/11/97, 02/19/97; Excelsior, 02/19/97)

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