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Finance Secretariat Reports 5.1 Percent Growth in First Quarter of 1997

by LADB Staff

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In late May, the Finance Secretariat (SHCP) reported that Mexico's GDP grew by 5.1% during January-March, a sharp improvement relative to the first quarter of 1996. The SCT said the growth rate for the quarter was slightly higher than expected, since most government and private economists had anticipated a 4.5% increase in GDP. On the other hand, GDP growth in January-March was still lower than the rates of 6% to 7% reported in the second through fourth quarters of 1996.

The SHCP report said the relatively strong growth during January-March was largely fed by good performance in the industrial sector, which expanded by 6.2%. Within the industrial sector, the strongest output was in construction and manufacturing.

Report on growth masks sluggish domestic consumption

Economists acknowledged that the GDP statistics could be interpreted as a sign that the Mexican economy continues to recover, especially since this was the fourth consecutive quarter of substantial growth.

On the other hand, the economists cautioned that the data still shows a lag in consumer and industrial demand at the domestic level. "Domestic consumption is following at a pace that isn't as quick as we'd all like to see," said Deborah Riner, chief economist at the American Chamber of Commerce-Mexico. Indeed, the 5.6% growth reported in the retail, restaurant, and hotel sector during January-March was in large part driven by foreign capital investments and imports. "Merchandise destined for internal consumption registered a contraction," read the SHCP report.

Still, the SHCP suggested that the overall GDP growth rate could have been as high as 6% had it not been for a shorter number of work days in the first quarter. According to the SHCP, there were only 71 work days in January-March of this year, compared with 75 days in the same three-month period in 1996. Of all categories, the smallest growth rate was recorded by the agriculture, livestock, and fisheries sector. This category increased by only 1.6%, raising concerns that the agriculture sector continues to lag behind the rest of the economy. (Sources: The News, El Economista, Novedades, La Jornada, El Universal, 05/20/97)

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