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Mining Sector Reports Steady Pace of Growth in 1997

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According to recent figures published by the government statistics agency (Instituto Nacional de Estadisticas, Geografia e Informatica, INEGI), the mining sector has continued a steady growth this year following a similar trend during 1996. In a report published in late October, INEGI said the mining sector registered growth of 4.2% in January-August relative to the same period in 1996.

The INEGI report said the recovery in the mining sector was due in part to higher output for gold, silver, lead, copper, zinc, coal, and iron. INEGI said the mining sector's strong performance during the eight-month period was led by a surge in production of gold, which increased by 10.7% relative to a year ago. According to some metals-market experts, Mexican gold production is expected to continue its pattern of steady growth over the next several years.

Gold production expected to surpass 1 million ounces

Metals-market consultant Jeffrey Christian of the CPM Group said the Mexican mining industry has the potential to produce 1.2 million ounces of gold annually by the year 2000. Christian said Mexican gold output this year is expected to reach 750,000 ounces, a huge growth relative to output of only 196,000 ounces as recently as 1980. In addition, INEGI reported silver production during January-August increased by 4.5% relative to a year ago. Industry observers said growth in Mexican silver production which is projected at 94.3 million ounces this year and 100.7 million ounces in 1998 should contribute to the continuing growth of the mining sector.

In fact, according to US-based Silver Institute, Mexico currently accounts for 17% of silver production at the global level. Copper output expected to grow 33% by year 2000 Copper production which increased by a small 1.2% in January-August is also expected to contribute to overall growth in the mining sector in the long term.

Eugenio Osorio, director of the industry promotion group Procobre, said Mexico is in the process of increasing its copper production by about 33% during the next three years. According to Osorio, Mexican copper output could reach 400,000 metric tons by the year 2000, which would make Mexico the world's eighth largest copper producer. Copper provides the largest source of foreign exchange for the Mexican mining sector. In 1996, copper exports brought the mining industry US$800 million in revenues.

Despite the strong potential for mining production in coming years, not all individual companies have fared well. The largest beneficiaries of the recent mining boom appear to be large companies involved in joint ventures with foreign mining concerns. Statistics from the Secretaria de Comercio y Fomento Industrial (SECOFI) show that 150 foreign companies have received government concessions to open mining operations in Mexico. According to SECOFI projections, large investors both domestic and foreign companies are expected to boost investments in the mining sector by about US$2.6 billion in coming years. In early September, SECOFI announced a special program.
to rescue financially struggling mining companies. According to Moises Kolteniuk, director of SECOFI's mining division, the program helped restructure debts for 17,000 small and medium-sized mining companies that were delinquent in payments of mineral rights to the government. The overdue payments totaled 235 million pesos (US$28.9 million) as of early September. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Nov. 5, reported at 8.13 pesos per US$1.00] (Sources: Novedades, La Jornada, 09/04/97; El Economista, 09/02/97, 09/04/97, 10/14/97; Reuter, 10/15/97, 10/29/97; The News, 10/16/97, 10/30/97; El Nacional, 10/30/97

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