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## **Mexican Economy Grew by More than 8 Percent in Third Quarter**

by LADB Staff

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In a report published in late November, the Secretaria de Hacienda y Credito Publico (SHCP) announced 8.1% GDP growth for the July-September quarter, a rate that outpaced predictions by most private economists. In recent surveys by the Reuter and Bloomberg news agencies, private economists had projected growth of slightly above 6% for the third quarter. Thus, the SHCP's report was particularly encouraging, both because it was higher than expected, and because it marked the sixth consecutive quarter of growth.

### ***Strong quarter boosts growth to 7.3% for January-September***

According to the SHCP, strong growth during the third quarter contributed to a hefty 7.3% GDP growth rate for the January-September period. Economic expansion during the nine-month period was led by strong performances in the industrial and service sectors. According to a report published by Grupo Banamex-Accival (Banacci), growth in the service sector was particularly encouraging because it reflected an improvement in personal consumption. The SHCP report showed that GDP for services grew by 12.3% in July-September, and by 6.9% in January-September.

The latest SHCP statistics prompted Finance Secretary Guillermo Ortiz Martinez to announce an upward revision in the government's GDP forecast for this year. "We anticipate an annual GDP growth of above 7% this year, which is something we have not seen in 16 years," Ortiz told members of the Chamber of Deputies at a budget hearing. Some private economists agree with the SHCP's projections. For example, in its report, Banacci forecast GDP growth of 6.8% in the final quarter of the year, which would result in an annual GDP increase of 7.2% for 1997.

In an address to participants at the eighth annual convention of the Mexican stock exchange (Bolsa Mexicana de Valores, BMV), deputy finance secretary Martin Werner predicted that strong growth would continue into next year. "We forecast a 5.2% growth rate for 1998, which will permit the creation of close to 1 million jobs," said Werner. "That would allow young people entering the work force to find jobs, while increasing the participation of women in the labor sector."

### ***Some private economists say recovery still uneven***

But some economists cautioned that the government's GDP growth statistics are somewhat misleading because large segments of the population are not benefiting from the economic expansion. Juan Carlos Perez Gongora, president of the Monterrey chapter of the Camara Nacional de Comercio (CANACO), said economic growth will remain uneven unless the government takes steps to improve the purchasing power of Mexican workers.

"Since 1995, wages have fallen by about 21% in real terms and have yet to show any signs of recovery," said Perez Gongora. Similarly, economist Jorge Mariscal of the Mexico City office of Goldman Sachs brokerage company said growth statistics for the third quarter and the January-

September period should be considered in their proper perspective. "The GDP growth numbers are slightly exaggerated," said Mariscal. "The statistics are compared with similar periods in 1996, when the economy was still very depressed." (Sources: Notimex, Reuter, 11/18/97; El Economista, The News, 11/19/97; Novedades, El Universal, 11/19/97, 11/21/97; Diario de Yucatan, 11/20/97; Excelsior, 11/25/97)

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