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## **Mexican Recorded Economic Growth of 7 Percent In 1997**

*by LADB Staff*

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In mid-February, the Secretaria de Hacienda y Credito Publico (SHCP) reported Mexico's GDP growth for 1997 at 7%, the country's strongest economic performance in 16 years. The SHCP said the growth was spurred primarily by low inflation, high international crude-oil prices for most of last year, and strong performance by industry. Within the industrial sector, the SHCP reported annual growth rates of 9.8% for manufacturing, 10.2% for construction, 5.8% for utilities (gas, water, and electricity), and 4.3% for mining.

Growth was fueled primarily by domestic demand rather than exports. "We are seeing stronger domestic demand than in previous years," said economist Carlos Rosales of Grupo Financiero Bancomer (GFB). The report also said that the service sector grew by 6.8% last year. Two subsectors showed particularly strong growth the retailing, hotel, and restaurant sector grew by 9.9%, and transportation by 9.5%. The highest growth rates took place during the second and third quarters, before the economy was affected by a sharp decline in crude-oil prices and the impact of the Asian economic crisis.

Revised data published by the SHCP in mid- February showed Mexico's GDP growth rate at 8.6% in the second quarter and 7.9% in the third quarter, but it slowed to 6.7% in the October-December quarter. A separate report published by the Instituto Nacional de Estadisticas, Geografia e Informatica (INEGI) said the Federal District, Nuevo Leon, Jalisco, Mexico, and Campeche states accounted for more than one-half of Mexico's GDP last year.

Sergio Garcia, an economist with Value brokerage house in Mexico City, said the combination of reduced prices for crude oil and the ongoing financial crisis in Asia will continue to have a negative impact on GDP growth during 1998. The Zedillo administration, anticipating a sharp drop in oil revenues this year, has already reduced its 1998 budget by US\$1.85 billion (see SourceMex, 01/21/98). In 1997, exports of crude oil accounted for 37% of government revenue.

Private and government forecasts concur that the Mexican economy will be hard pressed to attain even 5% GDP growth this year because of the Asian financial crisis (see NotiSur, 12/13/98). "We will be reviewing our figures for 1998 to determine whether we need to revise downward our growth estimates for the year," said Garcia. (Sources: Spanish news service EFE, 12/17/98; El Diario de Yucatan, 02/13/98; El Universal, 12/18/97, 02/17/98; Reuter, 02/16/98; Notimex, 02/12/98, 02/16/98, 02/17/98; El Economista, Novedades, The News, 02/17/98; Excelsior, 02/17/98, 02/18/98)

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