

5-6-2009

# Flu Outbreak Worsens Mexico's 2009 Growth, Unemployment Prospects

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/sourcemex>

---

## Recommended Citation

LADB Staff. "Flu Outbreak Worsens Mexico's 2009 Growth, Unemployment Prospects." (2009). <https://digitalrepository.unm.edu/sourcemex/5302>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in SourceMex by an authorized administrator of UNM Digital Repository. For more information, please contact [amywinter@unm.edu](mailto:amywinter@unm.edu).

## **Flu Outbreak Worsens Mexico's 2009 Growth, Unemployment Prospects**

*by LADB Staff*

*Category/Department: Mexico*

*Published: 2009-05-06*

The recent swine-flu outbreak in Mexico will almost certainly worsen a bad unemployment picture that had already been hammered by the global economic crisis and other factors. The day before the May Day commemoration in Mexico, the government statistics agency (Instituto Nacional de Estadísticas, Geografía e Informática, INEGI) released a very dire report indicating that only about 58% of the country's economically active population (EAP) was employed. Four days later, the Confederación de Cámaras Industriales (CONCAMIN), one of the country's largest industry groups, reported that more than 327,000 formal jobs had been lost in the first quarter of the year, with total losses expected to reach 730,000 by year-end.

The expected job losses are related to projections of negative GDP growth this year. Mexico's dismal employment picture follows a pattern of job losses that began in 2008. The International Labor Organization (ILO) reported that Mexico's unemployment rate increased by as much as 3.9% in 2008, in large part the result of negative GDP growth during the year (SourceMex, January 14, 2009). INEGI said that Mexico lost about 500,000 jobs between July 2008 and March 2009 because of the global economic crisis. The employment forecasts for next year do not take into account the impact of the recent swine-flu outbreak in Mexico, which paralyzed economic activity in Mexico City and other large metropolitan areas (SourceMex, April 29, 2009).

The outbreak is expected to hurt retailing, tourism, and other service sectors, which are among Mexico's most important economic sectors. "Our economy is facing two powerful recessive trends that have increased the difficulty in keeping companies afloat and preserving jobs," said CONCAMIN, referring to the global economic crisis and the outbreak of swine flu, also known as the H1N1 virus. While the projected impact of the flu outbreak on jobs has not yet been quantified, there are some projections on its impact on economic growth. In a recent report, the Banco de México (central bank) said the near-term impact could be a reduction of about 0.1% on Mexico's GDP, but the loss could reach 0.6% of GDP if retail activity is interrupted for an extended period.

Some observers noted that the Banco de México data is based only on interruption of the retail and commercial sector and that economic losses could be even greater than the central bank has projected. "It is important to note that these statistics refer only to retail activity and do not consider the negative impact on other sectors, such as tourism and transportation," columnist Alejandro Gómez Tamez wrote in the Mexico City business daily newspaper *El Financiero*. He is director of Grupo de Asesores en Economía y Administración Pública (GAEAP). Finance Secretary Agustín Carstens offered a broader picture, projecting losses at about 0.3% to 0.5% of GDP this year, or about 30 billion pesos (US\$228 million). GDP could contract more than 1% before the swine-flu outbreak, the government and private economists were projecting Mexico's economy to contract by 1% of GDP (SourceMex, February 11, 2009).

The government is almost certain to announce downward revisions in that figure in coming months. To help address the impact of the flu outbreak, the Secretaria de Hacienda y Credito Publico (SHCP) has allocated about 27 billion pesos (US\$205 million) to respond to the crisis. About 10 billion pesos (US\$76 million) will be devoted to measures to help contain the spread of the flu in Mexico. The remaining US\$17 billion (US\$129 million) is intended to support economic sectors most affected by the outbreak. Some observers suggested that the government should take more targeted actions to respond to the situation. "This new crisis comes on top of other contingencies, and that's why we need measures that will provide a large dose of certainty [to the economy]," wrote Marcela Gomez Zalce in the Mexico City daily newspaper Milenio Diario.

Others see a long-term impact even if the government is able to quickly control the flu outbreak. "There is no doubt that our country's economic picture has become complicated," said Gomez Tamez. "It doesn't matter if the outbreak is controlled with relative speed. The impact on economic activities that cater to large numbers of people will be prolonged because of the psychological factor and the fear that people will have to gather with other people." In Mexico state alone, authorities anticipate the possibility that half the jobs in the service sector including restaurants, movie theaters, and hotels could be lost if the situation is not stabilized. A report from the Secretaria de Desarrollo Economico del Estado de Mexico said economic losses to the state, including many suburbs of Mexico City, have amounted to billions of pesos since the flu outbreak began. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on May 6, 2009, reported at 13.12 pesos per US\$1.00]

-- End --