

the peso-dollar devaluation rate has recently been increased to Mex\$0.40 pesos a day or 4.6% per annum.

Along with the objective of consolidating the progress made in price stabilization with a 7% inflation goal through tight monetary and fiscal policies, Mexico's macroeconomic policy in 1993 aims to promote employment, reaffirm gradual and sustained economic recuperation with an estimated GDP growth of 2.5%-3%, basically by establishing the necessary conditions to encourage national and foreign investment and by promoting increased efficiency and competitiveness, and to promote social development and the improvement in living standards of the poorest segment of society through direct government action.

Domestic economic activity recovered for the third consecutive year in 1989, after the 1986 recession, with a gross domestic product (GDP) growth rate of 3.3%. In 1990 it grew 4.4% another 3.6% in 1991 and 2.6% in 1992 to reach \$287.6 billion (1). With an 83 million population, per capita GDP was estimated at \$3,465 in 1992. Additionally, manufacturing output grew by 5.8% in 1990, 3.7% in 1991 and 2.3% in 1992 in real terms, private investment and consumption expanded 13.6% and 5.2% respectively in 1990 and 1991 and public investment was up 12.8%. During the 1992-1994 period, the GDP is expected to maintain an average annual growth rate of 4%-5%, although preliminary figures place GDP growth at 2.7% for 1992 pointing towards a reduction in GDP growth in response to reduced economic activity worldwide and the need for inflation control.

In an effort to revitalize and open the Mexican economy, the Mexican Government undertook a series of structural changes, including the accession to the General Agreement on Tariffs and Trade (GATT) on August 24, 1986 leading to an extensive trade liberalization process: import permits were eliminated on all but 325 of the total 11,950 tariff items based on the Harmonized System adopted in 1989. Official import prices are no longer applicable, nor the 5% export development tax, and import duties were lowered from a maximum of 100% in 1982 to 20% in January 1988. The weighted average tariff rate is now 10.4%. The automotive and computer industries have also been liberalized, through the elimination of prior import permits, to allow free entry of products in these industries. The approval of the North American Free Trade Agreement will further strengthen trade between Canada, the United States and Mexico.

According to official data from the Mexican Secretariat of Commerce and Industrial Development (SECOFI), Mexico's trade balance dropped once again in 1992 to a \$19.8 billion deficit from -\$11.1 billion in 1991, when it had already increased by 145.6%. Exports increased by 3.8% in 1992, from \$27.1 billion to

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1. Note: All values in this report, unless otherwise stated (Mexican pesos, Mex\$, Canadian dollars, Cdn\$, etc) are quoted in United States dollar equivalents.