

in 1991, while paper imports increased from 281,400 tons in 1982 to 464,000 tons in 1991.

## 2. ECONOMIC ENVIRONMENT

With the objective of reducing the inflation rate, the Mexican authorities implemented a stabilization program in 1988, called the Economic Solidarity Pact, which features traditional austerity measures, entailing tight fiscal and monetary policies and unorthodox measures, such as price, wage and exchange rate controls. This program has been the cornerstone of Mexico's economic policy over the past four years, and has been extended throughout 1993 under the name of Pact for Stability, Competitiveness and Employment. It has resulted in a drastic reduction of the inflation rate, from an annual rate of 159% in 1987 to 19.7% in 1989. Inflation rebounded to 29.9% in 1990 but was brought down to 18.8% in 1991 and 11.9% in 1992. At the same time, interest rates have increased again to the present 20%, and 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,

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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.