

### 3. PRODUCTION AND EMPLOYMENT

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For 1993, the Mexican government projected that GDP growth will achieve a 2.5 percent real increase. Some private sector projections expect no more than 2 percent (GDP growth in the first quarter was 2.4 percent). Despite the restructuring of the economy, overall employment did not increase in 1992, although some sectors showed increases, particularly construction and manufacturing. Employment was not very dynamic and in fact decreased 1.5 percent overall. In 1992, minimum wages decreased by about 2 percent but other wages gained 6.8 percent.

Mexican official statistics cannot be relied upon to give an accurate assessment of the extent of unemployment and underemployment. Some private institutes suggest that the former is probably about 8 percent of the available workforce and the latter could run as high as 20 percent of the entire population. In rural areas, particularly in the southern part of the country, underemployment is endemic.

### 4. PUBLIC FINANCES AND FISCAL POLICY

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Fiscal discipline continued through 1992. The financial deficit came down from 5.5 percent of GDP in 1989 to a surplus of 0.5 percent in 1992. If this performance continues, the financial surplus could be as high as 1.7 percent of GDP in 1993.

In 1993, the government is using an export price for oil of U.S.\$14.20 per barrel for budgeting purposes, indicating that the government does not expect any change in the amount of revenue from its principal source of taxes and dividends.

### 5. INFLATION

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The official target for 1993 is a 7 percent annual inflation rate. The Canadian estimate of Mexican inflation is higher at 10 percent. Although last year's inflation fell to 11.9 percent, considerably lower than the 18.8 percent of 1991, and the government's monetary and fiscal policies are dedicated to reducing inflation below 10 percent, there is much scepticism that this can be achieved. In the first half of 1993, inflation had already accumulated 4.4 percent.

### 6. WAGES

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The minimum wage was increased by 7 percent in 1993, as was agreed in the November 1992 Economic Pact. In 1992, the loss in real minimum wages continued but wages in the manufacturing sector gained 6.8 percent in real terms. By mid-1993, most unions had accepted wage increases of no more than 10 percent.

In 1992, Mexico created a compulsory pension fund scheme, known as SAR, to be managed by the commercial banks. SAR obliges employers to pay 2 percent of wages and salaries into the personal pension funds.

### 7. MONETARY AND FINANCIAL POLICIES

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In 1992, money supply growth rates began to decline as the government "sterilized" the continuing foreign capital inflows. In January 1993, the Mexican Congress approved a monetary reform with a new peso equivalent to 1,000 old pesos. Throughout 1993, prices will be expressed both in old and new pesos but, in 1994, only new pesos will be used.

After debt negotiation, domestic interest rates for short-term Treasury Bills declined from an annual yield of 40 percent in 1989 to 15.7 percent at the end of 1992. Although interest rates rebounded to 18 percent in the first quarter of 1993, they had declined to almost 13 percent in July 1993. The anti-inflation policy, especially the increase in interest rates, has created problems for the economy; credit to the private sector has been reduced lately [this report was produced in August 1993] and is expected to increase only at half the rate of last year.

Privatization of all 18 of the national commercial banks brought the government some U.S.\$18 billion in additional revenue between 1991 and 1992. These funds were directed to reducing Mexico's national debt.

Legislation has been approved to grant Banco de Mexico, the Central Bank, partial autonomy from the government.