

the new private-sector investment has gone into construction and the purchase of imported capital goods (machinery and equipment).

In addition, more than 50 percent of the proceeds from the government's privatization drive has been committed to the National Solidarity Program. The Program seeks to ensure public support for continuation of the reform process by sponsoring social development aimed at improving the living conditions of the poorest segments of society. At the same time it works to improve Mexico's overall competitiveness by investing in housing, electrification, roads and other enhancements to the country's infrastructure.

Most sectors demonstrated positive growth in 1991 (see Figure 1.2). Especially significant was expansion in the industrial sector (mining, manufacturing, construction and electricity) which posted overall growth of 3.1 percent in 1991 and 3.3 percent in the first quarter of 1992. The construction sector continues to grow as a the direct result of a commitment to infrastructural development by the government. Mexico's poor public infrastructure is probably the most critical constraint on the country's economic growth. As a result, road and port construction have become major priorities. The government's highway program calls for the construction of 15,000 kilometres of four-lane highway by the year 2000.

The government has also moved toward deregulation and privatization in both transportation and communications. For example, Telmex, the state-owned telephone company, was privatized in December 1990, and the heavily protected transportation industry is being opened to foreign competition. Transportation and communications grew 6 percent in 1991 and a striking 9.5 percent in the first quarter of 1992, as a reflection of the fact that overall economic expansion throughout the Mexican economy is placing new demands on transportation and communication services and is leading to further expansion in these sectors.

The manufacturing sector grew by 3.7 percent during this period, led by metal products, machinery and equipment. The rapid growth of the automobile industry over the last two years has been a factor in this improvement. The electricity, gas and water sector has expanded significantly with the inclusion of nearly one million new electricity users in 1991. The major contributor was residential consumption, as service was extended to more private users.

Figure 1.2
Sectoral Growth Rates
(in percent)

	1991	1992 (Q1)
Agriculture	-1.4	3.7
Industrial	3.1	3.5
Mining	0.1	4.2
Manufacturing	3.7	n.a.
Construction	2.6	4.9
Electricity, gas & water	4.1	5.0
Services	n.a.	4.7
Commerce	4.5	4.8
Transport/Communications	6.0	9.5
Financial Services	4.1	3.4
Other Service	3.7	4.7
GDP	3.5	4.2

Source: EAITC.