

## ECONOMIC INDICATORS SIGNAL BEGINNING OF MEXICO'S RECOVERY

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Despite quarterly and annual declines in GDP (-0.25 percent and -2.0 percent respectively), growth registered by several seasonally-adjusted economic indicators (exports, retail sales, employment and investment) confirms that the recovery phase has begun.

The nature of the recovery is necessarily tied up with the recession. First, the recession did not arise from a financial crisis like previous crises, but rather from external causes, basically the slowdown of the U.S. economy and the drop in international oil prices.

Unlike previous crises, which were characterized by a devaluation of the exchange rate and a strong drop in real wages, in the recent recession there were contrary effects: the peso appreciated and real wages grew. This is a positive sign in the current recovery process, as it implies that the population's purchasing power has been maintained — something that will support consumption in the face of a revival of employment.

Meanwhile, the recoveries that occurred in most of the previous episodes were supported by the fact that during the crisis there was no foreign recession, so the export solution was an immediate channel for economic reactivation. Now, in contrast, the recovery is intimately linked to the external economic dynamic and the lag that exists between external reactivation and its impact on the Mexican economy. Thus, the recovery has taken longer than in the past.

Three factors favor economic recovery:

- The reactivation of external demand, primarily in the United States, stimulates Mexican exports and puts a brake on the deterioration of employment.

- An improvement in the outlook for our economy, which, at the same time, promotes investment spending, with special relevance being taken on by government spending.

- Meanwhile, oil prices in recent months have been higher than official estimates (averaging US \$18.38 a barrel from January to April vs. an estimated US \$15.5 a barrel), improving the trade balance, while limiting the deterioration of the public finances.

Although the U.S. economic recovery has been greater than forecast a few months ago, the Mexican economy's performance is still only incipient (we estimate 1.9 percent growth this year) as the rise in demand for goods in the sectors associated with Mexican exports in the United States will be lower than overall demand in that economy (we estimate an advance in GDP this year of 2.5 percent, with a 1.2 percent gain for manufacturing production).

Factors that could put a brake on this recovery include a possible foreign shock (e.g. terrorist attack) or a change of direction in current economic policy.

Faced by a scenario of economic expansion in the United States and the approval of the structural reforms, it is possible that the Mexican economy could grow by rates exceeding an annual 5 percent. However, despite the boom in foreign demand, it is unlikely that it will exceed the cited growth limit, as it will not be possible to obtain the necessary resources to increase investment and expand the infrastructure and productive capacities, or to make progress in productivity in a world market that is increasingly competitive.

— LIC. ARTURO VIEYRA FERNANDEZ  
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	Annual Percent Change 2002 from 2001						Annual Average		
	GDP 1993 Peso	Private Con- sumption	Government Con- sumption	Total Invest- ment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
AMERICAN CHAMBER MEXICO	1.9	2.0	1.0	2.8	4.0	5.6	4.6	9.430	7.1
BANAMEX	1.9	1.7	0.5	3.1	2.1	2.2	5.1	9.400	7.7
BANCOMER	1.9	2.8	3.5	-0.3	3.2	3.8	4.4	9.300	6.9
CAIE -ITAM									
CIEMEX-WEFA	1.9	2.2	1.8	4.0	3.3	3.1	4.9	9.330	6.8
CONSULTORES ECONOMICOS ESPECIALIZADOS	1.8	2.4	-0.5	1.6	6.0	6.1	5.1	9.380	7.7
GEA	1.5	1.4	2.0	1.1	0.0	-0.5	4.7	9.300	6.9
GRUPO FINANCIERO INVERLAT									
LATIN SOURCE MEXICO	1.2	1.5	-1.9	3.7	3.4	3.2	4.5	9.340	7.6
<b>Consensus - This Quarter</b>	<b>1.7</b>	<b>2.0</b>	<b>0.9</b>	<b>2.3</b>	<b>3.1</b>	<b>3.4</b>	<b>4.7</b>	<b>9.354</b>	<b>7.2</b>
<b>- Last Quarter (Q1)</b>	<b>1.5</b>	<b>1.7</b>	<b>1.1</b>	<b>2.8</b>	<b>1.8</b>	<b>3.1</b>	<b>4.9</b>	<b>9.288</b>	<b>7.7</b>

	Annual Percent Change 2003 from 2002						Annual Average		
	GDP 1993 Peso	Private Con- sumption	Government Con- sumption	Total Invest- ment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
AMERICAN CHAMBER MEXICO	3.9	3.6	2.2	4.5	5.4	6.3	3.9	9.900	7.1
BANAMEX	4.4	4.6	3.2	5.5	10.3	11.2	3.8	9.510	7.7
BANCOMER	4.4	4.2	8.1	0.7	10.3	11.4	3.9	9.720	8.2
CAIE -ITAM									
CIEMEX-WEFA	5.0	4.5	3.5	7.5	11.5	13.5	3.9	9.950	6.1
CONSULTORES ECONOMICOS ESPECIALIZADOS	5.5	5.8	2.2	7.0	9.2	12.8	4.9	10.050	9.0
GEA	2.7	2.7	2.6	4.7	4.7	4.9	4.4	9.500	7.2
GRUPO FINANCIERO INVERLAT									
LATIN SOURCE MEXICO	4.8	5.3	0.5	10.5	11.2	13.2	2.9	9.553	7.8
<b>Consensus - This Quarter</b>	<b>4.4</b>	<b>4.4</b>	<b>3.2</b>	<b>5.8</b>	<b>8.9</b>	<b>10.5</b>	<b>4.0</b>	<b>9.740</b>	<b>7.6</b>
<b>- Last Quarter (Q1)</b>	<b>4.3</b>	<b>4.3</b>	<b>3.6</b>	<b>6.4</b>	<b>7.9</b>	<b>8.7</b>	<b>4.0</b>	<b>9.755</b>	<b>8.0</b>

	GDP – 1993 Pesos (billions)	Private Consumption 1993 Pesos (billions)	Government Consumption 1993 Pesos (billions)	Total Investment* 1993 Pesos (billions)	Exports** US Dollars (millions)	Imports** US Dollars (millions)	Consumer Price Index 1994 Base Dec./Dec.	Exchange Rate (Pesos/Dollars)	CETES 28 Day
2001	1598.8	1118.3	154.7	351.3	158.5	168.3	344.4	9.4	11.3
Percent Change	-0.6	-0.1	-2.1	-5.7	-4.7	-3.6	6.4	-0.9	
2000	1609.1	1119.0	158.0	372.6	166.4	174.4	323.8	9.5	15.4
Percent Change	7.2	9.4	6.6	12.5	22.1	22.9	9.5	-1.1	
1999	1501.0	1022.7	148.1	331.1	136.3	141.9	295.8	9.6	21.4
Percent Change	3.7	4.3	1.0	1.5	16.1	13.2	16.6	4.7	
1998	1448.1	980.3	146.7	326.1	117.5	125.4	253.7	9.1	24.5
Percent Change	4.8	5.4	2.2	9.6	6.4	14.2	15.9	15.4	
1997	1381.5	930.2	143.6	297.4	110.4	109.8	218.8	7.9	19.8
Percent Change	6.8	6.5	2.9	24.9	15.0	22.7	20.6	4.2	
1996	1293.9	873.7	139.6	238.2	96.0	89.5	181.4	7.6	31.4
Percent Change	5.1	2.2	-0.7	25.6	20.7	23.5	34.4	18.4	



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