

MEXICO: ECONOMIC GROWTH AND OUTLOOK FOR 2003

CONTRIBUTORS

American Chamber Mexico
Dr. Deborah L. Riner

BANAMEX
Lic. Eduardo Gonzalez
Lic. Arturo Vieyra Fernandez

BANCOMER
Lic. Fernando Gonzales Cantú
Ma. Eligio San Juan Reyes
Lic. Claudia Torres

**Center Klein for Economic
Forecasting of Mexico**
Lic. J. Alfredo Coutiño

**Consultores Económicos
Especializados**
Dr. Salvador Kalifa-Assad

**Grupo Financiero
INVERLAT**
Lic. Francisco Gutiérrez Guzmán

Latin Source Mexico
Lic. Lorena Dominguez
Dr. Jonathan Heath



During the first quarter of 2003, the Mexican economy experienced real growth of 2.3 percent compared to the same period in 2002; this figure was influenced by a “calendar effect” since the first quarter had more working days than the same period last year (due to the Holy Week). When GDP data is adjusted to include the seasonal effects, and specifically the Holy Week factor, the analysis shows that economic activity was down 0.49 percent in the first quarter of 2003 compared to the last quarter of 2002. This reveals three quarters of continuous slowdown, with negative rates in the last two periods.

This lower activity in the first quarter of the current year brings forth three important points about current conditions and the outlook for the Mexican economy in 2003:

1) The performance of economic activity in the United States will be important for Mexico’s recovery due to the economic synchronization of the two countries. Weak signs persist with regard to the U.S. industrial sector, and this has an impact on manufacturing industry in Mexico. The immediate transmission via foreign trade has had an impact on the Mexican export sector (close to 84 percent of export sales are to the United States) and particularly on the “maquila” industry, whose exports did not grow in the first quarter of 2003.

2) Investment has lost strength since the third quarter of 2002 and it will remain weak until the end of the current year, due to factors such as lack of confidence about a quick recovery and limited profits available for companies to reinvest. The positive activity is going to be private investment linked to the public sector; this will be focused on infrastructure and housing.

3) Consumption is the less vulnerable part, although it has suffered the effects of lower investment and slower exports. However, the push to revive the domestic market — government programs, increase in bank loans, etc. — will allow total wages to increase, albeit slowly. There will be modest growth in employment and real salaries. In this case, the fiscal health and monetary discipline will be very important.

The outlook for the second quarter is less optimistic. Although it will be the turning point for a clearer recovery toward the end of the year, weakness in the first half of the year is unavoidable. This justifies scaling back the growth forecast for 2003 (2.1 percent in this quarter versus 2.9 percent in the previous one, averages of Consensus ASU). This remains below growth potential and will mean, on the one hand, persistent weakness in economic recovery, but on the other, an advantage in achieving targets regarding inflation, estimated by the Bank of Mexico to be approximately 3 percent in the current year.

Finally, the economic advances in 2003 will be the basis for improved growth in 2004. This is expected to be supported by growth in the external sector due to a good performance in the United States — the effect of lower interest rates, tax cuts, more public expenditure, etc. — and a clearer recovery of the domestic market. Fiscal and monetary policy must maintain financial stabilization. This will be a good platform for increasing investment and improving the outlook; I hope for some advances in structural reform.

— **Ma. Eligio San Juan Reyes**
BANCOMER

	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

AMERICAN CHAMBER MEXICO	2.0	2.0	1.6	1.8	5.8	5.6	4.3	10.590	7.5
BANAMEX	2.0	2.0	1.5	0.9	2.5	2.1	4.1	10.410	7.0
BANCOMER	1.6	1.5	-0.8	0.2	6.7	2.7	3.9	10.540	7.0
CENTER KLEIN	2.0	2.8	1.5	3.7	5.5	5.9	4.1	10.520	6.9
CONSULTORES ECONOMICOS									
ESPECIALIZADOS	2.1	2.0	1.5	3.0	6.1	6.6	4.9	10.480	7.5
GRUPO FINANCIERO INVERLAT	2.6	2.7	2.9	1.9	3.5	3.9	5.1	10.730	7.7
LATIN SOURCE MEXICO	2.4	2.9	0.5	4.3	5.0	5.9	3.9	10.510	7.7

CONSENSUS — THIS QUARTER	2.1	2.3	1.2	2.2	5.0	4.7	4.3	10.540	7.3
— 1ST QUARTER	2.9	3.3	1.9	4.2	6.1	6.9	4.2	10.939	7.1

	Annual Percent Change 2004 from 2003						Annual Average	
	GDP 1993 Peso	Private Con- sumption	Government Con- sumption	Total Invest- ment	Exports	Imports	Consumer Price Index	Exchange Rate

AMERICAN CHAMBER MEXICO	4.1	3.4	0.9	4.1	4.8	7.3	3.6	10.880	6.9
BANAMEX	4.0	3.9	2.0	4.6	5.4	5.9	3.8	10.390	7.8
BANCOMER	2.7	2.4	1.5	5.5	8.2	7.7	3.8	10.860	7.6
CENTER KLEIN	4.5	4.0	4.0	6.5	7.7	8.5	3.4	10.960	6.5
CONSULTORES ECONOMICOS									
ESPECIALIZADOS	4.2	4.0	2.7	5.9	7.1	8.2	4.9	10.790	8.9
GRUPO FINANCIERO INVERLAT	4.3	4.7	1.2	7.8	4.3	7.6	4.5	11.430	7.6
LATIN SOURCE MEXICO	4.5	4.8	0.6	9.2	9.8	10.7	3.9	10.630	7.4

CONSENSUS — THIS QUARTER	4.0	3.9	1.8	6.2	6.8	8.0	4.0	10.849	7.5
— 1ST QUARTER	4.4	4.1	2.8	5.7	7.6	8.9	4.0	11.189	8.4

	GDP – 1993 Pesos (billions)	Private Consumption 1993 Pesos (billions)	Government Consumption 1993 Pesos (billions)	Total Investment 1993 Pesos (billions)	Exports (Trade Bal.) US Dollars (millions)	Imports (Trade Bal.) US Dollars (millions)	Consumer Price Index June 00=100 Dec./Dec.	Exchange Rate Pesos/Dollars (annual av.)	CETES 28 Day (annual av.)
2002	1,611.7	1,175.1	153.1	360.8	160.7	168.7	102.9	9.803	7.2
Percent Change	0.9	1.3	(1.3)	1.2	1.4	0.2	7.8	4.6	(36.5)
2001	1,597.2	1,160.5	155.0	356.5	158.4	168.4	95.4	9.371	11.3
Percent Change	(0.3)	2.5	(1.2)	(5.8)	(4.8)	(3.5)	6.4	(1.7)	(26.3)
2000	1,602.3	1,133.9	157.0	378.6	166.5	174.5	89.7	9.535	15.4
Percent Change	6.6	7.6	2.0	11.4	22.0	22.9	9.5	(1.0)	(28.3)
1999	1,503.5	1,053.5	153.8	339.9	136.4	142.0	81.9	9.630	21.4
Percent Change	3.7	3.9	4.7	4.0	16.1	13.2	16.6	3.6	(13.3)
1998	1,449.3	1,013.8	146.9	327.0	117.5	125.4	70.4	9.293	24.7
Percent Change	4.9	5.3	2.3	9.9	7.7	14.2	15.9	16.3	25.0
1997	1,381.5	963.1	143.6	297.4	109.1	109.8	60.6	7.988	19.8
Percent Change	6.8	6.2	2.9	24.9	13.6	22.7	20.6	4.9	(36.9)

W. P. CAREY
SCHOOL of BUSINESS

ASU
ARIZONA STATE
UNIVERSITY

México Consenso de Pronósticos Económicos, a quarterly publication of the Bank One Economic Outlook Center in the L. William Seidman Research Institute, W. P. Carey School of Business, Arizona State University is published on the World Wide Web and is accessed at: <http://www.wpcarey.asu.edu/seid/eoc/mexico>. A printed version is available is \$20.00 per year (4 issues) or \$5.00 per issue. Contact the Bank One Economic Outlook Center, P.O. Box 874011, Arizona State University, Tempe, AZ 85287-4011, USA. (480) 965-5543 or (800) 448-0432.

©2003, Arizona Board of Regents for Arizona State University. Reprinting permission contained in this publication requires the prior written permission of the Bank One Economic Outlook Center. Authors are solely responsible for the accuracy and content of their articles.

Publisher: Larry E. Penley • Executive Editor: Robert J. Eggert, Sr.
Editor: Lee R. McPheters • Managing Editor: Tracy L. Clark