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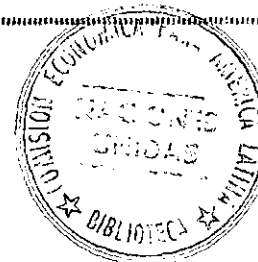
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ECONOMIC SURVEY OF LATIN AMERICA

1979

MEXICO

This preliminary version of the Economic Survey of Latin America, 1979 is being distributed in 27 separate parts: an Introduction of a general nature, bearing the symbol E/CEPAL/R.227, and 26 Addenda to this document, each containing a study of the economic development of a country of the region. These Addenda will not appear in alphabetical order, but in order of completion. The complete Survey will be published in the usual printed version when the comments arising out of this preliminary version have been collected.

MEXICO

1. Recent economic trends: Introduction and summary

For the second consecutive year the Mexican economy achieved noteworthy growth, leaving behind the situation of stagnation which had prevailed during the period 1976-1977. Petroleum activity played a primordial role in this dynamism, both because it strengthened the external relations of the economy by increasing import capacity and bargaining power in the international context and because of the multiplier effect of the expenditure of Petróleos Mexicanos (PEMEX) on other activities.

In the course of the year a climate of confidence in the growth potential of the economy was steadily built up among broad social sectors. Thus, both the public and the private sectors channelled a substantial proportion of their resources into gross fixed capital formation, which showed an unusually high rate of growth. This did not mean cuts in consumption, which on the contrary soared, thanks to the increased earnings generated by the reactivation and the consequent absorption of wage-earning manpower. Also of note was the flexibility displayed by the apparatus of production in dealing with the higher demand.

The gross domestic product recorded a real growth of 8% (compared with 7% in 1978), based on the expansion of the petroleum, construction, industry and services sectors (see table 1). In the petroleum sector initial production plans were exceeded as average production rose from 1.33 million barrels per day in 1978 to 1.68 million in 1979, and nearly 2 million barrels at the end of the year. Mounting government investments had a particular impact on infrastructure works and were determining factors in the decline of the unemployment rate. Lastly, the electricity industry and manufacturing also showed great dynamism, as did services, among which the growth of transport, commerce and finance was noteworthy.

The above trends led to an economic boom which may be considered as predominantly urban and which took the form of the growth of commercial and financial activities, an extremely rapid increase in the price of real estate and housing rents in the main cities, and the aggravation of the problems of various types which had already arisen from the saturation of the capital.

/Moreover, the

Moreover, the heightening of inflationary pressures, together with some characteristics inherent in the country's present stage of development, contributed to the development of some activities of a speculative nature, particularly in the services sector, which to some extent influenced the allocation of resources.

In contrast with the growth of the production apparatus and employment in the modern sector, certain adverse trends persisted during the year in basic areas of the economy, the roots of which go back to the past. These included in particular: (i) the deterioration in the production of basic grains and the gradual loss of food security; (ii) the worsening of the external deficit, which although considered to be manageable in view of the present and foreseeable increase in exports is a cause for concern because it derives from an increased propensity to import: a tendency which would seem to be related to the Mexican growth model and, in particular, the existence of lags in some branches of the industrial sector; (iii) the deterioration for the third year running in the real remuneration of workers receiving minimum wages, and (iv) the worsening of certain bottlenecks in some sectors of the economic infrastructure, particularly transport.

As regards the first of these adverse trends it is noteworthy that although many branches of export agriculture have evolved satisfactorily, agricultural production for domestic consumption has shown substantial reductions. These made it necessary to import certain commodities, and while this does not yet represent a significant burden on the balance of payments, it reflects the persistence of serious problems in agriculture, such as the mediocre results in the production of agricultural goods for domestic consumption and the considerable drops in the production of maize, beans and wheat.

In 1979, commercial crops and stock-raising continued to predominate to the detriment of the production of grains and other basic foods of particular importance as regards the consumption and earnings of vast sectors of the population. This exacerbated the loss of the traditional self-sufficiency in food matters displayed by the country in the past. In addition, droughts and frosts caused heavy losses of crops, so that many peasant agricultural communities did not have sufficient seed for the agricultural year 1979/1980.

/The marked

The marked propensity to import was strongly influenced by the very considerable needs of the petroleum industry, and by economic reactivation requirements. As a result, the trade and current account deficits rose more than anticipated despite the mounting oil exports. It is estimated, however, that the country's external position nevertheless became stronger in 1979. Although debt servicing payments amounted to the equivalent of 64% of the foreign exchange obtained from exports of goods and services, this was partly due to the policy for renegotiating the debt over more suitable periods, which will involve smaller amortization payments in the future. Despite the considerable increase in employment, minimum wages showed a slight drop in purchasing power for the third year running as a result of the wage-moderation policy and the undertaking by workers to restrict their wage demands, as part of the Alliance for Production.

Lastly, although the apparatus of production as a whole managed to adjust itself flexibly to the new conditions of demand, the bottlenecks in the transport infrastructure worsened, particularly in the railways and port installations, and this affected the flow of supply, especially of imported goods.

During the year there was intense and by no means tension-free discussion on basic aspects of the economic policy. This resulted in decisions on such important matters as the rate of exploitation of energy products and food production, and culminated in the early months of 1980 with the adoption of a Global Development Plan. In the first two-year period (1977-1978) of the present Government's programme designed to overcome the crisis, and particularly in this first year of the following biennium, regarded as one of economic consolidation, the bases were laid for rapid and qualitatively different development in the 1980s, taking advantage of the considerable surpluses which will be generated by the petroleum sector. It is significant that such satisfactory results have already been obtained on the whole in the consolidation stage, thanks to the efforts of the public sector and the positive response of the private sector to the economic policy of the present administration, which includes a series of incentives to expand and diversify production and decentralize it in spatial terms.

/The public

The public sector, whose weight in the Mexican economy has traditionally been very significant, faced numerous challenges in 1979: on the one hand, that of providing impetus for the strategic activities for which it is responsible and continuing to expand the infrastructure to alleviate some bottlenecks arising in key areas; on the other hand, that of continuing with an austerity programme as part of its anti-inflation policy, aimed at modernizing the government apparatus and making it more efficient.

The noteworthy reduction in the deficit of the decentralized State bodies and enterprises - thanks largely to the additional income received by PEMEX - permitted the Federal Government to increase its current and investment expenditure. Thus, the share of the public sector deficit as a proportion of the gross domestic product continued to fall, although it still remained high (5.5%).

Monetary and credit policy was basically aimed at providing adequate resources for a rapidly expanding production apparatus while taking care at the same time not to revive inflationary pressures. However, with the maintenance of the country's traditional freedom of exchange, soaring interest rates abroad adversely affected the competitive capacity of domestic savings instruments, both in pesos and in dollars, and an endeavour was made to counter this by means of a readjustment of domestic yields. At the same time, the rates of interest received by savers in pesos and in dollars tended to converge, thus stimulating the "dollarization" of the economy. All in all, despite relative smaller absorption of funds in national currency, the financial intermediation system continued its very dynamic growth and the process of consolidation into a multibank system practically concluded. Moreover, in 1979 the financial system projected its operations abroad through the opening up of branches of great importance for the country's external trade relations.

Lastly, although the fight against inflation had high priority in monetary and fiscal policy, prices rose more than had been estimated at the beginning of the year: the forecasts had indicated 13.5%, but the actual inflation was finally 20%, although in reality this rate was not very different from those observed in the main industrialized countries.

/In brief,

In brief, in 1979 the Mexican economy completed two years of very dynamic growth which placed it in a promising position, although one not devoid of future difficulties, for the country will have to face up to some challenges if it is to ensure the continuance of this trend and counter some of the adverse factors described above.

The prospects for the petroleum sector continue to be very favourable. Proven reserves continue to increase, and the first challenge will be to gauge correctly the proper volume of production and its growing multiplier effects, so as to continue increasing its dynamic consequences in keeping with the absorption capacity of the economy.

A second challenge will be the mobilization and allocation of the surplus resources generated by the petroleum sector in order to meet the needs of the economy, particularly in food, and achieve better structural integration of the manufacturing sector and growth of the export sector.

Another important challenge will be to improve the structure of distribution, both through investment directed at those activities which affect the levels of living of the largest sectors of the population and through the employment and wages policy.

Lastly, the disequilibrium in the balance of payments could slow growth in 1980 if the very high propensity to import displayed by the economy at its present stage of industrialization continues, or if the authorities should find themselves forced to speed up the growth rate of hydrocarbons exports even further in order to rectify this disequilibrium.

Both the Global Development Plan and the Mexican Food System (Sistema Alimentario Mexicano - SAM),^{1/} the application of which was scheduled for March 1980, are designed precisely to face up to these challenges in a coherent manner.

^{1/} This groups together the activities of all the sectors involved in food production. The Government is participating directly in it for the first time, sharing the risks with the private sector.

2. Trends in economic activity

(a) Global supply and demand trends

During 1979 the increase in global supply already observed in 1978 was further accentuated and reached the highest rate of the last ten years (10%). This was due to the evolution of the gross domestic product, which grew by 8% - also the highest rate of the last 10 years - and to the 31% increase in the quantum of imports of goods and services, which brought the import coefficient to over 14% (see table 2).

All the components of global demand showed considerable growth. As in 1978, fixed capital formation grew strongly (18%) and brought the fixed investment coefficient up to 22% - a figure never before achieved, which boosted the growth of domestic demand. Public and private investment increase at similar rates thanks to the capital expenditure of the public sector and the favourable expectations of the private sector, which benefited from fiscal stimuli, a moderate wage policy and credit facilities for investment.

Consumption grew by nearly 9%, as a result of the big increase (over 14%) in the current expenditure of general government and the considerable growth of private consumption (8%). Lastly, exports of goods and services rose at a satisfactory rate (11%), although this was well below that of imports.

(b) Growth of the main sectors

In 1979 there was a large increase in the gross product generated in petroleum activity (15%), transport (13%), construction (12%), electricity generation (9%) and manufacturing (9%), although the performance of agriculture was mediocre (1.5%) and mining production climbed slowly (4%). The other sectors of production maintained a pace in keeping with that of global activity (see table 3).

This situation accentuated the structural trends manifested throughout the 1970s, i.e., a gradual loss in the relative importance of agriculture, which in 1979 for the first time generated less than 10% of the global domestic product; a larger share by basic services; a gradual rise in the industrialization coefficient (which is now close on 25%); a small drop in the share of mining activity, and a considerable increase in the relative importance of the petroleum sector.

/(i) Agriculture.

(i) Agriculture. Agriculture evolved much more slowly than expected, as a result of droughts and frosts which mainly affected areas devoted to crops for domestic consumption, and the persistence of structural problems in the sector. This consequently frustrated the Government's expectations of cutting down on imports of grains, for which purpose some development programmes for cereal growing had been implemented, particularly in non-irrigated areas, noteworthy among these being the organization of the Directorate of Seasonal Crop Districts (Dirección de Distritos de Temporal) of the Ministry of Agriculture and Water Resources and the expansion of credit resources through the official banks for these activities.

Production for domestic consumption was unable to exceed the growth rate of the population (see table 4) and the global increase in agricultural production only came to 1.5%, as a result of the combined effect of the minimal growth in crop farming and only moderate growth in stock-raising. The low yield of agriculture for domestic consumption can basically be explained by the problems already mentioned in grain production, in addition to a price policy which led to the replacement of these crops by oilseeds. Hence the grain harvest was inadequate to meet domestic demand, and this will certainly have repercussions on the volume of imports of maize, beans and wheat in 1980.

The drop of approximately 18% in maize production was due both to the lack of rain and to the reduction of nearly one million hectares in the growing area. Part of this land was given over to other crops, such as sorghum and safflower, while part simply ceased to be cultivated on account of the drop in the profitability of maize production, among other reasons because of the inadequate level of support prices. The drop in maize-growing seriously affected the earnings of the poorest peasants, who are its main producers, and also the consumption of the majority of the lowest income strata of the big cities, who suffered a decline in the quality of their staple diet, since the imported grain is of the fodder variety and therefore inferior to that produced in the country.

Similar problems were experienced as regards the production of beans. The drought reduced the area sown by 20% and production dropped by nearly 30%.

/Wheat production

Wheat production also fell because many farmers, faced with a shortage of water for irrigation, used their land for other crops (principally, safflower, chickpeas and soya beans) although the support price was raised from 2,600 to 3,000 pesos per ton during the agricultural year. In the northeast, in contrast, it was an excess of rain which made it difficult to sow wheat at the right time.

When faced with climatic or economic problems, farmers usually grow oilseeds (safflower, sesame, soya beans, etc.) on land traditionally used for the production of other crops, particularly wheat and maize. In 1979 oilseed production expanded by nearly 30%, an unprecedented increase which will certainly cut down imports of these products in the next agricultural year, although without achieving complete self-sufficiency.

Among exportable agricultural goods there was a noteworthy resurgence of production of some crops, such as melons, chickpeas, citrus fruits, avocados etc., as a result of the rise in prices on the international market. In the case of coffee, the harvest for the agricultural year 1978/1979 was favoured by a much more suitable rainfall pattern than the previous year. Production of other traditional crops, such as cotton, garlic and cocoa, rose considerably while henequen output grew by 18% thanks to the rise in international prices of the synthetic fibres with which it competes.

The sugar cane harvest also increased by 18%, recovering the 1975 level, after ten years of serious problems in the plantations and large drops in productivity. The rise in the price of sugar on the international market and the solving of some problems in national production give grounds for hoping that the country can recover its traditional role as a sugar exporter, although domestic demand has been augmenting continuously for some time and in recent years no exports have been registered. In 1979, in particular, there was a shortage and sugar was hoarded on the domestic market, particularly in the retail trade, because of the widening difference between international and domestic prices. In the face of this situation, which caused disquietude among the population, the Government adopted measures for a better control of stocks and delivery of the product, and made some readjustments in domestic prices.

/(ii) Fishing.

(ii) Fishing. Fishing activity grew by nearly 7% thanks to the support policy carried out by the Government in recent years. In 1979 measures of both a general and a specific nature were implemented and resulted in a faster rise in the catch, while it is hoped that they will lay the bases for rapid development of this sector.

Thus, investment was encouraged in order to set up semi-public enterprises with a majority share of national capital to replace foreign enterprises which operate under licences or permits and pay duties. In addition, under the terms of the National Fisheries Development Plan, formulated in 1977, and with a view to decentralizing decision-making, State commissions were set up to promote the co-ordination and facilitate the discussion of local problems affecting production, while encouragement continued to be given to the system of co-operatives.

As far as specific projects are concerned, investments of 2,300 million pesos in the Integrated Fisheries Development Programme were announced, to be financed with contributions from the Nacional Financiera and the Inter-American Development Bank. Noteworthy in the field of scientific and technical research was the creation of the National Institute for Research into Biotic Resources (Instituto Nacional de Investigaciones sobre Recursos Bióticos). Lastly, in order to provide financial support for fishing activity, and in particular the co-operatives, the Banco Nacional de Fomento Cooperativo was transformed into the Banco Nacional Pesquero y Portuario. All these measures, together with the inauguration of various aquiculture centres and the amplification of the activities of the semi-public enterprise Productos Pesqueros Mexicanos - which ordered the building of 70 trawlers and 36 tunny-fish boats - form part of a fisheries development policy which also seeks to increase the general consumption of seafood, not traditionally a well-entrenched habit among the population.

Of the main species caught, large increases were observed in catches of sardines (33%), shark (21%), sawfish (14%) and tunny fish (4%). There were also large increases in catches of shellfish and crustacea such as squid (150%), clams (43%) and lobsters (29%). Catches of shrimp, however - an item accounting for nearly two-thirds of total fishery exports - remained

static,^{2/} so that the 23% increase in its value was entirely due to a rise in prices, and finally, catches of industrial species showed an overall drop of 7%.

(iii) Mining. The State mining promotion policy, based on a system of fiscal incentives and aimed at stimulating investment of up to around 60 billion pesos during the six-year period 1977-1982, fostered an investment of nearly 20 billion pesos and a moderate growth of production in 1979. However, the forthcoming entry into operation of big metallurgical complexes, the development of new mines, the reopening of old ones, and recent legal measures in general, make it possible to anticipate more positive results in production in the near future.

In 1979 the relative lag in the maturing of investments, the deficiencies in the rail transport system and labour conflicts stemming from the revision of work contracts appreciably restricted activity in the sector, whose global growth is estimated at 4%.

Although in 1979 gold production dropped by 9% and silver production by 5.5%, the volume of silver exports rose by 18% as a result of operations on the futures market. Mexico's position as the world's leading silver producer will be even more firmly consolidated when what will be the biggest mine in the country comes into operation in 1981, with an expected annual production of seven million ounces, equivalent to 14% of present production.^{3/}

Since domestic demand for copper rose more than the increase in production (3%) for the second year running, it was necessary to import this metal. The deficit situation will be corrected once the La Caridad metallurgical complex in Sonora, comes into production, with an annual smelting capacity of 78,000 tons of pure copper and 150,000 tons of electrolytic copper.

^{2/} A commission of scientists was set up to study and determine the damage caused by the spill from the Ixtoc 1 oilwell in the Bay of Campeche, a particularly valuable shrimp-fishing area.

^{3/} The Real de los Angeles project in Zacatecas state, which was officially begun on 5 April 1979, will involve an investment of 2,300 million pesos and in addition to silver will produce 18,000 tons of lead and 21,000 tons of zinc per year.

Lead achieved a high price on the international market, partly because the Soviet Union's policy of protecting its reserves restricted world supply; consequently, the earnings of Mexican producers rose considerably more than the small increase in output (see table 5).

In contrast with the importance attached to the mining of lead and silver, zinc mining dropped by 6.5%, and exports of refined zinc fell by 33%. Among the zinc-production projects for the period 1979-1982 are those at Valardeña, Durango, which is under construction and is scheduled to have an annual production of 40,000 tons of metal content, the expansion of the Santa Bárbara mine, Chihuahua (21,000 tons), and the reopening of the Sombrerete mine, Zacatecas (12,000 tons), which also produces copper and silver.

The increase of nearly 6% in iron and steel-making ores and minerals was much higher than the previous year (see table 5). The items showing the largest increases were iron ore (11%) and coke (4%); coal production, however, registered a decrease of nearly 72%. The drop of 4% in manganese extraction made it necessary to cut down on exports, since these account for more than 90% of production. However, the value of exports of sulphur rose owing to a large increase in production (14%).

On 26 January 1979 an Act was issued setting up the Atomic Energy Commission, the Institute of Nuclear Research, the National Commission for Nuclear Safety and Safeguards, and the enterprise Uranio Mexicano (URAMEX), which will act as exclusive State agent for prospecting, exploiting, processing and marketing minerals with a radioactive content.

(iv) The petroleum industry. Production of crude amounted to 533 million barrels, which was nearly 21% higher than the previous year and represented a daily average of 1.46 million barrels. If liquids are added - 58 million barrels - a total of 591 million barrels annually is reached, giving an increase in primary production of 22% compared with 1978 (see table 6).

The Cretaceous area of the southern zone once again contributed the largest volume of domestic crude (390 million barrels), mainly from the output of the A.J. Bermúdez, Cunduacán, Cactus, Sitio Grande, Iríde and Oxiacaque fields. Towards the end of 1979 an important discovery was made in this area in the Iris-Giraldas field, so that a further increase may be expected in southern zone production for 1980.

/The production

The production of crude oil from the marine platforms, although not as yet very significant at the national level (32 million barrels in 1979), increased substantially with the incorporation of the wells in the Bay of Campeche. Their production increased spectacularly as from the second half of the year, rising from 4,600 barrels per day to 240,000 barrels per day in December, owing to the entry into operation of new wells with extremely high productivity. The discovery of the Bay of Campeche fields was the most notable event of the year in the petroleum sector since their yield amply exceeded expectations; some wells produce 50,000 barrels per day, a figure which places them among the most productive in the world and makes them the leaders in undersea deposits. In fact, while in 1978 the considerable increase in the volume of production was basically due to the Cretaceous fields of the southern zone, in 1979 it was mainly a result of the incorporation from June onwards of the Bay of Campeche wells, more than 10 of which were operating by the end of the year.

Production of natural gas rose from 26.5 billion cubic metres in 1978 to slightly over 30 billion in 1979, representing an increase of 14%. The southern zone maintained a share of national production similar to the previous year (70%).

The prospection programme made it possible to increase the proven reserves to 45.8 billion barrels in 1979 (5.6 billion more than the previous year), giving a theoretical life of 77 years (see table 6). However, the figure for probable reserves remained similar to that of the previous year (44,160 million barrels) and the same thing happened with the potential reserves of 200 billion barrels, which includes the other two figures.^{4/}

The number of wells drilled as part of the prospection activities rose to 26, compared with 24 in 1978, with a 38% success rate. The number of wells which came into production in 1979 reached 249, with a 75% success rate; of these, slightly less than half corresponded to the southern zone.

Exports of crude increased by 46% from 364,000 to nearly 533,000 barrels per day, of which around 83% went to the United States. The total value of

^{4/} According to the latest annual report of PEMEX, probable reserves reached 50,020 million barrels in March 1980.

/these exports,

these exports, including by-products, amounted to US\$ 3,880 million, and their share in total exports, of which they had already constituted the most important item (27%) in 1978, rose even further in 1979 to 41%.

An important event in 1979 was the conclusion of negotiations for the sale of gas to United States companies; in January 1980 300 million cubic feet of gas per day began to be delivered at a price of US\$ 3.63 per thousand cubic feet. The gas was piped through the national gas system and this meant some geographical redistribution, with gas being sent abroad from the northern zone, whose own gas requirements were supplied by pumping gas from the southern zone.

Lastly, among the considerations regarding petroleum activity it should be borne in mind that unlike other countries, where the oil is located in desert or arctic areas, in Mexico it is mainly located in agricultural or fishing areas, like those of the southeast. This situation brings with it not only consequences of an ecological nature, but also those stemming from the reconversion of activities and the inadequacy of the existing economic and social infrastructure to cope with the new economic situation.

The wages and salaries paid by PEMEX in the new oil areas have raised average local wages and salaries and thus helped to improve the income level of the population and to open up new opportunities for productive employment. However, they also put pressure on the demand for goods and services, and this stimulates the inflationary process locally. This has been particularly evident in rents and food prices, despite the measures taken by the Government to mitigate these imbalances. Moreover, the effects of petroleum activities on the ecology of these regions are being appraised, and the Government is making efforts to give these areas better attention and compensate in some way for the possible adverse effects of these activities.

(v) Manufacturing. The gross product of the manufacturing sector increased by nearly 9% during 1979, a figure slightly below that recorded in the previous year but still appreciable.

In 1979 State efforts to modernize and integrate the industrial sector continued, both in order to increase competitiveness on international markets and to reduce the degree of dependence on the exterior, particularly in the supply of capital goods.

/During this

During this period a widespread controversy arose in official, private and academic circles on the possible accession of Mexico to the General Agreement on Tariffs and Trade (GATT), considered by its defenders to be a way of increasing the productivity of national industry through external competition. Finally, it was decided in March 1980 not to enter GATT for the time being, but in any case the State continued to strive to promote the country's industrial development. To this end it continued the process of trade liberalization by suppressing prior import permits and also gave support to sectoral programmes such as the production of capital goods, petroleum refining and cement production. The measures to stimulate industry were applied within the general lines of the National Industrialization Plan, which came into force in March 1979 together with various legal measures to govern its application.^{5/}

Nearly all the branches of manufacturing continued to expand considerably, growth being particularly vigorous in petroleum refining, printing and publishing, construction of machinery and manufacture of vehicles (see table 7).

Production of consumer durables was once again the most dynamic element in manufacturing, with a growth rate of over 18%. As in the previous year, increases in the purchases of these goods reflected to a large extent the strengthening of the purchasing power of the middle and upper income groups of the population, as well as anticipatory purchases due to the generalization of inflationary expectations.

The 7.5% increase in the production of non-durable consumer goods exceeded that of the previous year (4.6%), the most dynamic activities being the milling of wheat and the production of garments, soft drinks and beer. The increased demand for non-durable consumer goods was partially due to the increase in the wage mass, which was also partly due to the reduction in the unemployment rate.

Production of intermediate goods increased by nearly 6.5%. This was a lower rate than in 1978 and was due to the uneven behaviour of the various

^{5/} These measures laid down priority industrial activities; lists of purchases of machinery and equipment by selected para-State enterprises; fiscal stimuli for the promotion of employment and investment in industrial activities; and subsidies for imports of machinery and equipment needed to produce export manufactures.

sub-groups. In the rubber industry there was an appreciable reduction which is attributable both to the large increase of the previous year and to the labour conflicts in the tyre factories. Steel production, however, increased by nearly 7% to the unprecedented figure of 7 million tons. The State iron and steel complex, which had been operating since 1978 as a single enterprise through the integration of three large plants, was formally unified in 1979 after legal problems of various types had been solved.^{6/} Production of flat sheet grew by over 8%, which was enough to satisfy the demand of the motor industry, and there was a substantial 17.5% increase in production of non-flat rolled products, which are more linked to the construction industry. Despite the growth of production, however, imports of finished products continued to be significant. For example, imports of seamless pipes for the petroleum industry reached a volume nearly as great as that of national production, while imports of flat sheets of types not produced by national plants continued to be equivalent to more than 10% of local output of this item.

Among intermediate products, the production of non-metallic minerals grew by 8%, including an increase of over 7% in cement production to a total of 15 million tons for the year. The installed capacity for cement production was expanded by 1.6 million tons, largely thanks to fiscal incentives and to the 15% price increase approved by the Government in May 1978, but even so the increase in production capacity was not sufficient to meet the great rise in demand, so that shortage of this product continued to be an obstacle to the Federal Government's execution of its construction plans and made imports necessary.^{7/}

The production of basic chemicals once again decreased in 1979, causing a sharp rise in imports to supply national industry. A very marked deficit persisted in soda, chlorine, sulphuric acid, nitric acid and sodium carbonate. It is hoped, however, that the shortage of the first three can be overcome in the near future; since it is more difficult to increase production of sulphuric

^{6/} The output of Siderúrgica Mexicana S.A. (SIDERMEX) - the name of the State enterprise - is estimated at 4.3 million tons and represents 60% of national production.

^{7/} Owing to the rapid growth of demand, the introduction of an additional system of stimuli is being studied which will make investment in this area more lucrative. In this way, it is expected to reach an installed capacity of 18.7 million tons by the end of 1980.

acid, since investment in this is not very remunerative, the possibility of linking its manufacture with that of other products (fertilizers, for example) is being studied.

After having fallen by nearly 8% in 1978, fertilizer production dropped by more than 2% in 1979, partly as a result of the delay in the completion of new plants and partly on account of the scarcity of inputs for the manufacturing process (see table 7). As a result it was necessary to import fertilizers, particularly those which are not derived from ammonia (an abundant raw material in Mexico).

Oil refining increased by nearly 7% to 308 million barrels, mainly as a result of the Salina Cruz refinery coming into full operation. The volume of natural gas increased by nearly 10% to 36.7 million barrels. Although output of petroleum products increased in practically all branches, particular mention should be made of the increase in production of gasoline, and kerosene and fuel oil, exportable surpluses being obtained in the case of the last-named product. Output of basic petrochemicals surpassed 6 million tons and was almost 9% more than the 1978 figure.

Production of capital goods increased by nearly 17%: a lower rate than in 1978 but higher than that for industry as a whole. A determining factor in this progress was the 26% increase in the manufacture of trucks. During 1979 formal approval was given to the project to build a factory at Lázaro Cárdenas-Las Truchas for the production of forgings, castings and boilers, with a casting capacity of 20,000 tons per year, to take advantage of the supply of iron and steel products and the area's port installations. In January 1980 an important enterprise producing high-capacity submersible motor pumps, high pressure pumps and special pumps which are in great demand in the country, mainly by the Federal Electricity Commission and Petróleos Mexicanos, was nationalized and expanded.

As regards industrial policy, the most outstanding event during the year was the approval and adoption by the State of the National Industrial Development Plan, which lays the bases for the development of the economy up to 1990 and lays down guidelines for the use of petroleum surpluses. In preparing it account was taken of the economic policy objectives of the present administration: satisfying the basic consumption of the population, increasing productive investment and employment, reorienting the geographical distribution of industry and strengthening the balance of payments.

/In order

In order to provide suitable stimuli, the Plan establishes priorities both by geographical areas and by branches of industry, and adjusts incentives in terms of these. The frontiers and the coasts are classified as strategic geographical areas, so as to facilitate exports of manufactures, as are some cities in the interior of the country along the national gas distribution network, while areas where there are abundant raw materials are also included. The stimuli - fiscal incentives, differentiated prices for energy products, tariffs, preferential credits and agreed purchases by the public sector - are graduated according to the geographical areas: area I, which receives preferential stimuli, includes four industrial ports (Coatzacoalcos, Lázaro Cárdenas-Las Truchas, Salina Cruz and Tampico), their neighbouring municipalities (priority 1A) and other cities with urban industrial development potential (priority 1B); area II is one of State priorities, in keeping with agreements between the states and the Federal Government, and area III is one of management and regulation. It is subdivided into an area of controlled growth, comprising Mexico City and its suburban municipalities, and an area of consolidation which includes population nuclei within its radius of influence. Here the enterprises do not receive stimuli.

The Plan also establishes an order of priority for industrial activities, which are subdivided into two basic categories. The first includes agroindustries, capital goods industries, and those producing strategic inputs for the industrial sector (iron, steel and cement); the second includes certain consumer durables and non-durable goods for general consumption and other intermediate goods.

In support of the National Plan, the Ministry of State Enterprises and Industrial Development has made efforts to induce the State enterprises to reach the targets indicated. Since one of the objectives of the Plan is to attack unemployment, studies and policy measures aimed at supporting medium and small-scale industry are considered to be of vital importance. This is the case of the Medium and Small-Scale Industry Section of the Department of Industrial Development, which among its other tasks has prepared financial advisory programmes and programmes for the subcontracting of industrial processes, and has carried out studies, using up-dated data banks, on the possibility of recycling industrial wastes.

/(vi) Construction.

(vi) Construction. For the second year running construction evolved satisfactorily (see table 8), and although its growth rate of 12% was slightly down on that of 1978, it reflected the continued reactivation of this activity thanks to the abundant investments made by both the public and private sectors, which also helped to absorb manpower.

Among public sector investments, mention may be made of those effected by the Department of the Federal District to extend the Metro, those of the Mexico City Water Plan (including the deep-drainage tunnel), investments in public works in general and particularly in the Highways Plan, the first stage of which was completed in the first half of the year (133 kilometres of main arteries). PEMEX continued with the construction of the Cactus-Reynosa gas pipeline, while other projects included work on the hydroelectric plants of the Federal Electricity Commission (CFE), the building of roads and irrigation systems, and the construction, albeit inadequate, of low-cost housing with financing from the Institute of the National Workers' Housing Fund (Instituto del Fondo Nacional de la Vivienda para los Trabajadores - INFONAVIT), the Housing Fund of the State Workers' Security Service (Fondo de la Vivienda del Servicio de Seguridad para los Trabajadores del Estado - FOVISSTE), and from the National Institute for the Development of the Rural Community and People's Housing (Instituto Nacional para el Desarrollo de la Comunidad Rural y de la Vivienda Popular - INDECO), among other institutions.

A considerable proportion of the growth of private investment was accounted for by residential and commercial construction. Although costs increased by 28%,^{8/} which was a higher growth rate than that of the general price index, there was a marked propensity to purchase real estate, among other reasons to mitigate the effects of the inflationary process. The reactivation of the construction of luxury residences and apartments also reflected the strengthening of incomes in the medium-high and upper groups, while the boom in the building of condominiums reflected the relatively recent preference of the middle classes for becoming house-owners, since in 1979, as in the two previous years, practically no dwellings exclusively for renting were built.

The production of inputs for construction evolved in a generally satisfactory manner (see table 8). However, as already noted in the case of

^{8/} This refers to the cost of building low-cost housing.

/cement, irregularities

cement, irregularities in supply were recorded due to problems of transport and marketing.

Lastly, mention should be made of the increasingly prominent presence on the Latin American scene of the large Mexican construction companies, which in 1979 carried out work amounting to rather more than US\$ 100 million in Panama, Colombia, Ecuador, the Dominican Republic and Peru.

(vii) Electricity. During 1979 the gross generation of electrical energy exceeded 58,000 million kWh, nearly 10% higher than the previous year. While in 1978 the installed capacity increased considerably (1.8 million kW), in 1979 it only grew by slightly over 300,000 kW, and with the entry into operation of six new units, a total capacity of 14.3 million kW was achieved at the end of the year.

The work done by the Federal Electricity Commission (CFE) to convert the burners of its thermoelectric plants to operate with natural gas continued to give good results: the use of fuel oil and diesel oil fell by 8% and 32% respectively, while the use of gas increased by 44%.

Energy sales grew by slightly over 9%, a similar rate to that of the previous year, while domestic consumption exceeded industrial consumption. Anticipating a still higher growth of demand, the CFE pushed on rapidly with its investment programmes, including the Laguna Verde nuclear power station and the Chicoasen power station. During 1980 it is expected that the installed capacity will grow by 2 million kW, mainly as a result of the entry into operation of four new units in the latter power station, one of the most important in Latin America.

(viii) Transport. Despite the 13% growth of the transport sector, in 1979 there was an aggravation of the problems which had been appearing in recent years, particularly in the railways, and to a lesser extent in port installations. The distribution of the increasing volume of imports made by PEMEX, CFE and the National People's Supply Company (CONASUPO) met with obstacles, owing to the great deficit of motive power on the railways, the deficiencies of port equipment and storage systems, and the lack of co-ordination with the main importers.

On the railways, the freight transported dropped by slightly over 2% and the number of passengers decreased by 11.5%. In order to face up to this situation rail investment was increased by 87% and 182 locomotives were purchased, permitting a 20% increase in traction power.

/Port movement,

Port movement, for its part, grew by 24% - an improvement even on the very high figure of 19% recorded in 1978 - to reach a volume of nearly 94 million tons. Investments, which amounted to slightly over 700 million pesos, were almost twice those of 1978 and went mainly to the construction of docks and yards for container transport. The share of the Mexican merchant marine in the total transport of merchandise imports and exports continued to drop, amounting to only 11%.

Air transport showed great dynamism and the number of passengers carried increased by 17%, while freight grew by 13.5%. Investments in airports amounted to nearly 860 million pesos (20% more than in 1978): the new airport of Villahermosa, Tabasco, was inaugurated and progress made on that of Minatitlán, Veracruz (both in the country's most important oil region), while studies continued on the construction of the first stage of the new airport for Mexico City.

Expansion of the highway network continued very slowly (2.5%). Of the 14,700 million pesos invested in this sector 40% went to secondary and state highways, 34% to federal highways and 26% to rural roads; this last-mentioned figure exceeded that recorded in previous years and reflected the priority allocated to these areas in the present highways policy.

As regards urban transport in Mexico City, 133 kilometres of urban arteries (ejes viales) were completed, at a cost of nearly 9 billion pesos. The plans to extend the Metro network continued and it is expected to have a length of 80 kilometres by the end of 1982.

Lastly, the first regulations were published for international multimodal transport using containers and the first enterprise for transport of this type was set up. It should begin to operate in 1980 and will include services of road and rail transport, port enterprises and air and shipping transport lines.

(ix) Commerce. The marked reactivation of global demand was a determining factor in the growth of nearly 8% in commerce. Although this activity, together with the financial sector, generated more than a quarter of the gross domestic product, there are few indicators of a global nature to judge its performance: a task which in itself is difficult owing to the great heterogeneity which characterizes the sector.^{9/}

^{9/} According to the data from the 1970 Trade Census, 18% of commercial establishments in Mexico are made up of modern enterprises, some of which are very complex; 76% are small shopkeepers who do not employ paid staff, and the remaining 6% is made up of the official sector.

During 1979 the inflationary process had different repercussions on commerce, depending on the sector of the population concerned. For example, sales of consumer durables (particularly luxury goods) increased substantially, reflecting not only the aforementioned improvement in income in the sectors which most acquire them but also some liberalization of credit; generally speaking, the department stores and supermarkets considerably increased their sales and profits, thanks partly to substantial expenditure on advertising campaigns. Towards the end of the year these sales grew still more owing to anticipatory buying in expectation of the increase in prices due to the application of the value added tax in January 1980. However, there were difficulties in the supply of some commodities, basically due to hoarding and speculation, as for example in the cases of meat, milk and eggs, for which price increases were finally authorized.

The official sector took measures to protect the interests of the lowest-income population from the effects of inflation. Through CONASUPO and its branches, with its 2,000 shops located in towns and 4,000 in rural areas, and as part of the Commodities Programme, in the second half of the year the distribution of 17 "Alianza" products was begun,^{10/} at prices which were 10% lower than the official prices and which it was intended to maintain until the end of the year. Private enterprises took part in the production of these articles and undertook not to raise the prices; however, the supply of numerous products was inadequate.

In the acquisition of consumer durables, the working-class sector enjoyed access to credit from the Workers' Consumption Development and Guarantee Fund (Fondo de Fomento y Garantía para el Consumo de los Trabajadores - FONACOT), while government employees could buy them below market prices in the different government shops. Access to these shops thus enabled them to defend their purchasing power for basic consumer goods.

Lastly, the National Consumer Institute continued its work of orientation and the Federal Consumers' Law Office (Procuraduría Federal del Consumidor) dealt with around 350,000 complaints and established more than 1,000 Consumer Protection Committees.

^{10/} These products include flour, oil, milk, beans, rice, sardines and soap, etc.

3. The external sector

(a) General features

In 1979 the value of exports of goods rose spectacularly (46%), mainly owing to the increased volume of petroleum sales and the increases in the prices of crude oil. Other exports, however, showed little dynamism and only grew 4% in real terms.

Despite the large increase in exports, the merchandise trade deficit exceeded US\$ 2,200 million: 62% higher than in 1978. Because of the rapid reactivation of the economy the propensity to import was abnormally high and took the form of abundant purchases of intermediate and capital goods which increased the value of imports of goods by 49%.

As has traditionally been the case, the surplus on services items helped to reduce the deficit on visible trade, although purchases by Mexicans on the frontier and outlays by Mexican tourists abroad increased faster than income from tourism. The subcontracting industries (maquiladoras) played a considerable part in helping to bring in foreign currency.

Even so, the growing net external factor payments, which amounted to nearly US\$ 3,550 million, meant that the deficit on current account was nearly US\$ 4,250 million. At the same time, however, although this sum exceeded official forecasts 11/ and was 81% higher than the deficit recorded in 1978, it still represented a relatively small proportion (3.6%) of the gross domestic product.

In 1979 the country's external position showed signs of strengthening: the monetary reserves rose by over US\$ 780 million to the almost unprecedented figure of nearly US\$ 3,100 million; the debts contracted with the International Monetary Fund were paid off ahead of time; the stabilization programme agreed upon with this organization for the period 1977-1979 was completed three months early, and the credit lines to support the peso were further expanded and diversified.

11/ A current account deficit of US\$ 1,653 million had been estimated in the National Industrial Development Plan.

/This situation

This situation was possible thanks to the continuing inflow of capital, both in the form of loans to the public and private sectors and in the form of direct foreign investments. Public sector indebtedness increased by US\$ 3,335 million,^{12/} which brought the external public debt up to nearly US\$ 30 billion at the end of the year. However, this represented a smaller proportion of the gross domestic product (25%) than in previous years. Moreover, in 1979 the profile of the debt continued to improve, since part of it was renegotiated under more advantageous conditions, although this entailed a temporary increase in amortization payments and debt servicing to 64% of the value of exports of goods and services.

(b) Merchandise trade

One of the main characteristics of the performance of the external sector in 1979 was the dynamism of merchandise trade: the value of exports grew by 46% to over US\$ 9,400 million, while that of imports rose by 49% to nearly US\$ 11,640 million. At constant prices the increase in the former (slightly under 14%) was very much lower than that of the latter (33.5%), but the quarterly increases in the price of PEMEX crude oil, which rose from US\$ 13.10 to US\$ 24.60 per barrel in the course of the year, together with the price increases for other products, helped to raise the average price of exports by over 28%,^{13/} thus more than making up for the increase in the unit value of imports (12%). Consequently, the terms of trade rose by nearly 15% (see table 9).

The increase in the export quantum was basically due to the rise in petroleum sales, the volume of which was 48% higher than in 1978. The volume of non-petroleum exports, however, only grew by 4%, mainly because of the contraction of nearly 9% in the quantum of exports of manufactures. As can be seen from table 10, the value of exports of petroleum and petroleum products, which accounted for 41% of the total, more than doubled, while that of non-petroleum products increased by slightly under 19%, mainly as a result of the growth of traditional products¹.

^{12/} US\$ 158 million should be added to this figure because of the variation in the exchange rate between certain European currencies and the dollar.

^{13/} The average increase in the price of oil was 45.9%, while that of non-petroleum products was 14.1%.

Among agricultural products, there was a substantial increase (42%) in exports of coffee, despite the drop in its price on the international market. This was possible because there was an abundant exportable supply as a result of favourable climatic conditions. Exports of pulses and fresh fruit also increased substantially (46%) despite the restrictions imposed by the United States. However, sales of tomatoes and particularly of cattle on the hoof dropped considerably.

Among mining exports silver and lead were outstanding, due to the rise in their prices on the international market. Their expansion contrasted notably with the drop observed in sales of zinc.

Finally, although exports of certain manufactures such as automobiles and trucks and ammonia grew in real terms, the volume of the rest showed a reduction, mainly attributable to the contraction in the demand of the central countries and the re-emergence in them of protectionist practices.

The noteworthy growth in the volume of imports was mainly due to the big purchases of the petroleum industry and those required by the process of economic reactivation in general.

A considerable part of the total growth was caused by imports of intermediate goods, the value of which increased by 39%. Particularly intensive was the increase in imports of sorghum, spare parts for motor vehicles and chemicals (see table 11).

Imports of capital goods registered an even higher growth rate (65%), and were those which rose most steeply in absolute terms, because of the sharp increase in all items. This movement reflected the large-scale investment expenditure made by both the public and the private sectors.

The increase in imports of consumer goods, however, had a smaller effect on the global growth of imports, although purchases of some agricultural products shot up spectacularly. This was so in the case of wheat, imports of which tripled. However, imports of maize dropped by 38% following the good harvest obtained in 1978. Although imports of agricultural products grew more than exports (34% and 27% respectively), the trade balance for these products continued to show a surplus of over US\$ 1 billion.

/From another

From another angle, the imports made by the private sector increased more (66%) than those made by the public sector (22%), which included those of PEMEX and CONASUPO.

In 1979 progress was made with the policy of gradually replacing prior import permits with the external tariff, and a further 625 fractions were liberated in addition to the 3,500 permit requirements abolished in 1978. Furthermore, as from 1 July 1979 the New Customs Valuation Law came into force, which in addition to expediting the formalities for bringing merchandise into the country, strengthens the tariff system vis-à-vis the permit system. As regards the promotion of exports, the CEDIS system continued to be applied to manufactures, although this stimulus was not sufficient to make up for the contraction in external demand.

Lastly, despite the Government's effort to diversify Mexico's markets, in view of the very considerable importance of petroleum sales to the United States, this country absorbed 68% of Mexico's total exports - an even higher percentage than its share in Mexican imports (61%).

(c) The services trade and factor payments

The services account (including subcontracting activity, which has traditionally been favourable) made it possible to reduce the overall trade deficit to some extent by registering a surplus of nearly US\$ 1,300 million. However, this surplus was slightly less than in 1978 (see table 12)

The large-scale increase in subcontracting services (44%) - which provide employment for around 110,000 persons and generate earnings of over US\$ 1 billion - indicates the magnitude which industrial redeployment is acquiring, thanks to the facilities offered by Mexico for the establishment of these industries and the advantages of the wage differences for foreign (particularly United States) investors.

Tourist activity also grew satisfactorily during 1979 (28%). Despite the big investments made in infrastructure, the saturation of hotel capacity seems to have been a curb on the development of this activity, since the demand for tourist services continued to rise, among other reasons, owing to Mexico's attractions and price advantages compared to other centres of tourism with which it competes. During 1979 4.1 million tourists entered /the country,

the country, i.e., 10% more than in 1978. This boom was aided both by the financial support of the Government through the National Tourism Development Fund (Fondo Nacional de Fomento al Turismo-FONATUR) and that given by private Mexican investors and particularly foreigners. In addition, certain fiscal facilities were granted for the construction of tourist infrastructure, a National Tourism Plan was prepared and a workers' tourism trust was set up to promote domestic tourism among the workers.

Income from frontier transactions, which amounted to nearly US\$ 3 billion, registered a growth rate of 26% - very close to that of income from tourism.

As regards expenditure, the difference in the rates of inflation between Mexico and the United States, in conjunction with an exchange rate which was maintained unaltered, affected tourism and particularly the purchases which Mexicans made in the frontier strip with the United States. During the year, 2.8 million Mexicans left the country (23% more than in 1978) and spent US\$ 690 million (33% more than in 1978), as well as making purchases in frontier areas for nearly US\$ 2,520 million (44% more than in 1978).

In sum, despite increasing exports of petroleum the balance of goods and services registered a deficit of nearly US\$ 920 million, although this deficit accounted for only 22% of the current account deficit. Net payments of interest on the public debt for a sum of nearly US\$ 2,900 million and remittances of profits from the growing direct foreign investments, together with other net factor payments, helped to generate a deficit of nearly US\$ 4,250 million on the current account: slightly over US\$ 1,900 million higher than in 1978.

(d) The current account position and its financing

The capital account gave a net income of US\$ 4,600 million - 70% higher than that recorded in 1978 - which made it possible to offset the current account deficit and also increase the international monetary reserves. This income came from a net inflow of short-term capital of US\$ 435 million (which contrasted with the big outflow of the previous two years), a slightly smaller amount of foreign investment, and net long-term

/indebtedness of

indebtedness of private persons with the international banks for a total of nearly US\$ 650 million. As regards the public sector, the drop of 22% in its net long-term capital income reflected the marked increase in amortization payments on the external public debt, which rose to nearly US\$ 7,300 million (70% higher than in 1978). Although the long-term loans obtained by the public sector increased at a much slower rate (25%), in absolute terms they reached the unprecedented level of over US\$ 10,400 million (see table 12).

As a result of the above, the international monetary reserves rose by over US\$ 780 million. The revaluation of gold holdings, contributed to this, among other factors, since the increase stemming from the movements of the balance of payments was of the order of US\$ 355 million.

During 1979 the lines of credit to support the peso which the Bank of Mexico had set up with the central banks of various countries and with the International Monetary Fund, and which are considered as secondary reserves, were expanded and diversified. In addition to expanding the mutual agreements with the United States, Spain and Israel, an agreement was signed with France. Altogether, these lines of credit amounted to US\$ 2,664 million: US\$ 710 million higher than in 1978.

(e) External indebtedness

In line with the stabilization programme, the annual growth of net public sector indebtedness was kept down to US\$ 3 billion during the period 1977-1979. Although in 1979 this limit was exceeded by slightly over US\$ 490 million, this policy meant a slackening of the annual growth rate of the public debt and a drop in the debt as a proportion of the gross domestic product (25% in 1979). At the end of December the public debt stood at nearly US\$ 29,800 million (see table 13).

However, the mounting burden of interest and the policy of improving the profile of the debt substantially raised the amount of amortization payments, which were equivalent to 64% of exports of goods and services in 1979. Although this rate is the highest of those recorded in Latin America, it will tend to drop in the future as a result of the measures mentioned above. Interest payments on the public debt were affected by the increase in rates on the international markets, since in 1979 the average interest was 9.7% compared with 6.7% and 7.7% for the previous two years.

4. Prices, wages and employment

Although the fight against inflation was a permanent objective of the economic policy, and although to begin with it was estimated that it would be reduced to around 13.5%, various factors contributed to a higher rate of increase in prices in 1979 than in the previous year. In fact, the average annual variation in consumer prices increased from 17.5% in 1978 to 18.2% in 1979 and the December to December figure was 20%, compared with 16.2% the previous year. The behaviour of wholesale prices was very similar to that of consumer prices (see table 14).

These developments were decisively influenced by inflationary pressures from abroad, mainly from the United States, where prices rose by over 13%. Internally, despite the flexible reaction of supply to the increase in demand, certain delays and bottlenecks occurred in agriculture and transport, as well as some movements of a speculative nature which ended up by making a number of products more expensive. The increased incomes of the upper strata of the population, as well as of the middle and lower urban strata - the latter largely the result of the greater absorption of labour - strongly influenced the demand for certain goods and services. Thus, rents and footwear and clothing were the items whose prices increased with greatest intensity, followed by food. In contrast, producer goods showed a lower rate of inflation, more in line with the exterior.

It is possible that the increase in minimum wages as from 1 January had some influence on the increase in prices for that month (3.5%). However, in the year as a whole wages rose less than prices. The general minimum wage increased by 16.8%, which meant a loss of 1.3% in its purchasing power, in addition to the reductions it had undergone during the two previous years. Thus, over the period 1977-1979 the real minimum wage declined by nearly 6% (see table 15).

In the review of minimum wages rural and urban wages continued to converge as part of the policy aimed at discouraging migration towards urban centres. Rural wages thus increased by nearly 21% on average, and wages in the different areas also tended to become similar.

/In the

In the course of the year a ceiling of 13.5% tended to prevail for wage increases gained under collective labour contracts. As this figure was well below the increase in prices, it led to numerous negotiations between the trade unions and employers, which developed into serious labour conflicts. In the course of the year, following a long series of strikes, the established limit was exceeded and progressively adjusted to the upward trend in prices.

Increases in the wages of workers with collective contracts thus came to around 17% and in exceptional cases as much as 20%. Certain groups also gained allowances which helped to restore their purchasing power to some extent. Workers receiving wages above the minimum further benefited from the reforms introduced in income tax, which meant the recovery of about 5% of the lost purchasing power of their wages.^{14/}

To sum up, during 1979 the contraction in real minimum wages and in wages below the minimum, persisted. On the other hand there are indications that the position of capital income recipients was appreciably strengthened, which would suggest increased concentration of income.^{15/}

Among direct government action designed to offset to some extent the loss of the purchasing power of the lower and middle strata of the population, the important policy of subsidies for basic subsistence goods was continued through CONASUPO, while the operations of the discount shops and the advantages offered by the Workers' National Consumption Fund (Fondo Nacional para el Consumo de los Trabajadores - FONACOT) and INFONAVIT continued to be extended.

In contrast with the deterioration of the purchasing power of the minimum wages, employment showed a positive course. Thus, the unemployment rate dropped in the first two quarters of the year, and it is estimated that the unemployment index fell by 16.5% (see table 16). Industrial

^{14/} In practice this measure consisted of increasing the lower limit for income tax to 30,000 pesos per month.

^{15/} A group of 100 enterprises registered in the Mexican Stock Exchange, including the most important in the country, recorded a 55% increase in profits compared with 1978.

employment grew by nearly 8% as a result of the reactivation of industry, while the dynamism of construction meant more jobs for less skilled personnel. Trade and tourist activity, which also showed high growth rates, likewise made their effects felt on the absorption of manpower. In contrast, the stagnation in agricultural activities further aggravated the effects of the structural problems of agriculture, particularly in the traditional sectors, and it is estimated that the flight of manpower towards the cities was accentuated.

Employment is one of the prime concerns of the present economic policy, and in an effort to promote it the State has carried out a series of activities notably including the formulation of the Draft National Development Programme, which will serve as a framework for specific policies on this subject. In the context of the National Industrial Development Plan measures were taken to grant fiscal exemptions (through Fiscal Promotion Certificates (CEPROFIS)) in order to stimulate enterprises which create new jobs. Specific action was also taken to promote forestry - which has a substantial effect on employment - by the signing of the Outline Afforestation and Reafforestation Agreement (Convenio Esquema de Forestación y Reforestación) and the agreement between the Department for the Co-ordination of the National Plan for Depressed Areas and Marginated Groups (Coordinación General del Plan Nacional de Zonas Deprimidas y Grupos Marginados - COPLAMAR) and the Ministry of Agriculture and Water Resources (SARH). Finally, during 1979 the Technical Committee for the Planning of Human Resources began to function.

5. Monetary and fiscal policy

(a) Monetary policy

During 1979 the financial sector continued to show appreciable growth, both as regards the amount of resources obtained and financing granted and as regards its consolidation, modernization and projection abroad. The country's financial policy is aimed at favouring the growth of the apparatus of production and of certain priority areas within it for which purpose efforts have been made to facilitate the work of financial intermediation

/carried out

carried out by the banking system. However, throughout the year this task was hindered by some obstacles both of an internal nature (persistence of inflationary pressures) and of an external nature (growing internationalization of financial phenomena).

In this regard it may be mentioned that in order to put a squeeze on the monetary variables, as part of the anti-inflationary policy, the Banco de México elected during the first half of the year to freeze 15 billion pesos belonging to the private and semi-public banks which were to have been put back in the system during the first half of 1980. However, the sharp drop in receipts in national currency during the month of September led the Central Bank to restore 4 billion pesos of this fund earlier than planned by means of a system of auctions among the banks. Thus, although the monetary aggregates showed fairly dynamic growth during 1979, there were certain bottlenecks which affected the volumes of financing, particularly in the last months of the year.

Among the obstacles of an external nature mention should be made of the internal distortion of the structure of interest rates as a result of the increase in interest rates abroad, which was also largely responsible for the reduction in the volume of receipts in national currency. Thus, because of the traditional policy of exchange freedom followed in Mexico, this increase - the result of generalized inflation and the deep-seated imbalances in the international economy - took the form internally of corresponding readjustments of the interest rates so as to restore to the domestic instruments for attracting funds (in dollars and in pesos) the competitive capacity they had gradually lost. These increases were effected in August for one and three month deposits through weekly readjustments linked to the fluctuations of the LIBOR rates, and in November for the longer-term instruments, when their interest rates were increased by only 1%, independently of the movement of the LIBOR rate. In this way, at the end of the year three and six month instruments showed better yields (17% and 18% respectively) than those with terms of one and two years (16% and 17%), and this naturally affected the structure of deposits.

/In addition,

In addition, there was a gradual reduction of the difference in the rates of interest between instruments in dollars and in pesos (which had traditionally favoured the latter), in order to restore the external competitiveness of the former. With domestic inflation higher than that of the United States and with the exchange rate vis-à-vis the currency of that country maintained almost unchanged, this led to a greater preference for instruments expressed in dollars. The return to a process of "dollarization" thus emerged as one of the main obstacles to healthier financial intermediation, and in September, when this process re-emerged, 39% of the non-monetary liabilities of the banking system were in dollars.^{16/}

As can be seen from table 17, however, the monetary aggregates nevertheless showed a fairly dynamic performance in 1979. Money increased by 33%, as in 1978, as the result of increases of equal intensity in the factors of creation and absorption. The latter grew by a third, more as the result of the tapping of resources expressed in dollars (44%) than of those in domestic currency (31%). The growth of the factors of expansion for its part, led to a considerable increase (35%) in the international reserves of the Banco de México, in which the revaluation of the gold which forms part of them had some significance, but especially the growth of domestic credit.

Unlike 1978, when it was the energy sector that most benefited from increases in credit, in 1979 it was commerce and the services sector in general which received priority attention (see table 18). Although manufactures absorbed the largest amount of credit in absolute figures, the growing share of agricultural activities in new credit should also be noted.

As regards the banking system, which had practically concluded the process of integrating its services into a multibank system in 1978, this time it reached out abroad with the opening of three new branches of private banks in London. As part of the growing trend towards the internationalization of capital, the Mexican banks also participated in the granting of syndicated credits, in conjunction with numerous foreign banks.

^{16/} The maximum level of "dollarization" (44%) had been reached in the second half of 1977.

The capital market continued to grow strongly, thanks to the decided support policy of the government and a favourable financial conjuncture. The total amount handled on the Mexican securities market came to 127 billion pesos, 30% more than in 1978. However, this growth was uneven, since while the stock market showed spectacular dynamism, the fixed income market securities practically dropped to half its previous size with the disappearance of the financial and mortgage bonds. Even so, however, mention should be made of the success on the latter market of two issues of "petrobonds" for 2 billion pesos each, and of Treasury Certificates (CETES), issues of which rose from 23 in 1978 to 52 in 1979, so that the amount in circulation at the end of December came to 42,500 million pesos.

In the stock market, following the singular boom of 1978 (when the price index soared 130%) and the first months of 1979 (when there was growth of 100% up to the third week of May), there was a drop which particularly affected small savers. This decline was part of a readjustment of the excessively high prices reached by the majority of stocks as the result of an unusual growth in demand which had not been matched by that of supply. Even so, thanks in part to the decided support given by the monetary authorities with the aim of re-establishing confidence, the year closed with an increase of 34% in the price index, which was closer to the growth of the economy in current terms. However, it is in the number of stocks negotiated - which increased by 126% - that best illustrates the growth of the stock market. The Mexican securities market thus continued to become an important source of risk capital for enterprises and a means for foreign enterprises to become Mexican.

Lastly, mention should be made of the important role played by the banking system in financing the public sector to the tune of over 160 billion pesos.^{17/} This financing was granted not only through credits, which amounted to over 120 billion pesos (of which 36 billion came from external sources), but also through the CETES and the two issues of "petrobonds", which constitute non-inflationary mechanisms and are traded on the securities market

^{17/} This figure corresponds to a consolidated public sector deficit amounting according to preliminary figures, to 150 billion pesos and to variations of stocks amounting to 11 billion pesos. It does not include the net channelling of resources to financial intermediation.

(b) Fiscal policy

During 1979 public expenditure continued to have expansive effects on demand, both through the larger volume of salaries paid and the bigger purchases of goods and services and through the subsidies granted by certain para-State bodies and enterprises, particularly those responsible for basic foods (Banco Rural and CONASUPO). Public investment also showed a noteworthy growth of 18%.

The vigorous growth of public expenditure (31%) kept the deficit of the consolidated public sector at a high level (150 billion pesos according to preliminary figures),^{18/} although as a proportion of the gross domestic product the deficit has shown a downward trend, from 9% in 1976 to 6% in 1978 and 5.5% in 1979. This is exclusively due to the fact that the deficit of the para-State subsector has dropped appreciably as a result of the increased earnings from petroleum and the policy of clearing up the finances of State enterprises. In contrast, the Federal Government deficit increased sharply to 91 billion pesos: 45% higher than the figure recorded in 1978 (see table 19). This increase was markedly influenced by capital expenditure, which rose by approximately 40%, excluding amortization payments, since both current income and expenditure grew at the same rate (33%).

The increase in the total income of the Federal Government reflected increased tax revenue. This grew more rapidly than the economy as a whole, thus raising the tax burden to slightly over 12%. Particularly marked was the increase in taxes on external trade (79%), mainly as a result of larger exports of petroleum and the dynamism of imports.

Noteworthy among the main changes of a fiscal nature introduced in the course of the year were the elimination of the complementary tax on extraordinary gross profits which had been established in 1976; the adjustment of income tax to the new structure of nominal wages (which according to official estimates meant a loss to the Government of 18 billion pesos), and the implementation of a more expeditious system of fiscal stimuli through

^{18/} Of this figure over 90 billion corresponds to the Federal Government, 50 billion to the para-State subsector and 10 billion to the situation of accounts other than those of the Federal Government.

Fiscal Promotion Certificates (CEPROFIS), which can be used in payment of any federal tax. These certificates were invented to promote investment, employment and regional development and certain key activities such as the manufacture of capital goods and tourism, and have generally constituted a significant fiscal stimulus to the private sector. As from 1 July, changes were made in the Customs Valuation Act so as to achieve a higher tax yield.

Under the New Fiscal Co-ordination Act, the states have been empowered to obtain larger tax revenue - 13% of all federal taxes - as part of a tendency towards greater decentralization. A rate of 13% - instead of the previous 12% - was established on PEMEX's gross income from sales of basic petrochemicals, and 18% - instead of the previous 17% - on oil production, which raised the provisional daily payment made by PEMEX to the Federal Government by 32 million pesos. Lastly, preparations were made for bringing the value added tax into action as from January 1980.

Despite the measures taken to clear up the finances of para-State organizations and enterprises, and the closing of several of these for inefficiency, no important increases were announced in the prices and tariffs of the goods and services which they provide for mass consumption, basically so as not to exacerbate the inflationary process. The price of gasoline and the Metro and telephone tariffs remained fixed. However, electrical energy tariffs continued to be subject to the scaled increases of 1.5% per month decreed for two years as from July 1978.

The Government's current expenditure rose by 33%, both as a result of larger current purchases and increased payments of wages and salaries, both of which items grew in very similar proportions. The increase in wages and salaries mainly originated in the increase in the number of posts, since the salaries of the employees were kept in line with the general policy of wage austerity.

Of note in capital expenditure - whose 28% growth was slightly less than that of current expenditure - was the dynamism of real investment, which grew by 42% and was basically directed towards public works and construction. In contrast, debt amortization payments increased by only 7%, after having more than tripled in 1978.

/Taking into

Taking into account the amortization expenditure of nearly 60 billion pesos,^{19/} the fiscal deficit of the Federal Government in 1979 amounted to 150 billion pesos, 27% higher than in 1978. In order to cover it, recourse was had to domestic financing for the sum of 126,200 million pesos and external financing of 24,400 million pesos. This latter figure accounted for around one-third of the increase in public external indebtedness.

The budget shared out total expenditure (1.1 billion pesos) approximately equally between the Federal Government and the para-State bodies and enterprises. The largest increases were granted to priority activities such as the fisheries and agricultural sector, although in absolute terms industry continued to be the branch for which most resources were earmarked. The expenditure of PEMEX alone accounted for 20% of the public sector budget, while expenditure by the Federal Electricity Commission amounted to 6.5%. More moderate amounts were allocated to education and social security, and to the tourism sector, which based its expansion on private national and foreign financing.

Although the social welfare sector was not considered to be of top priority for budgetary purposes, some noteworthy activities were undertaken, particularly in favour of the marginal rural population. Within the radius of action of COMPLAMAR, a body set up at the beginning of the present administration and depending directly from the office of the President of the Republic, a large-scale programme called Social Solidarity through Community Co-operation was initiated, by means of which it is aimed to improve the living conditions of the marginal rural population in basic aspects such as health, nutrition, housing and education, in co-ordination with other units and bodies and with the collaboration of the people themselves.

In May 1979 the first of the agreements under this programme was signed - with the Mexican Social Security Institute (Instituto Mexicano del Seguro Social) - to set up 2,100 rural medical units, each of which will attend a

^{19/} The Treasury Certificates (CETES) for a total of 177 million pesos issued and redeemed during the period have been left out of these figures.

population of 5,000 inhabitants, and construct or reconstruct 19 regional hospitals which will serve 200,000 persons. Moreover, the beneficiaries of this agreement were included among those enjoying the services of the Mexican Social Security Institute (IMMS), thus bringing the number of people covered by this body up to 31.4 million, or 46% of the country's population.

In November another agreement was signed, with CONASUPO, to supply cheap food to the marginal population. This programme is aimed at eliminating middlemen and mobilizing around 5 billion pesos annually in food with a saving to the population of nearly 3 billion pesos. The results will emerge fully in 1980 when 500,000 tons of maize will be distributed at a pre-established price. The initial investment will be 1,800 million pesos which will permit, inter alia, the construction of 5,000 community-type shops or distribution centres, with the active participation of the local population.

Table 1

MEXICO: MAIN ECONOMIC INDICATORS

	1974	1975	1976	1977	1978	1979(a)
A. Basic economic indicators						
Gross domestic product at factor cost (billions of dollars at 1970 prices)	56.8	59.1	60.4	62.4	66.8	72.1
Population (millions of inhabitants)	57.3	59.2	61.2	63.3	65.4	67.7
Per capita gross domestic product (dollars at 1970 prices)	992	999	987	986	1 020	1 066
	<u>Growth rates</u>					
B. Short-run economic indicators						
Gross domestic product	5.9	4.1	2.1	3.3	7.0	8.0
Per capita gross domestic product	2.4	0.8	-1.1	0.1	3.7	4.8
Gross income (b)	6.2	3.9	2.3	3.6	6.9	8.8
Terms of trade	9.4	-5.2	8.7	6.8	-5.6	14.9
Current value of exports of goods and services	31.0	0.5	13.3	13.7	42.3	38.2
Current value of imports of goods and services	48.3	11.1	-2.4	-6.7	46.0	46.0
Consumer price index						
December - December	20.6	11.3	27.2	20.7	16.2	20.0
Variation between annual average	23.7	15.0	15.8	29.1	17.5	18.2
Money	22.0	21.3	31.4	26.4	32.7	33.0
Wages and salaries (c)	35.8	16.0	29.3	27.9	13.5	16.8
Rate of urban unemployment (d)	...	...	7.0	8.7	6.9	5.9(e)
Current income of government	37.9	42.1	31.4	42.6	33.7	33.2
Total expenditure of government	29.1	40.6	33.2	28.6	40.5	31.2
Fiscal deficit/total expenditure of government (d)	35.0	34.3	35.2	28.2	31.6	30.6
	<u>Millions of dollars</u>					
C. External sector						
Trade balance (goods and services)	-1 549	-2 377	-1 346	191	-14	-917
Balance on current account	-2 896	-4 081	-3 069	-1 623	-2 343	-4 247
Variation in net international reserves (f)	38	178	-589	330	354	354
External debt (g)	9 975	14 449	19 600	22 912	26 264	29 757

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Gross domestic product plus terms-of-trade effect.

(c) Annual average variation of nominal minimum wages.

(d) Percentage.

(e) Estimates in the basis of the first two quarterly surveys in 1979.

(f) Not including one revaluation of gold.

(g) Disbursed external public debt.

Table 2

MEXICO: TOTAL SUPPLY AND DEMAND

	Millions of Mexican pesos at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
	Total supply	634 251	694 431	766 889	110.2	114.2	1.9	9.5	10.4
Gross domestic product (b)	581 041	621 980	671 738	100.0	100.0	3.3	7.0	8.0
Imports of goods and services	53 210	72 451	95 151	10.2	14.2	-11.0	36.2	31.3
Total demand	634 251	694 431	766 889	110.2	114.2	1.9	9.5	10.4
Domestic demand	582 562	626 743	691 834	102.0	103.0	1.0	7.6	10.4
Gross domestic investment	119 520	135 655	158 038	22.4	23.5	-3.9	13.5	16.5
Gross fixed investment	107 049	123 962	146 276	19.7	21.8	-5.4	15.8	18.0
Public	52 164	61 398	72 449	7.0	10.8	-5.1	17.7	18.0
Private	54 884	62 565	73 827	12.7	11.0	-5.7	14.0	18.0
Changes in stocks	12 471	11 693	11 762	2.7	1.7			
Total consumption	463 042	491 088	533 796	79.6	79.5	2.4	6.1	8.7
General government	70 034	74 586	85 327	7.8	12.7	4.2	6.5	14.4
Private	393 008	416 502	448 469	71.8	66.8	2.0	6.0	7.7
Exports of goods and services	51 689	67 688	75 055	8.2	11.2	13.0	31.0	10.9

Source: CEPAL calculations on the basis of figures supplied by the Banco de México.

Note: The figures for exports and imports of goods and services were taken from balance-of-payments data expressed in dollars at current prices, which were converted to constant 1970 values by deflation, using price indexes calculated by CEPAL for the purpose.

(a) Preliminary figures.

(b) At market prices.

Table 3

MEXICO: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of Mexican pesos at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
	Agriculture	54 502	56 474	57 321	11.8	9.0	5.1	3.6	1.5
Mining and quarrying	26 487	29 327	32 991	4.1	5.2	13.9	10.7	12.5
Oil production (b)	19 425	22 134	25 511	2.8	4.0	15.8	13.9	15.3
Rest of mining	7 062	7 193	7 480	1.3	1.2	1.2	1.9	4.0
Manufacturing	134 231	146 324	158 908	23.4	24.9	3.4	9.0	8.6
Construction	30 607	34 677	38 664	5.4	6.6	-2.0	13.3	11.5
Subtotal goods	245 827	266 802	287 884	44.7	45.6	4.1	8.5	7.9
Electricity, gas and water	9 475	10 457	11 398	1.4	1.8	7.2	10.4	9.0
Transport, storage and communications	18 556	20 449	23 168	2.6	3.6	6.2	10.2	13.3
Subtotal basic services	28 031	30 906	34 566	4.0	5.4	6.5	10.3	11.9
Commerce, financial institutions and insurance	142 207	158 171	170 667	28.9	26.7	1.4	6.0	7.9
Real estate (c)	35 794	36 220		7.6		-	1.2	
Community, social and personal services (d)	92 005	96 535	142 291	14.9	22.3	2.7	4.9	7.2
Subtotal other services	277 006	290 926	312 959	51.4	49.0	1.6	5.0	7.6
Total (e)	553 728	592 742	640 161	100.0	100.0	3.3	7.0	8.0

Source: CEPAL calculations on the basis of figures supplied by the Banco de México.

(a) Preliminary figures.

(b) Including extraction and refining.

(c) Refers to ownership of dwellings.

(d) Also includes restaurants, hotels and business services.

(e) As the individual activities and the totals were calculated independently, the sum of the former does not correspond exactly with the latter.

Table 4

MEXICO: INDICATORS OF AGRICULTURAL PRODUCTION

	1976	1977	1978(a)	1979(b)	Growth rates		
					1977	1978(a)	1979(b)
Indexes of agricultural production (base 1970=100)	115.6	128.5	137.1	...	11.2	6.7	...
Crop farming (c)	108.5	122.9	127.4	...	13.3	3.6	...
Stock-raising (d)	128.7	139.0	155.1	...	8.0	11.6	...
Indexes of production of the main crops (base 1970=100)							
By groups of crops	108.4	123.0	127.3	129.8	13.5	3.5	2.0
Grains	106.5	118.1	124.1	107.7	10.9	5.1	-13.2
Vegetables	118.1	139.1	141.6	147.9	17.8	1.8	4.4
Forage	135.0	163.3	158.5	150.7	21.0	-2.9	-4.9
Oilseeds	83.0	135.3	121.1	157.7	63.0	-20.5	30.2
Fibres	69.2	120.8	97.9	100.3	74.6	-19.0	2.5
Industrial crops	96.3	89.1	94.5	109.1	-7.5	6.6	15.4
Fruit	132.5	128.2	149.2	178.4	-3.2	16.4	19.6
By main destination	108.5	122.9	127.4	131.8	13.3	3.6	3.5
For domestic consumption	113.0	125.2	130.8	132.5	10.8	4.5	1.3
For export	88.2	112.5	111.9	117.4	27.6	-0.5	4.9
Indicators of stock-raising production							
Number of cattle (e)	28 935	29 333	29 920	...	1.4	2.0	...
Number of cattle slaughtered (f)	527	588	644	...	11.5	9.7	...
Milk (g)	5 184	5 539	5 926	...	6.9	7.0	...
Eggs (h)	8 301	8 373	8 446	...	0.9	8.9	...

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Estimates.

(c) The indexes of agricultural production correspond to a sample of 95% of the universe.

(d) Figures subject to revision, since they are based on primary statistics.

(e) Thousands of head.

(f) Thousands of tons.

(g) Millions of litres.

(h) Millions of units.

Table 5

MEXICO: INDICATORS OF MINING PRODUCTION

	1976	1977	1978	1979(a)	Growth rates		
					1977	1978	1979(a)
<u>Indexes (1970 = 100)</u>							
Mining production (b)	115.1	115.9	116.9	118.1	0.7	0.9	1.0
Precious metals	99.3	112.1	121.4	114.1	12.0	8.3	-6.0
Non-ferrous industrial metals	104.8	105.6	102.9	108.7	0.8	-2.6	5.6
Metals and minerals for the steel industry	150.9	158.6	159.8	168.7	5.1	0.8	5.6
Non-metallic minerals	124.1	108.2	113.5	122.2	-12.8	4.9	7.7
<u>Thousands of tons</u>							
Production of some important minerals							
Gold (c)	5 064	5 616	6 283	5 712	10.9	11.9	-9.1
Zinc	259	265	245	229	2.3	-7.6	-6.5
Copper	89	90	87	90	1.1	-3.3	3.4
Silver	1 295	1 463	1 579	1 493	13.0	7.9	-5.5
Lead	165	163	171	177	-1.2	4.9	3.5
Iron ore	3 644	3 587	3 556	3 944	-1.6	-0.9	10.9
Sulphur	2 150	1 856	1 818	2 070	-13.7	-2.1	13.9

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Excluding petroleum.

(c) Kilogrammes.

Table 6

MEXICO: INDICATORS OF PETROLEUM ACTIVITY

	1976	1977	1978	1979(a)	Growth rates (b)		
					1977	1978	1979(a)
<u>Indexes of petroleum production</u> (1970 = 100)	149.8	169.8	195.1	229.4	13.3	14.9	17.6
<u>Production of main items</u> (millions of barrels)							
Petroleum	327	396	485	591	21.1	22.5	21.9
Crude oil	293	358	442	533	22.1	23.3	20.8
Liquid products	34	38	43	58	11.4	12.1	35.4
Natural gas (c)	21 855	21 150	26 474	30 145	-3.2	25.2	13.9
Petroleum products	268	301	320	333	12.0	6.5	3.9
Gasoline	78	84	90	104	8.8	6.4	15.4
Diesel oil	59	67	73	77	11.9	8.9	6.3
Fuel oil	73	85	89	89	16.3	4.6	0.2
Others (a)	58	65	68	63	11.2	6.8	-9.0
<u>Exports</u>							
Crude oil	35	74	133	195	113.6	80.7	46.0
Natural gas (c)	-	68	-	-	-	-	-
<u>Other indicators</u>							
Proven reserves	11 160	16 002	40 194	45 800	43.4	151.2	13.9
Theoretical life of the reserves (years)	34	40	83	77	18.5	104.9	-6.5
Wells in production (number)	200	176	173	188	-12.0	-1.7	8.7
Transport capacity used (e)	64 221	68 250	76 574	...	6.3	12.2	...
Pipelines	33 410	38 777	43 156	...	16.1	12.3	...
Tankers	23 507	22 300	25 615	...	-5.1	14.9	...
Domestic consumption of petroleum (millions of barrels)	293	323	352	397	10.1	9.2	12.7

Source: CEPAL, on the basis of data supplied by Petróleos Mexicanos (PEMEX) and Banco de México (petroleum production index).

(a) Preliminary figures.

(b) The growth rates correspond to unrounded figures.

(c) Billions of cubic metres.

(d) Including kerosene, jet fuel, lubricants, asphalt, liquified and dry gas, paraffin wax and greases.

(e) Millions of ton-kilometres per year.

Table 7

MEXICO: INDICATORS OF MANUFACTURING PRODUCTION

	Indexes (1970 = 100)				Growth rates		
	1976	1977	1978	1979(a)	1977	1978	1979(a)
<u>Index of manufacturing production</u>	142.3	148.4	162.0	175.5	4.3	9.2	8.3
<u>Food, beverages and tobacco</u>	123.5	128.7	136.1	145.2	4.2	5.7	6.7
Textiles	113.9	120.1	119.3	124.3	5.4	-0.7	4.2
Clothing	148.2	260.3	166.0	181.4	8.2	3.6	9.3
Wood	97.6	108.2	114.6	120.5	10.9	5.9	5.1
Paper	138.1	147.0	163.8	167.8	6.4	11.4	2.4
Printing and publishing	132.8	125.0	127.9	148.0	-5.9	2.3	15.7
Rubber products	157.5	139.5	170.3	170.4	-11.4	22.1	-5.8
Petrochemical products	193.1	185.3	218.8	246.6	-4.0	18.1	12.7
Other chemical products	180.4	196.9	200.5	211.0	9.1	1.8	5.2
Petroleum products	142.1	164.9	182.0	201.2	16.0	10.4	10.5
Non-metallic minerals	164.9	178.3	191.8	207.6	8.1	7.6	8.2
Steel products	134.7	143.4	169.2	180.9	6.5	18.0	6.9
Machinery	170.6	176.7	198.6	233.5	3.6	12.4	17.6
Transport equipment	167.2	146.2	194.3	232.7	-12.6	32.9	19.8
<u>Production of some important manufactures</u>							
Beer	132.7	148.9	156.2	184.9	12.2	4.9	18.4
Cigarettes and cigars	102.9	114.4	116.6	126.2	11.2	1.9	8.2
Tyres and tubes	179.7	162.0	198.9	194.1	-9.8	22.8	-2.4
Fertilizers	160.6	172.5	158.9	155.5	7.4	-7.9	-2.1
Artificial fibres	242.3	261.1	279.5	315.1	7.8	7.0	12.7
Cast iron	152.2	186.8	224.6	220.6	22.7	20.2	-1.8
Automobiles	150.7	139.1	176.6	204.0	-7.7	27.0	15.5
Tracks	193.1	157.7	225.5	284.0	-18.3	43.0	25.9
<u>Other indicators of manufacturing production</u>							
Consumption of electricity by industry (b)	21.4	23.3	25.6	27.9	8.6	10.0	9.0

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Billions of KWH.

Table 8

MEXICO: INDICATORS OF CONSTRUCTION ACTIVITY

	1976	1977	1978	1979(a)	Growth rates		
					1977	1978	1979(a)
<u>Index of volume of production (1970 = 100)</u>	147.5	144.5	163.7	183.0	-2.0	13.3	11.8
<u>Production of some building materials (thousands of tons)</u>							
Reinforcing rod	849	966	1 134	1 256	13.8	17.4	10.8
Structural sections	186	155	222	252	-16.7	43.2	13.5
Wire rod	53	59	74	81	11.3	25.4	9.5
Cement	12 584	13 227	14 056	15 178	5.1	6.3	8.0
Flat glass (b)	15 221	17 741	17 791	18 900	16.5	0.3	6.2

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Thousands of square metres.

Table 9

MEXICO: MAIN FOREIGN TRADE INDICATORS

	1974	1975	1976	1977	1978	1979(a)
<u>Growth rates</u>						
Exports of goods						
Value	40.1	0.3	15.6	32.5	40.3	45.9
Volume	-1.5	-3.0	2.3	20.4	37.6	13.6
Unit value	42.3	3.3	13.0	10.0	2.0	28.4
Imports of goods						
Value	58.8	8.6	-8.3	-2.5	38.8	49.1
Volume	22.1	-0.4	-11.8	-5.3	28.5	33.5
Unit value	30.1	9.1	4.0	3.0	8.0	11.7
Terms of trade	9.4	-5.2	8.7	6.8	-5.6	14.9
<u>Indexes (1970 = 100)</u>						
Terms of trade	111.6	105.7	114.9	122.7	115.9	133.2
Purchasing power of exports of goods	130.1	119.6	132.9	171.0	222.2	290.1
Purchasing power of exports of goods and services	143.2	131.7	142.6	154.0	204.3	254.7

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

Table 10

MEXICO: EXPORTS OF GOODS, FOB (a)

	Millions of dollars				Percentage breakdown		Growth rates		
	1976	1977	1978	1979(b)	1970	1979(b)	1977	1978	1979(b)
<u>Petroleum and petroleum products</u>	557	1 029	1 793	3 881	2.6	41.2	84.7	74.2	116.5
<u>Non-petroleum products</u>	2 919	3 575	4 667	5 542	97.4	58.8	22.5	30.5	18.7
Main traditional exports	1 115	1 309	1 739	2 145	36.8	22.7	17.4	32.8	23.3
Raw coffee beans	357	458	386	546	6.0	5.8	28.3	-15.7	41.5
Shrimp	132(c)	186(c)	400	493	4.4	5.2	40.9	115.1	23.3
Cotton	241	195	309	352	8.6	3.7	-19.1	58.5	13.9
Refined silver	116	102	96	208	2.0	2.2	-12.1	-5.9	116.7
Tomatoes	138	215	198	183	7.5	1.9	55.8	-7.9	-7.6
Pulses and fresh vegetables	25(c)	25(c)	95	139	0.8	1.5	-	287.2	46.3
Live animals	66	93	167	120	5.5	1.3	40.9	80.0	-28.1
Fresh fruit	40(c)	35(c)	88	104	2.0	1.1	-12.5	151.4	18.2
Main non-traditional exports	389	552	811	867	15.3	9.2	41.9	46.9	6.9
Mechanical and electrical machinery and equipment	203	293	319	290	4.2	3.1	44.3	8.9	-9.1
Parts for motor-vehicles	36	118	182	189	7.5	2.0	127.8	54.2	3.8
Automobiles and trucks	10	29	87	117	...	1.2	190.0	200.0	34.5
Liquid ammonia	5	1	51	79	...	0.8	-80.0	...	54.9
Refined lead	22	30	48	72	1.8	0.8	36.4	60.0	50.0
Vegetables and fruit preparations	30	51	61	64	1.1	0.7	70.0	19.6	4.9
Refined zinc	83	30	63	56	0.7	0.6	-63.9	110.0	-11.2
Others	1 415	1 714	2 117	2 530	45.3	26.9	21.1	23.5	19.3
<u>Total</u>	<u>3 476</u>	<u>4 604</u>	<u>6 460</u>	<u>9 423</u>	<u>100.0</u>	<u>100.0</u>	<u>32.4</u>	<u>40.3</u>	<u>45.9</u>

Source: CEPAL, on the basis of data supplied by the Banco de México, S.A. and for refined silver, by the Department of Programming and the Budget.

(a) Excluding sub-contracting.

(b) Preliminary figures.

(c) Figures subject to revision.

Table 11

MEXICO: IMPORTS OF GOODS, CIF

	Millions of dollars				Percentage breakdown		Growth rates		
	1976	1977	1978	1979(a)	1975	1979(a)	1977	1978	1979(a)
<u>Consumer goods</u>	<u>311</u>	<u>417</u>	<u>653</u>	<u>963</u>	<u>9.1</u>	<u>7.8</u>	<u>34.1</u>	<u>56.6</u>	<u>47.5</u>
Wheat	...	44	65	185	0.3	1.5	...	47.7	184.6
Maize	114	188	160	100	0.8	0.8	64.9	-14.9	-37.5
Stationery	52	47	58	98	6.0	0.8	-9.6	23.4	69.0
Clothing	45	39	49	72	0.5	0.6	-13.3	25.6	46.9
Powdered, evaporated or condensed milk	34	38	37	64	0.4	0.5	11.8	-2.6	73.0
Others	66	61	284	444	1.1	3.6	-7.6	365.6	56.3
<u>Intermediate goods</u>	<u>2 706</u>	<u>2 537</u>	<u>4 287</u>	<u>5 951</u>	<u>44.1</u>	<u>48.6</u>	<u>-6.2</u>	<u>69.0</u>	<u>38.8</u>
Cast iron and steel products	348	301	876	1 033	6.6	8.4	-13.5	191.0	17.9
Chemical products organic and inorganic	468	513	602	868	7.6	7.1	9.6	17.3	44.2
Automobile components	488	450	602	781	7.6	6.4	-7.8	36.0	27.6
Plastic materials and artificial resins	139	145	191	264	0.7	2.2	4.3	31.7	38.2
Oil seeds	123	191	222	220	0.3	1.8	55.3	16.2	-0.9
Automobile spare parts	105	73	116	214	1.8	1.7	-30.5	58.9	84.5
Grain sorghum	11	71	80	155	1.8	1.3	545.4	12.7	93.8
Others	1 024	793	1 588	2 416	17.3	19.7	-22.6	100.3	52.1
<u>Capital goods</u>	<u>2 510</u>	<u>2 087</u>	<u>2 784</u>	<u>4 583</u>	<u>36.3</u>	<u>37.4</u>	<u>-16.8</u>	<u>33.4</u>	<u>64.6</u>
Mechanical appliances and parts	1 525	1 240	1 706	2 793	21.9	22.8	-18.7	37.6	63.7
Electrical appliances and parts	496	458	428	611	5.5	5.0	-7.7	-6.6	42.8
Tractors	94	53	178	315	2.2	2.6	-43.6	235.8	77.0
Precision instruments	146	148	164	280	1.8	2.3	1.4	10.8	70.0
Others	249	188	308	584	4.9	4.7	-24.5	63.8	89.6
<u>Unclassified goods</u>	<u>545</u>	<u>880</u>	<u>494</u>	<u>758</u>	<u>10.4</u>	<u>6.2</u>	<u>61.5</u>	<u>-43.9</u>	<u>53.4</u>
<u>Total</u>	<u>6 072</u>	<u>5 921</u>	<u>8 218</u>	<u>12 255</u>	<u>100.0</u>	<u>100.0</u>	<u>-2.5</u>	<u>38.8</u>	<u>49.1</u>
Public sector	2 195	2 262	3 151	3 851	38.0	31.4	3.1	39.3	22.2
Private sector	3 877	3 659	5 067	8 404	62.0	68.6	-9.4	38.4	65.9

Source: CEPAL, on the basis of data supplied by the Banco de México, S.A.

(a) Preliminary figures.

Table 12

MEXICO: BALANCE OF PAYMENTS
(Millions of US dollars)

	1974	1975	1976	1977	1978	1979(a)
<u>Current account</u>						
Exports of goods and services	6 215	6 248	7 076	8 046	11 453	15 823
Goods FOB (b)	2 999	3 009	3 476	4 604	6 460	9 423
Services	3 216	3 239	3 600	3 442	4 993	6 400
Transport	182	181	177	200	251	322
Travel	2 056	2 171	2 473	2 372	3 485	4 411
Imports of goods and services	7 764	8 625	8 422	7 855	11 467	16 740
Goods FOB (b)	5 790	6 292	5 771	5 625	7 803	11 636
Services	1 974	2 333	2 651	2 230	3 664	5 104
Transport	439	527	505	488	773	1 132
Travel	1 154	1 359	1 616	1 182	2 271	3 209
Net payments of profits and interest on foreign capital	-1 447	-1 818	-1 879	-1 982	-2 527	-3 548
Profits	-794	-840	666	400	477	654
Interest	-653	-978	1 213	1 582	2 050	-2 894
Net private transfer payments	100	114	156	168	198	218
Balance on current account	-2 896	-4 081	-3 069	-1 623	-2 343	-4 247
<u>Capital account</u>						
Net external financing (a+b+c+d+e)	2 896	4 081	3 069	1 623	2 343	4 247
a) Long-term capital	3 125	4 707	4 979	4 606	4 593	4 096
Direct investment (net)	678	610	628	554	530	408
Private sector	-42	148	136	180	-	541
Loans	405	415	202	212	25	648
Amortization payments	-366	-420	-	-	-	-
Other liabilities and assets (net)	-81	153	-66	-32	-25	-107
Official sector	2 489	3 949	4 215	3 872	4 063	3 147
Loans	3 081	4 784	5 417	6 232	8 343	10 415
Amortizations payments	-592	-835	-1 155	-2 295	-4 264	-7 286
Other liabilities and assets (net)	-	-	-47	-65	-16	18
Short-term capital (net)	-213	-475	-2 499	-2 653	-1 896	435
Private sector	356	342	878	-950	-1 489	206
Official sector	398	424	375	-323	818	999
Other liabilities and assets	-	-	-702	-878	-463	-745
Errors and omissions	-967	-1 241	-3 050	-502	-762	-25
c) Allocations of Special Drawing Rights (SDRs)	-	-	-	-	-	70
d) Official transfer payments	22	27	...	...	...	...
e) International reserves (minus sign indicates an increase)	-38	-178	589	-330	-354	-354
Use made of IMF credit	-	-	319	100	-190	-163
Other liabilities	-	-	-	-	-	-
Monetary gold	41	-	72	-5	-5	-
Special Drawing Rights	-1	52	85	-46	4	-145
IMF reserve position	-	-	98	-	-	-
Foreign exchange and other assets	-78	-230	15	-379	-163	-46

Source: 1974-1975: International Monetary Fund, *Balance of payments Yearbook*, vol. 30; 1976-1979: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Including non-monetary gold.

Table 13

MEXICO: INDICATORS OF EXTERNAL INDEBTEDNESS
(Millions of dollars)

	1974	1975	1976	1977	1978	1979(a)
<u>Total disbursed external debt</u>	9 975	14 449	19 600	22 912	26 264	29 757(b)
Medium-and long-term	7 981	11 612	15 923	20 185	25 028	28 315
Short-term	1 994	2 837	3 677	2 727	1 236	1 442
<u>Servicing of external public debt</u>	1 150	1 657	2 419	3 837	6 287	10 180
Amortizations payments	561	806	1 153	2 295	4 264	7 286
Interest payments	589	851	1 266	1 542	2 023	2 894
Servicing of external public debt, as a percentage of exports of goods and services		26	34	48	55	64

Source: CEPAL, on the basis of data supplied by the Ministry of Finance and Public Credit and the Banco de México, S.A.

(a) Preliminary figures.

(b) Including the revaluation of the debt expressed in European and Japanese currency for US\$ 158 millions.

Table 14

MEXICO: EVOLUTION OF DOMESTIC PRICES

	1974	1975	1976	1977	1978	1979(a)
	<u>Variation December to December</u>					
Consumer price index (b)	20.6	11.3	27.2	20.7	16.2	20.0
Food	23.1	10.1	22.2	21.6	15.4	20.1
Wholesale price index (c)	13.3	13.4	45.9	18.1	15.8	19.9
Consumer goods	15.3	14.2	41.5	23.5	16.7	20.9
Food	15.6	15.3	36.3	25.4	17.6	20.6
Others	14.6	11.3	38.3	19.1	14.7	21.8
Producer goods	10.1	12.0	53.3	9.7	14.3	18.2
	<u>Variation between annual averages</u>					
Consumer price index (b)	23.7	15.0	15.8	29.1	17.5	18.2
Food	29.9	12.6	12.7	28.6	16.5	18.4
Wholesale price index (c)	22.5	10.5	22.2	41.2	15.8	18.3
Consumer goods	23.4	11.6	22.2	41.8	17.4	19.9
Food	24.6	12.5	19.2	40.5	18.7	19.9
Others	20.2	8.2	30.6	45.0	14.2	19.9
Producer goods	21.0	9.2	22.3	40.1	13.0	15.5

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) National.

(c) In Mexico City.

Table 15

MEXICO: EVOLUTION OF WAGES AND SALARIES

	1975	1976	1977	1978	1979(a)
	<u>Indexes (1970 = 100)</u>				
Minimum wages and salaries (annual averages)					
Nominal	196.2	253.7	324.4	368.2	429.9
Real	111.2	124.2	123.0	118.8	117.3
	<u>Growth rates</u>				
Nominal	16.0	29.3	27.9	13.5	16.8
Real	0.9	11.7	-1.0	-3.4	-1.3

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

Table 16

MEXICO: EVOLUTION OF EMPLOYMENT AND UNEMPLOYMENT

	1977				1978				1979	
	Quarter									
	I	II	III	IV	I	II	III	IV	I	II
<u>Rates of unemployment (a)</u>										
Main cities (metropolitan areas)										
Mexico city	8.3	7.7	8.5	7.1	7.4	6.8	7.0	6.4	6.1	5.1
Guadalajara	7.0	7.2	8.3	7.0	6.6	6.0	5.7	5.8	6.2	5.4
Monterrey	9.0	9.2	10.4	7.2	8.5	7.5	8.1	6.2	5.7	5.6
<u>Indexes (1976 = 100)</u>										
Main cities										
Economically active population			106.4			110.7			113.9(b)	
Employment			106.1			113.4			116.1(b)	
Unemployment			107.8			101.5			84.7(b)	

Source: CEPAL, on the basis of figures supplied by the Department of Programming and the Budget.

(a) Unemployment as a percentage of the economically active population.

(b) Estimate on the basis of the first two quarters of 1979.

Table 17

MEXICO: MONETARY BALANCE(a)

	End-year balance (billions of pesos)				Growth rates (c)		
	1976	1977	1978	1979(b)	1977	1978	1979(b)
<u>Money</u>	155	196	260	346	26.4	32.7	33.0
Currency outside banks	80	89	115	150	11.2	29.2	30.3
Demand deposits	75	107	145	196	42.7	35.5	35.2
<u>Factors of expansion</u>	485	632	812	1 083	31.1	28.5	33.4
Net international reserves	25	39	52	70	76.0	33.3	34.6
Domestic credit	596	749	923	1 212	25.7	23.2	31.3
Government (net)	249	313	351	474	25.7	12.1	35.0
Enterprises and individuals	347	436	572	738	25.6	31.2	29.0
Less: Loans from foreign banks to credit institutions (d)	136	156	163	199	14.7	4.5	22.1
<u>Factors of absorption</u>	308	404	536	715	31.2	32.7	33.4
<u>National currency</u>	259	322	437	572	24.3	35.7	30.9
Savings deposits	25	36	46	57	44.0	27.8	23.9
Fixed interest instruments	166	203	277	351	22.3	36.5	26.7
Other non-monetary liabilities	68	83	114	164	22.1	37.3	43.9
Foreign currency	49	82	99	143	67.4	20.7	44.4
Checking and savings accounts	11	15	16	23	36.4	6.7	43.8
Bonds and debentures	23	39	52	77	69.6	33.3	48.1
Other non-monetary liabilities	15	28	31	43	86.7	10.7	38.7
<u>Other assets and liabilities (net)</u>	-22	-32	-16	-22	63.6	-50.0	37.4

Source: CEPAL, on the basis of figures supplied by the Banco de México, S.A.

(a) Excluding the effect of the modification of the exchange rate.

(b) Preliminary figures.

(c) The growth rates correspond to real and not to rounded figures.

(d) These loans are considered as a factor of negative expansion, since they are resources which for the most part finance credit to the government.

Table 18

MEXICO: BANK CREDIT RECEIVED BY ENTERPRISES AND INDIVIDUALS

	End-year balance				Growth rates		
	(billions of pesos) (a)(b)						
	1976	1977	1978	1979(c)	1977	1978	1979(c)
Total	295	436	572	738	47.8	31.2	29.0
Primary activities	49	70	92	121	42.9	31.4	31.5
Agricultural	44	64	85	111	45.5	32.8	30.6
Mining and others	5	6	7	10	20.0	16.7	42.9
Industry	132	195	255	295	47.7	30.8	15.7
Energy	17	20	37	40	17.6	85.0	8.1
Manufacturing	88	136	169	200	54.5	24.3	18.3
Construction	27	39	49	55	44.4	25.6	12.2
Low-cost housing	9	19	26	30	111.1	36.8	15.4
Services and other activities	59	84	104	153	42.4	23.8	47.1
Commerce	46	68	95	140	47.8	39.7	47.4

Source: CEPAL, on the basis of official data.

(a) Including enterprises owned by the public and private sectors.

(b) Excluding the effect of the modification of the exchange rate.

(c) Preliminary figures.

Table 19

MEXICO: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Billions of pesos				Growth rates (b)		
	1976	1977	1978	1979(a)	1977	1978	1979(a)
Current income	134	192	256	341	42.6	33.7	33.2
Tax revenue	125	181	243	325	45.0	34.6	33.9
Direct	67	95	132	173	42.0	39.6	30.6
Indirect	45	63	80	96	40.0	25.6	21.4
On foreign trade	13	23	31	56	78.0	38.9	79.3
Non-tax revenue	9	11	13	16	13.1	18.8	21.1
Current expenditure	126	177	222	296	40.7	25.4	33.3
Wages and salaries	44	64	80	106	46.2	25.5	32.4
Other current expenditure	82	113	142	190	37.8	25.4	33.8
Saving on current account	8	15	34	45	70.9	133.3	32.7
Capital expenditure (c)	82	90	153	196	10.0	70.2	28.2
Real investment	43	49	58	83	14.4	18.2	42.0
Debt amortization payment (c)	10	16	56	60	52.9	259.0	7.0
Other capital expenditure	29	25	39	53	-12.0	55.0	38.1
Total expenditure (c)	208	267	375	492	28.6	40.5	31.2
Fiscal deficit (c)	-74	-75	-119	-151	2.9	57.8	26.9
Budgetary deficit	-64	-60	-63	-91	-5.2	5.2	44.7
Financial of fiscal deficit	74	75	119	151	2.9	57.2	26.8
Domestic financing (c)	46	55	92	126	19.7	66.6	36.7
External financing	28	20	27	25	-26.1	33.3	-7.6

Source: CEPAL, on the basis of figures supplied by the Ministry of Finance and Public Credit.

(a) Preliminary figures.

(b) The growth rates correspond to real and not to rounded figures.

(c) Excluding the Treasury Certificates issued and redeemed in the same year, since their introduction in 1978.