

TEXAS PAPERS ON LATIN AMERICA

Pre-publication working papers of the
Institute of Latin American Studies
University of Texas at Austin
ISSN 0892-3507

The Outlook for the Mexican Economy

Víctor L. Urquidi
El Colegio de México

C. B. Smith, Sr. Program Lecture
University of Texas at Austin
April 1987

Paper No. 87-05

THE OUTLOOK FOR THE MEXICAN ECONOMY

To properly understand Mexico's present predicament with regard to its domestic and international economic policy, it is useful to review briefly some of the background from the 1960s and 1970s. From 1960 to 1970, the Mexican economy grew at a fairly steady rate of 7 percent per year, while population rose at 3.5 percent, thus allowing for an average annual increase in per capita GDP of almost 3.4 percent. By 1970, GDP per capita was already equivalent to some US\$500, at 1960 prices. Inflation during this period was minimal (table 1).

Table 1
Mexico's Population, GDP per Capita, Prices, 1960-1986

Year	Midyear Population (000s)	GDP per Capita (1960 Prices)	Prices (GDP Deflator 1960=100)	%Inflation over Previous Year (annual avg.)
1960	37,073	4,308	100.0	4.9
1970	51,176	6,150	141.16	4.4
1980	69,393	8,594	717.08	28.7
1981	71,249	9,036	912.49	27.2
1982	73,122	8,757	1470.78	61.2
1983	74,980	8,089	2826.27	92.2
1984	76,791	8,189	4571.95	61.8
1985	78,524	8,224	7059.90	54.4
1986	80,200	7,754	12503.08	77.1

Sources: Banco de México, *Indicadores económicos* (May 1986); Instituto Nacional de Estadística, Geografía e Informática, *Estadísticas históricas de México* (Mexico City, 1985), converted to 1960 prices; 1986: Banco de México/CIEMEX

Real wages in the formal employment sector rose steadily. External financing was modest; total public external debt by 1970 was only US\$4.3 billion, interest on external debt was a mere \$200 million and meant allocating to it less than 1 percent of total exports of goods and services. Aggregate exports in 1970 were \$1.3 billion, and exports per capita, \$25. Food and agricultural products were the main source of foreign exchange (48 percent), followed by a rising amount of manufactured exports (34 percent) (see tables 3, 4, 5, 6, and 7). Mexican exports were barely 0.4 percent of world exports. Crude oil was hardly in the picture, except for domestic consumption.

This pattern of growth started in the 1950s, as the structure of the economy shifted toward industrialization. By 1970, 29 percent of GDP originated in manufacturing industry and construction, while agriculture's share had declined to 12.2 percent (table 2).

Table 2
Mexico's GDP by Sector, 1960-1986
(Millions of Dollars)

Year	Agriculture, Other Primary Activities	Industry & Construc- tion	Mining, Crude Oil & Refining Prods.	Other	GDP
1960	25,432	37,178	7,847	89,251	159,711
1970	38,242	91,197	7,927	177,263	314,729
1980	53,630	181,398	19,404	341,952	596,384
1981	56,885	195,649	22,381	368,867	643,784
1982	56,547	189,226	24,439	370,082	640,294
1983	58,183	171,733	23,773	352,838	606,527
1984	59,616	179,548	24,206	365,454	628,823
1985	60,940	189,003	24,437	371,372	645,752
1986*	59,112	181,216	22,213	359,488	621,859
Share of output (%)					
1960	15.9	23.3	4.9	55.9	100.0
1970	12.2	29.0	2.5	56.3	100.0
1980	9.0	30.4	3.3	57.3	100.0
1981	9.8	30.4	3.5	57.3	101.0
1982	8.8	29.6	3.8	57.8	100.0
1983	9.6	28.3	3.9	58.2	100.0
1984	9.5	28.6	3.8	58.1	100.0
1985*	9.4	29.3	3.8	57.5	100.0
1986*	9.5	29.1	3.6	57.8	100.0
Growth rates (avg./annum)					
1969-70	4.2	9.4	0.1	7.1	7.0
1970-80	3.4	7.1	9.4	6.8	6.6
1980-85	2.6	0.8	4.7	1.6	1.6
1986*	-3.0	-4.1	-9.1	-3.2	-3.7

Sources: Banco de México, *Indicadores económicos* (May 1986); Instituto Nacional de Estadística, Geografía e Informática, *Estadísticas históricas de México* (Mexico City, 1985), converted to 1960 prices; 1986: Banco de México and Wharton/CIEMEX.

Notes: Percentages may not add to 100 because of rounding.

*Preliminary

Table 3
Mexico's Exports and Average Exchange Rate
(1960-1986)

Year	Total Exports (US\$Million)	Exports per Capita (US\$)	Annual Average Exchange Rate (Pesos/US\$)
1960	738.7	19.9	12.50
1970	1,289.6	25.2	12.50
1980	15,134.0	218.1	22.95
1981	19,419.6	272.7	24.51
1982	21,229.7	290.4	57.44
1983	22,312.0	297.5	120.17
1984	24,196.0	315.1	167.75
1985	21,866.4	278.6	256.96
1986	15,759.3	196.5	611.42

Sources: Banco de México, *Indicadores económicos*; per capita data using INEGI population estimates.
Note: Exchange rate is average annual rate (since 1982, controlled rate applicable to trade and official transactions)

Table 4
Mexico's Exports, 1960-1986
(US\$Millions)

	1960	1970	1980	1981	1982	1983	1984	1985	1986
Total	739	1,290	15,307	19,420	21,006	21,399	24,196	21,866	15,759
Oil, gas	20	38	9,878	13,830	16,101	15,143	15,196	13,309	5,531
Food, agriculture	417	623	1,544	1,481	1,233	1,285	1,461	1,323	2,107
Minerals	145	184	503	677	501	447	539	510	510
Manufactures	156	444	3,379	3,427	3,167	4,519	6,986	6,721	7,609

Source: Banco de México, *Estadísticas históricas, Balanza de pagos, and Informes anuales*; 1984-85 from INEGI and *Comercio Exterior* (monthly); 1986, Wharton/CIEMEX.
Note: Export totals include a small amount of unspecified commodities in the years indicated.

