

MEXICO

Mexico has suffered its most severe recession since the 1994 currency crisis. Real GDP fell by 9.7% year-on-year in the second quarter of 2009, reflecting lower oil prices and lower exports, the outbreak of influenza and declining tourism revenues and worker remittances. Supported by the rebound in oil prices and increasing exports to the United States, the fall in activity slowed down and activity is now starting to recover. As monetary and fiscal stimulus are gaining traction, the recession is projected to bottom out in the third quarter of 2009 and GDP growth should rise gradually in 2010.

The central bank has reduced the policy rate from 8.25 to 4.5% since February 2009 and the government implemented a fiscal stimulus package amounting to around 1.6% of GDP. Going forward, the central bank will have little room for further monetary easing as inflation is projected to remain close to the upper bound of its inflation target range. The automatic fiscal stabilisers should be allowed to work freely in 2010, but the fiscal stimulus should be gradually withdrawn if the recovery takes hold as projected. Consolidation measures proposed by the government to contain revenue shortfalls are necessary to avoid adverse financial market reactions.

Mexico: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices MXN billion	Percentage changes, volume (2003 prices)				
Private consumption	6 712.0	3.9	1.6	-8.0	1.8	3.3
Government consumption	1 080.4	2.1	0.6	2.3	-2.1	-0.9
Gross fixed capital formation	2 165.2	7.2	5.0	-11.9	1.3	5.9
Final domestic demand	9 957.6	4.4	2.2	-7.8	1.2	3.4
Stockbuilding ¹	541.6	-0.5	0.1	-2.1	0.7	0.0
Total domestic demand	10 499.2	3.8	2.4	-9.7	1.9	3.5
Exports of goods and services	2 901.3	5.6	1.5	-19.2	7.8	10.2
Imports of goods and services	3 028.5	6.9	4.6	-23.1	4.8	8.2
Net exports ¹	- 127.2	-0.6	-1.0	2.1	0.7	0.4
GDP at market prices	10 372.0	3.3	1.4	-8.0	2.7	3.9
GDP deflator	–	4.5	6.6	6.5	4.1	4.7
<i>Memorandum items</i>						
Consumer price index	–	4.0	5.1	5.4	4.2	5.0
Private consumption deflator	–	4.8	6.8	7.3	4.4	4.8
Unemployment rate ²	–	3.4	3.5	5.7	6.3	5.9
Current account balance ³	–	-0.8	-1.5	0.0	1.0	1.4

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. Based on National Employment Survey.

3. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

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