

MEXICO: ECONOMY SLOWS DESPITE LOW INFLATION

As predicted here last month, FIBER's *Coincident Index* for Mexico continued to fall in August to 189.3, a loss of 0.9%. Its six-month smoothed annualized growth rate dropped from 11.6% in June to 5.5% in August. Most of the coincident indicators peaked in June or July and weakened in August, except for nonfarm employment, which continued to improve through September. The *Leading Index*, however, after peaking in February, lost 2.1% through June, and turned back up slightly through August reaching 111.0, a gain of 0.9%. Its six-month smoothed growth rate started a descent in March, plummeting to a low -0.2% in June, and though still low, moved up to 1.0% in August. Contributing to the slight upturn in the *Leading Index*, were real oil price, ratio of price to unit labor cost, and imports of capital goods, all of which showed further improvement through August. Consumer price inflation for Mexico moved down to a five year low of 7.8% in August and remained steady in September.

Select Coincident Indicators

Indicator	Year High (YH)	% change from YH*
Real GDP	Q2 2000	0.0
Industrial Production	July 2000	-0.7
Manufacturing & Trade Sales	June 2000	-0.3
Nonfarm Employment	Sept 2000	0.0
Inverted Unemployment Rate	June 2000	-0.05
Coincident Index (CI)	June 2000	-1.6
CI 6-month smoothed growth rate**	June 2000	-6.1

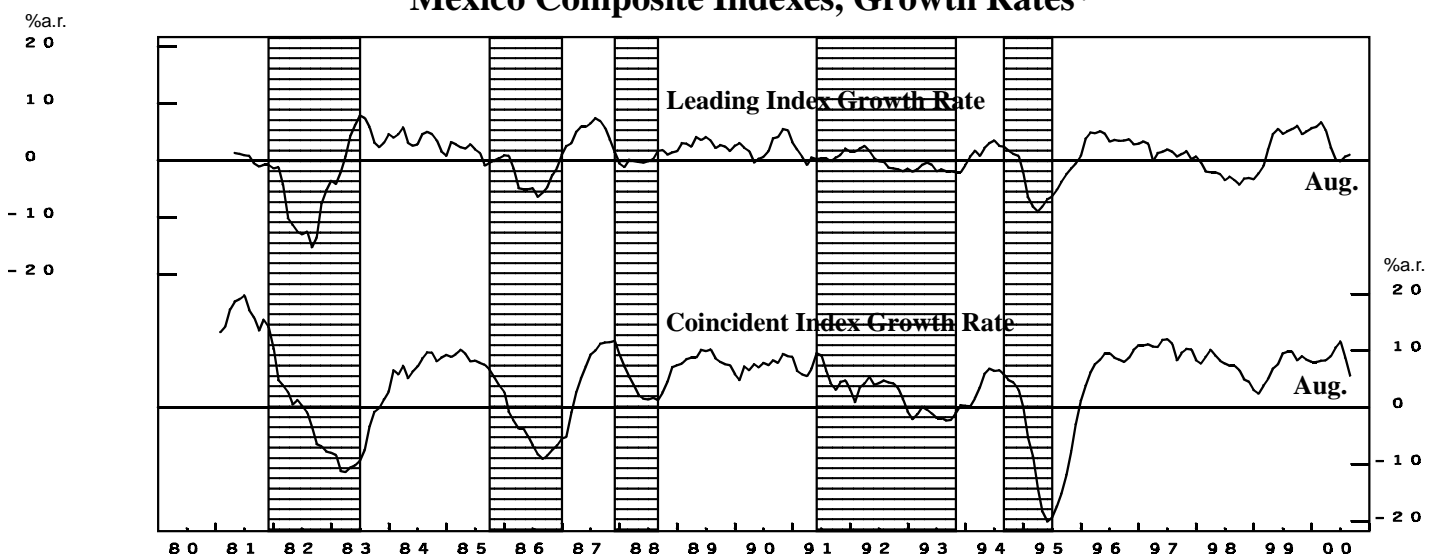
* compared to current month
** growth rate
*** year low

Select Leading Indicators

Indicator	Year High (YH)	% change from YH*
Real Stock Price index	Mar 2000	-15.1
Real Oil Price	Sept 2000	0.0
Real Peso/Dollar Exchange Rate	Oct 1999	-6.3
Avg. Monthly Hours; Mfg.	Feb 2000	-0.8
Ratio, Price to Unit Labor Cost	Aug 2000	0.0
Imports of Capital Goods	Aug 2000	-0.8
Leading Index (LI)	Feb 2000	-1.2
LI 6-month smoothed growth rate***	Feb 2000	-5.7

* compared to current month
** an inverted indicator
*** growth rate
year low

Mexico Composite Indexes, Growth Rates*



Shaded areas represent growth cycle slowdowns in Mexico.

*Note: Smoothed annualized growth rates based on ratio of index to its average over preceding twelve months, expressed as a compound annual rate.