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## GLOBAL CAPITAL

### Job creation jumps in strong Mexico economy

**Growth across sectors combines with election spending to spur a rare employment boom. Some analysts doubt the hot streak can continue.**

By Marla Dickerson  
Times Staff Writer

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MEXICO CITY — Political strife and drug violence have overshadowed perhaps the most stunning news out of Mexico this year: The nation is creating jobs. Lots of them.

Thanks to a healthy service sector, a strong housing market, rebounding manufacturing — and some election-year pork — Mexico has added nearly 950,000 jobs through the first 10 months of the year, recent government figures show. It's the first time in at least a decade that the country has come even close to adding the 1 million positions needed annually just to keep pace with the growth of its working-age population.

The performance is a small victory for the administration of outgoing President Vicente Fox, who failed miserably in his quest to create 6 million net new jobs during his tenure. The country has added 1.4 million jobs since he took office in December 2000, less than a quarter of his target.

Mexico is such a chronic underachiever when it comes to generating employment that one solid year is likely to do little to stem the flow of illegal immigration to the United States. Some analysts doubt that the hot streak can continue. More than half the jobs created this year in Mexico were in so-called temporary posts in sectors such as construction. Cyclical industries such as manufacturing are expected to slow along with the U.S. economy.

Still, the surge has been a godsend to laborers such as Sergio Martinez Beltran, a former field hand from the southern state of Chiapas who has found steady work in the capital's booming construction sector. The slender, 5-foot-3-inch laborer makes \$110 for hoisting cement bags six days a week. It's backbreaking, but he is grateful to get a reliable paycheck to support his wife and three children back home in the countryside.

"One job ends ... and there's another," said Martinez, 32, taking a break from his duties on an apartment building rising in the upscale Polanco neighborhood. "Our hope is in God that it can continue this way."

The solid job numbers provide momentum to Fox's replacement, Felipe Calderon, who vows to be Mexico's "jobs president" after he is sworn in next month. He has proposed reducing regulation and

making it easier to hire and fire as well as stepping up security to attract more foreign investment. He also wants to boost tax collection so Mexico can spend more on infrastructure, which could expand employment and boost the economy's productivity.

Calderon has his work cut out for him. A divided Congress will make it tough to implement changes many analysts say are crucial to generating more jobs and keeping more Mexicans at home. With oil prices down from their lofty levels of the summer, Mexico's treasury may have to tighten its belt. The underground economy of off-the-books day laborers and street vendors remains Mexico's primary job engine.

"This isn't going to last long," said Alfredo Coutino, senior economist at Moody's Economy.com in West Chester, Pa. But "job creation in Mexico is always good news."

Indeed, Mexico is enjoying glad economic tidings in 2006 unlike anything it has seen in years. Core inflation and interest rates remain relatively low. The peso is stable. High oil prices have left tax coffers flush with extra cash. The economy is projected to expand about 4.5% this year, the best showing since 2000.

A welcome byproduct of that economic strength has been expanded employment in the so-called formal sector, defined as on-the-books, salaried jobs with benefits. The government estimates that figure by tracking the number of workers whose bosses register them with the nation's social security system.

Services and retail have performed well this year, but one of the most watched industries is manufacturing. Although Mexico's maquiladora export factories have been battered by stiff competition from Asia, the sector has rallied this year, adding nearly 77,000 jobs through August, government figures show.

The nation's automotive industry has been a standout. Mexico produced more than 1.6 million vehicles in the first 10 months of the year, a nearly 28% annual increase.

Experts say the nation's success with cars underscores an evolution in Mexican manufacturing that has foreign companies bringing more sophisticated projects here. While the country continues to shed jobs in traditional industries such as garment making, medical and aerospace firms are setting up shop to tap the nation's pool of skilled engineers and technicians.

San Diego entrepreneur John Riley, who helps U.S. companies outsource production south of the border, said his business was running 300% ahead of last year. His clients include a U.S. maker of semiconductor equipment that has shifted increasingly complicated tasks to Mexico, such as precision machining.

"We are seeing much higher-skilled kinds of work," said Riley, chief executive of Tijuana-based BC Manufacturing, which has a sales office in San Diego. "This is one of the best times I have seen in the industry."

Mexico's construction trade is bustling as well, thanks in large part to a campaign promise Fox was able to keep: turning 3 million working-class Mexicans into homeowners since 2001.

A government-led mortgage program has spurred home building on the outskirts of Mexico City and other big metro areas. But it's not the only factor fueling the rise. Pent-up demand for upscale housing has triggered an explosion of loft development in Mexico City as well as vacation homes

for U.S. baby boomers in the coastal areas. Billions in construction contracts poured into Cancun this year to rebuild the Caribbean resort, which was pummeled by Hurricane Wilma in October 2005.

This election year likewise boosted job growth, thanks to spending on printing, TV advertising and similar campaign-related expenses, as well as public works and other pork-barrel projects backed by officials looking to curry favor with voters.

Analysts say Mexico's economy is already showing signs of slowing from the robust 5.1% growth rate of the first six months of the year.

Mexico City construction worker Jose Lopez Perez hopes the building boom doesn't fizzle before he can finish his own little house, which he spends every Sunday laboring on for his wife and two daughters.

"Our supervisor has told us there is a lot of work next year," said Lopez, 27. "This is what I hope.... I live with my parents right now, and I want to leave."

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*marla.dickerson@latimes.com*

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*Times staff writer Cecilia Sanchez contributed to this report.*