

Estimating the Mexican Economy's Growth Potential for 2016 using a Dynamic Input-Output Model

Topic: Dynamic Methods I

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In this paper we estimate the Mexican economy potential growth for 2016 using a dynamic input-output model. Actually, we assess the capital coefficient matrix based on the life cycle of economic sectors in Mexico. Using this information, we then calculate Leontief's dynamic inverse matrix. Finally, we calculate the dominant eigenvalue of the dynamic system to obtain the economy's turnpike growth rate. Our results show that, given Mexico's economic structure of production and trade, its growth potential is insufficient to absorb a labor supply proportionate to its develop needs. That is, we obtain a lower rate of growth than the one obtained via comparable international and national economic norms. In addition, this analysis enabled the identification of sectors toward which economic policies might be targeted to facilitate faster growth.

Key words: Dynamic input-output model, potential growth rate, Structural Change.