

MEMORANDUM

TO: Governor Symington

FROM: John Coyle

DATE: 9 March 95

SUBJECT: FYI-Impact of Peso Devaluation on Arizona Jobs

1. Two recent studies indicate Arizona stands to lose 10-14 thousand jobs in the next few years because the weaker peso has cut the ability of Mexicans to import. The studies probably underestimate the harm to the state's economy since they do not account for the continued slide of the peso past 7 per dollar in response to news of high-level involvement in assassinations and financial corruption. President Zedillo's efforts to restore confidence in the Mexican political system and control inflation are the keys to preventing further decline.

2. DRI/McGraw-Hill. According to this study, Arizona will lose more than 3,000 jobs this year and a total of more than 10,000 by 1997. However, more than half of the lost jobs probably will be regained by 2000. This study suggests Arizona will be harmed less--relative to the size of its workforce--than five other states, with Texas hardest hit. Estimates are based on a long-term peso exchange rate of 4.7 per dollar.

3. Regional Financial Associates. Arizona may lose more than 14,000 jobs in the next four years, according to this study. Much of the impact is expected to occur this year and the Tucson area will suffer the most. This study assumes the peso will remain at roughly 6 per dollar.

cc: Jay Heiler
Margie Emmerman