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# Economic Team's 1991 Budget Draft

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With the objective of holding consumer price inflation to 15% in 1991, the government's economic team is designing a budget to reduce the public deficit to the equivalent of 2% of GDP, lift remaining price controls before year-end 1990, and cut daily peso devaluation from 80 to 60 centavos. Deficit reduction means reducing the government's domestic debt. Revenues from privatization are to be dedicated to reducing the debt, and thus, real interest rates. Elimination of price controls would raise consumer prices for the remainder of 1990, but is expected to reduce inflationary pressures next year. At present, the profit rate of affected firms ranges between 11% and 12%, compared to an 18% return on government bonds. As a result, these companies' ability to make productive investments is limited. Next, the budget plan is premised on a 15.9% increase in revenues from state-run enterprises in 1991. The plan proposes price hikes for electricity, rail transport, sugar, paper, and tortillas, and higher airport and highway tolls. No gasoline price hikes are projected. The plan also specifies the merger of the Federal Electricity Commission and the Light and Power Company to form the National Electricity System. State-run companies Forestal Vicente Guerrero and Productos Forestales Mexicanos are to be eliminated, bringing the total number of productive enterprises subject to government budget guidelines to 16. Inmecafe's revenues are expected to decline by 28.4%. Revenue increases of over 30% are expected from Azucar SA, Federal Highways and Bridges, the Mexican Social Security Institute (IMSS), and the National Popular Subsistence Company (CONASUPO). The state-run oil company, Petroleos Mexicanos (PEMEX), is expected to earn about $8 billion, a 2.67% increase over 1990. The National Electricity System is expected to earn around $5.7 billion, 25% more than expected in 1990. The System's revenues are also premised on a 10% real increase in electricity rates. The National Railways company (FERRONALES) is expected to bring in around $950 million, based on a 5% rate hike. (Sources: El Financiero, La Jornada, 10/23/90)

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