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Mexican economic growth rate projections of two to three percent for 1987 are dependent in part on the application of a large portion of the $12 billion in new foreign loans in housing, public works and capital investments in state-owned durable goods industries. Inflation for 1986 is expected to reach 105%, while projected inflation for 1987 is between 75 and 85%. Present interest rates on government bonds of around 100%, are expected to decline by about 30% before year-end 1987. Among the most controversial actions by the government to curb inflation and reduce the fiscal deficit are the suspension of subsidies on many subsistence commodities, and substantial tax increases. For instance, subsidies on basic foodstuffs are being eliminated, and telephone and electricity rates will be raised monthly until they are no longer subsidized. Next year in real terms value added tax will rise 30%, and income tax, 20%. According to a Nov. 28 report by PRENSA LATINA, Mexican labor groups and selected politicians have launched a series of public protests against government price increases on several subsistence commodities, and recent price hikes applied to petroleum products. Fuel prices were raised 9.9% Nov. 27, bring fuel price inflation to 70% for 1986. Finance Secretary Gustavo Petriccioli told reporters Nov. 27 that rising prices are becoming "intolerable," and Trade Secretary Hector Hernandez Cervantes said the government's greatest economic challenge is to restore Mexicans' purchasing power. Petriccioli said the government does not intend to "sacrifice the people" in its attempts to rationalize production and domestic supply, and eliminate subsidies. (Basic data from NEW YORK TIMES, 11/29/86; PRENSA LATINA, 11/28/86)

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