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## Mexico Reports Inflation at 4.2 Percent in February

by LADB Staff

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On March 9, the Banco de Mexico (central bank) reported that the consumer price index (Indice Nacional de Precios al Consumidor, INPC) reached 4.2% in February, bringing the accumulated inflation rate for the first two months of the year to a whopping 8.1%. In contrast, a year ago the consumer price index was reported at 0.5% for February and 1.3% for January-February. The high rate of inflation this year was attributed directly to the impact of the devaluation of the peso at the end of December 1994 (see SourceMex, 01/04/95).

The report said the February rate was fueled by an increase in such items as rents, automobiles, medical treatment and medicines, restaurant meals, food, and clothing. The index for the basic basket of goods increased by 4.3%. Price increases were reported for virtually all consumer items, with the highest costs reported for meat, eggs, soaps and detergent, cooking oil, coffee, bananas, apples, watermelon, rice, toilet paper, soft drinks, seafood, shirts, and underwear. Of the 35 cities surveyed, the greatest increases were reported in the northern cities of Matamoros, Tijuana, and Monclova. Matamoros and Tijuana are located on the Mexico-US border, an area that continues to report disproportionate increases in the inflation rate relative to the rest of the country.

According to the daily newspaper Reforma, the rate of 4.2% reported by the Central Bank is probably understated. Citing its own index, Reforma said the inflation rate for the first three weeks of February totaled 4.5%. The newspaper reported that the rate for the second week of the month alone was 1.8%, followed by a slight drop to 1.7% in the third week of the month. For his part, economist Macario Schettino of Colegio de Mexico told El Financiero weekly business newspaper that the sharp increases in the price of gasoline and electricity prescribed by President Ernesto Zedillo's administration on March 9 could contribute to a INPC increase of 10% during March. If that is the case, then the cumulative rate for the first quarter of the year would total 18%, creating the possibility that the annual rate could exceed the government's latest project of 42%

On the other hand, Finance Secretary Guillermo Ortiz, in announcing economic projections for the coming year, has forecast a drop in the inflation rate during July-December. If this prediction is true, then the annual rate could come close to the government's projected 42%. The industrial sector also felt the impact of the inflation rate during February. In its report, the Central Bank noted an increase of 4.4% in the producer price index during the month. The report cited higher prices for automobiles and buses, automobile parts, mining products, wood and paper, books, newspapers and magazines, petrochemicals, and dyes, among others. (Sources: Reforma, 02/27/95; Agence France-Presse, 02/27/95, 03/09/95; Notimex, Reuter, 03/09/95; La Jornada, 03/10/95; EL Financiero International, 03/13/95)

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