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LADB Staff

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Central Bank Puts Inflation in Mexico at Nearly 38 Percent in January-August

by LADB Staff

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In early September, the Banco de Mexico (central bank) reported that the consumer price index (Indice Nacional de Precios al Consumidor, INPC) totaled 1.66% during August. The August INPC, which is one of the lowest rates for this year, brings accumulated inflation for January-August to 37.88%. Earlier this year, President Ernesto Zedillo's administration had forecast annual inflation at 42%. However, some financial analysts became doubtful about that projection when the Central Bank reported the INPC at a whopping 8% in April and a relatively high 4% in May.

The surge in the INPC both those months, however, was attributed to the increase in the value added tax (impuesto al valor agregado, IVA), which went into effect on April 1. The INPC declined gradually the next two months to 3.2% in June, and 2% in July. While the original 42% rate forecast by the administration in March remains in doubt, the unofficial government projections of annual inflation below 50% appear well within reach. Financial market analysts agree the gradual decline in the INPC over the past several months can be attributed to the increased stability in financial markets. They said the decline in the debt owed to foreign investors through Treasury Bonds (Tesobonos) since the start of the year has been a major factor in reducing inflationary pressure.

According to the Central Bank, the 1.66% increase in the INPC during August was the result of increases for such items as housing, cigarettes, eggs, oranges, gasoline, school supplies, books, bread, sugar, cosmetics, liquor, medical treatment, clothing, and other items. By category, the greatest increase was reported for clothing and footwear, whose index rose by 2.76%. Categories showing increases above 2% included health and personal care, and education. Transportation showed the smallest increase, at 0.62%.

As for the basic basket of consumer goods, the Central Bank reported an increase in this index of 1.41% for August. The report said the Producer Price Index (Indice Nacional de Precios al Productor, INPP), increased by 1.65% during August, bringing the accumulated rate for January-August to 41.14%. The INPP does not take into account prices of crude oil. Contributing to the increases in the INPP during the month were higher prices for minerals such as coke and sulfur, as well as a number of foodstuffs, including cocoa, coffee beans, oranges, eggs, processed meats, cheeses, and canned fruits and vegetables. Higher prices were also reported at the wholesale level for domestic appliances, heaters, tires, automobiles, and medicines, among other products. (Sources: Agence France-Presse, 09/07/95; La Jornada, El Norte, 09/08/95)

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