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Mexico's Inflation Rate for January-September Approaches 41 Percent

by LADB Staff

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According to the Banco de Mexico (central bank), the country's consumer price index (Indice Nacional de Precios al Consumidor, INPC) reached 2.07% during September, bringing accumulated inflation in January-September to 40.73%. The rate for September was slightly higher than anticipated by President Ernesto Zedillo's administration, which was expecting a rate of slightly more than 1%. The January-September rate of 40.73% puts further doubt into the administration's forecasts earlier this year that the annual inflation rate would reach 42%. In fact, this forecast was first placed in doubt after the April INPC statistics were released, showing a monthly consumer inflation rate of 8%.

The administration has yet to release a revised forecast for the year. However, many economists suggest the annual rate could approach, but not surpass, 50%. Some government and private economists suggest that the annual inflation rate could still be limited to less than 44% if the INPC averages 1% during October to December. However, most economists anticipate an average INPC of about 1.5% during the three month period, which would translate into an annual inflation rate close to 46%.

According to the Banco de Mexico, the slightly higher- than-expected INPC rate for September was directly related to the start of the new school year. The report said many private schools increased tuition by a larger amount than originally expected, which in turn had a great influence on consumer prices. In fact, the report noted that 0.4% of the 2.07% increase in prices during September resulted directly from higher costs for private schools. The report also noted that the inflation rate was higher in the first half of the month than in the second. The rate for the last half of September was reported at about 0.9%.

Meantime, the Central Bank report estimated the rate for the basic basket of consumer goods for September at 1.77%. Indeed, price increases were reported for a variety of basic and non-basic food products, including tortillas, bread, sugar, soft drinks, eggs, corn meal, cookies, pasta, processed meat, milk products, and fruit. Price increases in other categories were led by higher costs for automobiles, bus fares, textbooks, clothing, medicine, alcoholic beverages, and heating oil. The Banco de Mexico also reported an increase in the producer price index (Indice Nacional de Precios al Productor, INPP) of 1.91% for September.

With the September statistics, the accumulated inflation rate for producers was 43.8%. According to the report, the increase in the INPP during September was led by higher prices for such items as corn meal, coffee, canned fish, cosmetics, ammonia, medicine, automobile parts, buses, cardboard, and other items. By category, the highest costs for producers were agricultural products, which increased by 3.99%. The next highest costs were for the processed foods, tobacco, and beverage category, which boosted prices for producers by 2.6%. Finally, the third-highest cost involved

purchases of cement, glass, ceramic, and related products, which increased by 2.35%. (Sources: Agence France-Presse, 10/09/95; La Jornada, El Norte, 10/10/95; Reforma, 10/16/95)

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