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Mexico's Inflation Rate Rises to 17 Percent in First Seven Months of 1996

by LADB Staff

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According to the Banco de Mexico (central bank), the consumer price index (Indice Nacional de Precios al Consumidor, INPC) increased by only 1.42% in July, bringing accumulated inflation for January-July to 16.94%. President Ernesto Zedillo's administration has acknowledged that its original target of 20.5% annual inflation will not be met, but has not issued a revised forecast. However, the January-July accumulated rate increases the likelihood that annual inflation will remain below 30%. Forecasts by private economists generally range between 25% and 30% inflation in 1996, in contrast with more than 50% in 1995. Economists noted the rate for the first seven months of this year is less than half of the accumulated inflation for January-July of last year, which was reported at 35.6%. The Banco de Mexico's statistics are based on a survey of 46 metropolitan areas throughout Mexico.

For July, the highest prices were reported in the northern cities of Huatabampo in Sonora state and Durango, the capital of the state with the same name. On the other hand, the lowest prices were reported in two southern cities, Tapachula in Chiapas state and Cordoba in Veracruz state. Prices in Mexico City were also among the lowest during July. According to the report, the increase in the INPC during July was led by higher prices for such items as transportation, telephone service, automobiles, automobile insurance, clothing, hotel rooms, gasoline, cosmetics, heating oil, domestic appliances, soaps, and school supplies. Among foods and beverages, increases were led by beans, flour, pork, canned vegetables, eggs, oranges, and wines and liquors.

The high cost of food and other basic products has attracted strong protests from labor organizations, who complain that the rate for the basic basket of consumer products has been consistently higher than the INPC each month this year, with the exception of May. In July, the central bank reported the basic basket of goods at 1.59%, about 0.17 percentage points above the INPC. In a press conference in early August, Carlos Daniel Torres Alvarez, president of the economic development committee of the Mexico City legislative assembly (Asamblea Legislativa del Distrito Federal, ALDF), urged the government to take steps to reduce the price of consumer products. Torres suggested that the government make efforts to increase worker salaries, since only 35 out of every 100 workers in Mexico earns enough to cover expenses for products listed in the basic basket of goods.

Meanwhile, the Banco de Mexico reported the producer price index (Indice Nacional de Precios al Productor, INPP) at 1.24% in July, bringing the accumulated rate for January-July to 15.79%. (Sources: The News, Novedades, 08/09/96; Excelsior, 08/14/96)

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