Inflation Surpasses 20 Percent in Mexico During January-September

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In mid-October, the Banco de Mexico (central bank) announced accumulated inflation for January-September at 20.4%, thus surpassing the original 20% annual inflation target set by President Ernesto Zedillo's administration for 1996. Most economists now agree that, by year-end, Mexico's annual inflation rate will range from 25% to 30%. The central bank reported the consumer price index (Indice Nacional de Precios al Consumidor, INPC) at 1.6% for September, which was only slightly higher than the 1.3% to 1.5% rate projected by many private economists.

The report said the increase in September was due in part to higher tuition charged by most private schools in the new school year. Without the tuition increases, the report said, the September INPC would have reached only 1.2%. The central bank said higher prices for other school-related items such as textbooks, supplies, and uniforms also contributed to the increase in the INPC during September. Other high costs during the month included rent, clothing, heating fuel, and gasoline. Among foodstuffs, prices increased most for such basic items as milk, tortillas, bread, and beans.

Still, the rate for the basic basket of consumer goods was only 1.3%. In recent months, the basic basket of goods has been consistently higher than the INPC. The report, which was based on a survey of 46 cities, found fairly consistent statistics around the country. For example, the lowest inflation rate was 1.43% in Tampico, Tamaulipas state, while Huatabampo, Sonora state, reported the highest rate at 1.92%.

The Zedillo administration, aware that this year's original inflation target has now been surpassed, has already issued forecasts for 1997. During his recent visit to Washington for the annual meeting of the International Monetary Fund and the World Bank, Finance Secretary Guillermo Ortiz projected the annual rate for next year at 15% to 16%. The administration's forecasts, however, assume that negotiations on an annual anti-inflation agreement will succeed. The agreement has been negotiated annually since the late 1980s among representatives of the government, labor, and business. The negotiations on a new anti-inflation agreement are expected to conclude in late October or early November.

However, labor leaders have threatened to withdraw from the process unless the agreement contains measures to help workers, who have been hit hard by the country's economic crisis. The workers confederation (Confederacion de Trabajadores de Mexico, CTM) has already informed the Zedillo administration that labor negotiators will be seeking a salary increase of at least 23% in this agreement. The salary increase is higher than in other recent agreements. The Zedillo administration has already announced its opposition to the CTM's demand. "Labor has the right to place whatever percentage it wants on the table," said Basilio Gonzalez Nunez, president of the national minimum wage commission (Comision Nacional de los Salarios Minimos, CNSM). "But a percentage that high would be harmful to our fight against inflation." The business community is
divided on the CTM's stance. Some members of the business sector, such as the Mexican employers
confederation (Confederacion Patronal de la Republica Mexicana, COMPARMEX), feel the Mexican
economy cannot recover from its current slump unless the purchasing power of workers improves.
COPARMEX has proposed that the minimum wage be higher than the inflation rate forecast for
the coming year. (Sources: La Jornada, The News, 10/10/96; Novedades, Excelsior, El Economista,
10/10/96, 10/11/96)

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