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Mexico Economic Briefs: Industrial Production, Inflation, Unemployment

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Industrial Production grows 8.9% in January
In mid-March, the Finance Secretariat (SHCP) reported relatively strong growth in Mexico's industrial production during January, with output that month about 8.9% higher than in January 1996. This represented the 13th consecutive monthly increase. However, economists said the growth in industrial production was well within expectations. A survey of economists, conducted by Bloomberg news service before the release of the report, showed most respondents had projected industrial growth in a range of 5.8% to 12.8% for January.

The SHCP said growth was led by the manufacturing sector, where activity increased by 9.4% relative to January 1996. Manufacturing accounts for about 75% of the country's industrial production. The rapid growth of this sector was the result of increased production by maquiladora plants, where output grew by 22.6%. A smaller growth rate of 8.5% was reported in nonmaquiladora operations.

Production in the construction sector, which accounts for about 20% of industrial output, increased by 8.4% in January. The utilities sector which includes gas, electricity, and water generation grew 6.7% in January, the largest monthly rise in about 30 months. The only industrial sector that reported a slight slump was mining, which remained stagnant relative to the same month in 1996. Activity in petroleum-related mining grew by 4.8% relative to a year ago, but this was more than offset by a decline of 6.3% in nonpetroleum mining.

Consumer price index rises by almost 1.7% in February
According to the Banco de Mexico (central bank), Mexico's consumer price index (INPC) increased by 1.68% during February, bringing accumulated inflation rate for the first two months of the year to 4.25%. The central bank also reported that inflation for the 12-month period ending in February reached 25.64%, which is roughly half the 48.95% rate reported for the 12-month period ending in February 1996. The central bank attributed the increase in the INPC during February to higher prices for automobiles, telephone service, bus and train fares, medical services, furniture, clothing, and cosmetics.

The inflation rate for the basic basket of goods was reported at 1.4% for February, bringing the accumulated rate for this category to 3.8% in January-February. Among food, beverages, and other basic products, increases were reported for such items as tortillas, milk and dairy products, medicine, seafood, coffee, sugar, soap, and beef. The INPC is based on surveys conducted in 46 cities around Mexico. In all cities, the INPC was less than 2%.
The highest increases in consumer prices were reported in the northern and central cities of Jimenez, Chihuahua, Ciudad Juarez, and Tepic. In contrast, the smallest increases were reported in Torreon, Veracruz, Durango, and Puebla. The Banco de Mexico reported the producer price index (INPP) at 1.39% during February, bringing the accumulated rate for January-February to 3.68%. The INPP rate does not take into account the price of crude oil. The report attributed the higher INPP primarily to increases in the cost of motor vehicles, wood and wood products, clothing, and basic ingredients used in food production, such as processed milk, sugar, and coffee.

**Employment in manufacturing sector rises by 4.4% in January**

According to the government statistics agency (INEGI), employment in the manufacturing sector increased by 4.4% in January relative to the same month a year ago. INEGI said the number of persons employed in manufacturing increased in eight of the nine manufacturing categories. The increase was particularly high in textile, clothing, and leather companies. Job growth was also reported among manufacturers of nonmetallic minerals, basic metals, and petroleum derivatives. On the other hand, employment levels declined slightly among companies that produce foodstuffs, beverages, and tobacco products.

According to INEGI, the increase in the number of manufacturing jobs was offset somewhat by an average decline of 3.5% in real wages in that sector, plus a drop in other payments for employees relative to the same month last year. INEGI said the situation is even worse when compared with December of last year. Real wages and other payments were down by an average of 25.8% when compared with the last month of 1996. (Sources: The News, El Universal, 03/19/97; Novedades, 03/19/97, 03/21/97; La Jornada, 03/21/97; Excelsior, 04/01/97; El Economista, 03/10/97, 04/02/97)

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