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Labor Report: Food, Basic Items Increasingly Unaffordable for Most Mexicans

by LADB Staff

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According to a report published by the Labor Congress (CT) in April, food and other basic products are becoming increasingly unaffordable for most workers despite a decline in accumulated inflation in the first quarter of the year. The CT, which is one of Mexico's largest labor organizations, claims that the cost of basic foods for the January-March quarter of this year was about 8% higher than in the same period in 1996. The CT report was released a few days after the Banco de Mexico (central bank) reported accumulated inflation for January-March at 5.6%, which is sharply lower than the rate of 8.35% reported in the same three-month period in 1996. The Central Bank reported the consumer price index (Indice Nacional de Precios al Consumidor, INPC) at 1.24% for March.

The CT report also noted an increase of only 1.19% in the index for the basic basket of consumer goods, following increases of 2.37% in January and 1.40% in February. This would put the accumulated index for the basic basket of goods at 4.96% for the January-March quarter. The Banco de Mexico's index for the basic basket of goods typically includes the price of milk, bread, eggs, beans, tortillas, and over-the-counter medicine. On the other hand, the Banco de Mexico reported slight price increases for various consumer products in March, including clothing, soap, and medicine. Among foodstuffs, prices increased for seafood, processed fruits and vegetables, sugar, coffee, bananas, mangoes, and cookies.

CT says central bank data does not offer accurate picture

However, the CT said the statistics reported by the Banco de Mexico fail to reflect the true cost of basic products for most Mexican families. According to CT estimates, its own calculations show that the index of basic foodstuffs and other products for a family of five has increased to about 1,983 pesos (US\$252) per month, which is roughly two-and-half times higher than the minimum monthly wage.

Furthermore, the CT said the basic basket of goods index does not take into account other worker necessities, such as expenses for housing, health care, transportation, and clothing. The CT has been pushing for increases in the minimum wage above the 17% approved for 1997 in the anti-inflation and economic growth agreement negotiated in October 1996. The agreement was negotiated by representatives of labor, business, and the government (see SourceMex, 10/30/96). In late March, CT vice president Enrique Aguilar raised the possibility that the labor organization would seek reviews of the minimum wage at least two or three times per year, instead of the current once-a-year process. In pushing for a higher wage increase, the CT argues that the price of basic products has risen by 173.7% since President Ernesto Zedillo took office in December 1994.

The surge in prices is attributed in large measure to the devaluation of the peso in late 1994 and the economic crisis that gripped the country in the following months. "In more than two years of the current administration, we have failed to notice much recovery in the pocketbooks of most

Mexicans," said an internal document produced by the CT in mid-April. Meantime, a report published by the Trade Secretariat (SECOFI) in April confirms that the price of essential foodstuffs has increased in the first quarter of this year. According to SECOFI, the highest increase in January-March was in the price of sugar, which is up about 17% from a year ago. Increases for products such as meat, bread, powdered and canned milk, preserves, cooking oil, instant coffee, oatmeal, and lard have ranged from 3.5% to 10%.

Still, the Zedillo administration contends that the general decline in annual inflation this year will have the effect of bringing down the price of basic foodstuffs. The administration has forecast annual inflation for this year at 15%. In promoting its projection for lower annual inflation in 1997, the administration has also pointed to the decline in the producer price index (Indice Nacional de Precios al Productor, INPP) during the first quarter of the year. The INPP increased by only 0.97% in March, which was the smallest increase in 27 months. The accumulated producer price inflation for January- March was reported at only 4.17%. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on April 23, reported at 7.87 pesos per US\$1.00] (Sources: El Nacional, 04/04/97; Reuter, 04/09/97; El Economista, 03/31/97, 04/10/97; Novedades, The News, 04/10/97; El Universal, 04/14/97, 04/21/97; La Jornada, 04/21/97)

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