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## **Mexico Economic Briefs: Trade Surplus, Consumer Inflation, Industrial Production**

by LADB Staff

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### ***Trade surplus widens to US\$1.784 billion during January-May***

According to the Secretaria de Hacienda y Credito Publico (SHCP), Mexico's trade surplus reached US\$1.784 billion during January-May, a 14% increase from the US\$1.564 billion surplus recorded during January-April. Still, the January-May figure was much lower than the US\$3.36 billion surplus reported in the first five months of 1996. The SHCP said exports during January-May reached US\$43 billion. Of that total, exports of manufactured products accounted for US\$35.86 billion, an increase of almost 15% from January-May of 1996. For May, the trade surplus was reported at US\$220 million, which represented a slight improvement from the relatively narrow surplus of US\$50 million in April.

On the other hand, the trade surplus for May of this year was much smaller than the US\$592.6 million recorded in the same month last year. Exports totaled US\$8.81 billion during May, an increase of more than 9% from the same month last year. At the same time, imports totaled US\$8.59 billion, which represents an increase of 15% from a year ago. Economists predicted that imports will continue to grow at a faster rate than exports as long as consumer spending continues to recover. "We can expect to see the monthly trade balance turn to a deficit soon as a natural consequence of the recovering economy," said economist Enrique Ramirez Mena of Santander Bank.

### ***Consumer price index reported at less than 1% in June***

According to the Banco de Mexico (central bank), the consumer price index (Indice Nacional de Precios al Consumidor, INPC) reached only 0.89% in June, the lowest monthly rate since the devaluation of the peso in late 1994. The rate for June of this year compared with an INPC of 1.63% in June of 1996. The slight increase for June was led by higher prices for telephone services, electricity, gasoline, furniture, medicine, soap, rail transportation, meat, and clothing, among other items. The bank also reported that the index for the basic basket of consumer goods was also relatively low, reaching only 0.85% in June, compared with a 0.76% increase in May.

Because of the low INPC for June of this year, accumulated inflation for January-June was limited to 8.66%. In contrast, the accumulated inflation rate for the same six-month period in 1996 was 15.31%. Meanwhile, the bank reported the producer price index (Indice Nacional de Precios al Productor, INPP) for June at 0.78%, compared with 0.69% in May. Accumulated producer price inflation reached 7.06% during January-June.

### ***Growth in industrial production reported during January-May***

According to the SHCP, Mexico's industrial activity increased by 8.6% in January-May, compared with the same five-month period in 1996. The report said the industrial growth was led by strong performances in the construction and manufacturing sectors. Construction, which accounts for

roughly one-fifth of the country's total industrial activity, expanded by 11% in January-May. Most of that growth occurred in the building division, which includes such categories as industrial and commercial construction and single-family housing units. In 1995 and 1996, the construction industry had declined by 50% and 7.4% in real terms, respectively. The relatively poor performance of the sector in those two years was linked directly to the economic crisis that followed the devaluation of the peso in late 1994.

Meanwhile, the manufacturing sector grew by 8.7% during January-May relative to a year ago, with growth reported in both maquiladora and nonmaquiladora activity. The manufacturing sector makes up about three-quarters of industrial activity. For January-May, the SHCP also reported growth rates of 5.4% in the public-utilities sector (gas and electricity generation), and 3.2% in the mining category. (Sources: La Jornada, 07/10/97; El Economista, 06/12/97, 07/10/97, 07/16/97; Excelsior, 07/10/97, 07/16/97; The News, 07/10/97, 07/11/97, 07/16/97; Novedades, 07/11/97, 07/16/97; El Universal, 07/16/97)

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