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Mexico Likely to Meet Annual Inflation Target for 1999

by LADB Staff

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Mexico's accumulated-inflation rate for the first eleven months of 1999 was 11.2%, which almost ensures that the government will attain its target of no more than 13% inflation for the year. In its latest monthly report, the Banco de Mexico (central bank) said the consumer price index (Indice Nacional de Precios al Consumidor, INPC) was 0.89%, which contributed to the relatively low rate for January- November. The November INPC, however, was still higher than the 0.63% INPC rate reported in October.

The central bank attributed the higher prices in November to increases in the cost of electricity, domestic gas, vegetables, housing, and gasoline. The Banco de Mexico said some cities in northern Mexico registered higher inflation rates than those in other parts of the country because of increases in the cost of electricity. These cities had subsidized electricity during daylight saving time, which ended in late October.

Some analysts said the higher November INPC also reflected an increase in retail prices ahead of the Christmas season. "Merchants start raising prices in November to take advantage of workers' Christmas bonus," said economist Edgar Amador of Stone & McCarthy Research Associates. "Generally, food, entertainment, furniture, and footwear prices rise."

The increase in retail prices also had a negative impact on the basket of basic consumer goods, which increased by 1.4%, almost half a percentage point above the INPC. The central bank reported the accumulated rate for the basic basket of consumer goods at 11.97%, 0.77 of a point above the accumulated-inflation rate. Some private-sector organizations have urged the administration not to rely so heavily on low inflation as a measure of Mexico's economy.

In a report released in early December, the Centro de Estudios Economicos del Sector Privado (CEESP) said the government's ability to limit consumer prices this year has provided little benefit to low-income Mexicans. Responding to these criticisms, President Ernesto Zedillo's administration announced plans to launch a program to reduce costs of basic products by 30% to 40%.

Trade Secretary Herminio Blanco said the program, cosponsored by the retail sector's largest organization Asociacion Nacional de Tiendas de Autoservicio y Departamentales (ANTAD), will partially counter increased prices during the Christmas season. Blanco said the program aims to reduce costs of such foodstuffs as rice, cooking oil, sugar, beans, tuna, milk, bread, and fruits and vegetables.

Other basic products such as toilet paper and soap will also be included in the program, although each store will be free to determine its own package of discounts, said Blanco. Costs during December could also be limited by the relatively low prices paid by producers for industrial products in recent months. In its monthly data, the Banco de Mexico reported the producer price

index (Indice Nacional de Precios al Productor, INPP) at only 0.68% in November. The accumulated producer price for January-November was 7.83%, the lowest for this period since 1994. (Sources: Bloomberg news service, 12/08/99; Reuters, 12/09/99; El Economista, Excelsior, Novedades, Reforma, 12/10/99; La Jornada, 12/14/99)

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