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Zedillo Government on Pace to Meet Inflation Target for 2000

by LADB Staff
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The Banco de Mexico (central bank) reported Mexico's accumulated inflation at slightly less than 4.4% during the first six months of the year. At this pace, annual inflation for 2000 will amount to only 9.2%, allowing President Ernesto Zedillo's administration to more than meet its inflation target for the year, said Banco de Mexico chief governor Guillermo Ortiz Martinez. In its budget proposal for 2000, the Zedillo administration targeted annual inflation for the year at 10% (see SourceMex, 1999-11-17). But Ortiz cautioned that an increase in domestic consumer demand and the behavior of interest rates in the US could place upward pressure on the inflation rate in the second half of the year.

Some private forecasters agree that the Zedillo administration will meet its inflation target, but they forecast the annual rate at closer to 9.5%. Grupo Financiero Bital said the consumer price index (Indice Nacional de Precios al Consumidor, INPC) for June was 0.59%, slightly higher than the 0.49% rate projected by many private economists. In contrast, the increase for the INPC during May was reported at only 0.37%. The June rise was caused by volatility in the rate of exchange for the Mexican peso, an increase in energy prices, and by higher-than-anticipated costs for some fruits and vegetables, Grupo Bital said.

The index for the basket of basic goods and services increased by 0.60% during June, about the same rate as the INPC. The consumer-rights organization Asociacion Mexicana de Estudios para la Defensa del Consumidor (AMEDEC) reported increases of 10% to 30% for onions, tomatoes, grapefruit, oranges, and other fruits and vegetables during the second half of June. But these were offset by a decline in the price of lemons, melons, and other produce.

Even with the slight increase in June, AMEDEC said the price of goods and services so far this year continues below the annual inflation. The accumulated rate for the basket of basic goods and services was 3.6% in January-June, compared with the accumulated inflation rate of 4.4%. (Sources: Excelsior, Reforma, 06/09/00; Notimex, 07/03/00, 07/09/00; Novedades, 07/06/00, 07/10/00; El Economista, 06/09/00, 07/07/00, 07/10/00; El Universal, 06/09/00, 07/19/00; El Financiero, La Jornada, 07/19/00)

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