



## Prices seem to be on *endlessly rise* in Mexico

### SUMMARY

Food and energy products around the world are the origin of inflation in 2022. Considering the information revealed by INEGI last February, México would experience the fourth month in a row with an inflation rate unable to decrease from 7%, a situation that may get worse due to external factors, so the inflation rates in the country will continue rising.



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Although the general increase of prices last November was expected to reach a maximum level of 7.37%, the rates during the following two months decreased to 7.35% in December, and 7.07% in January. However, the National Institute of Statistics and Geography (INEGI) just revealed that inflation in Mexico increased again in February, showing a number of



### A tendency to increase



The alarming issue about the increase was not only related to the one detected in inflation levels from January to February. The main problem that Mexican families currently face is the fact that the scenario might tend to continue increasing, a fact that undoubtedly will lead to the increase of prices in the food basket, different products, and services.

### The armed conflict affects the country, even without being active part of it

In the country, the authorities in turn are usually responsible for those phenomena; however, in a context when the world economy seemed to start recovering from the COVID-19 pandemic, the new global problem was caused by the armed conflict between Russia and Ukraine.

Among the main products having a considerable increase we find food and energy products, and the countries having the conflict are predominant contributors in those industries. Ukraine is ranked third on the global list of countries exporting cereals, while Russia was, before the sanctions emitted by international organizations, the main provider of energy products all around Europe.



Prices of gasoline, gas, and food continue increasing in Mexico and around the world as a consequence of the conflicts in Ukraine.

### The effects are tangible in the short term

Due to the global increase of prices, especially of energy products, the country experienced the increase of prices, particularly of liquefied petroleum gas (LPG). That happened despite the implemented schemes to control prices in the market implemented by federal authorities.

Regarding the prices of gasoline in Mexico, despite the fact of having a virtual subsidy and special taxes on products and services (IEPS) are not being charged, the gasoline with the lowest octane rating increased considerably, having a current price over 26 pesos.

Even if the armed conflict is solved tomorrow, the effects caused on energy and food markets will remain for several months. The problem is not over yet, and as a consequence of the previous information, different experts on the area assume that the growth of the Gross Domestic Product (GDP) in the country will change again, as if the two previous changes suffered were not enough. The expectation regarding growth in the country will be only 2% in 2022, considering the most favorable analysis, while the most pessimistic experts believe that GDP will barely reach 1.5%.

### Besides cereals and energy products, are there any other products whose price has also increased?



According to numbers revealed by INEGI, last month the price of different products increased, so increases were detected on the prices of several products like: lemon, avocado, chicken, beef, tortillas, gas, low octane fuel, and cars.

### The increase in energy products is not favorable for Mexico?

The president of Mexico has clearly stated that in order to combat the increase of prices on LPG and other energy products, the country has budget surpluses to face the current situation without affecting third parties. Those surpluses come from the increase in the price of Mexico's crude oil, which was estimated at 55.1 dollars per barrel in the current budgetary period,

but actually Mexico's oil has almost reached more than 110 dollars.

The problem caused by increasing Mexico's oil resides in the fact that the country exports about 830 thousand barrels of oil every day, but it also needs to import refined fuel, which is sold with subsidized prices.

### Prices on food are breaking records

Food in Mexico and around the world becomes more expensive every day. In February, the global rates of prices broke all kinds of records, so the Food and Agriculture Organization of the United Nations (FAO), urged the governments to take immediate actions in order to prevent a food crisis.

The price index was rated at 140.7 points, which showed an interannual increase of 20.7%, and a progress of 3.9% compared to the previous month. That fact reveals the abrupt increase that we all are currently going through.



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