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Mexico closes year with highest inflation in 16 years

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MEXICO REGISTERED its highest annual inflation rate in more than 16 years in 2017, piling pressure on policy makers to rein in prices.

The annual inflation rate was 6.77 per cent at the end of December, driven by rising energy and food prices, said the national statistics institute.

That was the highest since May 2001, and closed out a turbulent year for Latin America's second-largest economy. The news increased expectations that the central bank will raise interest rates yet again at its next monetary policy meeting on February 8.

It also stoked concern that high prices could become a hot-button issue in general elections to be held on July 1.

"Stubbornly high inflation could continue to fuel discontent and potentially affect the electoral campaigns," consulting firm Eurasia Group said in a note.

Mexico started 2017 with a double headache that never completely receded.

On one hand, newly-elected US President Donald Trump's threats to scrap the North American Free Trade Agreement (NAFTA) and make Mexico pay for a border wall caused the value of the peso to plummet.

On the other, a landmark energy reform that removed state subsidies for gasoline and diesel caused fuel prices to soar, triggering riots.