

#### Contributors

##### Juan Manuel Herrera

Senior Economist/Strategist  
Scotiabank GBM  
+44.207.826.5654  
[juanmanuel.herrera@scotiabank.com](mailto:juanmanuel.herrera@scotiabank.com)

**Guillermo Arbe**, Head Economist, Peru  
+51.1.211.6052 (Peru)  
[guillermo.arbe@scotiabank.com.pe](mailto:guillermo.arbe@scotiabank.com.pe)

**Jackeline Piraján**, Head Economist, Colombia  
+57.601.745.6300 Ext. 9400 (Colombia)  
[jackeline.pirajan@scotiabankcolpatia.com](mailto:jackeline.pirajan@scotiabankcolpatia.com)

**Jorge Selaive**, Head Economist, Chile  
+56.2.2619.5435 (Chile)  
[jorge.selaive@scotiabank.cl](mailto:jorge.selaive@scotiabank.cl)

**Eduardo Suárez**, VP, Latin America Economics  
+52.55.9179.5174 (Mexico)  
[esuarezm@scotiabank.com.mx](mailto:esuarezm@scotiabank.com.mx)

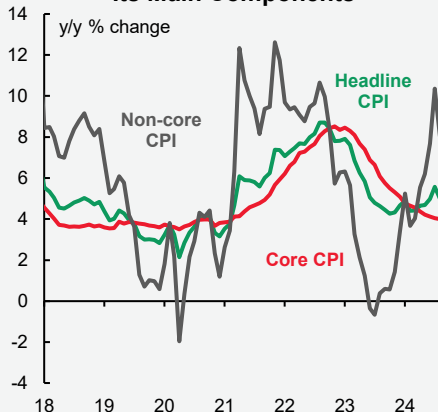
#### TODAY'S CONTRIBUTORS:

**Brian Pérez**, Quant Analyst  
+52.55.5123.1221 (Mexico)  
[bperezgu@scotiabank.com.mx](mailto:bperezgu@scotiabank.com.mx)

**Miguel Saldaña**, Economist  
+52.55.5123.1718 (Mexico)  
[msaldanab@scotiabank.com.mx](mailto:msaldanab@scotiabank.com.mx)

Chart 1

#### Mexico: Monthly Inflation & Its Main Components



Sources: Scotiabank Economics, INEGI.

## Latam Daily: Mexico H1-September Inflation Below Expectations

- **Mexico: Headline inflation in September H1 came in below expectations as fruits and vegetables cooled**

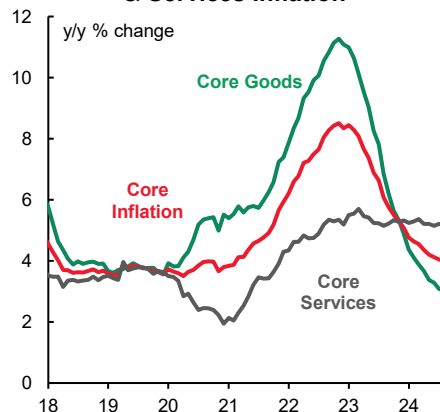
In the first fortnight of September, headline inflation dropped for the fourth consecutive time, to 4.66% y/y from 4.83% (vs. 4.71% consensus). Core inflation moderated more than expected to 3.95% from 4.01% (vs. 4.95% consensus), floating around 4.0% since June, with some prints above this level and others below (chart 1). This sticky behaviour is expected to continue for the rest of the year.

Within core inflation, merchandise cooled to 2.94% y/y (2.97% previously), registering its second fortnight below 3.0%. Services moderated to 5.15% (5.26% previously), maintaining some stickiness since they have been above 5.0% since July 2022 (chart 2). On the other hand, non-core inflation continues to decline at 6.73% (7.27% previously), after reaching its highest point in the first fortnight of July 2024 at 10.64%. Within non-core inflation, agricultural products decelerated to 6.50% (7.97% previously) as fruits and vegetables dropped, with an important deceleration to 6.50% from its highest point of 14.33% in the first fortnight of July, while energy and government tariffs rose to 6.67% (6.42%), although below its highest level of 7.33% in the second fortnight of July (chart 3). In its sequential biweekly comparison, headline inflation increased just 0.09% 2w/2w (-0.06% previously, 0.14% consensus), the core component 0.21% 2w/2w (0.10% previously, 0.14% consensus), the core component 0.21% (0.10% previously, 0.10% consensus) and the non-core component presented a significant drop of -0.31% (-0.60% previously), summing three consecutive fortnights of declines.

In the coming policy meeting, Banxico's Governing Board could highlight these better-than-expected data and deliver a dovish guidance, as inflation in agriculture has been seen considerably down (specifically fruits and vegetables), while merchandise and services are slowly declining. We believe these results increase the chances of a 50bps cut, although the consensus and our baseline scenario remains a 25bps cut.

Chart 2

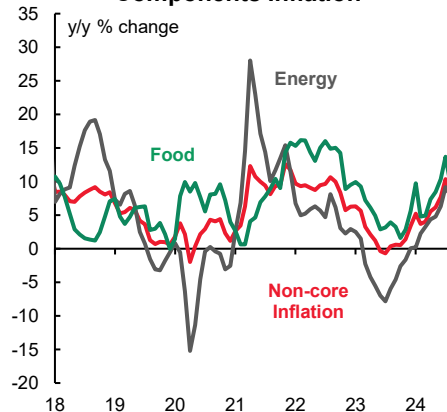
#### Mexico: Core Goods & Services Inflation



Sources: Scotiabank Economics, INEGI.

Chart 3

#### Mexico: Non-Core Components Inflation



Sources: Scotiabank Economics, INEGI.

—Brian Pérez & Miguel Saldaña

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