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Chart 1

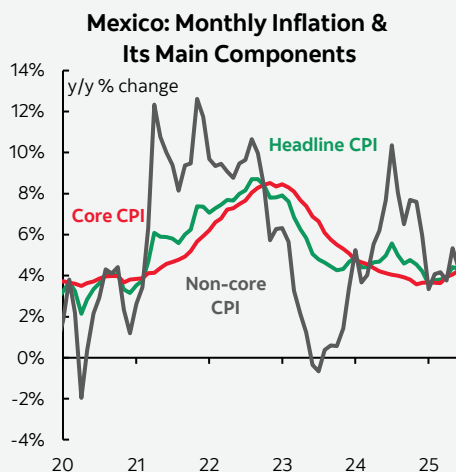


Chart 2

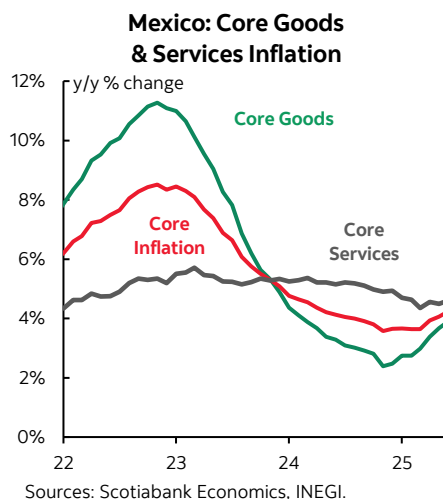
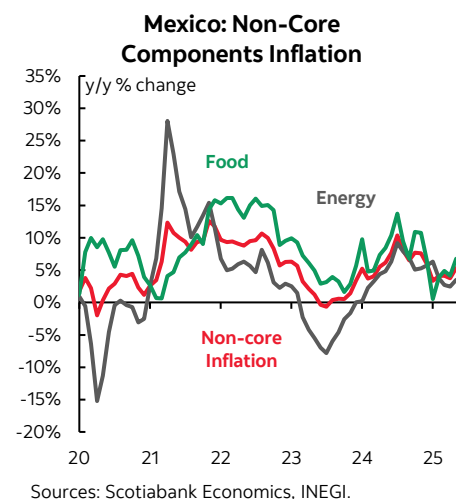


Chart 3



Latam Daily: Mexican Core Inflation Accelerates

• Mexico: Headline inflation slightly eases against faster core inflation

In June, Mexican annual headline inflation eased to 4.32%, down from 4.42% in May, although it came in marginally above market expectations of 4.30%. In contrast, core inflation—which excludes volatile items such as energy and agricultural products—accelerated to 4.24% from 4.06%, surpassing the 4.21% consensus.

Within the core component, goods prices continued their upward trajectory, rising to 3.91% (vs. 3.67% previously), while services inflation increased from 4.49% to 4.62%, reflecting persistent price pressures in the economy.

The non-core component of inflation decelerated from 5.34% to 4.33%, driven by a notable slowdown in agricultural prices, which fell to 5.04% (from 6.76%), largely due to a sharp decline in fruit and vegetable prices (-4.47%), which offset a strong rise in livestock prices (11.72%). Additionally, energy prices and government-regulated tariffs moderated to 3.56%.

On a monthly basis, headline inflation rose 0.28%, in line with the previous month and slightly above the 0.27% forecast in Citi's survey. Core inflation increased 0.39%, up from 0.30% in May and above the 0.36% consensus.

Looking ahead, core inflationary pressures are expected to persist, despite signs of an economic slowdown. This dynamic could delay further Banxico rate cuts in the coming months, although we still expect a 25 basis point cut in the August meeting.

Meanwhile, producer prices posted a significant annual decline in June, falling from 6.38% in May to 4.89%, reflecting broad-based moderation. Prices in primary activities dropped from 6.72% to 2.08%, industrial prices fell from 6.85% to 5.00%, and services eased from 5.42% to 5.23%.

The largest price increases were observed in crude oil (8.67%), silver (7.78%), and air passenger transport (8.11%), while the steepest declines were seen in poultry (-12.52%), dressed poultry meat (-4.31%), and other petroleum products (-6.58%).

—Rodolfo Mitchell & Miguel Saldaña

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