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## Latam Daily: Mexican Inflation Slows in the First Half of July

- **Mexico: Headline and core inflation ease in H1 July, but merchandise pressures persist**

**Inflation surprised to the downside in the first half of July, slowing from 4.13% to 3.55% y/y, below market consensus (3.61%).** Core inflation showed only a slight moderation, easing from 4.28% to 4.25%, also below expectations (4.31%). Within the core index, goods registered upward pressure, rising from 3.97% to 4.01%, while services decelerated from 4.63% to 4.49%.

Meanwhile, the non-core component declined from 3.43% to 1.24%, driven by a sharp drop in fruit and vegetable prices (-12.24%), which offset a 10.70% increase in livestock products. Energy prices and government-authorized tariffs also moderated to a rate of 2.09%.

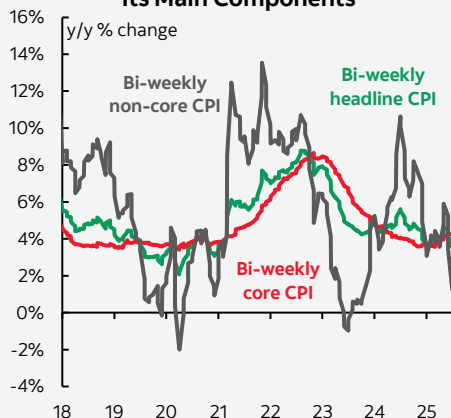
On a biweekly basis, headline inflation stood at 0.15%, also below expectations, as did the core component. Persistent pressures in core inflation, along with the upside trend in merchandise pricing will remain key factors for upcoming monetary policy decisions (chart 1).

While there is broad consensus around a 25 basis point rate cut at the August meeting, analysts will closely monitor inflation dynamics and potential upward pressures to adjust their year-end interest rate expectations, which currently stand at 7.50%.

—Rodolfo Mitchell & Miguel Saldaña

Chart 1

#### Mexico: Bi-Weekly Inflation & Its Main Components



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