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Latam Daily: Slight Mexican Inflation Pickup

• Mexico: Inflation slightly above expectations in August

In August, headline inflation accelerated from 3.51% to 3.57% y/y, slightly above the 3.56% consensus (chart1). Core inflation remained at 4.23%, also above the expected 4.20% (chart 2). Within the core component, goods continued their uptrend observed since November 2024, driven by faster increases in both food and non-food items. In contrast, services moderated from 4.44% to 4.40%.

The non-core component remains below its historical average, rising modestly from 1.14% to 1.38% (chart 3). Agricultural prices increased by 1.21%, mainly due to an 8.35% rise in meat and poultry, which offset a third consecutive decline in fruit and vegetable prices, this time by -8.04%. Energy prices and government-administered tariffs remained subdued, easing from 1.97% to 1.51%.

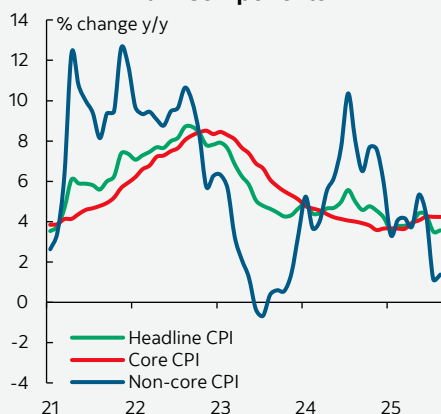
On a sequential monthly basis, headline inflation rose from 0.27% to 0.6%, while core inflation declined from 0.31% to 0.22%, compared to the 0.20% expected.

From a monetary policy perspective, this reading is unlikely to shift the stance of Banxico board members, most of whom have signaled a preference to continue with rate cuts in upcoming meetings. Accordingly, the analyst consensus broadly expects another cut in September. Moreover, most analysts anticipate a year-end policy rate of 7.25%, implying an additional cut after this month's meeting, although the likelihood of a lower rate remains high.

—Rodolfo Mitchell & Miguel Saldaña

Chart 1

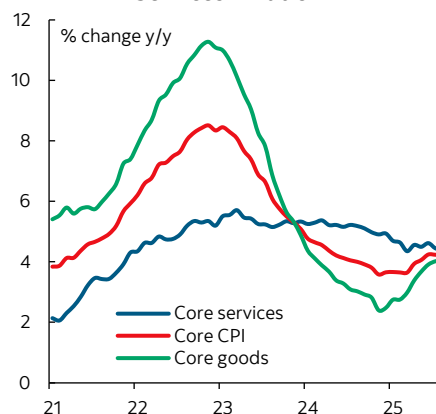
Mexico: Monthly Inflation & its Main Components



Sources: Scotiabank Economics, INEGI.

Chart 2

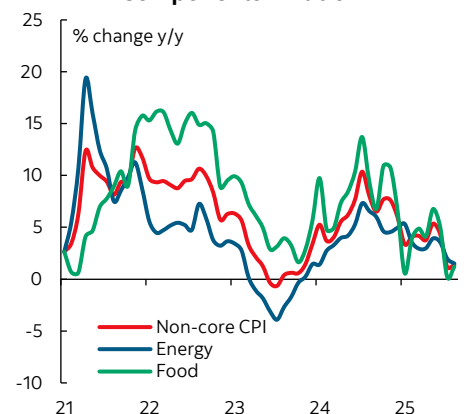
Mexico: Core Goods & Services Inflation



Sources: Scotiabank Economics, INEGI.

Chart 3

Mexico: Non-Core Components Inflation



Sources: Scotiabank Economics, INEGI.

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