Scotiabank

GLOBAL ECONOMICS

LATAM DAILY

September 24, 2025

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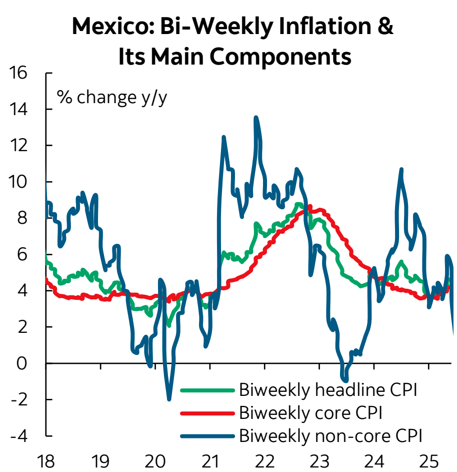
Latam Daily: Mexico Inflation Picks Up

In the first half of September, headline inflation accelerated from 3.65% to 3.74% year-over-year (vs. 3.75% consensus). In line with this, core inflation slightly increased from 4.25% to 4.26% y/y (4.25% consensus). Within core inflation, pressures on goods persist, rising from 4.13% to 4.19%, while services moderated from 4.36% to 4.32%.

On the other hand, the non-core component—i.e., the most volatile part of inflation—increased from 1.66% to 2.01%. Specifically, fruits and vegetables continue to ease their price declines observed since the beginning of the year, now reaching -4.32% (from -5.71% and -10.28% in the previous two bi-weekly prints), while other agricultural products rose 8.40%. Meanwhile, energy and government regulated prices moderated to 1.23%, their lowest level since December 2023.

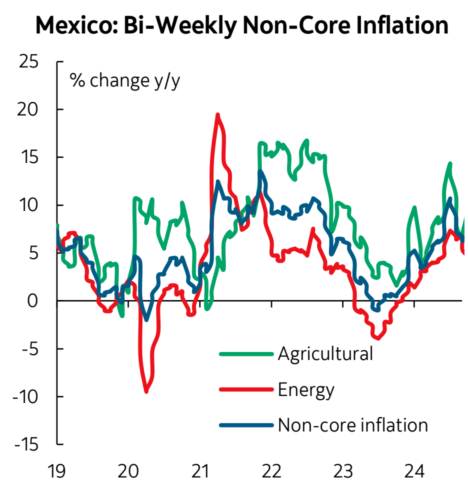
In terms of monetary policy implications, this reading reinforces expectations of further interest rate cuts by Banco de México. There is broad consensus on Banxico's rate cut expected tomorrow, and analysts now estimate a year-end rate of 7.00%. However, with persistent pressures in the core inflation component, the balance of risks for inflation and interest rates toward year-end remains tilted to the upside.

Chart 1



Sources: Scotiabank Economics, INEGI.

Chart 2



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—Rodolfo Mitchell & Miguel Saldaña