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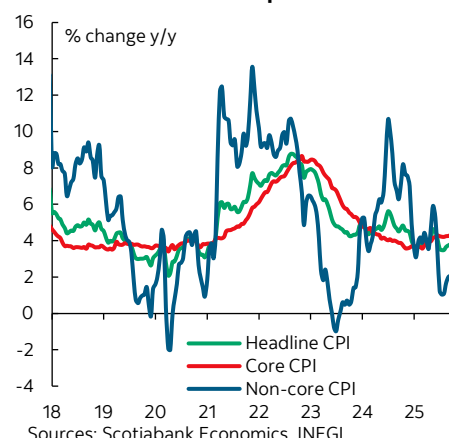
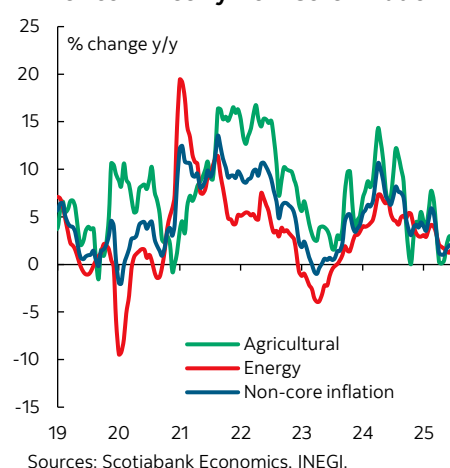
## Latam Daily: Mexico Inflation Misses, Mixed Retail vs Wholesale

- **Mexico: Inflation eases more than expected, though core pressures remain; Mixed signals in August retail and wholesale sales**

### MEXICO: INFLATION EASES MORE THAN EXPECTED, THOUGH CORE PRESSURES REMAIN

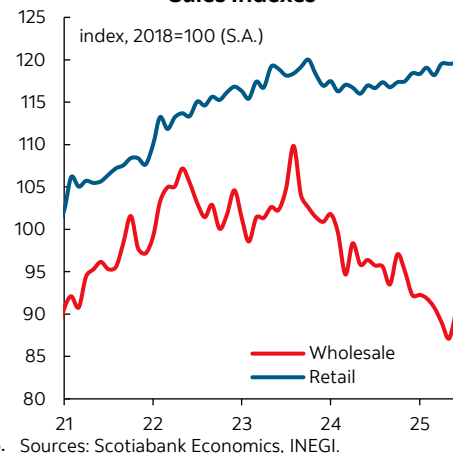
In the first half of October, headline inflation surprised to the downside, easing from 3.78% to 3.63% year-over-year, below the consensus estimate of 3.73% (charts 1 and 2). Core inflation also decelerated, falling to 4.24% from 4.30% previously (4.28% consensus). Within the core component, goods inflation stood at 4.06%, down from 4.19%, marking its highest level of the year, while services rose slightly to 4.42%, driven by higher prices in categories other than housing and education. Non-core inflation also moderated, dropping from 2.03% to 1.58%, mainly due to a sharper decline in fruit and vegetable prices (-8.38%). However, energy and government-regulated prices increased to 1.99% from 1.60%.

On a sequential biweekly basis, headline inflation rose 0.28%, up from 0.02% previously and above the expected 0.36%. Core inflation registered a 0.18% increase (0.09% previously, 0.20% expected). From a monetary policy perspective, there is broad consensus around an additional rate cut at Banxico's November meeting, with expectations for a year-end rate of 7.00%. This outlook is mainly supported by the dovish tone communicated by most members of the Governing Board, despite an inflation risk balance tilted to the upside in the coming months.

**Chart 1**
**Mexico: Bi-Weekly Inflation and Its Main Components**

**Chart 2**
**Mexico: Biweekly Non-Core Inflation**


### MIXED SIGNALS IN AUGUST RETAIL AND WHOLESALE SALES

In August, retail sales posted a monthly increase of 0.6% in seasonally adjusted terms (chart 3). Employment and wages also showed gains, rising by 0.1% and 0.7%, respectively. In wholesale trade, the results were similarly positive: revenues grew by 1.2%, employment by 0.2%, and average wages by 1.7%. On an annual basis, retail revenues maintained the same growth rate as the previous month, at 2.4%. Employment improved, rising 0.7% (compared to -0.2% previously), while wages increased by 4.5%, though below the 7.0% recorded in July. In wholesale trade, employment and wages were revised upward, with increases of 0.7% and 0.2%, respectively, while revenues declined by 5.7%.

**Chart 3**
**Mexico: Retail and Wholesale Sales Indexes**


—Rodolfo Mitchell, Miguel Saldaña & Martha Cordova

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