Scotiabank.

GLOBAL ECONOMICS

LATAM DAILY

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Latam Daily: Colombia CPI, and Mexico Industrial Production and Formal Employment

- **Colombia: Inflation accelerates beyond expectations, reaching 5.51% y/y in October**
- **Mexico: Construction drives industrial production weakness, formal employment picks up**

COLOMBIA: INFLATION ACCELERATES BEYOND EXPECTATIONS, REACHING 5.51% Y/Y IN OCTOBER

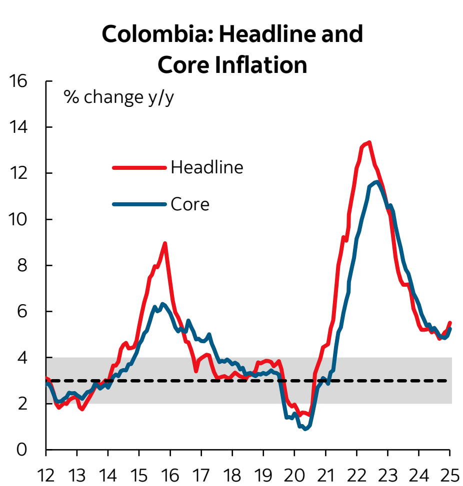
Colombia's monthly CPI inflation stood at 0.18% m/m in October, according to data published by DANE on Monday, November 10th, 2025. This result was above analysts' expectations in the BanRep survey (0.14% m/m avg) and below Scotiabank Colpatria's forecast (0.21% m/m). During the month, 10 of the 12 consumption groups registered positive monthly variations, with lodging & utilities and restaurants & hotels contributing the most to total inflation, accounting for 89%.

Annual inflation accelerated from 5.18% to 5.51% in October (chart 1), continuing the uptrend observed in the previous month. This increase represents the highest data since September 2024 and was mainly driven, again, by lodging and utilities (chart 2) which increased by 0.41% m/m and 5.30% y/y, especially due to increases in rent fees that are indexed to last year's inflation and water fees, followed by restaurants & hotels which increased by 0.27% m/m and 7.61% y/y due to restaurants which increased by 0.27% m/m (7.67% y/y).

Regarding core measures, ex-food inflation increased from 4.94% y/y to 5.25% y/y, while core inflation (excluding food and regulated prices) showed an increase from 4.84% y/y to 4.99% y/y. Services inflation (excluding food and regulated prices) increased from 5.82% y/y to 5.90% y/y, with rental prices increasing by 5.37% y/y (0.29% m/m). Meanwhile, goods inflation rose from 2.24% to 2.59% y/y, but still within the target range (2%–4%). Regulated prices increased from 5.29% y/y to 6.10% y/y, mainly due to rebound in utilities' inflation (3.54% y/y on gas and electricity prices and 7.77% y/y on water and housing services).

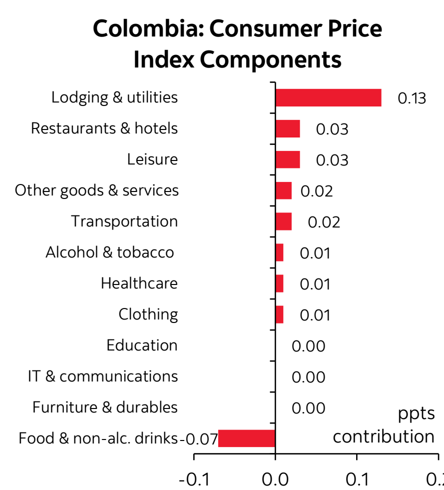
These results support our expectation that inflation will likely close well above 5% in 2025. We project year-end inflation at around 5.3% for December 2025, and above 4% for December 2026. This trajectory will largely depend on the increase in the minimum wage, as according to public announcements the government supports a double-digit

Chart 1



Sources: Scotiabank Economics, DANE.

Chart 2



Sources: Scotiabank Economics, DANE.

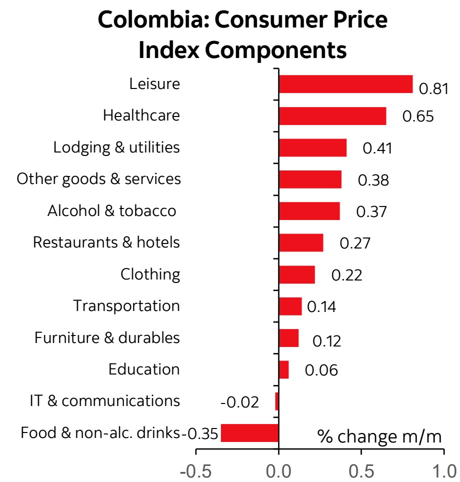
increase, and usually this adjustment impact services prices. If the wage adjustment exceeds the traditional rule of inflation plus productivity, it could skew our inflation forecast to the upside.

Given this context, we discard any interest rate cuts by the central bank for the rest of 2025. We only see the possibility of resuming the easing cycle in 2026, once it is confirmed that indexation effects will not prevent inflation from continuing to decline. In fact we now tend to think that the easing cycle can be resumed until the third quarter of 2026.

Complementary highlights:

- **Two groups accounted for 89% of total inflation.** Lodging and utilities were the largest contributor with a monthly increase of 0.41% (5.30% y/y) and a contribution of 13 bps. Rent fees rose by 5.37% y/y (0.29% m/m) making the largest contribution to total inflation, followed by water fees which increased by 6.85% y/y (1.56% m/m). Electricity prices (0.44% m/m) recorded a positive trend in annual terms (0.52% y/y) for the first time since March 2025, due to regular price adjustment.

Chart 3



Sources: Scotiabank Economics, DANE.

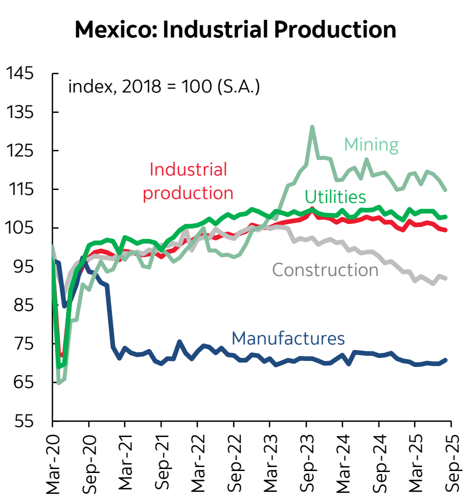
- **Other items contributed to total inflation.** Leisure increased by 2.74% y/y (0.81% m/m) and contributed 3 bps (chart 3), in which tour packages were the main driver (7.70% y/y and 3.36% m/m) amid school break week in October, and strong domestic demand. In contrast, food and non-alcoholic drinks decreased by -0.35% m/m offsetting the monthly headline inflation by 7 bps. However, on an annual terms, food inflation accelerated to 6.64% y/y, due to a significantly low statistical base from the previous year. Within food group, fruits and vegetables such as tomatoes, carrots, onions, and potatoes contributed negatively to total inflation, in contrast with meat which grew by 1.04% m/m (8.33% y/y). Food supply continued with positive figures and accelerated by 5.62% m/m (6.49% y/y) in October.
- **Services inflation increased by 5.90% y/y.** The increase was associated to the acceleration in some services such as rental prices and leisure. Goods-related prices increased again to 2.59% y/y, a curious dynamic since in 2025 the FX appreciation (more than 20% YTD) is a tail wind that could promote more stable prices of tradable goods. Booth, the stickiness in services and increasing goods inflation are probably reflecting the effect of a robust households' demand.

—Jackeline Piraján & Valentina Guio

MEXICO: CONSTRUCTION DRIVES INDUSTRIAL PRODUCTION WEAKNESS, FORMAL EMPLOYMENT PICKS UP

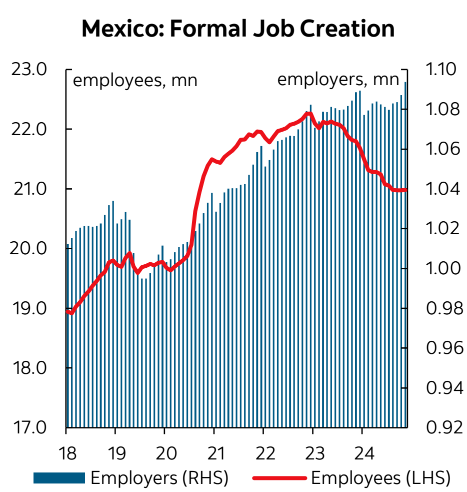
In September, industrial activity declined 0.4% in its seasonally adjusted monthly variation and 2.4% year-over-year in original figures. By component and in seasonally adjusted monthly terms compared to August (chart 4), construction was the main driver of the contraction,

Chart 4



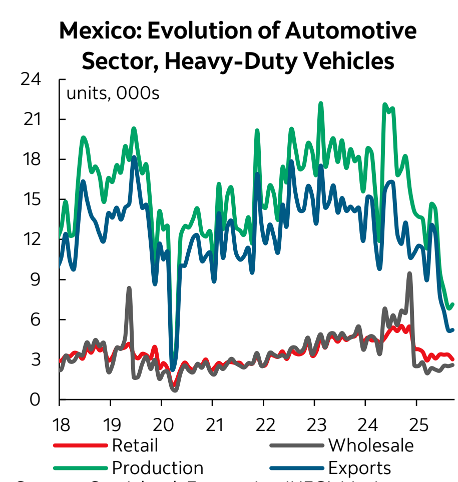
Sources: Scotiabank Economics, INEGI.

Chart 5



Sources: Scotiabank Economics, IMSS.

Chart 6



Sources: Scotiabank Economics, INEGI, Mexican auto associations.

falling 2.5%. In contrast, mining (0.7%), power generation and transmission (0.4%), and manufacturing (0.2%) posted slight gains, remaining relatively stable. However, on an annual basis, all components recorded declines: construction fell 7.9%, mining 3.1%, manufacturing 0.8%, and power generation and transmission 0.1%. Thus, year-to-date, industrial activity shows a real annual variation of -1.8%, marking nine consecutive months of downward revisions.

According to IMSS data, in October, 217,491 jobs affiliated with social security were created (chart 5), bringing the total to 22,789,491 employees. Over the past twelve months, job creation amounted to 170,231 positions, equivalent to an annual increase of 0.8%, accelerating from the previous 0.4%. Similarly, the total number of employers also rose, with 181 new registrations, reaching 1,039,408 employers, the first monthly increase since May 2024. Meanwhile, the average daily base salary stood at $622 pesos, representing a nominal increase of 7.1%, maintaining the pace of growth from the previous month. If formal employment continues to strengthen during the last quarter, it could positively impact household consumption prospects at year-end.

Finally, in the heavy vehicle sector, production in October posted an annual decline of 58.8% (chart 6), marking eleven consecutive months of contraction, while exports fell 55.3%, with 14 months of decreases. Regarding sales, retail totaled 3,009 units, an annual drop of 45.5%, and wholesale sales fell 61.0%, reaching 2,603 units, both indicators showing ten consecutive months of contraction.

—Rodolfo Mitchell, Miguel Saldaña & Martha Cordova