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**Chart 1****Latam Daily: Mexican Headline and Core Inflation Rise, Yet Below Expectations**

In the first half of January, headline inflation was revised upward, increasing from 3.69% in December to 3.77%, and coming in below the consensus expectation of 3.87%. Core inflation rose from 4.33% to 4.47% (vs. 4.52% consensus). Increases were observed across its components, with goods rising to 4.51% from 4.35%, and services to 4.44% from 4.35%. Among the items with the largest upward impact were cigarettes and bottled soft drinks, which can be explained by the increase in the excise tax (IEPS) on these products, while air transportation, eggs, and household LP gas helped contain price increases. Meanwhile, non-core inflation declined from 1.61% to 1.43%, continuing its downtrend over the past four fortnights. On a biweekly sequential basis, headline inflation increased by 0.31% and core inflation by 0.43%, while non-core inflation decreased by -0.12%. Regarding monetary policy implications, we believe this reading strengthens the possibility of a rate cut, albeit with a divided vote at Banco de México's meeting scheduled for February 5<sup>th</sup>.

—Rodolfo Mitchell, Miguel Saldaña & Martha Cordova

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