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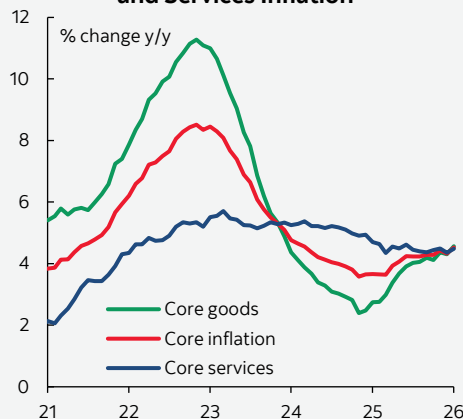
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Chart 1

Mexico: Core Goods and Services Inflation



Sources: Scotiabank Economics, INEGI.

Latam Daily: Mexican Inflation Picks Up

- **Mexico: Inflation accelerates in January due to special taxes, while producer prices ease amid declines in primary activities**

IEPS-driven (special tax) increases and broad-based core inflation pressures push prices higher despite a continued decline in non-core components.

In January, headline inflation accelerated (chart 1), rising from 3.69% to 3.79%, compared with 3.82% expected by consensus. Core inflation increased from 4.33% to 4.52% (vs. 4.51% from consensus). Within the index, broad-based increases were recorded: goods inflation rose from 4.30% to 4.56%, while services increased from 4.35% to 4.48%.

As expected due to the IEPS increases, the products with the largest upward impact included cigarettes (14.51%), soft drinks (5.53%), followed by prepared food, owner-occupied housing, and other restaurants. Meanwhile, air transportation, eggs, and domestic gas helped contain overall price pressures.

Non-core inflation decreased from 1.61% to 1.39%, extending its downtrend of the last two months. On a sequential monthly basis, headline inflation rose 0.38% and core inflation 0.60%, while non-core inflation fell -0.36%.

Also in January, producer price index inflation moderated, declining from 2.06% to 1.49% year over year. By activity groups, primary activities showed a -5.90% annual decrease, while the index for industrial activities rose slightly by 0.64%, led by a 3.95% increase in construction compared with 0.08% in manufacturing. Lastly, services recorded the strongest pace of growth, with 4.02%.

—Rodolfo Mitchell, Miguel Saldaña & Martha Cordova

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