

Contributors

Juan Manuel Herrera, Senior Economist
+52.55.2299.6675 (Mexico)
juanmanuel.herrera@scotiabank.com

Jorge Selaive, Head Economist, Chile
+56.2.2619.5435 (Chile)
jorge.selaive@scotiabank.cl

Eduardo Suárez, VP, Latin America Economics
+52.55.9179.5174 (Mexico)
esuarezm@scotiabank.com.mx

TODAY'S CONTRIBUTORS:

Rodolfo Mitchell, Director of Economic and Sectoral Analysis
+52.55.3977.4556 (Mexico)
mitchell.cervera@scotiabank.com.mx

Miguel Saldaña, Economist
+52.55.5123.1718 (Mexico)
msaldanab@scotiabank.com.mx

Martha Cordova, Economic Research Specialist
+52.55.5435.4824 (Mexico)
martha.cordovamendez@scotiabank.com.mx

Latam Daily: Mexico Inflation Overshoot

- **Mexico: Headline inflation accelerates in early March, driven by agricultural prices; IGAE signals economic stagnation at the beginning of the year**

MEXICO: HEADLINE INFLATION ACCELERATES IN EARLY MARCH, DRIVEN BY AGRICULTURAL PRICES

Headline inflation exceeded expectations in the first half of March, accelerating to 4.63% year-over-year (chart 1), compared with 4.35% and 4.13% in the previous period, driven by a sharp increase in agricultural products. Meanwhile, core inflation decelerated slightly, falling from 4.48% to 4.46% (4.48% expected), thanks to a slower pace in goods prices (4.43% vs. 4.49% previously), which offset the increase in services (4.49% vs. 4.46% previously). On the other hand, non-core inflation rebounded to 5.18% from 2.96% previously, due to a 9.69% increase in agricultural products, particularly fruits and vegetables (tomatoes), which rose 23.91%, marking two consecutive periods of double-digit price increases. Finally, energy prices continued to show a negative variation, at -0.60%.

IGAE SIGNALS ECONOMIC STAGNATION AT THE BEGINNING OF THE YEAR

In January, the Global Indicator of Economic Activity (IGAE) showed generalized stagnation across all sectors (chart 2). Overall economic activity declined by -0.3% year-over-year in original figures (down from 3.3% in November). In the breakdown, primary activities recorded growth of 1.6%. Industrial activity fell -1.1%, with its components showing the following variations: mining 0.8%, utilities 0.4%, construction 4.0%, and manufacturing -3.0%. Services remained broadly stagnant, with a marginal increase of 0.1%. The strongest growth was observed in health services, which rose 3.8%, while professional services posted the sharpest decline, falling -5.9%. On a seasonally adjusted monthly basis, the IGAE decreased -0.9% (compared to a previous increase of 0.4%), with generalized declines across all sectors: primary activities fell -3.7%, industry declined -1.1%, and services decreased -0.6%.

Chart 1

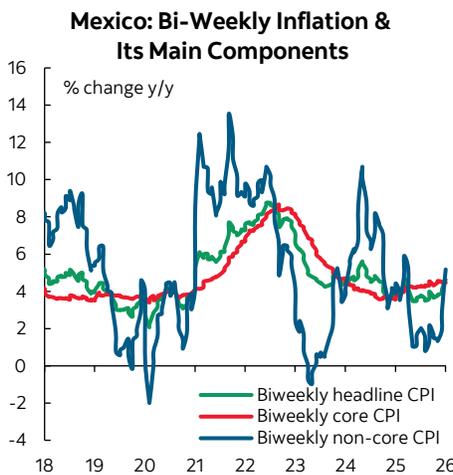
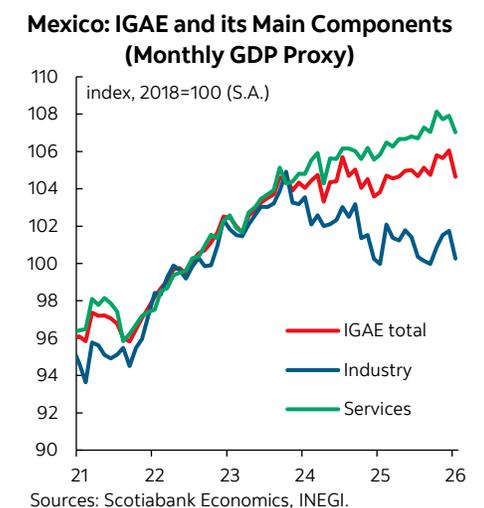


Chart 2



—Rodolfo Mitchell, Miguel Saldaña & Martha Cordova

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