Scotiabank

GLOBAL ECONOMICS

LATAM DAILY

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Latam Daily: Mexican Economic Activity Softens, Inflation Ticks Lower

- **Mexico: Economic activity remained positive despite industrial weakness; Headline inflation close to Banxico's target: non-core eased, while core pressures persisted**

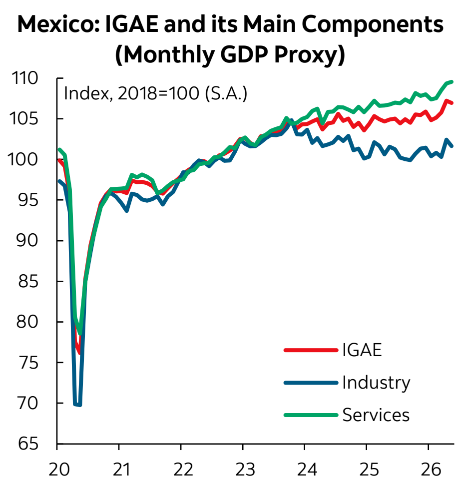
MEXICO: ECONOMIC ACTIVITY REMAINED POSITIVE DESPITE INDUSTRIAL WEAKNESS

In May, the Global Indicator of Economic Activity (IGAE, chart 1) posted annual growth of 1.1% in economic activity, down from 2.56% in April, based on non-seasonally adjusted figures, maintaining the positive trend observed in recent months. By component, primary activities grew 7.6%, while industrial activity returned to negative territory at -0.7% compared with 2.3% previously—within this category, mining grew 3.9%, utilities fell 0.9%, construction declined 0.3%, and manufacturing contracted 1.5%. Finally, services expanded 1.7%, supported by wholesale trade (8.8%) and other services excluding legislative activities (4.9%). In cumulative terms from January to May, the IGAE increased 0.9%, primary activities rose 3.9%, and services grew 1.4%, while industrial activities declined 0.4%.

HEADLINE INFLATION CLOSE TO BANXICO'S TARGET: NON-CORE EASED, WHILE CORE PRESSURES PERSISTED

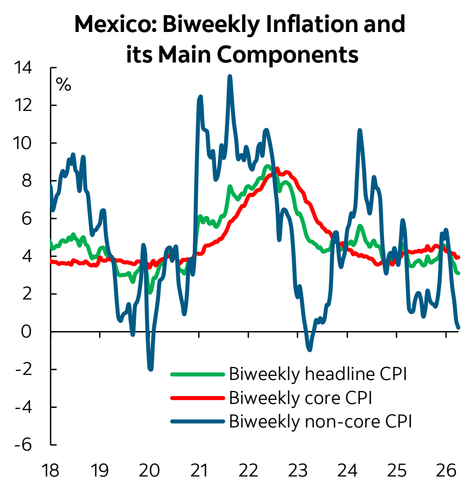
In the first half of July 2026, headline inflation in Mexico stood at 3.10% annually from 3.18% (chart 2), with a biweekly variation of 0.07%, mainly reflecting moderation in the non-core component. Core inflation remained under pressure, rising 3.95% annually and 0.16% biweekly, driven primarily by services (4.36% annually) and, to a lesser extent, by goods (3.52% annually); within goods, processed foods stood out at 4.89% annually, while education reached 5.95% annually. In contrast, non-core inflation showed a significant moderation, at 0.21% annually and with a biweekly decline of 0.23%, explained by decreases in agricultural products (-3.53% annually, -0.57% biweekly)—with fruits and vegetables down 1.50% biweekly—and moderation in energy and government-authorized tariffs (0.03% biweekly, 3.33% annually). In terms of contributions, the main upward pressures came from air transportation, owner-occupied housing, chicken, and public transportation; while the largest downward contributions were led by tomatoes, skin creams, and domestic gas.

Chart 1



Sources: Scotiabank Economics, INEGI, Haver.

Chart 2



Sources: Scotiabank Economics, INEGI.

—Rodolfo Mitchell, Miguel Saldaña & Martha Cordova

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