Scotiabank

GLOBAL ECONOMICS

LATAM DAILY

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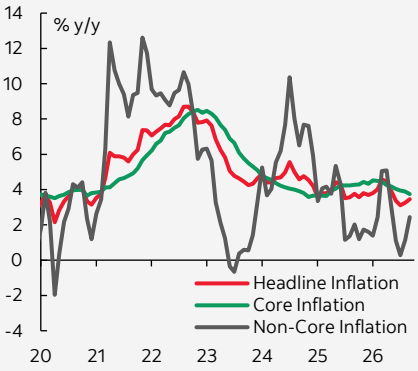
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Chart 1
Mexico: Key Inflation Measures



Sources: Scotiabank Economics, INEGI.

Mexican Inflation Surprises Higher, Autos Data is Mixed

- **Mexico: October inflation overshoots consensus, driven by non-core pressures; Producer prices jump; Auto production and exports fall while domestic sales grow**

MEXICO: OCTOBER INFLATION OVERSHOOTS CONSENSUS, DRIVEN BY NON-CORE PRESSURES

In October, headline inflation picked up (chart 1), rising from 3.45% to 3.75%, above the 3.65% consensus, and remaining below 4% for the sixth consecutive month, although with strong pressures in both core and non-core components. On a sequential monthly basis, headline inflation rose 0.65%, core inflation 0.34%, and non-core inflation picked up again by 1.75%.

Core inflation accelerated from 3.75% to 3.80%, also above the 3.78% consensus. Within it, goods rose from 3.21% to 3.25%, and services from 4.27% to 4.32%—with education holding at 5.84% and housing at 3.53%.

Meanwhile, non-core inflation accelerated again, rising from 2.45% to 3.59%, with the agricultural component at 2.99%—with fruits and vegetables at 13.89% and livestock products at -3.61%; meanwhile, energy and government-approved tariffs stood at 4.06%.

Among the products with the largest upward impact—ranked by greatest incidence—were electricity, with a monthly change of 18.51%, air transportation at 26.36%, tomatoes at 9.68%, LP domestic gas at 3.67%, and tomatillos at 35.58%; meanwhile, internet, telephone and pay-tv packages, potatoes, and lemons kept their prices lower this month.

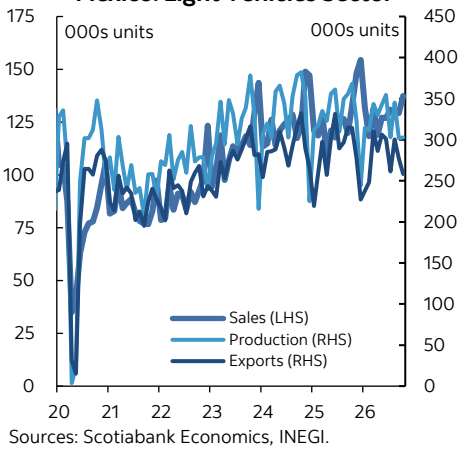
PRODUCER PRICES KEPT CLIMBING IN OCTOBER

Also in October, Mexico's National Producer Price Index (INPP), including oil, continued to rise, with an annual change of 5.60% and a monthly increase of 1.92%—up from 4.05% y/y and 1-47% m/m. Primary activities increased slightly on an annual basis by 1.05%, although they fell 0.47% month over month, while secondary activities rose 6.08% annually and 2.44% monthly—with increases in mining (31.71%), construction (6.23%), and manufacturing (4.46%), while public utilities declined (-5.74%). Meanwhile, service activities prices grew 5.24% annually and 1.21% monthly.

AUTOMOTIVE SECTOR: PRODUCTION AND EXPORTS FALL WHILE DOMESTIC SALES GROW

In October, the automotive landscape showed mixed signals (chart 2). Production reached 302,803 vehicles, an annual change of -17.7%, deepening its decline from the previous -15.5%. Exports also fell by 17.9% year over year, with 258,137 vehicles exported. On the other hand, domestic sales grew, with 137,395 light vehicles sold, an annual increase of 3.1% (down from 7.9%). In the cumulative January–October period, production totaled 3,254,062 vehicles, an annual change of -4.0%; sales registered 1,287,225 units, a change of 4.8%; and exports reached 2,786,76 units, an annual change of -3.28%.

Chart 2
Mexico: Light Vehicles Sector



Sources: Scotiabank Economics, INEGI.

—Rodolfo Mitchell, Miguel Saldaña & Martha Cordova

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