National Consumer Price Index (CPI), 1H June 2025

Next release of June's CPI: July 9

Overall Results and Expectations

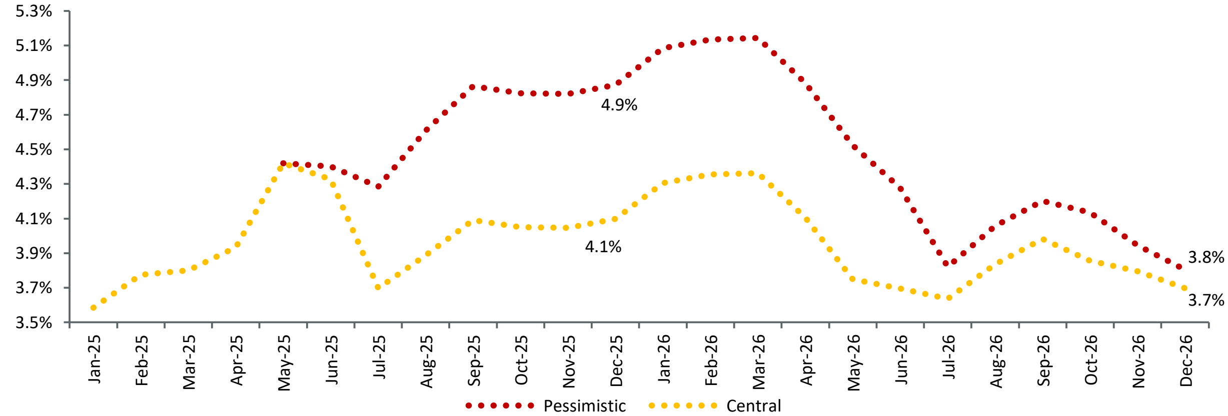
In Mexico, headline inflation stood at 0.10% biweekly during the first half of June, decelerating from 0.19% in the second half of May and marking its lowest variation for an equal fortnight since 2023 (0.02%). This was mainly due to a biweekly decline in non-core inflation (-0.29%), which recorded its largest drop for an equal fortnight since 2019 (-0.47%). Within non-core inflation, both of its components contributed to the decline: 1) agricultural products inflation (-0.53%), which posted its sharpest drop for a similar period since 2019 (-0.47%), and 2) energy and government-authorized tariffs (-0.08%), which have now contracted for seven consecutive fortnights. Meanwhile, core inflation stood at 0.22%, accelerating from 0.15% in the second half of May and posting its highest biweekly increase for an equal period since 2022 (0.50%). The behavior of core inflation was driven by services inflation (0.25%), its highest biweekly rate for an equal period since 2022 (0.33%), and by Goods inflation (0.19%), which remained stable.

On an annual basis, headline inflation in the first half of June stood at 4.51%, following a recent high of 4.62% in the previous fortnight. The deceleration in inflation was driven by the non-core component, which slowed to 5.25% year-over-year, reflecting a sharp decline in inflation for agricultural products (6.57%) and energy and government-authorized tariffs (3.92%). In contrast, the core component, which determines the medium-term inflation trend, accelerated for the sixth consecutive fortnight, reaching 4.20% year-over-year—its highest level since the first half of May 2024 (4.31%). Within core inflation, services stood out, with an annual rate of 4.61%, its third consecutive fortnight of acceleration and the highest level since the second half of February. However, Goods inflation remained stable at 3.84%, the same rate as the previous fortnight.

In this context, the year-end inflation forecast remains unchanged at 4.1%. However, in a pessimistic scenario—where the Mexican peso experiences renewed sharp depreciation and geopolitical tensions continue to escalate, particularly due to the Israel-Iran conflict causing significant disruptions to oil supply—Mexico's consumer inflation could close the year at 4.9% annually.

Given this, Banco de México should maintain a cautious stance, pausing its interest rate cutting cycle and keeping the rate unchanged at its current level (8.50%). Nonetheless, the bank is expected to continue cutting rates in the upcoming monetary policy decision scheduled for Thursday, June 26. So far, the market is pricing in a 50-basis-point cut, but it would be a positive signal if the bank paused or opted for a smaller cut of 25 basis points. This would help curb the rise in inflation expectations and support the appreciation of the Mexican peso, thereby reducing pressure on Goods inflation.

Figura 1. Expectation on Mexico's CPI
YoY % rate



Source: Grupo Financiero BASE with INEGI's information and own proyections.

Table 1. Biweekly and annual CPI

1st Half of June	Biweekly inflation	Highest CPI for an equal fortnight since	Annual inflation	Consecutive months of acceleration
Headline inflation	**0.10%**	**-**	**4.51%**	**0**
Core inflation	0.22%	2022	**4.20%**	6
Goods	0.19%	-	3.84%	8
Food goods	0.12%	2022	4.82%	2
Non-food goods	0.25%	-	2.98%	2
Services	0.25%	2022	4.61%	0
Housing	0.16%	-	3.49%	1
Education	0.01%	2022	5.84%	1
Other services	0.36%	2022	5.51%	3
Non-core inflation	-0.29%	-	**5.25%**	0
Agricultural products	-0.53%	-	6.57%	0
Fruits and vegetables	-1.72%	-	-1.72%	0
Livestock	0.25%	2022	11.86%	3
Energy and authorized tariffs	-0.08%	2024	3.92%	0
Energy	-0.23%	2023	3.51%	0
Authorized tariffs	0.16%	-	4.30%	0

Source: Grupo Financiero BASE with INEGI's information.

Headline CPI

During the first half of June, headline inflation stood at 0.10% biweekly, decelerating from the 0.19% recorded in the second half of May. When compared to equal periods, headline inflation posted its lowest variation since 2023 (0.02% biweekly) (Figure 2). It is also worth noting that, aside from its deceleration, headline inflation remained very much in line with its long-term average (2000–2019) of 0.10%.

The biweekly deceleration in headline inflation (0.10%) was driven by the non-core component, which fell by 0.29% (Figure 3), after a 0.35% increase in the previous fortnight, and marked its lowest reading for an equal period since 2019 (-0.47%).

In contrast, core inflation, which determines long-term inflation expectations, rose by 0.22% (Figure 3), accelerating from the 0.15% recorded in the previous fortnight, and reaching its highest variation for an equal period since 2022 (0.50%).

Figure 2. Mexico's CPI
Biweekly % rate, June H1 of each year

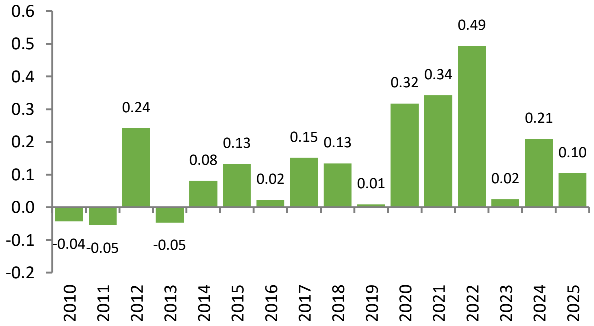
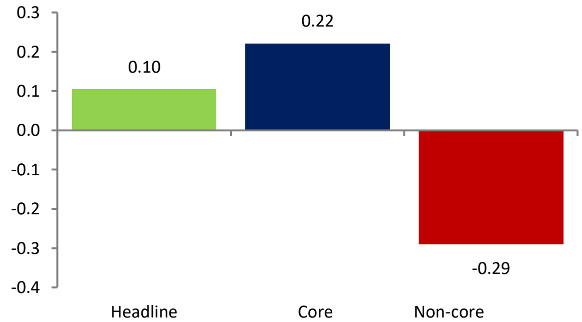


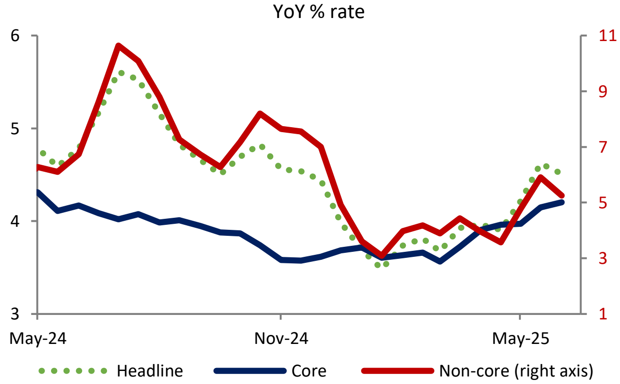
Figure 3. Mexico's CPI
Biweekly % rate, 1H of June



Source: Grupo Financiero BASE with INEGI's information.

On an annual basis, headline inflation for the first half of June stood at 4.51%, slightly below expectations, after reaching a recent high of 4.62% in the previous fortnight. With this, headline inflation has now remained above 4% for three consecutive fortnights, something not seen from March 2021 through December 2024. The deceleration was driven by the non-core component, which stood at 5.25% year-over-year, breaking a two-fortnight streak of acceleration. Meanwhile, the core component, which shapes the medium- and long-term path of inflation, continued to accelerate for a sixth consecutive fortnight, reaching 4.20% year-over-year, its highest level since the first half of May 2024 (4.31%).

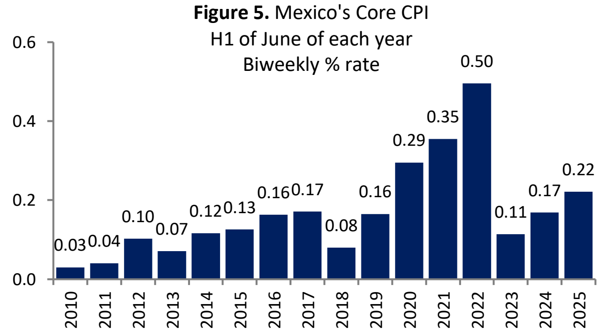
Figure 4. Mexico's biweekly inflation
YoY % rate



Source: Grupo Financiero BASE with INEGI's information.

The trajectory of inflation should be approached with caution. Since the first half of February, headline inflation resumed an upward trend (Figure 4) and has now remained above 4% year-over-year for three consecutive fortnights—near the upper bound of Banco de México's variability range of +/- 1 percentage point around the 3% inflation target. For this reason, Banco de México should maintain a cautious stance and pause its interest rate cutting cycle, keeping the rate unchanged at its current level (8.50%). Nonetheless, it is expected to proceed with further cuts this Thursday.

Figure 5. Mexico's Core CPI
H1 of June of each year
Biweekly % rate



Source: Grupo Financiero BASE with INEGI's information.

Core CPI

<u>Biweekly rate</u>

Core inflation, which excludes food and energy and determines the long-term inflation trajectory, stood at 0.22%, accelerating from the second half of May (0.15%) and posting its highest biweekly variation for an equal period since 2022 (0.50%). The behavior of core inflation was determined by the inflation of 1) services (0.25%) with the highest biweekly inflation for an equal period since 2022 (0.33%) and 2) Goods (0.19%), which maintained stable inflation. Within core inflation, the following points stood out:

- Services inflation (0.25% biweekly) accelerated significantly compared to 0.10% in the previous fortnight. This was mainly due to the “other services” category, whose inflation was 0.36% biweekly after standing at 0.06% in the previous fortnight. This supports that the services with the highest biweekly inflation belonged to this category, highlighting air transportation (9.87%), package tourism services (1.96%), dry cleaning services (1.60%), movie and music streaming (0.71%), and hotels (0.46%) (Table 2).

- In addition, compared to equal periods, the inflation of “other services” was the highest since 2022 (0.53% biweekly). For its part, housing-related services inflation (0.16%) also contributed to the biweekly increase in services inflation, as it posted its highest biweekly variation since the first half of April (0.17%), although when compared to equal periods, it remained in line with the levels observed from 2022 to 2024. Finally, education services inflation decelerated to 0.01%, down from 0.07% in the previous fortnight, showing a behavior consistent with equal periods in previous years.

Table 2. Services with the highest increase/decrease. % Rate 1H of June, 2025

	Services	Biweekly (%)		Services	Biweekly (%)
Generics with the highest increase	Air transportation	9.87%	**Generics with the highest decrease**	Medical consultation	-0.08%
	Package tourist services	1.96%		Landline telephone services	-0.06%
	Dry cleaning service	1.60%		Party packages	-0.06%
	Movie and music streaming	0.71%			
	Hotels	0.46%			
	Haircuts	0.42%			
	Snack bars, diners, torta shops, and taco shops	0.41%			
	Car maintenance	0.31%			
	Car repair	0.31%			
	Laundry service	0.30%			

Source: Grupo Financiero BASE with INEGI’s information.

- Biweekly Goods inflation (0.19%) remained stable compared to the previous fortnight (0.19%) due to mixed behavior between its two main categories. On the one hand, food-goods inflation decelerated from 0.33% to 0.12%, its lowest biweekly variation since the second half of November 2024 (0.06%). On the other hand, non-food goods inflation rose from 0.08% in the previous fortnight to 0.25% in the first half of June. Its acceleration is consistent with the behavior of generic goods, as those with the highest inflation belonged to this category, highlighting consoles, game discs and downloads (1.32%), plants and flowers (1.11%), bedspreads and blankets (0.45%), sandals and huaraches (0.41%), and towels, curtains, and other linens (0.27%) (Table 3).

Table 3. Goods with the highest increase/ decrease, food and non-food. % rate 1H of June, 2025

	Goods	Biweekly (%)		Goods	Biweekly (%)
Generics with the highest increase	Video game consoles, discs, and downloads	1.32%	**Generics with the highest decrease**	Bedspreads and blankets	-1.02%
	Plants and flowers	1.11%		Consoles, discs and video game downloads	-0.70%
	Bedspreads and blankets	0.45%		Sandals and huaraches	
	Sandals and huaraches	0.41%		Towels, curtains and other linens	
	Pet food	0.31%		Clothing accessories	
	Towels, curtains, and other linens	0.27%			
	Energy drinks	0.18%			
	Musical instruments, and audio and video downloads	0.05%			

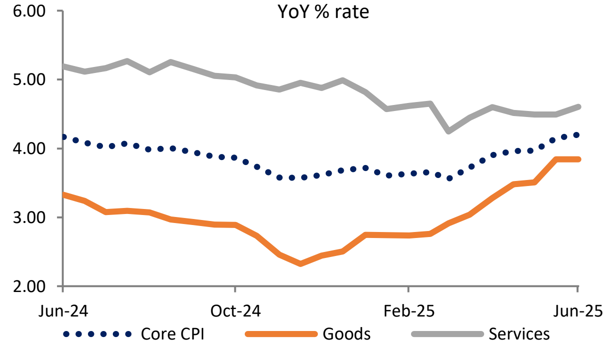
Source: Grupo Financiero BASE with INEGI's information.

Annual Rate

Core inflation stood at 4.20% year-over-year, marking its sixth consecutive fortnight of acceleration and its highest level since the first half of May 2024 (4.31%). The upward inertia of core inflation is concerning, as it interrupts a stabilization process that began in August 2024 and seemingly ended in May 2025—a period during which core inflation remained below 4%.

This concerns, as the core component determines the medium- and long-term trajectory of headline inflation, and its recent upward trend suggests that Banco de México has not yet achieved a sustained convergence of inflation toward the 3% target.

Figure 6. Mexico's Core CPI
YoY % rate



Source: Grupo Financiero BASE with INEGI's information.

Within the core component, the annual acceleration of services inflation (4.61%) stood out, marking its second consecutive fortnight of acceleration and its highest variation since the second half of February 2025. It is important to note that services inflation had shown a clear downward trend (Figure 6). However, since March, this category may be at an inflection point heading upward (Figure 6), suggesting it could add new pressures on core inflation.

Meanwhile, Goods inflation stood at 3.84% year-over-year, the same annual rate as in the previous fortnight. This component is clearly on an upward trajectory, posting inflation not seen since the first half of March 2024 (3.96%), demonstrating that it is currently the main driver behind core inflation (Figure 6).

Within the two main categories of core inflation, the following stood out:

- Services inflation (4.62% year-over-year) is being driven mainly by the "other services" category, which recorded a 5.51% annual rate in the first half of June, marking three consecutive fortnights of acceleration and the highest level since the first half of January (5.59% year-over-year). Additionally, education services inflation (5.84% year-over-year) appears to have entered a new range, oscillating between 5.83% and 5.85% since the first half of March, contributing to the rebound in services inflation. This follows the period between September 2024 and February 2025 when it hovered around 5.7% annually. Meanwhile, housing inflation helped ease pressure on services inflation by standing at 3.49% year-over-year, its fourth consecutive fortnight of deceleration and the lowest level since the second half of February 2023 (3.47%).

- Goods inflation (3.84%) remained stable due to mixed behavior between its two main categories. On the one hand, food-goods inflation remains under upward pressure, after reaching a low of 3.59% year-over-year in the first half of December 2024. It currently stands at 4.82%, the highest rate since the first half of April 2024 (4.85%), with no signs of deceleration in the short term. On the other hand, non-food goods inflation stood at 2.98% year-over-year, after six consecutive months of acceleration, suggesting it may now remain fluctuating around that level.

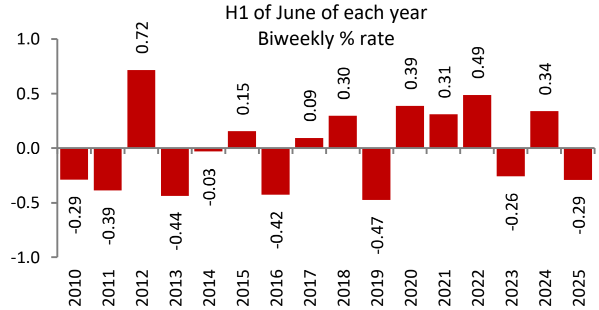
Non-core CPI

Biweekly rate

Non-core inflation contracted by 0.29% biweekly after standing at 0.35% in the previous fortnight. However, compared to equal periods, it recorded the largest contraction for an equal fortnight since 2019 (-0.47%).

It is important to note that, in the first half of June, non-core inflation does not show a clear pattern (Figure 7), so the result of this fortnight could be taken as a positive sign.

Figure 7. Mexico's non-core CPI
H1 of June of each year
Biweekly % rate



Source: Grupo Financiero BASE with INEGI's information.

Within non-core inflation, contractions were observed in both of its subcomponents: 1) Agricultural products inflation (-0.53%), which posted its largest decline for an equal fortnight since 2019 (-0.47%), and 2) Energy and government-authorized tariffs inflation (-0.08%), which has now recorded seven consecutive fortnights of contraction, with a cumulative inflation of -4.24% from the second half of February through the first half of June.

Within the categories of agricultural products and government-authorized tariffs, the following stood out:

- Biweekly inflation of agricultural products (-0.53%) resulted from a drop in prices of fruits and vegetables (-1.72% biweekly), marking their first negative inflation for an equal period since June 2020 (-2.36%). This contraction in prices of fruits and vegetables was driven by the biweekly decrease in prices of poblano chili (-13.24%), guava (-10.35%), serrano chili (-9.41%), papaya (-9.37%), and cucumber (-8.87%) (Table 4). Likewise, the decline in agricultural inflation was also supported by the deceleration in livestock products inflation, which went from 1.07% to 0.25% biweekly. The downward pressures in this category were led by inflation in fish (-0.60%), eggs (-0.45%), shrimp (-0.35%), pork lard (-0.28%), and chicken (-0.09%).

Table 4. Agriculture and livestock with the highest increase/ decrease. % rate 1H of June, 2025

	Fruits and vegetables	Biweekly (%)	Livestock	Biweekly (%)
Generics with the highest increase	Carrots	8.20%	Pork	1.15%
	Lettuce and cabbage	2.25%	Beef	0.71%
	Other vegetables and legumes	1.96%	Beef offal	0.21%
	Oranges	1.63%		
	Pineapple	1.42%		
	Apples	1.12%		
	Other fruits	0.90%		
	Potatoes and other tubers	0.89%		
	Dried chili peppers	0.43%		
	Cilantro, epazote, and parsley	0.32%		
Generics with the highest decrease	Poblano chili peppers	-13.24%	Fish	-0.60%
	Guava	-10.35%	Egg	-0.45%
	Serrano chili peppers	-9.41%	Shrimp	-0.35%
	Papaya	-9.37%	Pork butter	-0.28%
	Cucumber	-8.87%	Chicken	-0.09%
	Zucchini	-8.76%		
	Nopales (prickly pear cactus pads)	-5.88%		
	Lemon	-5.67%		
	Green beans	-4.94%		
	Green tomatoes	-3.94%		

Source: Grupo Financiero BASE with INEGI's.

- Biweekly inflation of energy and government-authorized tariffs (-0.08%) was mainly due to a contraction in energy prices, which fell by 0.23% biweekly—also marking their seventh consecutive fortnight of decline. Additionally, it is worth noting that, in equal periods, energy prices atypically fall during the first half of June, making this the first contraction since 2023 (-0.45%), and before that, since 2019 (0.76%). This was reflected in the biweekly decrease in prices of electricity (-0.87%), LP domestic gas (-0.23%), high-octane gasoline (-0.09%), and low-octane gasoline (-0.09%). Meanwhile, government-authorized tariffs showed a biweekly inflation of 0.16%, accelerating from 0.05% in the previous fortnight. This higher inflation was particularly reflected in prices for parking (0.87%), taxis (0.38%), water supply fees (0.28%), urban bus fares (0.09%), and metro or electric transport (0.06%) (Table 5).

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Table 5. Energy and government authorized tariffs with the highest decrease/ increase. % rate 1H of June, 2025

	Energy	Biweekly (%)	Government authorized tariffs	Biweekly (%)
Generics with the highest increase			Parking	0.87%
			Taxi	0.38%
			Rights for water supply	0.28%
			Urban bus	0.09%
			Subway or electric transport	0.06%
			Collective	0.02%
			Vehicle permits	0.02%
Generics with the highest decrease	Electricity	-0.87%		
	Domestic LP Gas	-0.23%		
	High octane gasoline	-0.09%		
	Low octane gasoline	-0.09%		

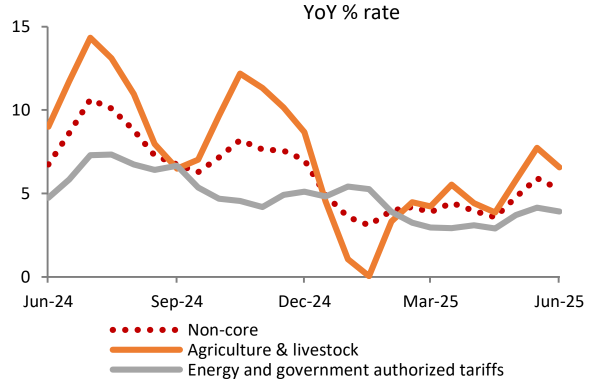
Source: Grupo Financiero BASE with INEGI's information.

Annual Rate

In the first half of May, non-core inflation stood at 5.25% year-over-year, down from 5.91% in the previous fortnight. With this, non-core inflation interrupted two consecutive fortnights of acceleration, although it remained at its highest level since the first half of December 2024 (7.00%) when excluding the data from the second half of May.

The annual deceleration was explained by the inflation of energy and government-authorized tariffs (3.92%), along with agricultural products inflation, which stood at 6.57% year-over-year. Both categories interrupted two straight fortnights of acceleration.

Figure 7. Mexico's Non-core CPI
YoY % rate



Source: Grupo Financiero BASE with INEGI's information.

Within each category, the following stood out:

- Agricultural products inflation (6.57% year-over-year), despite the deceleration, remains at high levels and in the middle of an upward trend (Figure 8). This is mainly due to livestock products, whose inflation was 11.86% year-over-year—its third consecutive fortnight of acceleration and the highest level since November 2022 (13.33% year-over-year)—confirming that, at least in the short term, this category will continue to exert pressure on the non-core component. On the other hand, fruits and vegetables inflation dropped 1.72% year-over-year, marking its tenth contraction in the last 11 months. It is important to highlight that during most of 2024, this category posted inflation rates above 15% annually, so a high base effect could allow fruits and vegetables prices to continue falling in the coming fortnights.

- Energy and government-authorized tariffs inflation (3.92% year-over-year) remains stable, with rates below the average of the core component (Figure 8). This suggests it is not currently generating additional inflationary pressures on the non-core component nor on headline inflation. However, following the start of an armed conflict between Iran and Israel—in which the United States is involved—international energy prices showed a significant temporary spike. Therefore, a possible intensification of this conflict could disrupt the stability of energy prices, adding new inflationary pressures.

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