Mexico's National Consumer Price Index (CPI), November 2024

Next release on **inflation as of the first half of December**: December 19

In Mexico, inflationary pressures continue to ease, especially in the core component, which has led the deceleration in inflation. This is relevant, since the core component determines the trajectory of headline inflation in the medium and long term. In November, Mexico's headline inflation decelerated to 4.55% annualized, after registering 4.76% in October, slightly below market expectations of 4.60% inflation.

At a monthly rate, inflation stood at 0.44%, the lowest for the same month since 2020 (0.08%). The **core component** showed a monthly inflation rate of 0.05%, the lowest for the same month since 2020 (- 0.08%) and at an annual rate of 3.58%, the lowest since April 2020 (3.50%), accumulating 22 consecutive months of deceleration. The **non-core component** showed a monthly inflation rate of 1.73%, the lowest for the same month since 2022, and an annual rate of 7.60%, the lowest since September.

It is worth noting that in November, all subcomponents of core inflation registered a deceleration in their annual rate (except for education services, which showed no changes). In contrast, the subcomponents of non-core inflation showed split behavior:

1. Agricultural products decelerated. Within, livestock products decelerated, while fruits and vegetables accelerated.
2. Energy and government-authorized tariffs decelerated. Within energy as well as tariffs accelerated. The fact that the individual subcomponents showed acceleration, while the aggregate decelerated, is related to the basis of comparison[1].
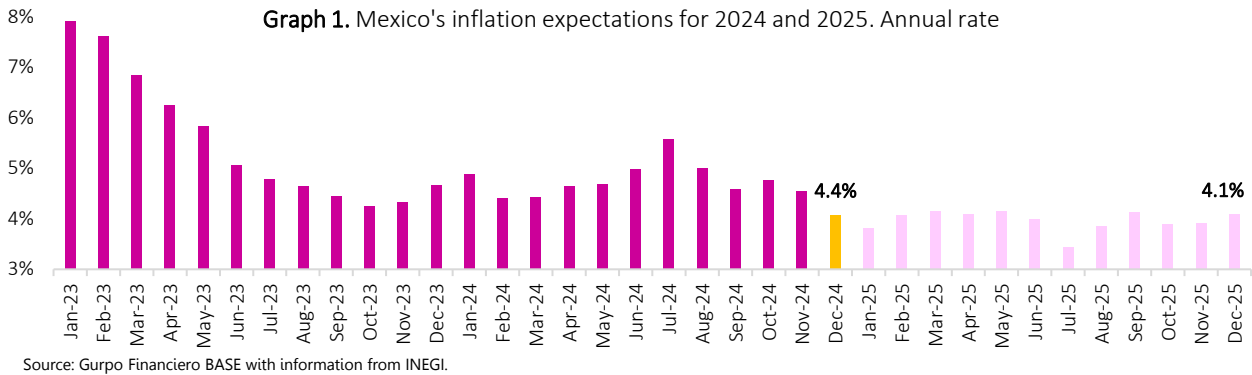
In summary, inflation in Mexico shows signs of deceleration, especially in its core component, where goods have been the main driver of this downward trend. However, the Bank of Mexico's 3% target is still far from being reached. Moreover, **there are still risks** that could put upward pressure again or moderate this deceleration.

First, the **resilience of services**, which, although they have started to decline, remain at elevated levels. This poses the risk that the **deceleration of core inflation will stall** if goods lose room for further decline. On the other hand, factors such as **Mexican peso depreciation**, **trade tensions** (especially with the United States), **public insecurity**, **minimum wage increases**, and **supply chain disruptions** could put upward pressure on prices once again.

Given that inflation continues with the expected behavior, especially in the core component, **Grupo Financiero BASE maintains its year-end inflation projection at 4.4%** (Graph 1). Likewise, Banco de México is expected to cut its interest rate by 25 basis points in its next monetary policy decision on December 19, bringing the reference rate to close the year at 10.00%.
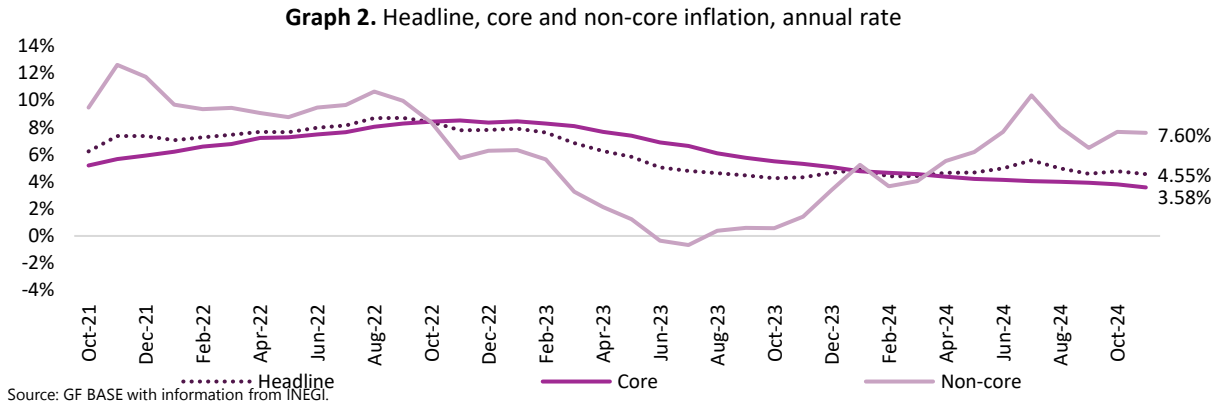
By 2025, inflation is expected to decelerate to close at 4.1% and the Bank of Mexico is expected to cut its interest rate to 8.5%.

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[1] 63.9% of the behavior of the "energy and government-authorized tariffs" category is solely explained by the energy subcomponent. In November 2023, this subcomponent declined by 1.64% annually, partially explaining its sharp acceleration in November 2024 (5.25%). On the other hand, although the energy subcomponent decreased in November 2023, the overall "energy and government-authorized tariffs" category recorded annual growth (0.24%). This higher base, unlike that of the energy subcomponent, led to a smaller growth rate in November 2024 (4.55%).

Graph 1. Mexico's inflation expectations for 2024 and 2025. Annual rate

4.4%

4.1%

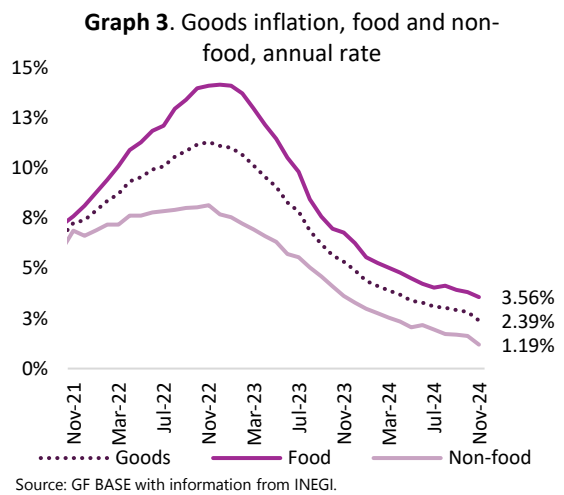Source: Gurpo Financiero BASE with information from INEGI.

1. November annual inflation

In Mexico, inflation decelerated to 4.55% annualized in November, after registering 4.76% in October (Graph 2 and Table 1).

Graph 2. Headline, core and non-core inflation, annual rate

7.60%

4.55%

3.58%

Headline ·········· Core ——— Non-core ———

Source: GF BASE with information from INEGI.

In Mexico, **headline inflation** decelerated to 4.55% annualized in November, the lowest inflation since March (4.42%) (Graph 2 and Table 1). The **core component** stood at 3.58% annualized, the lowest inflation since April 2020 (3.50%). This accumulates 22 consecutive months of deceleration (Graph 2 and Table 1). Within the core inflation (Graph 3 and 4):

1. **Goods** registered an annual inflation of 2.39% (Graph 3), the lowest rate since August 2015 (2.36%), thus linking 24 consecutive months decelerating. This was due to decelerations in both types of goods.
   a. **Food goods** showed annual inflation of 3.56%, following October's 3.37%, bringing them to their lowest level since April 2016 (3.37%) (Graph 3). Meanwhile, **non-food goods** inflation registered an annual inflation rate of 1.19%, the lowest inflation since October 2003 (1.08%) and the fifth consecutive month of

Graph 3. Goods inflation, food and non-food, annual rate

3.56%
2.39%
1.19%

·········· Goods ——— Food ——— Non-food ———

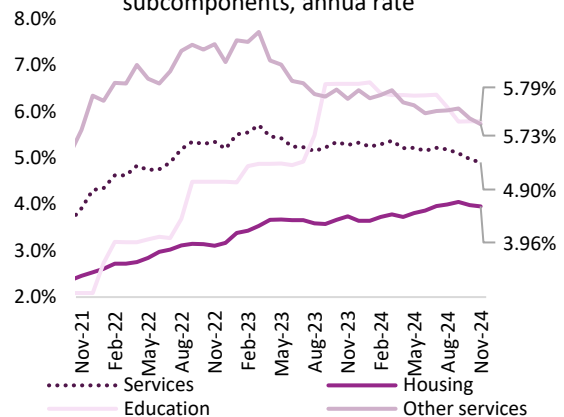Source: GF BASE with information from INEGI.

deceleration (Graph 3). It is worth mentioning that among the upside risks to goods inflation is the depreciation of the peso.

2. The annual inflation of the **services subcomponent** also slowed down, being the second month in a row in which it breaks the 5% annual barrier, something not seen since 2022. In November, services stood at 4.90% annual rate (Graph 4), the lowest since July 2022. Within, all subcomponents decelerated except for educational services, which showed no variation.
    a. **Housing** and **other services** stood at 3.96% and 5.73% annualized, the lowest rates since June of this year and since November 2021, respectively (Graph 4).

Non-core inflation, which includes products with the most volatile prices and government-authorized tariffs, decelerated to 7.60% annualized, the lowest inflation since September (6.50%) (Graph 2). Within the non-core inflation (Graph 5 and 6):

1. **Agricultural products** showed annual inflation of 10.74% (Graph 5), the lowest since September.
    a. This was explained by an annual inflation in **fruits and vegetables** of 16.81%, accelerating for the second consecutive month, and by an annual inflation in **livestock products** of 5.14% (Graph 5), the lowest since September. It should be recalled that this component was affected by public insecurity in previous months.
2. **Energy and tariffs authorized by the government** showed an annual inflation of 4.55% (Graph 6), the lowest since May (4.20%) and the fourth month in a row to decelerate. Within:
    a. **Energy** stood at 5.25%, accelerating after 3 consecutive months of deceleration (Graph 6). It should be recalled that in the first fortnight of November, the second expected adjustment to electricity tariffs was made, so it is not surprising that this subcomponent has been momentarily pushed upwards.

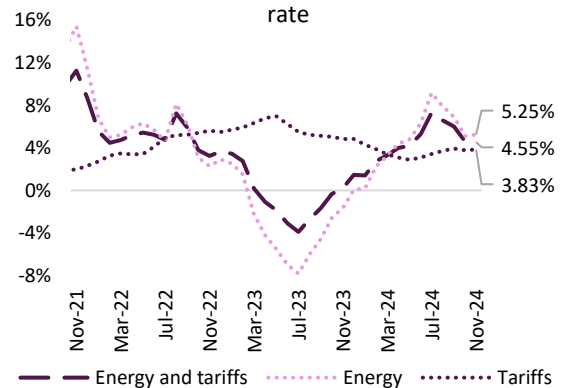**Graph 4.** Services inflation and subcomponents, annua rate

Source: GF BASE with information from INEGI.

Graph 5. Agricultural products, fruits and vegetables, and livestock, annual rate
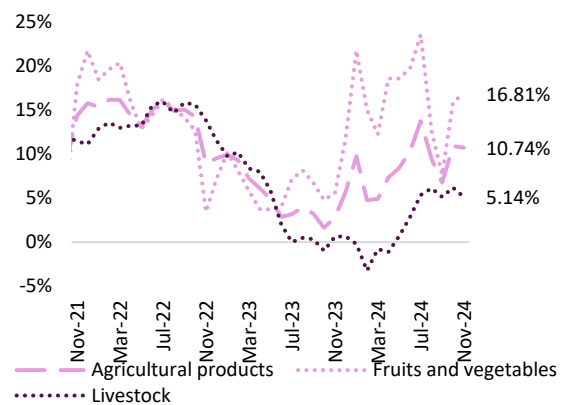
Source: GF BASE with information from INEGI.

**Graph 6.** Energy and tariffs, energy and government-authorized tariffs annual rate

Source: GF BASE with information from INEGI.

b.   As for **authorized tariffs**, inflation was 3.83% (Graph 6), also accelerating since October (3.79%).

2.   November monthly inflation

At a monthly rate, **Mexico's headline inflation** stood at 0.44%, the lowest for the same month since 2020 (0.08%) (Graph 7). Inflationary pressures have been lower, considering that in November of the last 10 years (2014-2023) the average monthly rate was 0.73%. Excluding 2020, the year of the pandemic, the average rises to 0.80%, showing that this year's November inflation is at a remarkably moderate level compared to the historical trend.

Graph 7. Inflation in Mexico, November in different years, monthly rate

Source: GF Base with information fromINEGI.
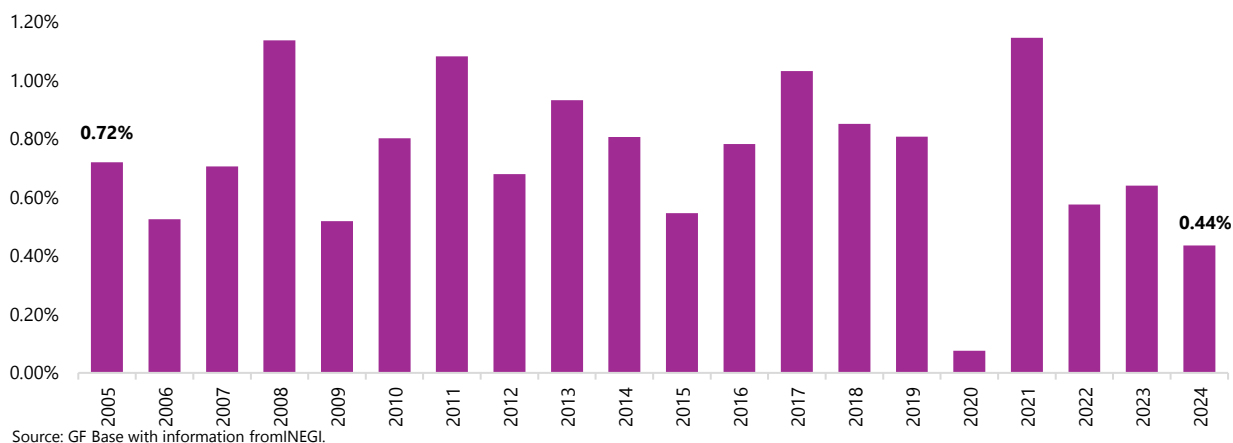
In November, the **core component** showed a monthly inflation of 0.05% (Table 1), the lowest for the same month since 2020 (-0.08%). Internally, it was observed:

1.   **Goods** (-0.27%), recorded the largest monthly decrease for the same month since 2020 (-0.31%).
     a.   **Food** (0.24%), the lowest inflation for the same month since 2020 (0.12%).
     b.   **Non-food** (-0.70%%), the largest drop for the same month since 2020 (-0.78%).

2.   **Services** (0.35%), the lowest rate for a same month since 2020 (0.16%).
     a.   **Housing** (0.25%), the lowest rate for the same month since 2022 (0.20%).
     b.   **Education** (0.00%), in line with the 10-year average for the month of November.
     c.   **Other services** (0.49%), the lowest rate for a same month since 2020 (0.22%).

The **non-core component** showed monthly inflation of 1.73% (Table 1), the lowest for the same month since 2022. In the interior, it was observed:
1.   **Agricultural products** (0.62%), the lowest rate for the same month since the drop recorded in 2022.
     a.   **Fruits and vegetables** (0.71%), the highest rate for an equal month since 2021.
     b.   **Livestock** (0.56%), the lowest rate for the same month since the decline observed in 2022.
2.   **Energy and government-authorized tariffs** (2.64%) showed the lowest monthly rate for the same month since 2022.
     a.   **Energy** (4.04%), the highest rate for an equal month since 2019.
     b.   **Tariffs** (0.12%), the highest inflation for a single month since 2022.

3.1 Generics, monthly rate

As for generics, within the core component, those that showed the greatest increase or decrease in prices during November were (Table 2):

1. **Goods**:
    a. Higher: 1) moles and sauces (+1.97%), 2) razors and razor blades (+1.44%) and 3) instant soups and tomato puree (+1.35%).
    b. Lower: 1) televisions (-4.15%), 2) blenders (-3.96%) and 3) electric irons (-3.57%).
2. **Services**:
    a. Higher: 1) professional services (+8.91%), 2) air transportation (+8.64%) and 3) services to
    b. pets (+1.13%).
    c. Lower: 1) movies (-4.37%), 2) auto insurance (-0.78%) and 3) hotels (-0.69%).

Finally, within the non-core component, those that showed the greatest increase or decrease in prices during November were (Table 3):

1. **Fruits and vegetables:**
    a. Higher: 1) papaya (+22.53%), 2) onion (+22.32%) and 3) nopales (+18.58%).
    b. Lower: 1) lemon (-23.46%), 2) zucchini (-11.07%) and 3) carrot (-10.93%).
2. **Livestock**: (all recorded an increase in prices)
    a. Higher: lard (+0.80%), 2) beef viscera (+0.79%) and beef (+0.75%).
3. **Energetics:**
    a. Higher: 1) electricity (+22.27%), 2) domestic LP gas (+2.13%) and 3) domestic natural gas (+2.13%).
    b. (+1.37%).
    c. Lower: 1) high octane gasoline (-0.01%).
4. **Government-authorized rates:**
    a. Higher: 1) city bus (+0.42%), 2) cab (+0.37%) and 3) water supply fees (+0.08%).
    b. Lower: 1) vehicle procedures (-1.49%) and 2) issuance of public sector documents (- 0.33%).

Table 1. November inflation, core and non-core component.

November 2024	Monthly inflation	Minor for one month equal since:	Annual inflation	Minor since:	Consecutive months of deceleration (annual)
Headline inflation	**0.44%**	**2020**	**4.55%**	**March-24**	**1**
Core inflation	**0.05%**	**2020**	**3.58%**	**April-20**	**22**
Goods	-0.27%	2020	2.39%	August-15	24
Food goods	0.24%	2020	3.56%	April-16	3
Non-food goods	-0.70%	2020	1.19%	October-03	5
Services	0.35%	2020	4.90%	July-22	4
Housing	0.25%	2022	3.96%	June-24	2
Education	0.00%	2023	5.79%	October-24	-
Other services	0.49%	2020	5.73%	November-21	2
Non-core inflation	**1.73%**	**2022**	**7.60%**	**September-24**	**1**
Agricultural	0.62%	2022	10.74%	September-24	1
Fruits and vegetables	0.71%	2023	16.81%	October-24	-
Livestock	0.56%	2022	5.14%	September-24	1
Energy and authorized tariffs	2.64%	2022	4.55%	May-24	4
Energy	4.04%	2023	5.25%	October-24	-
Authorized tariffs	0.12%	2023	3.83%	October-24	-

Source: Grupo Financiero BASE with information from INEGI.

Table 2. Generics with the highest and lowest monthly variation in November, core component.

Nov 2024	Goods	Monthly (%)	Services	Monthly (%)
10 generics with the highest increase	Moles and sauces	1.97%	Professional services	8.91%
	Razors and shaving machines	1.44%	Air transportation	8.64%
	Instant soups and tomato purée	1.35%	Pet services	1.13%
	Bacon	1.32%	Other housing-related services	0.80%
	Other condiments	1.23%	Clinical tests	0.73%
	Plants and flowers	1.08%	Car repair	0.67%
	Canned tuna and sardines	1.05%	Restaurants and similar	0.64%
	Yellow cheese	0.95%	Dental consultation and prosthetics	0.59%
	Matches	0.93%	Diners, snack bars, and taco stands	0.56%
	Cardiovascular medications	0.89%	Long-distance bus	0.51%
10 generics with the largest decrease	Televisions	-4.15%	Cinema	-4.37%
	Blenders	-3.96%	Car insurance	-0.78%
	Electric irons	-3.57%	Hotels	-0.69%
	Air conditioners	-3.29%	Internet, phone, and pay TV packages	-0.50%
	Cookware	-2.92%	Museums and cultural sites	-0.46%
	Children's underwear	-2.76%	Sports club	-0.09%
	Stoves	-2.76%	Movie and music streaming	-0.02%
	Audio and video players…	-2.64%		
	Refrigerators	-2.62%		
	Microwave ovens	-2.27%		

Source: Grupo Financiero BASE with information from INEGI.

Table 3. Generics with the highest and lowest monthly variation in November, non-core component.

Nov 2024	Fruits and vegetables	Monthly (%)	Livestock	Monthly (%)	Energy	Monthly (%)	Government authorized tariffs	Monthly (%)
10 generics with the highest increase	Papaya	22.53%	Pork lard	0.80%	Electricity	22.27%	Urban bus	0.42%
	Onion	22.32%	Beef offal	0.79%	LP domestic gas	2.13%	Taxi	0.37%
	Nopales	18.58%	Beef	0.75%	Natural domestic gas	1.37%	Water supply fees	0.08%
	Peach	13.21%	Pork	0.68%	Regular gasoline	0.03%	Parking lots	0.06%
	Grapes	9.40%	Fish	0.66%			Subway or electric transportation	0.05%
	Poblano chili	9.09%	Eggs	0.55%			Shared taxis	0.01%
	Watermelon	8.80%	Chicken	0.30%			Highway tolls	0.00%
	Pineapple	6.41%	Shrimp	0.03%				
	Other fresh chilies	6.00%						
	Green tomato	3.92%						
10 generics with the largest decrease	Lemon	-23.46%			Premium gasoline	-0.01%	Car permits	-1.49%
	Zucchini	-11.07%					Issuance of public sector documents	-0.33%
	Carrot	-10.93%						
	Avocado	-7.30%						
	Chayote	-6.86%						
	Green beans	-5.86%						
	Potatoes and other tubers	-5.52%						
	Orange	-5.43%						
	Cucumber	-5.28%						
	Bananas	-3.66%						

Source: Grupo Financiero BASE with information from INEGI.

4. Inflation as of the second half of November

In Mexico, inflation for the second fortnight of the month was -0.12% biweekly, the largest drop for the same fortnight since 2012 (-0.18%). Within Mexico, the following stood out (Table 4):

- **Core inflation** (-0.05%) and **goods** (-0.25%), recorded the largest declines for the same fortnight since 2016 (-0.10% and -0.28%, respectively).
- **Food goods** (0.06%) showed the lowest rate for the same fortnight since 2014 (- 0.09%).
- **Non-core inflation** (-0.34%), showed the largest decrease for the same fortnight since 2001.
- **Agricultural products** (-1.35%) and **fruits and vegetables** (-3.04%), recorded the largest declines for the same fortnight on record.
- **Energy and government-authorized tariffs** (0.41%), **energy** (0.55%) and **authorized tariffs** (0.16%), showed the highest rates for the same fortnight since 1999, 2006 and 1998, respectively.

At an annual rate, **headline inflation** stood at 4.54% (Graph 8), the lowest rate since the second fortnight of September (4.50%), the second consecutive fortnight to decelerate (Table 4). Within, **core inflation** was 3.57%

annualized, the lowest since the second fortnight of May 2020 (3.52%) and adding 6 consecutive fortnights of deceleration. Finally**, non-core inflation** was 7.56% annualized, the lowest since the first fortnight of October (7.17%), accumulating two consecutive fortnights of deceleration.

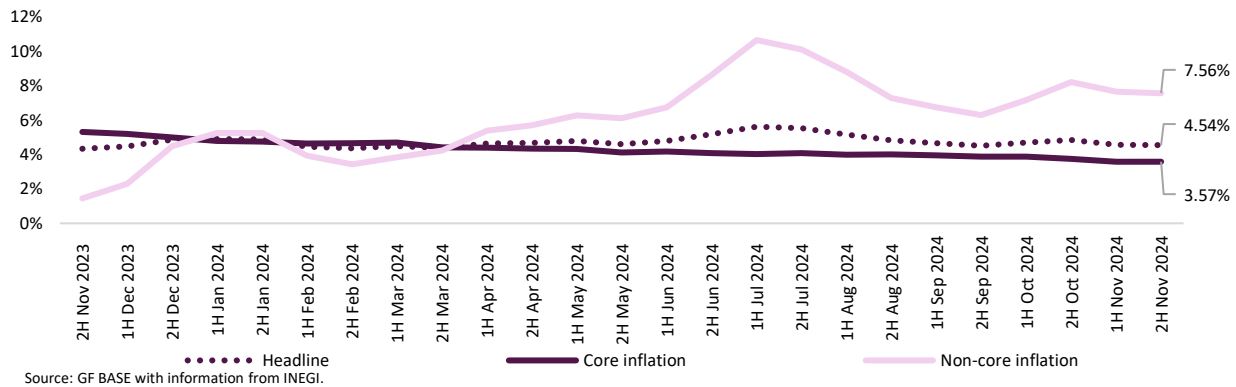**Graph 8.** Headline, core and non-core inflation, annual rate

Source: GF BASE with information from INEGI.

······ Headline   —— Core inflation   —— Non-core inflation

Table 4. Inflation in the second half of November, core and non-core components.

November 2024	Biweekly inflation	Lowest for an equal fortnight since	Annual inflation
Headline inflation	**-0.12%**	**2012**	**4.54%**
Core inflation	-0.05%	2016	3.57%
Goods	-0.25%	2016	2.32%
Food goods	0.06%	2014	3.47%
Non-food goods	-0.52%	2023	1.21%
Services	0.15%	2023	4.95%
Housing	0.10%	2020	3.96%
Education	0.00%	2017	5.79%
Other services	0.22%	2023	5.82%
Non-core inflation	-0.34%	2001	7.56%
Agricultural	-1.35%	-	10.15%
Fruits and vegetables	-3.04%	-	15.44%
Livestock	0.00%	2017	5.09%
Energy and authorized tariffs	0.41%	2023	4.92%
Energy	0.55%	2023	5.77%
Authorized tariffs	0.16%	2023	3.90%

Source: Grupo Financiero Base with information from INEGI.

5. Basic food basket

In November, annual CPI inflation stood at 4.55%, slowing from 4.76% in October. On the other hand, annual inflation of the basic food basket stood at 3.43%, decelerating from the 3.93% recorded in October and being the lowest annual inflation since October 2023, when it stood at 3.29% (Graph 9).

It is common that, in periods of high or low inflation, prices of basic food basket products increase or decrease more sharply than those of the overall CPI. This is why the magnitude of the difference between the two types of inflation comes to light, as the inflation of the basic food basket reflects a greater sensitivity to changes in the prices of basic goods and services.

Graph 9. Mexico's basic food basket inflation, annual rate

Basic food basket   ······ CPI

Source: Grupo Financiero BASE with information from INEGI.

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