

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

Next release on inflation as of the first half of November: November 22

### 1. Key points

Mexico's headline inflation stood at a monthly rate of 0.55% in October. Although in historical perspective slightly lower inflationary pressures were observed, as in October of the last 10 years (2014 to 2023) the average monthly rate was 0.58%, it should be taken with caution, since:

- At an annual rate, Mexico's inflation accelerated to 4.76% in October from 4.58% in September.
- At a biweekly rate, inflation for the second half of the month was 0.26%, well above the previous 10-year average of 0.16% for the second half of October.
- At an annual rate, in the second fortnight of October, inflation was 4.83%, the highest rate since the first fortnight of August (5.16%) and adds two consecutive fortnights of acceleration, after having decelerated for five consecutive fortnights.

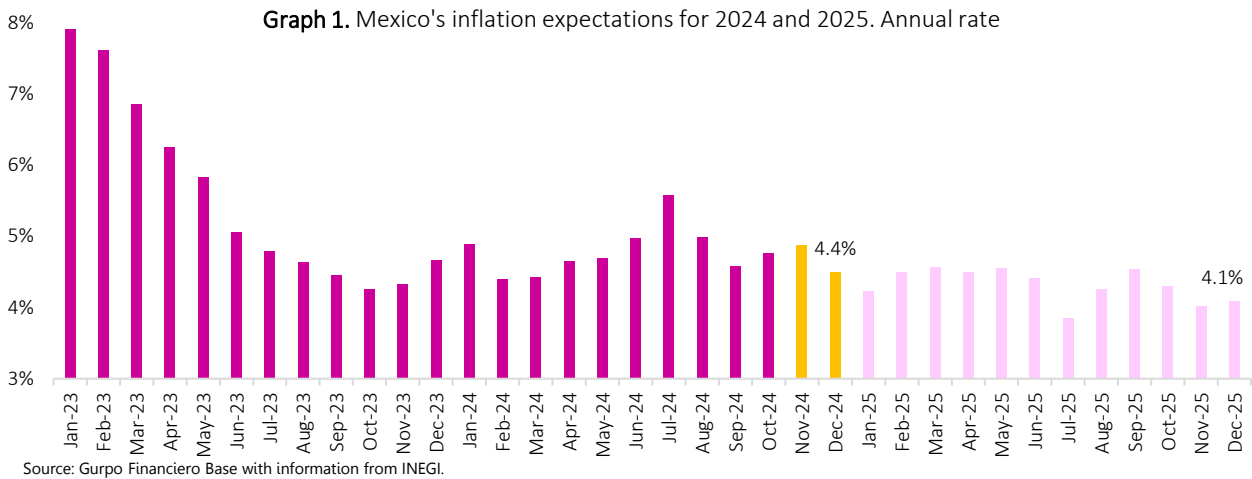
Overall, October's results suggest that inflationary pressures in Mexico continued to decline in the core component, although at a slower pace than in previous months, while the non-core component continued to show pressures. This is relevant because the core component better reflects the trend of headline inflation in the medium and long term.

For comparison purposes, in 2023, core inflation reached its highest point in January, with an annual rate of 8.45%, and declined steadily until reaching its lowest level in December, at 5.09%. In 2024, it also showed its highest rate in January, at 4.76%, and has followed a downward trajectory to reach 3.80% in October, the lowest level recorded so far this year. This slowdown suggests that long-term inflationary pressures are easing, but that the slower pace of recent months could indicate the beginning of a stabilization of rates for this component.

On the other hand, non-core inflation, known for its higher volatility, showed a different behavior and continued to present upward pressures in October. For comparison purposes, in 2023, annual inflation of the non-core component reached its highest point in January, at 6.32%, and its lowest level in July, at -0.67%. In 2024, its highest level was observed in July, with 10.36%, and its lowest level in February, with 3.67%. In October, this component showed an annual inflation of 7.68%. Due to its persistently high levels, it represents a risk to headline inflation.

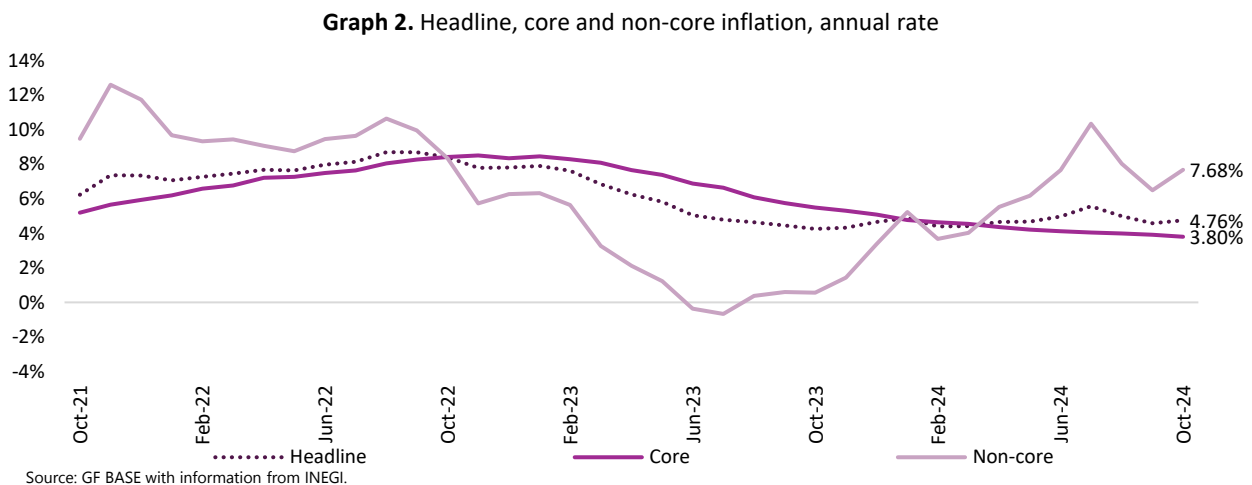
In October, all subcomponents of the core component registered a deceleration in their annual rate (except for education services, which showed no changes). In contrast, the subcomponents of the non-core component showed split behavior: agricultural products and their subcomponents accelerated, while energy and authorized tariffs, together with their subcomponents, decelerated.

Given that inflation continued as expected, Grupo Financiero BASE maintains its year-end inflation projection at 4.4% (Graph 1). In addition, Mexico's Central Bank is expected to make two additional interest rate cuts of 25 basis points each before the end of the year, bringing the reference rate to 10.00%. By 2025, inflation is expected to decelerate to close at 4.1% and Mexico's Central Bank is expected to cut the interest rate to 8.5%. It is important to mention that October's annual inflation of 4.76% was above market expectations. This, coupled with higher-than-expected economic growth during the third quarter, raises the probability that Mexico's Central Bank will be more cautious in making such interest rate cuts.



## 2. October annual inflation

In Mexico, October inflation was 4.76% annualized, accelerating from 4.58% in September and above market expectations. With this, Mexico's inflation accelerated after two consecutive months of deceleration (Graph 2 and Table 1).

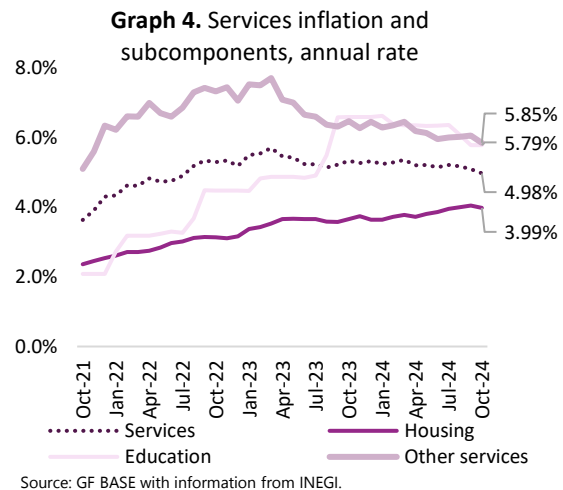
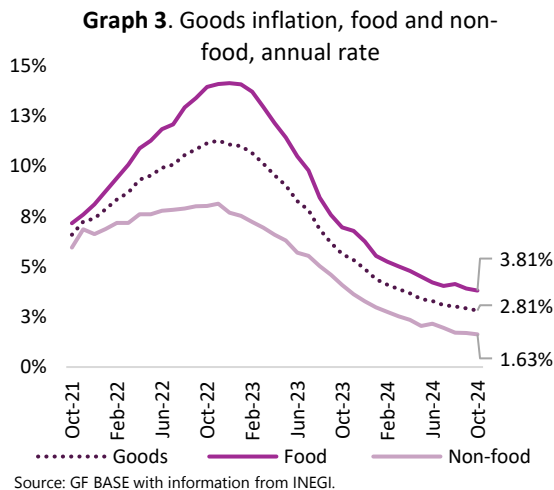


In October, **core inflation**, which determines the trajectory of headline inflation in the medium and long term, stood at 3.80% annualized, linking 21 consecutive months of deceleration (Graph 2), being its lowest level since November 2020. Inside (Graph 3 and 4):

1. **Goods** registered an annual inflation of 2.81% (Graph 3), the lowest rate since November 2015, thus linking 23 consecutive months of deceleration. This was due to decelerations in both types of goods. On one hand, foods showed an annual inflation of 3.81%, after September's 3.92%, which places it at its lowest level since August 2016 (Graph 3). On the other hand, non-foods registered an annual inflation of 1.63%, following 1.69% in September, being the lowest inflation since March 2014 (Graph 3). It is worth

mentioning that among the upside risks to goods inflation is the depreciation of the peso, which raises the price of imported goods and could lead to an increase in long-term inflation expectations.

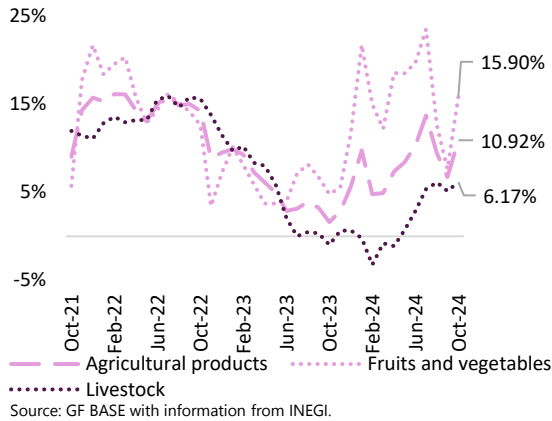
- Annual inflation of the **services** subcomponent also decelerated and for the first time since 2022 returned to 4% levels. In October, services recorded annual inflation of 4.98% (Graph 4), the lowest since July 2022. Within services, all subcomponents decelerated except for **educational services**, which showed no variation. **Housing** and **other services** stood at 3.99% and 5.85% annually, the lowest rates since July of this year and since November 2021, respectively (Graph 4).



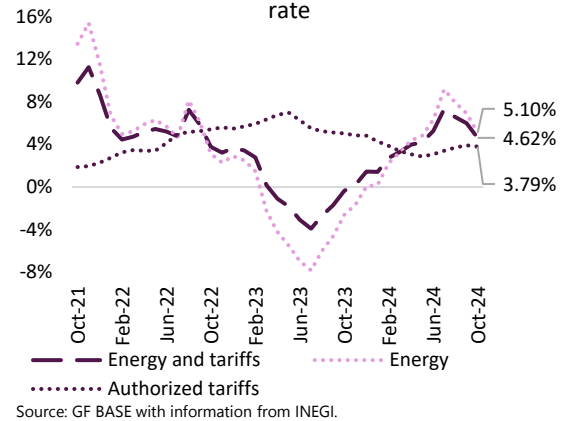
**Non-core inflation** accelerated after two consecutive months of deceleration, showing annual inflation of 7.68%, the highest since August (Graph 2). It is worth remembering that this component includes products with the most volatile prices and government-authorized tariffs. Inside (Graph 5 and 6):

- Agricultural products** showed annual inflation of 10.92% (Graph 5), the highest since July. This was explained by an annual inflation in **fruits and vegetables** of 15.90% and in **livestock products** of 6.17% (Graph 5), the highest since July of this year and April 2023, respectively. It should be noted that this subcomponent has been affected by public insecurity, which increases costs for producers.
- Energy and tariffs authorized by the government** showed an annual inflation rate of 4.62% (Graph 6), with annual **energy** inflation of 5.10%. For both, this is the lowest rate since May. As for **authorized tariffs**, inflation was 3.79% (Graph 6), the lowest inflation since August. It is important to consider that, in the next fortnight, a second adjustment in electricity tariffs is expected, which could add additional inflationary pressures in the first fortnight of November. This adjustment in tariffs is part of the scheduled seasonal changes and, given the sensitivity of this subcomponent to changes in energy prices, it is likely to contribute to a temporary pickup in headline inflation. However, because this adjustment is expected, year-end inflation expectations are likely to remain unchanged, unless unforeseen factors intensify inflationary pressures.

**Graph 5. Agricultural products, fruits and vegetables, and livestock, annual rate**



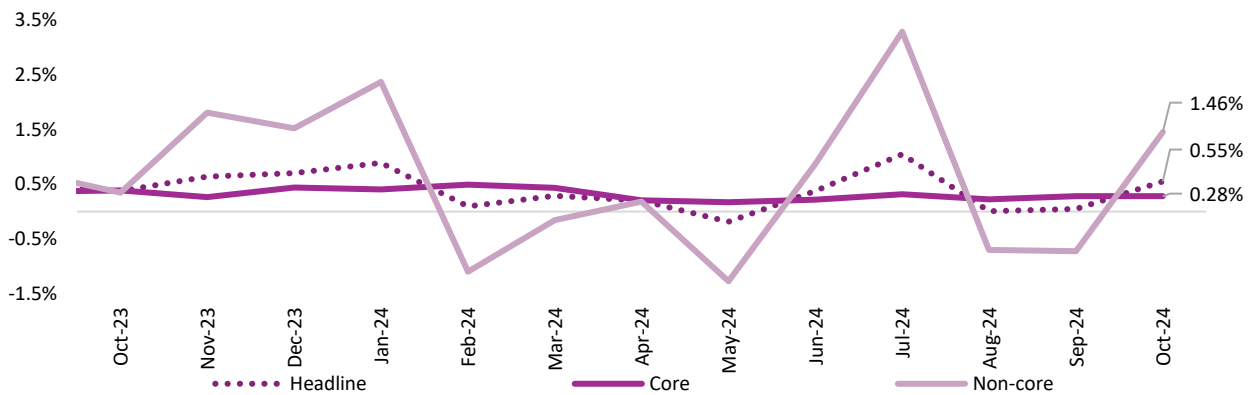
**Graph 6. Energy and tariffs, energy and government-authorized tariffs annual rate**



### 3. October monthly inflation

At a monthly rate, Mexico's headline inflation stood at 0.55% in October (Graph 7 and 8). In historical perspective, slightly lower inflationary pressures were observed, as in October of the last 10 years (2014 to 2023) the average monthly rate was 0.58%.

**Graph 7. Headline, core and non-core inflation, annual rate**



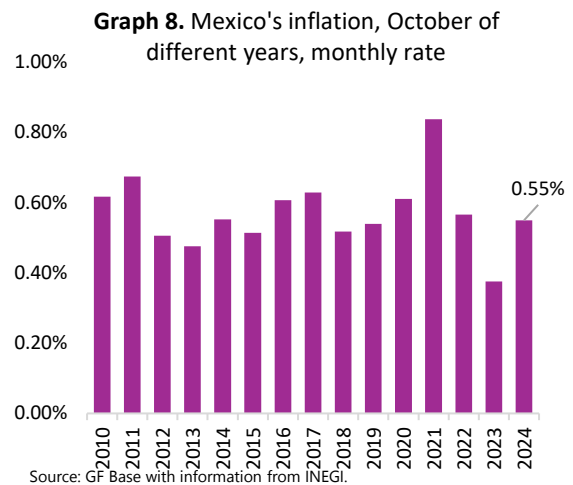
In October, the **core component** showed a monthly inflation of 0.28% (Graph 7), the lowest for the same month since 2020. Internally, it was observed:

1. Goods (0.24%), recorded the lowest monthly rate for an equal month since 2018.
  - Food (0.35%), the lowest inflation for the same month since 2020.
  - Non-food (0.15%), the lowest inflation for an equal month since 2014.
2. Services (0.32%), the lowest rate for the same month since 2020.
  - Housing (0.24%), the lowest rate for the same month since 2022.

- Education (0.01%), the highest rate for the same month since 2011.
- Other services (0.44%), the lowest rate for the same month since 2020.

In contrast, the **non-core component** again registered upward pressures with a monthly inflation of 1.46% (Graph 7), the highest for the same month since 2021. As mentioned above, pressures on the non-core component are mainly explained by fruits and vegetables, which have been affected by several factors, among which public insecurity stands out. Within non-core inflation, it was observed:

1. Agricultural products (1.73%), the highest rate for the same month since 2004.
  - Fruits and vegetables (4.29%), the highest rate for the same month since 2004.
  - Livestock (-0.18%), the smallest drop for the same month since 2023, when they fell 1.16%.
2. Energy and Government-authorized tariffs (1.23%) showed the lowest monthly rate for the same month since 2022.
  - Energy (1.95%), the lowest rate for the same month since 2022.
  - Authorized tariffs (-0.03%), the first drop on record for the same month since the series began.



### Generics, monthly rate

The goods with the largest price increases during October were (Table 2): 1) sheets (+1.99%), 2) motorcycles (+1.87%) and 3) plants and flowers (+1.79%). While the services with the highest price increases were (Table 2): 1) air transportation (+6.67%), 2) professional services (+6.34%) and 3) package tour services (+4.66%).

The fruits and vegetables with the largest price increases during October were (Table 3): 1) nopales (+34.67%), 2) papaya (+26.85%) and 3) chayote (+23.32%). On the other hand, the livestock products with the highest price increases were (Table 3): 1) beef offal (+1.04%), 2) beef (+0.69%) and 3) fish (+0.27%).

As for energy prices (Table 3), most of the generic items fell, except for electricity, which increased 18.07% monthly. Finally, the authorized tariffs by the government with the highest price increases during October were: 1) car permits (+0.30%), 2) water supply fees (+0.17%) and 3) parking lots (+0.15%).

**Table 1.** October inflation, core and non-core component.

October 2024	Monthly inflation	Minor for one month equal since:	Annual inflation	Minor since:	Consecutive months of deceleration (annual)
<b>General inflation</b>	<b>0.55%</b>	<b>2023</b>	<b>4.76%</b>	<b>September-24</b>	<b>-</b>
<b>Core inflation</b>	<b>0.28%</b>	<b>2020</b>	<b>3.80%</b>	<b>November-20</b>	<b>21</b>
Goods	0.24%	2018	2.81%	November-15	23
Food goods	0.35%	2020	3.81%	August-16	2
Non-food goods	0.15%	2014	1.63%	March-14	4
Services	0.32%	2020	4.98%	July-22	3
Housing	0.24%	2022	3.99%	July-24	1
Education	0.01%	2023	5.79%	September-24	-
Other services	0.44%	2020	5.85%	November-21	1
<b>Non-core inflation</b>	<b>1.46%</b>	<b>2023</b>	<b>7.68%</b>	<b>September-24</b>	<b>-</b>
Agricultural	1.73%	2023	10.92%	September-24	-
Fruits and vegetables	4.29%	2023	15.90%	September-24	-
Livestock	-0.18%	2023	6.17%	September-24	-
Energy and authorized tariffs	1.23%	2022	4.62%	May-24	3
Energy	1.95%	2022	5.10%	May-24	3
Authorized tariffs	-0.03%	-	3.79%	August-24	1

Source: Grupo Financiero BASE with information from INEGI.

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

Oct 2024	Goods	Monthly (%)	Services	Monthly (%)
<b>10 generics with the highest increase</b>	Sheets	1.99%	Air transportation	6.67%
	Motorcycles	1.87%	Professional services	6.34%
	Plants and flowers	1.79%	Package tour services	4.66%
	Rum	1.75%	Hotels	2.03%
	Matches	1.71%	Cinema	1.00%
	Hair care products	1.64%	Maintenance, repair...	0.86%
	Air conditioners	1.62%	Laundry services	0.73%
	Tires	1.60%	Beauty salons and massage services	0.61%
	Paper napkins	1.36%	Pet services	0.57%
	School supplies	1.32%	Haircuts	0.52%
<b>10 generics with the largest decrease</b>	Men's suits	-2.23%	Internet, phone, and pay TV packages	-0.52%
	Sugar	-1.97%	Pay television service	-0.47%
	Personal care electrical appliances	-1.77%	Sports club	-0.11%
	Audio and video players...	-1.53%	Long-distance bus	-0.05%
	Personal deodorants	-1.09%	Car maintenance	-0.04%
	Diapers	-1.07%	Surgical operations	-0.01%
	Consoles, discs, and video game...	-0.96%		
	Living room sets	-0.94%		
	Cold medications	-0.92%		
	Sneakers	-0.75%		

Source: Grupo Financiero BASE with information from INEGI.

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

Oct 2024	Fruits and vegetables	Monthly (%)	Livestock	Monthly (%)	Energy	Monthly (%)	Government authorized tariffs	Monthly (%)
<b>10 generics with the highest increase</b>	Nopales	34.67%	Beef offal	1.04%	Electricity	18.07%	Car permits	0.30%
	Papaya	26.85%	Beef	0.69%			Water supply fees	0.17%
	Chayote	23.32%	Fish	0.27%			Parking lots	0.15%
	Green tomato	23.06%	Eggs	0.25%			Subway or electric transportation	0.06%
	Zucchini	19.86%	Shrimp	0.12%			Shared taxis	0.05%
	Green beans	19.18%					Urban bus	0.02%
	Tomato	15.62%					Issuance of public sector documents	0.01%
	Watermelon	12.41%						
	Grapes	12.21%						
	Cucumber	12.02%						
<b>10 generics with the largest decrease</b>	Lemon	-22.07%	Chicken	-1.03%	LP domestic gas	-2.50%	Highway tolls	-1.42%
	Orange	-14.62%	Pork	-0.90%	Natural domestic gas	-1.89%	Taxi	-0.33%
	Bananas	-12.16%	Pork lard	-0.55%	Premium gasoline	-0.32%		
	Avocado	-7.46%			Regular gasoline	-0.001646836		
	Guava	-2.56%						
	Pineapple	-2.54%						
	Lettuce and cabbage	-2.31%						
	Apple	-0.42%						
Beans	-0.33%							

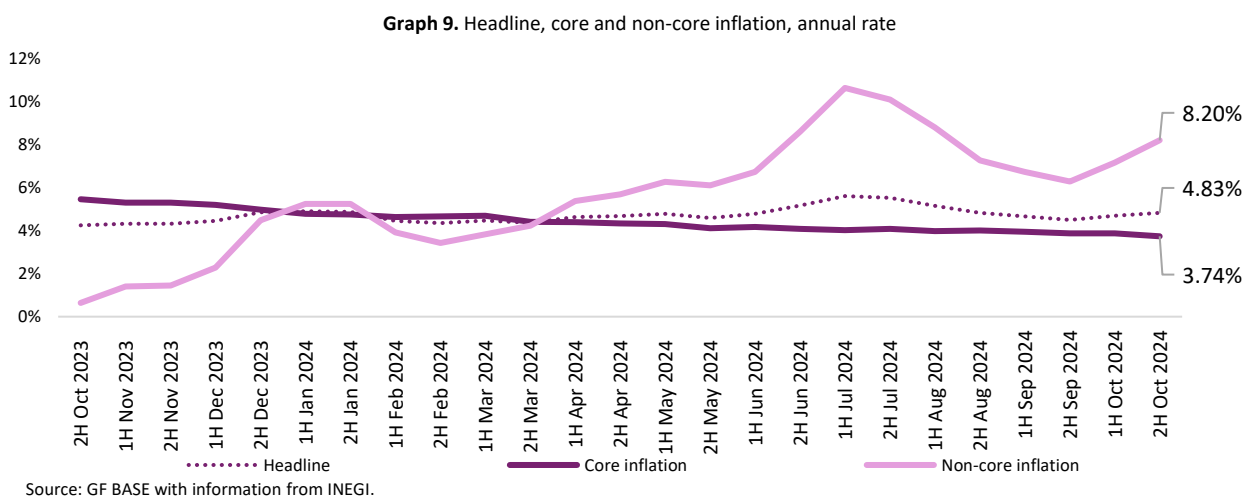
Source: Grupo Financiero BASE with information from INEGI.

#### 4. Inflation as of the second half of October

In Mexico, inflation for the second half of the month stood at 0.26%, well above the previous 10-year average of 0.16% for the second half of October. Within the Mexican economy, the following stood out (Table 4):

- Core inflation (0.05%), which was the lowest for the same fortnight since 2012 (0.05%).
- Goods inflation (-0.01%), which was the first drop for an equal fortnight since 2013 (-0.05%).
- Non-food goods inflation (-0.14%), which was the largest drop on record for the same fortnight.
- Non-core inflation (0.96%), agricultural (2.12%) and fruits and vegetables (4.67%), which registered the highest rates since 1995.

At annual rate (Graph 9), in the second fortnight of October, inflation was 4.83%, the highest rate since the first fortnight of August (5.16%) and adds two consecutive fortnights of acceleration, after having decelerated for five consecutive fortnights. Core inflation stood at 3.74% annually, the lowest since the second fortnight of November 2020, and non-core inflation stood at 8.20% annually, the highest since the first fortnight of August.



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

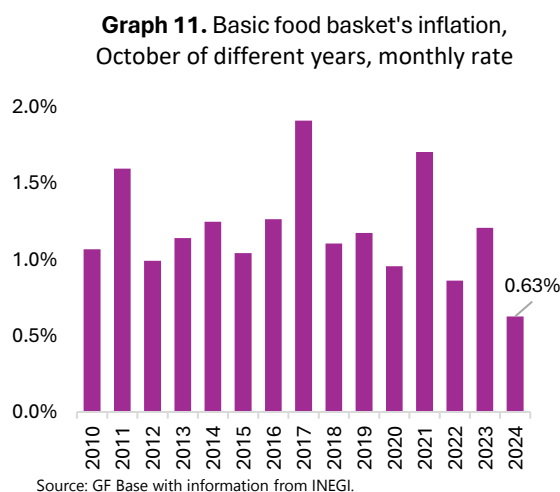
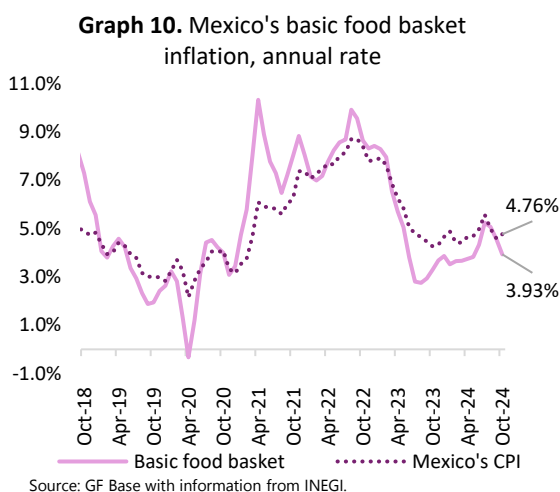
October 2024	Biweekly inflation	Lowest for an equal fortnight since	Annual inflation
<b>Headline inflation</b>	<b>0.26%</b>	<b>2023</b>	<b>4.83%</b>
<b>Core inflation</b>	<b>0.05%</b>	<b>2012</b>	<b>3.74%</b>
Goods	-0.01%	2013	2.73%
Food goods	0.14%	2020	3.79%
Non-food goods	-0.14%	-	1.51%
Services	0.12%	2020	4.92%
Housing	0.10%	2020	3.97%
Education	0.00%	2012	5.79%
Other services	0.14%	2020	5.75%
<b>Non-core inflation</b>	<b>0.96%</b>	<b>2023</b>	<b>8.20%</b>
Agricultural	2.12%	2023	12.19%
Fruits and vegetables	4.67%	2023	19.01%
Livestock	0.17%	2022	6.08%
Energy and authorized tariffs	0.03%	2022	4.55%
Energy	0.03%	2022	5.00%
Authorized tariffs	0.02%	2021	3.77%

Source: Grupo Financiero Base with information from INEGI.

## 5. Basic food basket

In October, Mexico's headline inflation stood at 4.76%, accelerating from 4.58% in September. In contrast, annual inflation of the basic food basket stood at 3.93%, decelerating from the 4.53% recorded in September and being the lowest annual inflation since May (Graph 10). It is worth noting that in periods of high or low inflation, prices of basic food basket products tend to increase or decrease more sharply than those of the overall CPI, respectively, reflecting greater price sensitivity in basic goods and services.

Monthly inflation for the basic food basket was 0.63% (Graph 11), the lowest inflation for the same month since 2001 (0.42%). This suggests that, despite general inflationary pressures, prices of necessities are moderating, which could partially alleviate the impact on households, especially those with lower incomes.



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