

Mexico's CPI, first half of October 2024

Next inflation report for **October**: November 7th

1. Summary

According to the National Institute of Statistics and Geography (INEGI for its acronym in Spanish), Mexico's headline inflation stood at a biweekly rate of 0.43% in the first half of October. Historically, inflationary pressures have slightly eased, as the average biweekly rate in the first half of October over the past 10 years (2014 to 2023) was 0.46%. This was explained by a biweekly increase of 1.08% in non-core inflation, the highest for an equal fortnight since 2021. However, core inflation registered a biweekly inflation rate of 0.23%, the lowest for an equal fortnight since 2020.

On an annual basis, Mexico's headline inflation stood at 4.69% in the first half of October, marking the first acceleration after five consecutive biweekly periods of deceleration. Meanwhile, core inflation stood at 3.87%, the lowest since the first half of February 2021. Non-core inflation, on the other hand, showed an annual inflation rate of 7.17%, the highest since the second half of August.

Considering the above, the year-end inflation forecast remains at 4.4%. For 2025, inflation is estimated to be between 3.9% and 4.1% (Graph 1). Considering that, México's Central Bank is expected to make two more interest rate cuts of 25 basis points each before the end of the year, with the interest rate closing 2024 at 10%. It is worth mentioning that the next monetary policy announcement will take place on November 14.

For 2025, further cuts are expected as economic deceleration and lower inflation persist. The interest rate could reach a level of 8.5% in 2025.



Source: Grupo Financiero BASE with information from INEGI.

Table 1. Biweekly and annual inflation.

1st half of October 2024	Biweekly inflation	Lowest for an equal fortnight since	Annual inflation	Lowest since
Headline inflation	0.43%	2023	4.69%	2H Sep 2024
Core inflation	0.23%	2020	3.87%	1H Feb 2021
Goods	0.21%	2020	2.89%	1H Jan 2016
Food goods	0.24%	2020	3.83%	2H Aug 2016
Non-food goods	0.19%	2023	1.74%	2H Sep 2024
Services	0.25%	2020	5.03%	2H Jul 2022
Housing	0.13%	2022	4.00%	1H Aug 2024
Education	0.00%	2020	5.79%	1H Sep 2024
Other services	0.39%	2020	5.96%	1H Aug 2024
Non-core inflation	1.08%	2023	7.17%	2H Sep 2024
Agricultural products	0.70%	2023	9.66%	2H Sep 2024
Fruits and vegetables	1.94%	2023	12.81%	2H Sep 2024
Livestock	-0.22%	2023	6.26%	2H Sep 2024
Energy and authorized tariffs	1.39%	2022	4.69%	2H May 2024
Energy	2.25%	2022	5.19%	2H May 2024
Authorized tariffs	-0.11%	-	3.81%	2H Aug 2024

Source: Grupo Financiero BASE with information from INEGI.

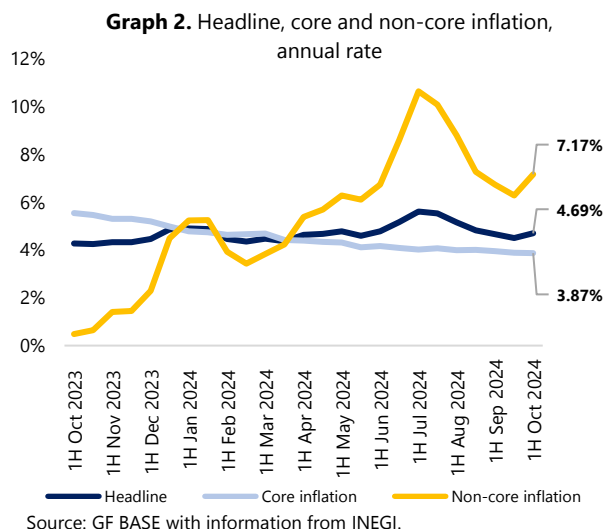
2. Mexico's inflation in the first half of October, annual variation

Mexico's headline inflation stood at 4.69% annually in the first half of October, after standing at 4.66% and 4.50% in the first and second halves of September, respectively (Graph 2). It is worth noting that this is the first acceleration in the annual inflation rate after five consecutive biweekly periods of deceleration.

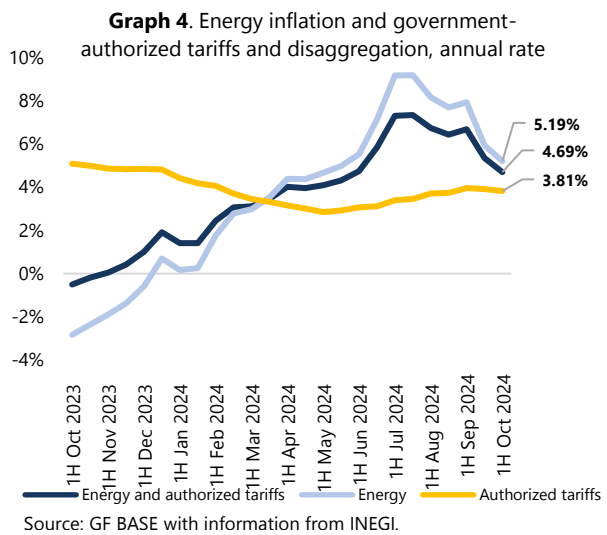
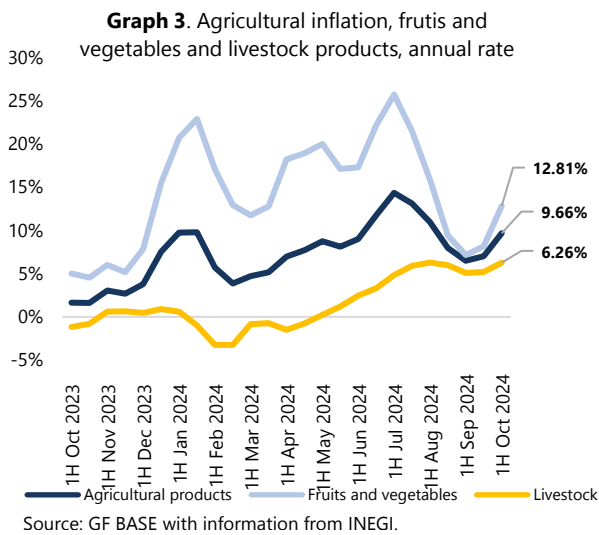
Meanwhile, core inflation decelerated for the third consecutive biweekly period and recorded an annual rate of 3.87%, the lowest since the first half of February 2021 (Graph 2). In contrast, non-core inflation accelerated after five consecutive periods of deceleration, showing an annual inflation rate of 7.17%, the highest annual inflation since the second half of August this year (Graph 2).

Within the annual inflation of the non-core component, it is noteworthy that:

- **Agricultural products:** The annual inflation rate stood at 9.66% and accelerated from 7.02% in the previous biweekly period (Graph 3), marking two consecutive biweekly increases and the highest annual inflation since the first half of August (10.95%).
- **Fruits and vegetables:** The inflation rate stood at 12.81% and also accelerated for the second consecutive fortnight (Graph 3), reaching its highest level since the first half of August (15.89%). The high inflation levels for this subcomponent remain concerning, as from April to July of this year, it experienced significant inflationary pressures, with rates above 25% annually.

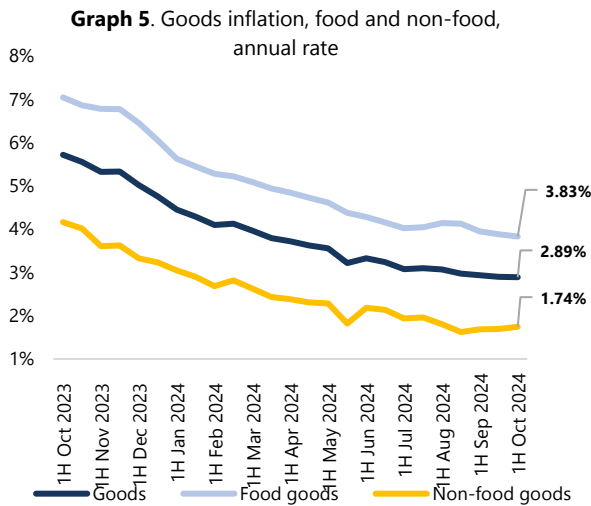


- **Livestock:** Livestock products stood at 6.26% and accelerated for the second consecutive period as well (Graph 3), marking the highest annual inflation rate since the first half of August (6.28%).
- In contrast to the above, **energy and government-authorized tariffs** (4.69%) decelerated for the second consecutive fortnight (Graph 4). As a result, this subcomponent recorded its lowest annual inflation since the second half of May this year (4.31%).
- Likewise, **energy** (5.19%) decelerated for the second consecutive fortnight (Graph 4), standing at its lowest rate since the second half of May (4.97%).
- Finally, **government-authorized tariffs** (3.95%) decelerated for the second consecutive fortnight (Graph 4), reaching the lowest rate since the second half of August (3.74%).

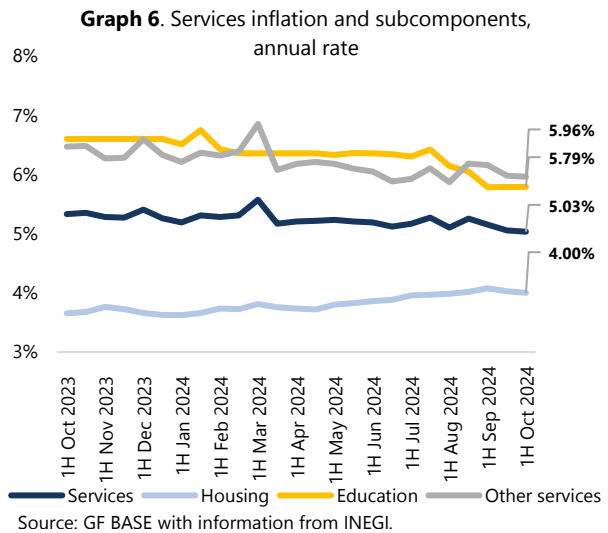


Regarding the annual inflation of the core component, it is worth noting that:

- The inflation rate for **goods** (2.89%) decelerated for the fifth consecutive fortnight, although to a lesser extent than in previous periods (Graph 5), standing at its lowest annual rate since the first half of January 2016 (2.81%).
- **Food goods** inflation stood at 3.83% and decelerated for the fourth consecutive fortnight, also at a slower pace than in previous periods (Graph 5), standing at its lowest annual rate since the second half of August 2016 (3.76%).
- **Non-food goods:** In contrast, this subcomponent stood at 1.74% and accelerated for the third consecutive fortnight (Graph 5), marking the highest rate since the first half of August (1.80%).
- **Services** inflation (5.03%) decelerated for the third consecutive fortnight (Graph 6), marking the lowest annual rate since the second half of July 2022 (5.00%).
- **Housing services** (4.00%) decelerated for the second consecutive fortnight (Graph 6), reaching their lowest rate since the first half of August this year (3.98%).
- **Education services** (5.79%) remained unchanged from the previous fortnight (Graph 6), recording the highest annual rate since the second half of August this year (6.05%).
- **Other services** (5.96%) decelerated for the third consecutive fortnight (Graph 6), marking the lowest annual rate since the first half of August this year (5.87%).



Source: GF BASE with information from INEGI.



Source: GF BASE with information from INEGI.

3. Mexico's inflation in the first half of October, biweekly variation

Mexico's headline inflation stood at 0.43% biweekly in the first half of October, accelerating from 0.24% in the same fortnight of 2022. Despite this, inflationary pressures were slightly lower historically, as the average biweekly rate for the first half of October over the previous 10 years (2014 to 2023) was 0.46% (Graph 7).

This increase was mainly driven by a 1.08% rise in the non-core component, representing the highest biweekly inflation for an equal fortnight since 2021. The upward pressures were primarily due to a 2.25% increase in energy prices, followed by a 1.94% increase in fruits and vegetables. This was not surprising, as the rise in energy prices was expected due to adjustments in electricity tariffs during this period. On the other hand, core inflation stood at 0.23%, the lowest for an equal fortnight since 2020.



Fuente: GF Base con información de INEGI.

Finally, comparing equal fortnights across different years:

- **Headline inflation** (0.43%) recorded the lowest biweekly rate since 2023 (0.24%), but before that, the lowest since 2019 (0.40%).
- **Core inflation, goods inflation, and food goods inflation** (0.23%, 0.21%, and 0.24%, respectively) stood at their lowest rates since 2020 (0.14%, 0.12%, and 0.17%, respectively).
- **Non-food goods inflation** (0.19%) recorded its lowest rate since last year (0.13%), but before that, the lowest since 2020 (0.08%).

- **Services inflation** (0.25%) and **other services inflation** (0.39%) recorded their lowest biweekly rates since 2020 (0.17% and 0.32%, respectively).
- **Housing services inflation** recorded the lowest biweekly rate since 2022 (0.08%).
- **Non-core inflation** (1.08%) recorded its highest rate since the first half of October 2021 (1.18%).
- **Agricultural products inflation** (0.70%) and **fruits and vegetables inflation** (1.94%) recorded their highest rates since 2020 (0.90% and 2.77%, respectively). Meanwhile, the negative inflation rate for **livestock products** was the largest decline since last year (-1.23%), and before that, since 2020 (-0.71%).
- Lastly, **energy and government-authorized tariffs** (1.39%) recorded the highest biweekly rate since 2022 (1.30%). Within this subcomponent, **energy** (2.25%) also recorded the highest biweekly inflation since 2022 (1.83%), while **government-authorized tariffs** (0.11%) showed the largest biweekly decline on record for an equal fortnight.

4. Generics of Mexico's inflation, biweekly variation

Within non-core inflation, the generics with the greatest price increases and decreases (biweekly) in the first half of October were (Table 2):

- Fruits and vegetables:
 - Greatest increase: 1) Nopales (+18.90%), 2) green beans (+16.49%), and 3) chayote (+16.38%).
 - Greatest decrease: 1) Lemon (-15.02%, which had shown strong upward pressures in previous fortnights), 2) orange (-8.49%), and 3) bananas (-6.63%).
- Livestock:
 - Greatest increase: 1) Beef offal (+0.76%), 2) shrimp (+0.42%), and 3) beef (+0.37%).
 - Greatest decrease: 1) Pork (-0.73%), 2) pork lard (-0.69%), and 3) chicken (-0.66%).
- Energy:
 - Greatest increase: 1) Electricity (+18.07%) and 2) regular gasoline (+0.06%).
 - Greatest decrease: 1) LP domestic gas (-1.86%) and 2) premium gasoline (-0.08%).
- Government-authorized tariffs:
 - Greatest increase: 1) Car permits (+0.35%), 2) water supply fees (+0.12%), and 3) parking lots (+0.09%).
 - Greatest decrease: 1) Highway tolls (-1.20%) and 2) taxi fares (-0.65%).

Finally, within core inflation, the generics¹ with the greatest increases and decreases (biweekly) in the first half of October were (Table 3):

- Goods:
 - Greatest increase: 1) Pet food (+0.81%), 2) towels, curtains, and other linens (+0.71%), and 3) plants and flowers (+0.64%).
 - Greatest decrease: 1) Audio and video players (-1.41%), 2) consoles, discs, and video game downloads (-0.75%), and 3) fashion accessories (-0.07%).
- Services:
 - Greatest increase: 1) Air transportation (+10.29%), 2) professional services (+5.69%), and 3) package tour services (+5.12%).

¹ Due to the lack of detailed data on generic goods for the first half of October from INEGI, it was only possible to accurately identify 10 generic goods out of a total of 189 generic goods.

- Greatest decrease: 1) Hotels (-1.37%), 2) pay-TV service (-0.13%), and 3) long-distance buses (-0.08%).

Table 2. Generics with the highest and lowest biweekly variation, non-core component.

1H of October, 2024	Fruits and vegetables	Biweekly (%)	Livestock	Biweekly (%)	Energy	Biweekly (%)	Government authorized tariffs	Biweekly (%)
10 generics with the highest increase	Nopales	18.90%	Beef offal	0.76%	Electricity	18.07%	Car permits	0.35%
	Green beans	16.49%	Shrimp	0.42%	Regular gasoline	0.06%	Water supply fees	0.12%
	Chayote	16.38%	Beef	0.37%			Parking lots	0.09%
	Zucchini	15.56%	Fish	0.25%			Subway or electric transportation	0.06%
	Papaya	15.51%					Shared taxis	0.04%
	Green tomato	14.80%						
	Watermelon	6.55%						
	Grapes	6.16%						
	Serrano chili	5.10%						
10 generics with the biggest decrease	Peach	4.93%						
	Lemon	-15.02%	Pork	-0.73%	LP domestic gas	-1.86%	Highway tolls	-1.20%
	Orange	-8.49%	Pork lard	-0.69%	Premium gasoline	-0.08%	Taxi	-0.65%
	Bananas	-6.63%	Chicken	-0.66%				
	Avocado	-4.42%	Eggs	-0.23%				
	Pineapple	-2.62%						
	Guava	-1.78%						
	Lettuce and cabbage	-1.38%						
	Melon	-1.15%						
	Potatoes and other tubers	-0.73%						
Dried chili	-0.31%							

Source: Grupo Financiero BASE with information from INEGI.

Table 3. Generics with the highest and lowest biweekly variation, core component.

1H of October, 2024	Goods	Biweekly (%)	Services	Biweekly (%)
10 generics with the highest increase	Pet food	0.81%	Air transportation	10.29%
	Towels, curtains, and other linens	0.71%	Professional services	5.69%
	Plants and flowers	0.64%	Package tour services	5.12%
	Sandals and huaraches	0.29%	Cinema	0.91%
	Energy drinks	0.15%	Beauty salons and massage services	0.62%
	Musical instruments, and audio and video downloads	0.03%	Laundry services	0.61%
			Maintenance, repair, and security services for housing	0.50%
			Childbirth hospitalization	0.49%
			Car insurance	0.45%
10 generics with the biggest decrease			Diners, snack bars, and taco stands	0.33%
	Audio and video players and their accessories	-1.41%	Hotels	-1.37%
	Consoles, discs, and video game downloads	-0.75%	Pay television service	-0.13%
	Fashion accessories	-0.07%	Long-distance bus	-0.11%
	Quilts and blankets	-0.05%	Car maintenance	-0.08%
			Party packages	-0.04%
			Internet, phone, and pay TV packages	-0.03%
			Clinical tests	-0.01%

Note*: Due to the lack of detailed data on generic goods for the first half of October from INEGI, it was only possible to accurately identify 10 generic goods out of a total of 189 generic goods.

Source: Grupo Financiero BASE with information from INEGI.

5. Conclusion

In the first half of October, headline inflation in Mexico rose slightly, standing at 4.69% annually after five consecutive fortnights of deceleration. This increase was mainly due to rising prices in fruits and vegetables, and energy. However, the core component, which better reflects long-term trends as it excludes volatile products, continued to decline, standing at 3.87% annually, its lowest level since February 2021.

The increase in fruit and vegetable prices, which recorded an annual inflation rate of 12.81%, is concerning because it is not only driven by temporary factors but also by structural factors such as public insecurity and the Huanglongbing (yellow dragon disease) that affects citrus crops, which push fruit and vegetable inflation upward. In contrast, the rise in energy prices, while “negative,” had a lesser impact on inflation expectations as adjustments to electricity tariffs were already anticipated.

In conclusion, while these subcomponents remain a concern, the general trend of inflation, particularly core inflation, suggests that Mexico’s inflation outlook is gradually improving. As a result, México's Central Bank is expected to continue its monetary easing policy. As mentioned previously, Grupo Financiero BASE maintains its year-end inflation forecast at 4.4% and expects Banxico to make two more interest rate cuts of 25 basis points each before the end of the year, bringing the interest rate to 10% by the end of 2024.

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