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# Latam Daily: August Inflation Data in Mexico Stronger than Expected

- Mexico: Inflation edged up more than expected in the first half of August

## MEXICO: INFLATION EDGED UP MORE THAN EXPECTED IN THE FIRST HALF OF AUGUST

According to [INEGI](#), in the first fortnight of August, inflation exceeded expectations, accelerating from 8.14% to 8.62% y/y (8.55% consensus) (chart 1). Core inflation also exceeded consensus, edging up from 7.75% to 7.97% (chart 2), owing to a 10.43% increase in merchandise and 5.16% in services. On the other hand, non-core inflation rose from 9.34% to 10.59% (chart 3), with the energy item accelerating from 4.60% to 8.51%, although food moderated, from 15.34% to 14.50%. In its biweekly sequential comparison, headline inflation increased from 0.23% to 0.42% 2w/2w, above the 0.33% expected by analysts. The core component also accelerated, from 0.30% to 0.49% (versus 0.35% of the consensus), with merchandise accelerating to 0.83%, and services maintaining an increase of 0.22%. The non-core component also accelerated to 0.22%, with food rebounding 0.45%, and no change in energy prices (0.00%). Data for the first half of August, which were stronger than expected, may lead to a further deterioration in inflation expectations for the end of the year. In this sense, in the Citibanamex Survey, the inflation consensus for the end of 2022 was revised up again, this time to 7.96% y/y from 7.74% previously, while the core inflation forecast also rose, to 7.48% y/y from 7.27% previously.

In terms of monetary policy, for now we maintain our outlook for a 50 bps rate increase at the next meeting on September 29, albeit with significant upside risks, subject to the release of inflation data for August and the first half of September, as well as the Fed's decision to be announced on September 21<sup>st</sup>. The consensus forecasts a year-end rate of 9.50%; however, our outlook is for a year-end rate of 10.00%.

—Miguel Saldaña

Chart 1

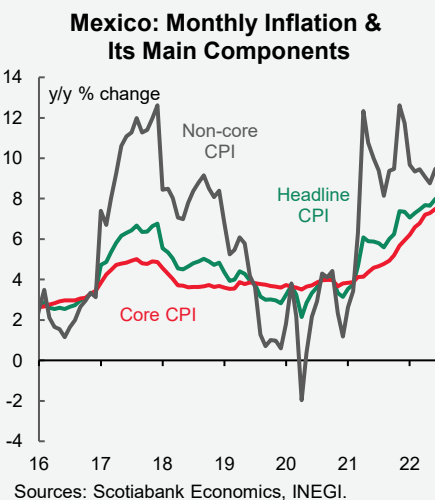


Chart 2

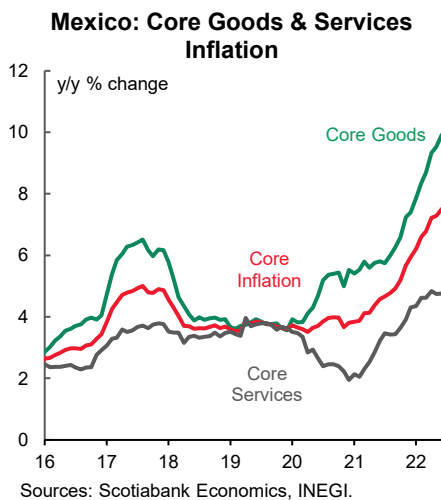
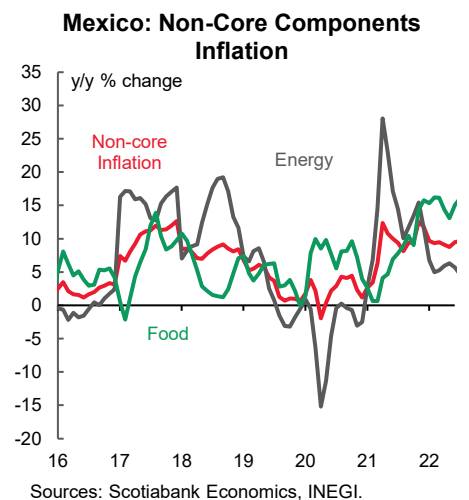


Chart 3



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