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Mexico—Bi-Weekly Inflation Slightly Beats Expectations

- A minor inflation beat and a slight increase in inflation expectations leave our 75bps Banxico hike forecast unchanged.

Headline inflation in Mexico exceeded economists' expectations again in data for the first fortnight of September published by [INEGI](#) this morning (chart 1), edging lower from 8.77% to 8.76% y/y (8.71% expected).

On the other hand, core inflation came in only marginally above consensus (charts 2 and 3), accelerating from 8.13% to 8.27% and against 8.26% y/y expected, on the back of increases of 10.75% and 5.43% in merchandises and services, respectively. Non-core inflation decelerated somewhat, from 10.70% to 10.22% y/y with the energy prices reading slowing from 7.77% to 6.64% y/y and food from 15.30% to 15.23%.

On a bi-weekly basis, headline inflation accelerated from 0.32% 2w/2w to 0.41%, above the 0.38% expected by analysts. The core component also rose, from 0.32% to 0.44% (vs. 0.42% of consensus), with merchandise inflation accelerating to 0.50%, while services prices showed an increase of 0.36%. Inflation in the non-core CPI basket moderated to 0.32% from 0.34% 2w/2w, owing to a slower pace in food prices growth from 1.25% to 0.86%, and a smaller decrease in energy of -0.25% (-0.75% in the previous release).

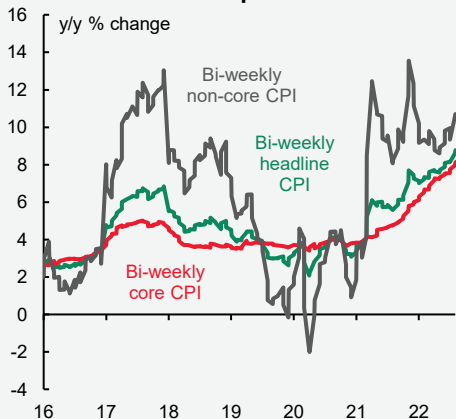
Yesterday, the country's consumer protection agency Profeco indicated that in the coming days president López Obrador will release an update to the anti-inflation plan—which has contributed to more muted energy prices increases, with almost no impact on the price of other goods.

Nevertheless, inflation expectations remain elevated. End-2022 inflation forecasts averaged 8.36% y/y (from 8.24% previously) in the Citibanamex survey results published yesterday, though they remained virtually unchanged for end-2023 at 4.74% (from 4.71%).

We maintain our outlook for a 75bps hike at Banxico's meeting next Thursday, in line with most analysts.

Chart 1

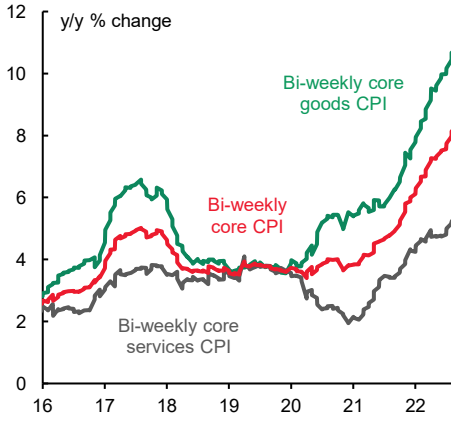
Mexico: Bi-Weekly Inflation & Its Main Components



Sources: Scotiabank Economics, INEGI.

Chart 2

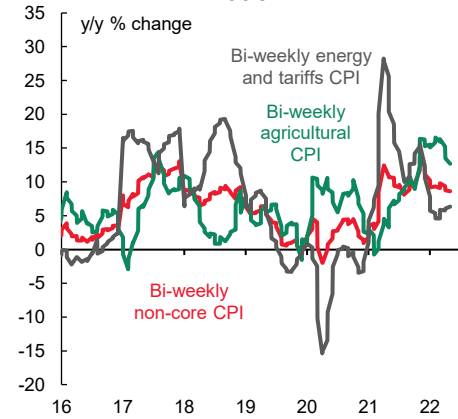
Mexico: Bi-Weekly Core Goods & Services Inflation



Sources: Scotiabank Economics, INEGI.

Chart 3

Mexico: Bi-Weekly Non-Core Inflation



Sources: Scotiabank Economics, INEGI.

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