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Latam Daily: Mexico's Inflation Continues to Rise

- Mexico: Inflation in first half of June accelerates

MEXICO: INFLATION IN FIRST HALF OF JUNE ACCELERATES

According to data released by the [INEGI](#) statistical agency on June 23, headline annual inflation in the first half of June outpaced consensus, accelerating from 7.72% y/y to 7.88% (chart 1), compared to the 7.73% rate expected. Core inflation also rose, from 7.32% y/y to 7.47%, driven by merchandise goods prices, which increased 9.85% up from 9.62%, and in services prices that accelerated from 4.72% y/y to 4.77% (chart 2). Non-core inflation likewise advanced, from 8.92% y/y to 9.13%, with significant increases in agricultural goods prices, which rose from 13.49% y/y to 14.31%, and energy prices that accelerated from 5.15% y/y to 5.42% (chart 3).

In its biweekly sequential comparison, headline inflation jumped from 0.30% 2w/2w to 0.49% 2w/2w, well above the consensus 0.35%. Core inflation rose from 0.29% 2w/2w to 0.50%, above the expected rate of 0.35%, with increases of 0.64% in merchandise goods prices and 0.33% in services prices. It is worth highlighting that, since 2000, biweekly core inflation has only rise above that level on nine occasions. In this sense, Banxico's Board emphasized that the main upside risk from inflation comes from the persistence of core components at elevated levels. Non-core inflation edged up from 0.34% 2w/2w to 0.49%, with an increase of 0.85% in food and 0.18% in energy.

In terms of monetary policy implications, as Banxico's [statement](#) stressed: "For the next policy decisions, the Board intends to continue raising the reference rate and will evaluate taking the same forceful measures if conditions so require." Accordingly, as [previously noted](#), we now expect a rate of 10.0% by the end of 2022.

—Miguel Saldaña

Chart 1

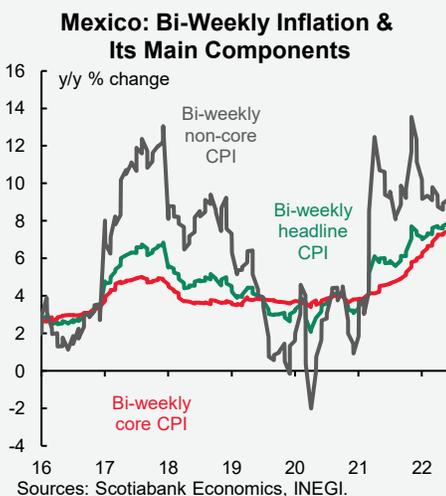


Chart 2

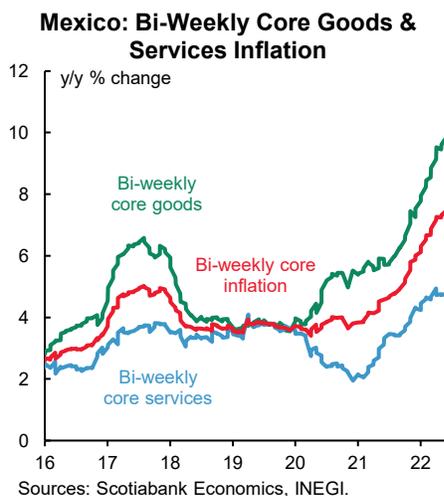
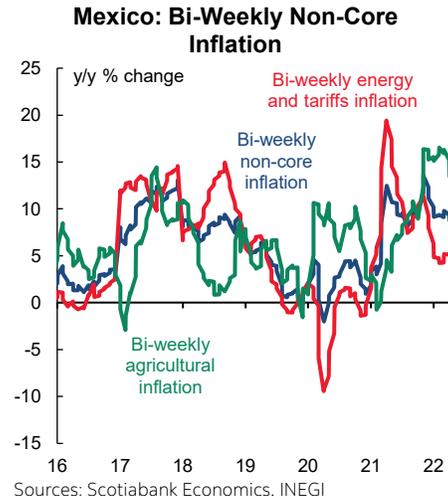


Chart 3



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