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## Latam Daily: Mexico's Inflation Rises Again

- Mexico: Inflation in first half of July highest in the last 21 years (again!)

### MEXICO: INFLATION IN FIRST HALF OF JULY HIGHEST IN THE LAST 21 YEARS (AGAIN!)

**Inflation for the first half of July stood at 8.16% y/y, up from 8.09% previously and above consensus (8.12%) (chart 1).** Core inflation accelerated to 7.56% y/y from 7.52% previously and in line with the 7.55% consensus (chart 2). By components, merchandise increased marginally, 9.99% (9.98% previously) and services 4.81% (4.74% previously). Non-core inflation was 9.96% y/y (9.81% previously), driven by increases in agricultural produce (16.76% compared to 15.72%) and government-authorized tariffs (4.86%, up from 4.74%) that were not offset by the drop in the rate of energy price increases, which rose 4.78% down from 5.29% (chart 3). In bi-weekly terms, headline inflation was 0.43% 2w/2w (0.39% previously and consensus), while core was 0.34% 2w/2w, in line with consensus (0.33%) and accelerating from 0.26%, mainly owing to increases in non-food merchandises (0.25% compared to 0.07%) and services (0.30% up from 0.18%).

**We continue to see widespread price increases, despite the programs implemented by the government, probably a sign that we have not yet seen the peak of inflation, which increases the pressure for Banxico.** In this regard, results from Banamex's Survey of Economists showed another increase in the median year-end inflation, to 7.68% from 7.60%, while the expectation for 2023 remained in 4.50%.

**In terms of monetary policy, we maintain our expectation of a 75 bps increase in the upcoming August decision, along with the rest of the economists in the survey, and expect Banxico to continue to raise the policy rate to 10.00% by the end of the year, above the 9.50% consensus for 2022.**

—Luisa Valle

Chart 1

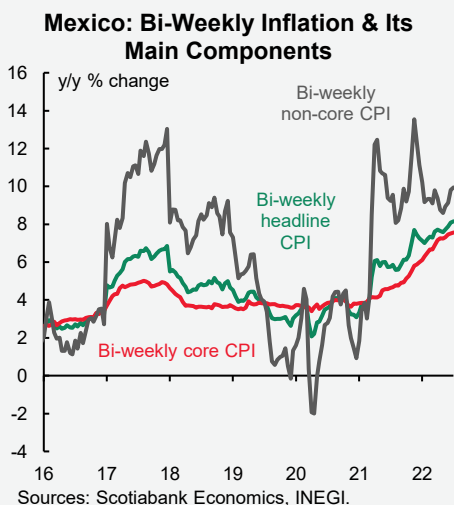


Chart 2

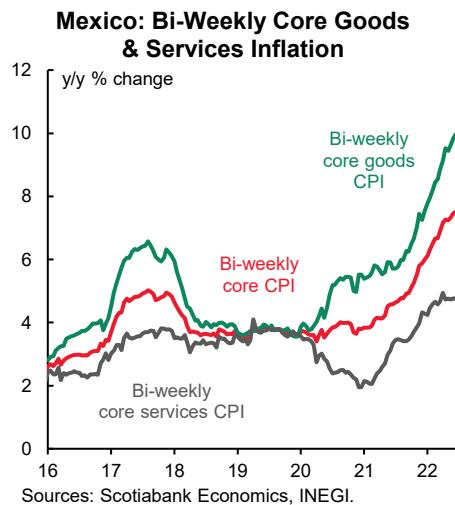
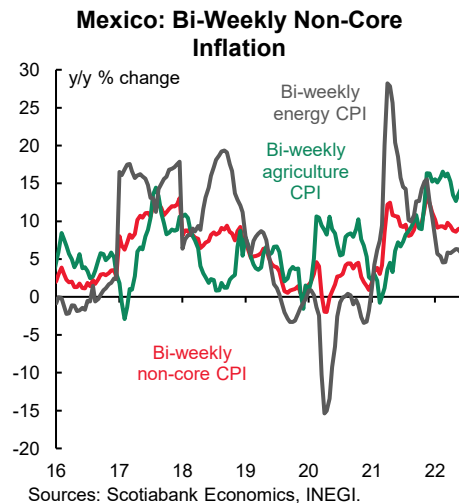


Chart 3



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