
2nd Fortnight January 2020 Inflation Forecast: January's inflation reversal.

- **Based on our price monitor, we expect headline inflation for the 2nd Fortnight of January 2020 at 0.17%, with core and non-core inflations at 0.19% and 0.12%, respectively (see Figure 1 and Table 1).**
- Accordingly, incidences of the core and non-core components in our headline inflation forecast are 0.14 and 0.03 percentage points (pp), respectively (see Figure 2 and Table 1):¹
 - a. Within the core component, Food, beverages and tobacco prices contribute 0.06 pp to our headline estimate.**
 - b. Within the non-core component, an increase in Fruit and vegetables and Government approved fares prices contribute 0.03 pp each.**
- As a result, our 12-month headline inflation forecast implies an increase from 3.18% in the 1st fortnight of January to 3.36% in the 2nd one. Within, 12-month core inflation marginally increases from 3.73% to 3.75%, while non-core inflation goes significantly up from 1.60% to 2.18%.
- **Should our estimates materialize, together with 1F January prints, they would entail Jan20 headline annual inflation at 3.27%, way above the 2.83% observed in Dec19, with core annual inflation increasing from 3.59% to 3.74% (see Figure 3).**

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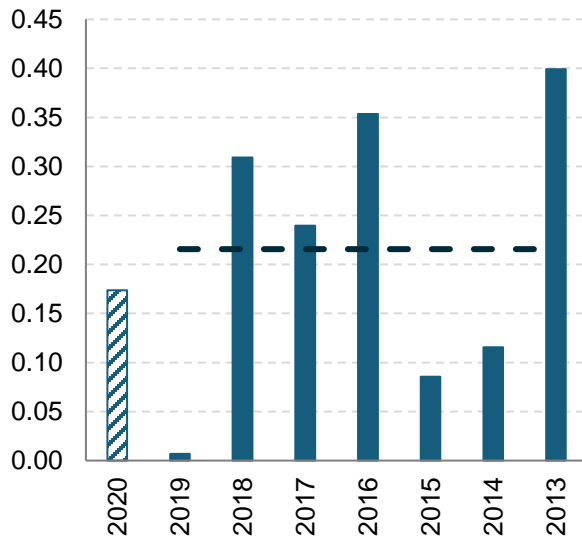
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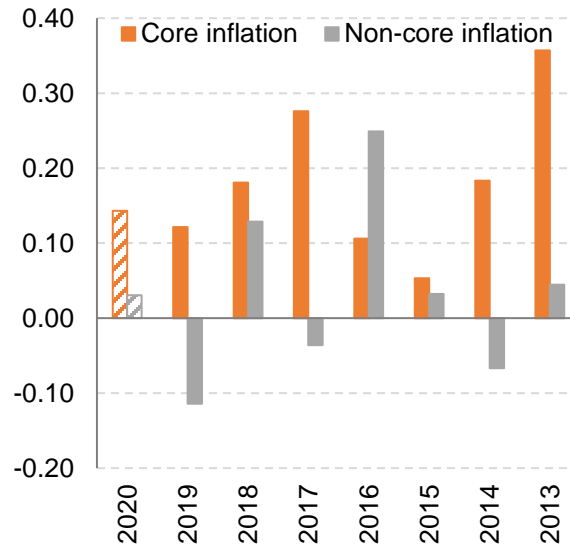
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Figure 1. 2F January's inflation (%)



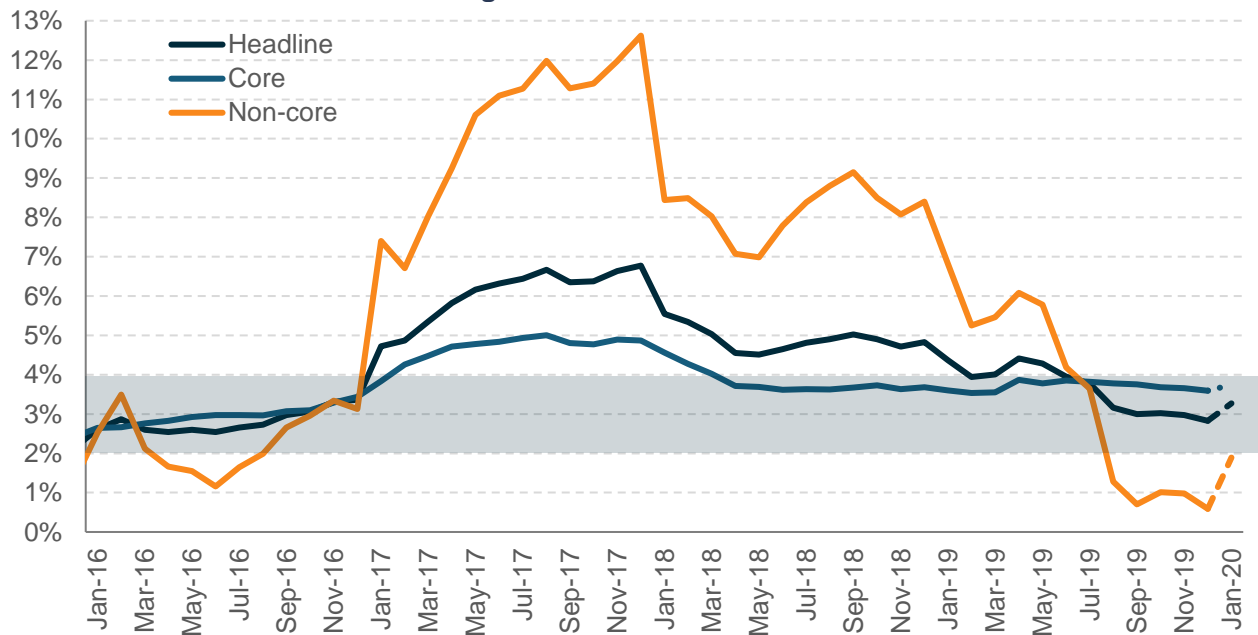
Source: Finamex Economic Research with data from INEGI.

Figure 2. Inflation incidences (pp)



Source: Finamex Economic Research with data from INEGI.

Figure 3. Annual Inflation



Source: Finamex Economic Research with data from INEGI.

Table 1. 2F January's inflation: Forecast and past prints

CPI	Bi-weekly variation (%)				Bi-weekly contribution (%)		
	Forecast Finamex	Observed			Forecast Finamex	Observed 2F Jan 2020	Difference
		2F Jan 2020	2F Jan 2019	2F Jan 2018			
Headline CPI	0.17	0.01	0.31	0.17			
Core	0.19	0.16	0.24	0.14			
Merchandise	0.17	0.10	0.14	0.06			
Food, beverages and tobacco	0.30	0.18	0.38	0.06			
Non-food merchandise	0.02	0.02	-0.06	0.00			
Services	0.22	0.23	0.33	0.08			
Housing	0.15	0.14	0.16	0.02			
Education (tuitions)	0.45	0.45	0.51	0.02			
Other services	0.23	0.26	0.46	0.04			
Non-core	0.12	-0.45	0.49	0.03			
Agriculture	0.18	-1.23	-0.37	0.02			
Fruit and vegetables	0.53	-2.26	-2.00	0.03			
Livestock	-0.13	-0.25	0.72	-0.01			
Energy and government approved fares	0.08	0.13	1.01	0.01			
Energy	-0.14	-0.10	1.18	-0.01			
Government approved fares	0.60	0.69	0.66	0.03			

*The sum of the components among a subindexes may have differences due to rounding.

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