
1st Fortnight January 2020 Inflation Forecast: The January uphill is here.

- **Based on our price monitor, we expect headline inflation for the 1st Fortnight of January 2020 at 0.22%, with core and non-core inflations at 0.19% and 0.28%, 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 0.07 percentage points (pp), respectively (see Figure 2 and Table 1):¹
 - a. Within the core component, Merchandise prices contribute 0.13 pp to our headline estimate.**
 - b. Within the non-core component, Energy and government approved fares prices contributes 0.05 pp.**
- As a result, our 12-month headline inflation forecast is 3.13%, which entails a significant increase from 2FDec's print (at 3.02%). 12-month core and non-core inflation estimates are 3.71% and 1.43%, respectively (up from observed numbers of 3.60% and 1.33%).

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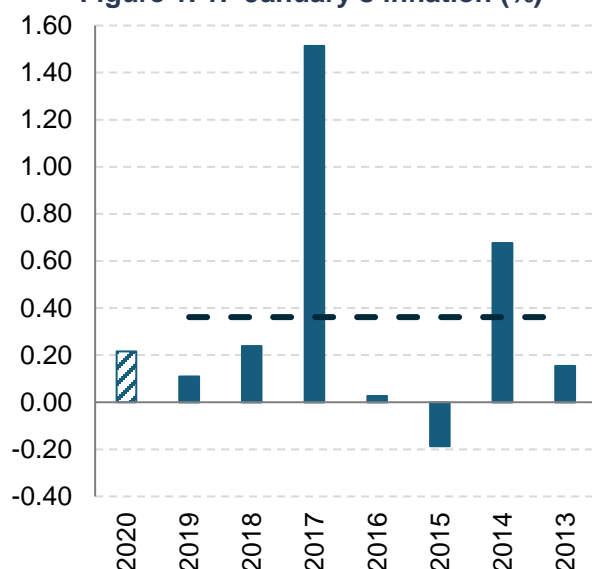
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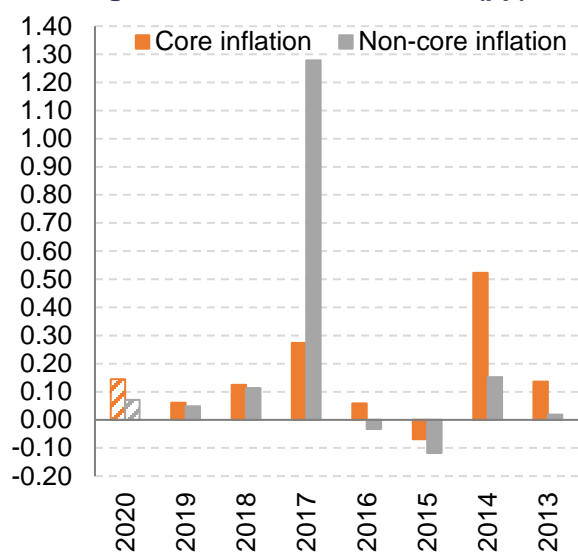
¹ The sum of incidences can differ from the headline number due to rounding effects.

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



Source: Finamex Economic Research with data from INEGI.

Figure 2. Inflation incidences (pp)



Source: Finamex Economic Research with data from INEGI.

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

CPI	Bi-weekly variation (%)				Bi-weekly contribution (%)		
	Forecast Finamex	Observed			Forecast Finamex	Observed 1F Jan 2020	Difference
		1F Jan 2020	1F Jan 2019	1F Jan 2018			
Headline CPI	0.22	0.11	0.24	0.22			
Core	0.19	0.08	0.17	0.14			
Merchandise	0.35	0.22	0.42	0.13			
Food, beverages and tobacco	0.36	0.32	0.56	0.07			
Non-food merchandise	0.33	0.11	0.29	0.06			
Services	0.03	-0.06	-0.05	0.01			
Housing	0.12	0.13	0.14	0.02			
Education (tuitions)	0.25	0.21	0.19	0.01			
Other services	-0.10	-0.29	-0.31	-0.02			
Non-core	0.28	0.19	0.43	0.07			
Agriculture	0.17	1.28	-1.01	0.02			
Fruit and vegetables	0.70	2.66	-3.31	0.03			
Livestock	-0.29	0.00	0.57	-0.02			
Energy and government approved fares	0.37	-0.60	1.32	0.05			
Energy	0.16	-1.18	1.68	0.02			
Government approved fares	0.87	0.87	0.58	0.04			

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

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