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## 1st Fortnight February 2020 Inflation Forecast: Rising non-core inflation.

- **Based on our price monitor, we expect headline inflation for the 1<sup>st</sup> Fortnight of February 2020 at 0.10%, with core and non-core inflations at 0.21% and -0.24%, respectively** (see Figure 1 and Table 1).
- Accordingly, incidences of the core and non-core components in our headline inflation forecast are 0.16 and -0.06 percentage points (pp), respectively (see Figure 2 and Table 1):<sup>1</sup>
  - a. Within the core component, Food beverages and tobacco prices contribute 0.05 pp to our headline estimate.
  - b. Within the non-core component, Livestock prices contribute 0.05 pp.
- As a result, our 12-month headline inflation forecast is 3.50%, which entails a significant increase from 2F Jan's print (at 3.29%). 12-month core and non-core inflation estimates are 3.68% and 2.95%.

**Jessica Roldán Peña \***  
Chief Economist  
[jroldan@finamex.com.mx](mailto:jroldan@finamex.com.mx)  
+ 52 (55) 5209 2056

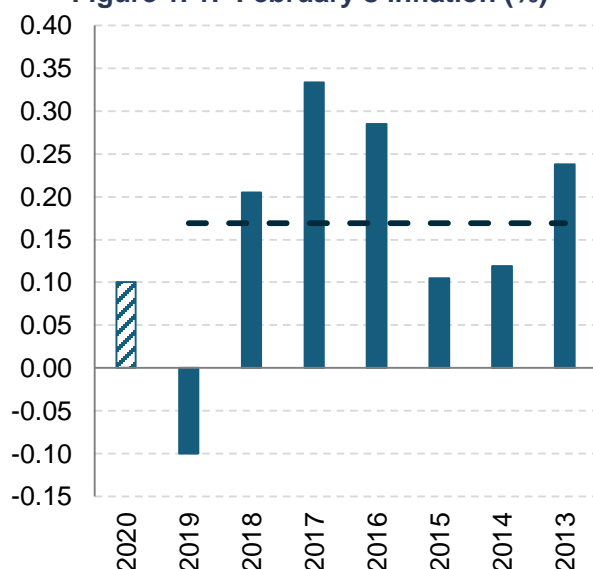
**Víctor Gómez Ayala**  
Senior Economist  
[vgomez@finamex.com.mx](mailto:vgomez@finamex.com.mx)  
+ 52 (55) 5209 2151

**Jose Arnulfo Quintero**  
Fixed Income  
[jquintero@finamex.com.mx](mailto:jquintero@finamex.com.mx)  
+ 52 (55) 5209 2141

**Montserrat Aldave**  
Economist  
[caldave@finamex.com.mx](mailto:caldave@finamex.com.mx)  
+ 52 (55) 5209 2029

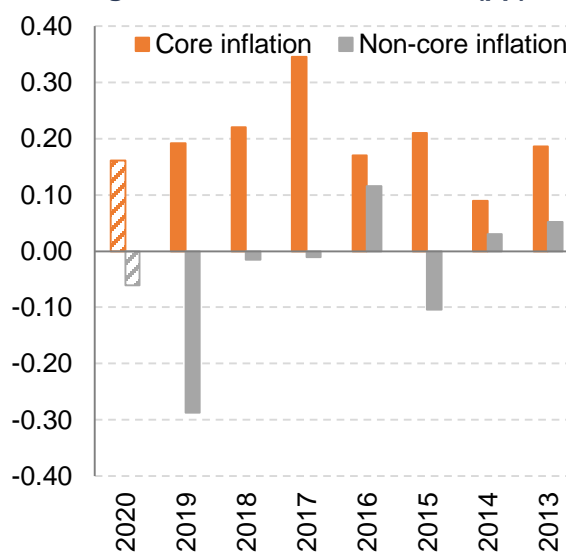
<sup>1</sup> The sum of incidences can differ from the headline number due to rounding effects.

Figure 1. 1F February'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 February's inflation: Forecast and past prints

CPI	Bi-weekly variation (%)			Bi-weekly contribution (%)		
	Forecast Finamex	Observed		Forecast Finamex	Observed 1F Feb 2020	Difference
		1F Feb 2020	1F Feb 2019			
<b>Headline CPI</b>	<b>0.10</b>	<b>-0.10</b>	<b>0.20</b>	<b>0.10</b>		
<b>Core</b>	<b>0.21</b>	<b>0.26</b>	<b>0.30</b>	<b>0.16</b>		
<b>Merchandise</b>	<b>0.25</b>	<b>0.34</b>	<b>0.38</b>	<b>0.10</b>		
Food, beverages and tobacco	0.26	0.31	0.26	0.05		
Non-food merchandise	0.23	0.37	0.48	0.04		
<b>Services</b>	<b>0.18</b>	<b>0.17</b>	<b>0.23</b>	<b>0.06</b>		
Housing	0.12	0.13	0.13	0.02		
Education (tuitions)	0.20	0.37	0.17	0.01		
Other services	0.23	0.16	0.34	0.04		
<b>Non-core</b>	<b>-0.24</b>	<b>-1.15</b>	<b>-0.06</b>	<b>-0.06</b>		
<b>Agriculture</b>	<b>-0.19</b>	<b>-2.78</b>	<b>-1.25</b>	<b>-0.02</b>		
Fruit and vegetables	-1.32	-6.18	-4.39	-0.07		
Livestock	0.81	0.38	0.77	0.05		
<b>Energy and government approved fares</b>	<b>-0.28</b>	<b>0.05</b>	<b>0.65</b>	<b>-0.04</b>		
Energy	-0.52	-0.01	0.86	-0.05		
Government approved fares	0.29	0.19	0.22	0.01		

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

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