
1st Fortnight April 2020 Inflation Forecast: Biweekly inflation to reach new historical low.

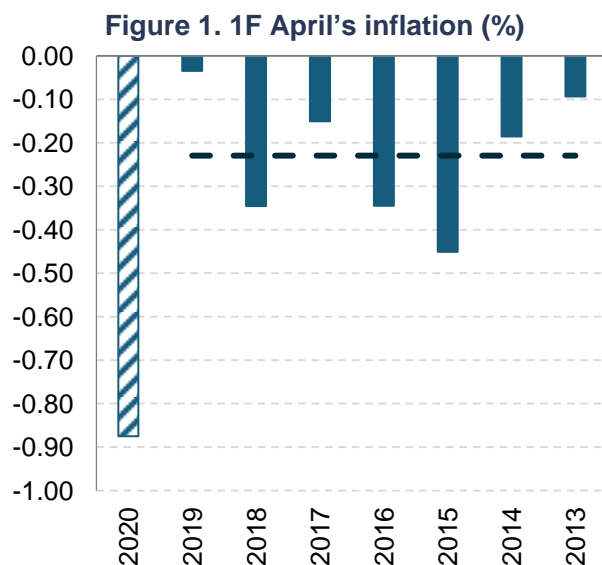
- **Based on our price monitor, we expect headline inflation for the 1st Fortnight of April 2020 at -0.87%, with underlying core and non-core inflations at 0.06% and -3.76%, respectively** (see Figure 1 and Table 1).
- Accordingly, incidences of the core and non-core components in our headline inflation forecast are 0.05 and -0.92 percentage points (pps), respectively (see Figure 2 and Table 1):¹
 - a. Within the core component, Food merchandise prices contribute 0.05 pps to our headline estimate. However, this is partially offset by an expected decrease of -0.03 pps in Other services prices.
 - b. Within the non-core component, Energy prices, subtract -0.75 pps due to the continued aggressive reduction of gasoline prices. An additional downward push of -0.17 pps is given by Agriculture prices.
- **Should our forecast materialize, headline and non-core inflations would be reaching new historical low levels for the second time in a row.**
- As a result, our 12-month headline inflation forecast is 1.92%, which entails a significant decrease from 2F Mar's print (at 2.79%), and a new historical low. 12-month core and non-core inflation estimates are 3.26% and -2.13% down from 3.60% and from 0.35%, respectively.

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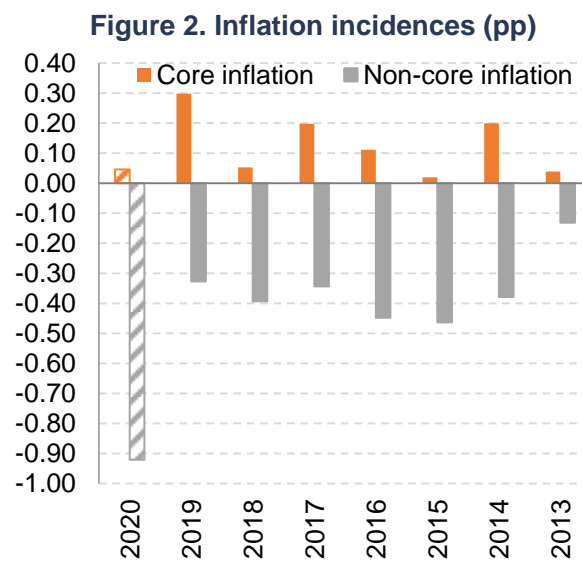
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¹ The sum of incidences can differ from the headline number due to rounding effects.



Source: Finamex Economic Research with data from INEGI.



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

CPI	Bi-weekly variation (%)				Bi-weekly contribution (%)		
	Forecast Finamex	Observed			Forecast Finamex	Observed 1F Apr 2020	Difference
		1F Apr 2020	1F Apr 2019	1F Apr 2018			
Headline CPI	-0.87	-0.03	-0.35	-0.87			
Core	0.06	0.40	0.07	0.05			
Merchandise	0.20	0.28	0.27	0.08			
Food merchandise	0.24	0.25	0.15	0.05			
Non-food merchandise	0.15	0.31	0.38	0.03			
Services	-0.09	0.52	-0.11	-0.03			
Housing	0.13	0.17	0.10	0.02			
Education (tuitions)	0.00	0.01	0.01	0.00			
Other services	-0.30	0.95	-0.36	-0.05			
Non-core	-3.76	-1.32	-1.53	-0.92			
Agriculture	-1.54	-0.19	-0.46	-0.17			
Fruit and vegetables	-4.06	-1.09	-0.93	-0.21			
Livestock	0.66	0.57	-0.17	0.04			
Energy and government approved fares	-5.53	-2.10	-2.16	-0.75			
Energy	-8.10	-2.97	-3.26	-0.75			
Government approved fares	-0.04	0.10	0.12	0.00			

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

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