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## 2nd Fortnight April 2020 Inflation Forecast: A pick up from last historically low biweekly print.

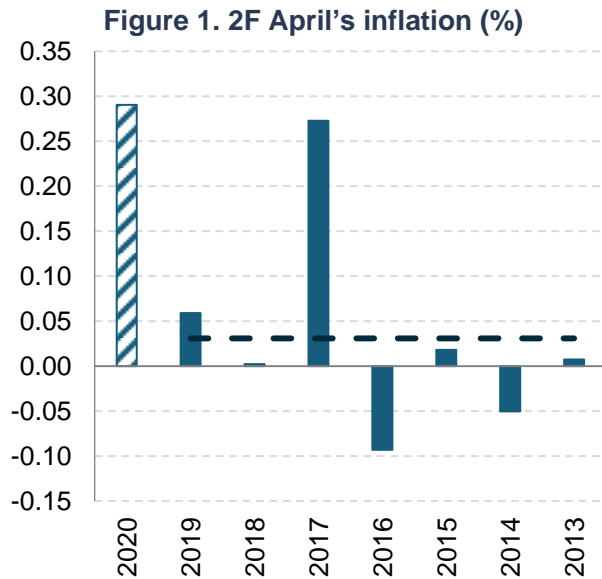
- **Based on our price monitor, we expect headline inflation for the 2<sup>nd</sup> Fortnight of April 2020 at 0.29%, with core and non-core inflations at 0.10% and 0.92%, respectively** (see Figure 1 and Table 1).
- Accordingly, incidences of the core and non-core components in our headline inflation forecast are 0.07 and 0.22 percentage points (pps), respectively (see Figure 2 and Table 1):<sup>1</sup>
  - a. Within the core component, Food merchandise prices contribute 0.05 pps to our headline estimate.
  - b. Within the non-core component, Agriculture prices contribute with 0.27 pps, with a rise in Fruits and Vegetables prices as main driver. Importantly, although energy prices continue exerting downward pressure, their effects are much lower than in previous fortnights.
- As a result, our 12-month headline inflation forecast is 2.32%, entailing a sizable increase from 1F April's historically low print (at 2.08%). 12-month core inflation estimate is 3.53% up from 3.40%.
- **Should our estimates materialize, together with 1F April prints, they would entail Apr20 headline annual inflation at 2.20%, which compares to the 3.25% level observed in Mar20. Core annual inflation would decrease from 3.60% to 3.46%** (see Figure 3).

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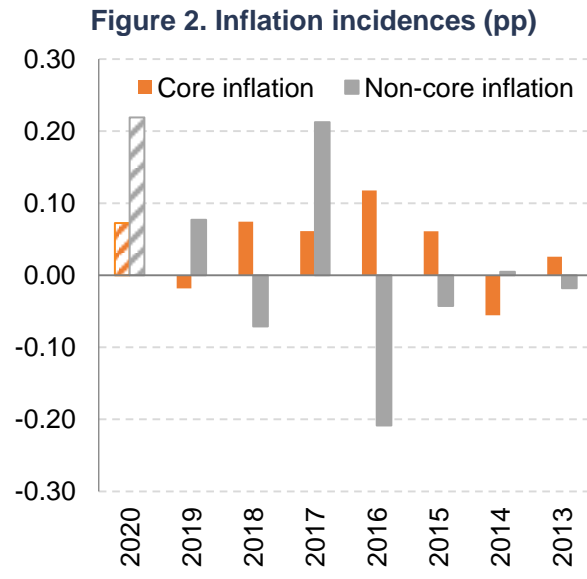
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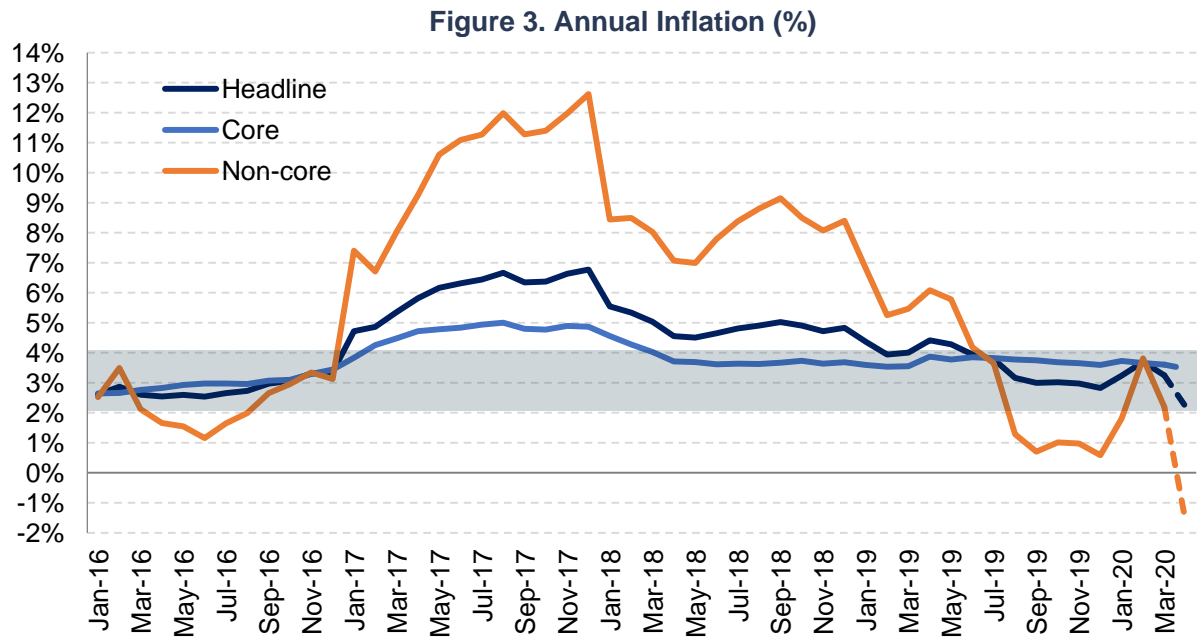
<sup>1</sup> The sum of incidences can differ from the headline number due to rounding effects.



Source: Finamex Economic Research with data from INEGI.



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

CPI	Bi-weekly variation (%)				Bi-weekly contribution (%)		
	Forecast Finamex	Observed			Forecast Finamex	Observed 2F Apr 2020	Difference
		2F Apr 2020	2F Apr 2019	2F Apr 2018			
<b>Headline CPI</b>	<b>0.29</b>	<b>0.06</b>	<b>0.00</b>	<b>0.29</b>			
<b>Core</b>	<b>0.10</b>	<b>-0.02</b>	<b>0.10</b>	<b>0.07</b>			
<b>Merchandise</b>	<b>0.17</b>	<b>0.07</b>	<b>0.07</b>	<b>0.07</b>			
Food merchandise	0.25	0.17	0.06	0.05			
Non-food merchandise	0.08	-0.04	0.09	0.01			
<b>Services</b>	<b>0.02</b>	<b>-0.13</b>	<b>0.12</b>	<b>0.01</b>			
Housing	0.12	0.12	0.11	0.02			
Education (tuitions)	0.00	0.01	0.01	0.00			
Other services	-0.07	-0.37	0.17	-0.01			
<b>Non-core</b>	<b>0.92</b>	<b>0.31</b>	<b>-0.28</b>	<b>0.22</b>			
<b>Agriculture</b>	<b>2.52</b>	<b>1.04</b>	<b>-0.66</b>	<b>0.27</b>			
Fruit and vegetables	5.51	0.52	-1.79	0.27			
Livestock	0.05	1.47	0.01	0.00			
<b>Energy and government approved fares</b>	<b>-0.44</b>	<b>-0.20</b>	<b>-0.05</b>	<b>-0.06</b>			
Energy	-0.68	-0.33	-0.15	-0.06			
Government approved fares	0.04	0.12	0.14	0.00			

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

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