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## Inflation Forecast for the 1st Fortnight of June 2020: Food prices rising

- **Based on our price monitor, we expect headline inflation for the 1<sup>st</sup> Fortnight of June 2020 at 0.19%, with underlying core and non-core inflations at 0.05% and 0.65%, respectively** (see Figure 1 and Table 1).
- Accordingly, incidences of the core and non-core components in our headline inflation forecast are 0.04 and 0.16 percentage points (pps), respectively (see Figure 2 and Table 1):<sup>1</sup>
  - a. On the core component's side, Food merchandise prices continue its upward trend, contributing 0.05 pps to the headline estimate. However, this is partially offset by Non-food merchandise, which subtracts -0.03 pps, as services prices remain contained.
  - b. On the non-core component's side, the continued increase in Energy prices contribute 0.11 pps, mainly due to Gasoline prices that keep rising, although, according to our price monitor, at a much lower rate. Fruits and Vegetables also contribute 0.07 pps.
- As a result, our 12-month headline inflation forecast goes up, from 2.85% in 2F May, to 3.04%, with the 12-month core inflation estimate decreasing from 3.52% to 3.40% and its non-core counterpart increasing from 0.76% to 1.90%.

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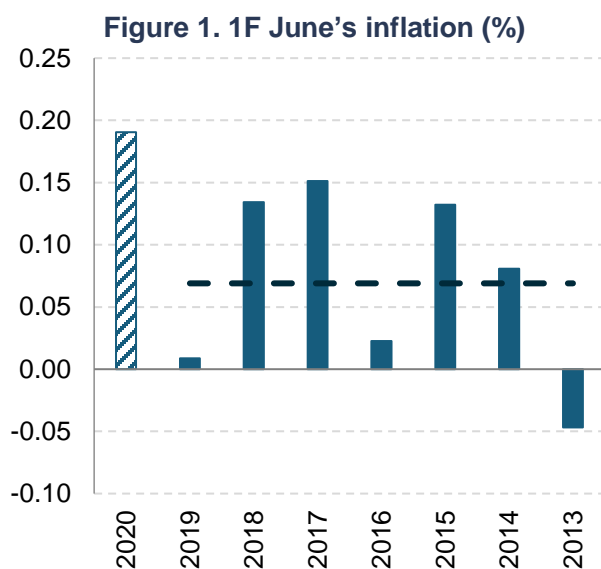
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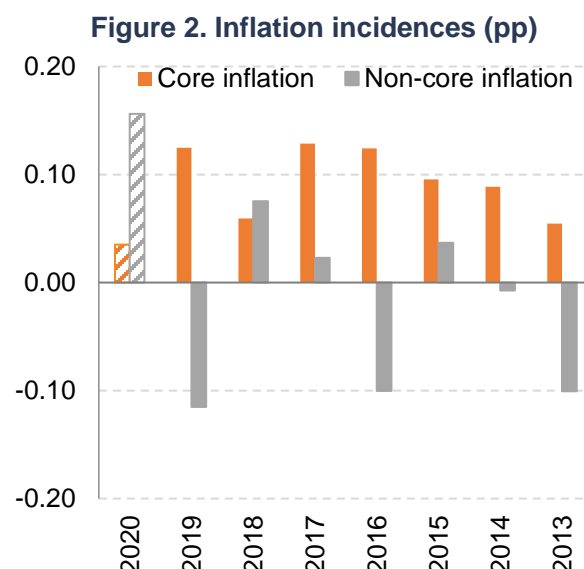
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<sup>1</sup> The sum of incidences can differ from the headline number due to rounding effects.



Source: Finamex Economic Research with data from INEGI.



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

CPI	Bi-weekly variation (%)				Bi-weekly contribution (%)		
	Forecast Finamex	Observed			Forecast Finamex	Observed 1F Jun 2020	Difference
		1F Jun 2020	1F Jun 2019	1F Jun 2018			
<b>Headline CPI</b>	<b>0.19</b>	<b>0.01</b>	<b>0.13</b>	<b>0.19</b>			
<b>Core</b>	<b>0.05</b>	<b>0.16</b>	<b>0.08</b>	<b>0.04</b>			
<b>Merchandise</b>	<b>0.05</b>	<b>0.10</b>	<b>0.00</b>	<b>0.02</b>			
Food merchandise	0.25	0.16	0.08	0.05			
Non-food merchandise	-0.18	0.04	-0.08	-0.03			
<b>Services</b>	<b>0.05</b>	<b>0.23</b>	<b>0.15</b>	<b>0.02</b>			
Housing	0.04	0.12	0.10	0.01			
Education (tuitions)	0.00	0.02	0.02	0.00			
Other services	0.06	0.38	0.25	0.01			
<b>Non-core</b>	<b>0.65</b>	<b>-0.47</b>	<b>0.30</b>	<b>0.16</b>			
<b>Agriculture</b>	<b>0.45</b>	<b>-0.44</b>	<b>-0.70</b>	<b>0.05</b>			
Fruit and vegetables	1.44	-1.38	-0.93	0.07			
Livestock	-0.44	0.31	-0.58	-0.03			
<b>Energy and government approved fares</b>	<b>0.82</b>	<b>-0.50</b>	<b>0.89</b>	<b>0.11</b>			
Energy	1.23	-0.76	1.32	0.11			
Government approved fares	0.00	0.09	0.02	0.00			

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

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