
Inflation Forecast for the 1st Fortnight of September 2020: Is the upward trend coming to an end?

- **Based on our price monitor, we expect headline inflation for the 1st Fortnight of September 2020 at 0.12%, with underlying core and non-core inflations at 0.14% and 0.06%, respectively** (see Figure 1 and Table 1).
- Accordingly, incidences of the core and non-core components in our headline inflation forecast are 0.10 and 0.02 percentage points (pps), respectively (see Figure 2 and Table 1):¹
 - a. On the core component's side, we expect Non-food merchandise prices to contribute 0.05 pps, as well as limited seasonal increases in Education prices, which adds 0.02 pps more to our headline estimate.
 - b. On the non-core component's side, our price monitor points to an increase in Energy prices that contributes 0.03 pps to the headline estimate. This is partially offset by decrease in Agriculture prices (with a contribution of -0.01 pps).
- Should our forecasts materialize, 12-month inflation would go down in a generalized way. Headline inflation would decrease from 4.11% in 2F Aug to 4.05% in 1F Sep. Within, 12-month core inflation would decrease from 4.01% to 3.95%, while non-core inflation would drop from 4.42% to 4.34%, during the same period.

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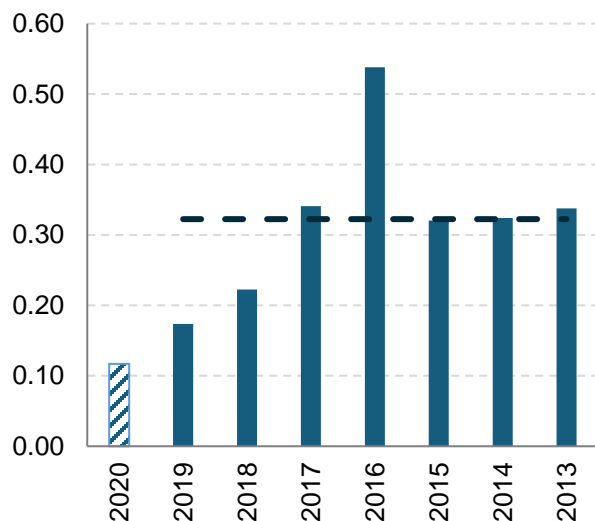
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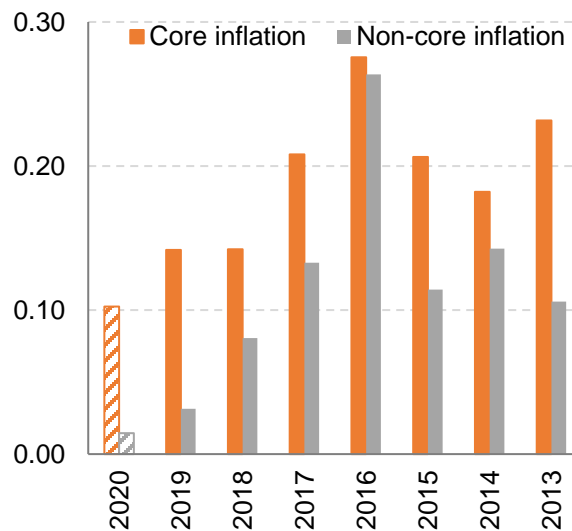
¹ The sum of incidences can differ from the headline number due to rounding effects.

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

CPI	Bi-weekly variation (%)				Bi-weekly contribution (%)		
	Forecast Finamex	Observed			Forecast Finamex	Observed 1F Sep 2020	Difference
		1F Sep 2020	1F Sep 2019	1F Sep 2018			
Headline CPI	0.12	0.17	0.22	0.12			
Core	0.14	0.19	0.19	0.10			
Merchandise	0.19	0.21	0.21	0.07			
Food merchandise	0.10	0.23	0.18	0.02			
Non-food merchandise	0.28	0.20	0.25	0.05			
Services	0.08	0.16	0.16	0.03			
Housing	0.05	0.11	0.11	0.01			
Education (tuitions)	0.52	1.91	1.96	0.02			
Other services	0.01	-0.18	-0.18	0.00			
Non-core	0.06	0.13	0.33	0.02			
Agriculture	-0.12	0.02	-0.36	-0.01			
Fruit and vegetables	-0.07	0.03	-1.28	0.00			
Livestock	-0.17	0.01	0.42	-0.01			
Energy and government approved fares	0.20	0.21	0.82	0.03			
Energy	0.29	0.28	1.17	0.03			
Government approved fares	0.02	0.06	0.00	0.00			

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

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