

## National Consumer Price Index (CPI), 1H May 2025

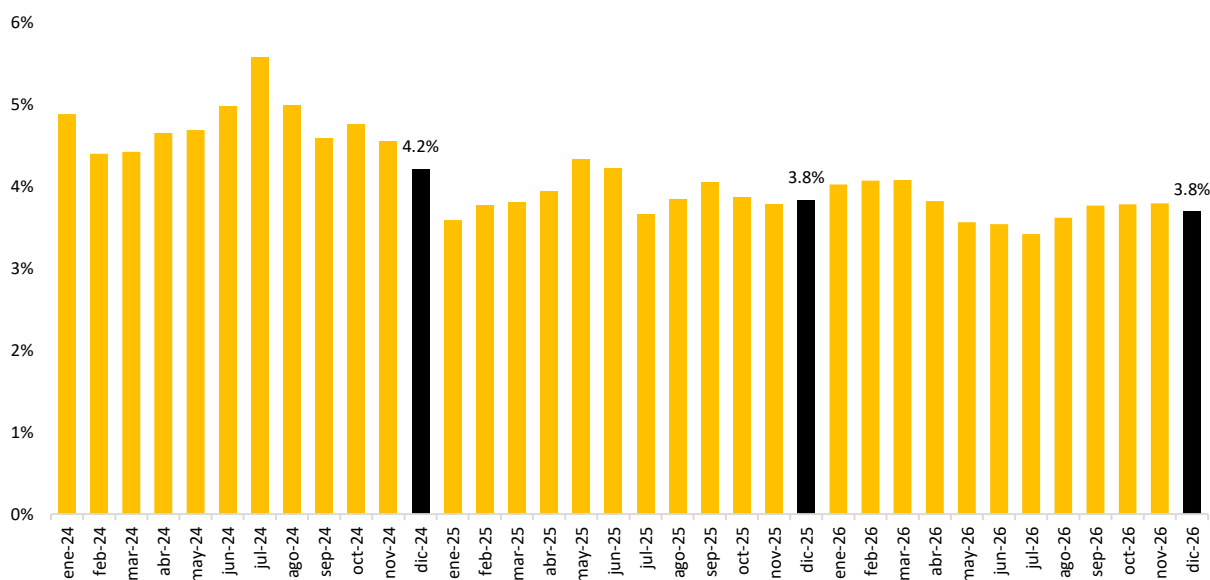
Next release of May's CPI: June 9

### Overall Results and Expectations

Consumer inflation for the first fortnight of May 2025 stood at 0.09% biweekly, decelerating from the 0.20% recorded in the second fortnight of April. The biweekly deceleration was driven by a drop in non-core inflation (-0.15%), as it usually happens in the first fortnight of May, mainly due to downward adjustments in electricity tariffs. On the other hand, core inflation registered a biweekly variation of 0.16%, showing a similar behavior to the first fortnight of May 2023 (0.18% biweekly) and 2024 (0.15% biweekly). It is noteworthy that, for a first fortnight of May, headline inflation showed its first positive variation since 2020 when it was at 0.30% biweekly.

At annual rate, headline inflation for the first fortnight of May was 4.22%, exceeding market expectations and accelerating from the 3.90% annual rate of the previous fortnight. It is important to mention that headline inflation had not been above 4.0% since the first fortnight of December 2024 (4.44%). The non-core component, which includes energy and food, products with more volatile prices, stood at 4.78% annualized, showing a significant acceleration from the recent low of the second fortnight of April (3.57%). Meanwhile, the core component stood at 3.97% annual rate, accelerating for the third consecutive fortnight and reaching its highest level since the second fortnight of August 2024. This is a cause for concern, as the core component determines the trajectory of medium- and long-term headline inflation. Given that inflation has accelerated for several consecutive fortnights, Grupo Financiero Base has revised upward its year-end inflation expectation from 3.6% to 3.8% annual. In terms of monetary policy, it would be prudent for the Bank of Mexico to pause the cycle of interest rate cuts.

Figure 1. Expectation for 2025 and 2026. YoY % rate



Source: Grupo Financiero BASE with INEGI's information.

**Table 1. Biweekly and annual CPI**

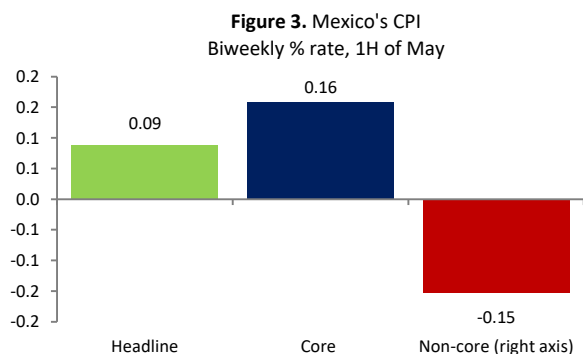
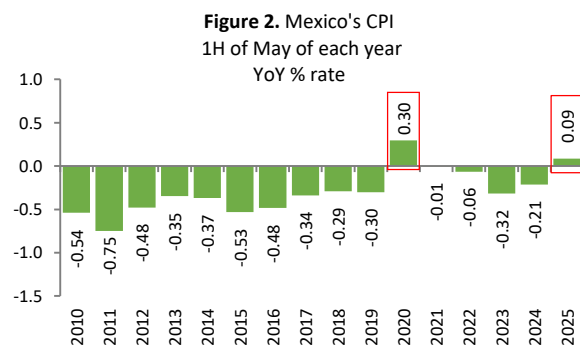
| 1st Half of May                      | Biweekly inflation | Highest CPI for an equal fortnight since | Biweekly average over the last 10 years, for an equal fortnight | Annual inflation | Consecutive months of acceleration |
|--------------------------------------|--------------------|--|---|------------------|------------------------------------|
| <b>Headline inflation</b>            | <b>0.09%</b>       | <b>2020</b>                              | <b>0.18%</b>  | <b>4.22%</b>     | <b>1</b>                           |
| <b>Core inflation</b>                | <b>0.16%</b>       | <b>2023</b>                              | <b>0.17%</b>  | <b>3.97%</b>     | <b>4</b>                           |
| <b>Goods</b>                         | <b>0.13%</b>       | <b>2023</b>                              | <b>0.19%</b>  | <b>3.51%</b>     | <b>6</b>                           |
| Food goods                           | 0.17%              | 2024                                     | 0.24%   | 4.47%            | -                                  |
| Non-food goods                       | 0.10%              | 2022                                     | 0.15%   | 2.64%            | 5                                  |
| <b>Services</b>                      | <b>0.18%</b>       | <b>2024</b>                              | <b>0.14%</b>  | <b>4.49%</b>     | <b>-</b>                           |
| Housing                              | 0.15%              | 2024                                     | 0.11%   | 3.53%            | -                                  |
| Education                            | 0.00%              | 2024                                     | 0.18%   | 5.85%            | -                                  |
| Other services                       | 0.24%              | 2023                                     | 0.16%   | 5.26%            | 1                                  |
| <b>Non-core inflation</b>            | <b>-0.15%</b>      | <b>2024</b>                              | <b>0.23%</b>  | <b>4.78%</b>     | <b>1</b>                           |
| <b>Agricultural products</b>         | <b>2.30%</b>       | <b>2020</b>                              | <b>0.27%</b>  | <b>5.79%</b>     | <b>1</b>                           |
| Fruits and vegetables                | 1.46%              | 2021                                     | 0.26%   | -1.22%           | -                                  |
| Livestock                            | 2.87%              | -  | 0.28%   | 10.25%           | 1                                  |
| <b>Energy and authorized tariffs</b> | <b>-2.10%</b>      | <b>2023</b>                              | <b>0.20%</b>  | <b>3.71%</b>     | <b>1</b>                           |
| Energy                               | -3.33%             | 2022                                     | 0.23%   | 3.18%            | 1                                  |
| Authorized tariffs                   | 0.11%              | 2023                                     | 0.17%   | 4.44%            | 4                                  |

Source: Grupo Financiero BASE with INEGI's information.

## Headline CPI

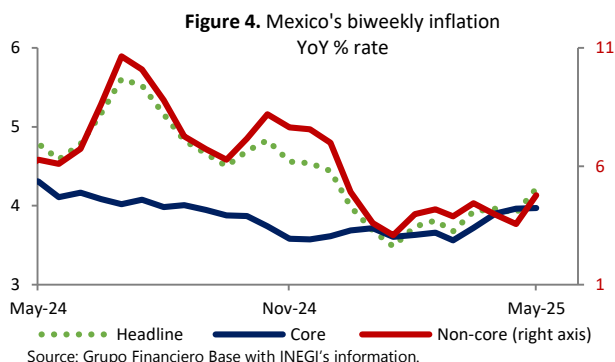
Headline inflation in the first fortnight of May was 0.09% biweekly, slowing from the 0.20% recorded in the second fortnight of April. Compared to equal periods, headline inflation registered its highest variation since May 2020 (0.30% biweekly). It is worth noting that, **in the first fortnight of May, headline inflation is usually negative**, registering positive variations only in 2020 (0.30% biweekly) and 2025 (0.09%). **Therefore, despite the fact that biweekly inflation was low, the fact that it was positive could be a focus of alert** (Figure 2).

On one hand, the **biweekly** deceleration of headline inflation (0.09%) was driven by the non-core component, which contracted 0.15% (Figure 3), after its increase in the previous fortnight (0.42%). It is important to mention that the non-core component tends to fall fortnightly in this period, due to downward adjustments in electricity tariffs. On the other hand, the **biweekly** deceleration of headline inflation was limited by the core component (Figure 3), which excludes the most volatile elements and determines the long-term trajectory of inflation. This component stood at 0.16% biweekly, slightly accelerating against the 0.13% recorded in the previous fortnight, but showing a similar behavior to the first fortnight of May 2023 (0.18% biweekly) and 2024 (0.15% biweekly).



Source: Grupo Financiero Base with INEGI's information.

At an **annual rate**, Mexico's consumer inflation stood at 4.22%, exceeding market expectations and accelerating from the 3.90% annual rate recorded in the previous fortnight. It is important to mention that headline inflation had not been above 4.0% since the first fortnight of December 2024 (4.44%). The acceleration was driven by the non-core component, whose inflation reached 4.78% annual, the highest since the second fortnight of December 2024 (4.91% annual). The non-core component stood at 3.97% annual, accelerating for the third consecutive fortnight.

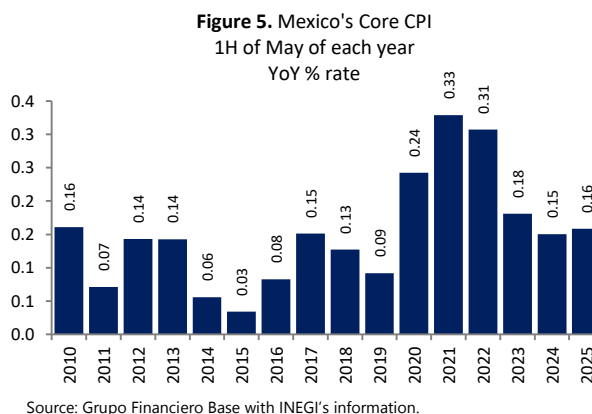


The upward trajectory of inflation should be taken with caution, as in the first fortnight of February headline inflation resumed its upward trend (Figure 4) driven by its two main components and surpassed 4% annual, the high end of the +/- 1 percentage point variability interval around the Bank of Mexico's 3% inflation target. Therefore, it would be prudent for the Bank of Mexico to pause the cycle of interest rate cuts, keeping the rate at 8.5%, at least in the short term.

## Core CPI

### Biweekly rate

Core inflation, which excludes the most volatile elements and determines the long-term inflation trajectory, stood at 0.16% on a biweekly basis, accelerating from 0.13% in the second half of April. Likewise, core inflation interrupted three equal fortnights of deceleration (Figure 5). The biweekly acceleration of core inflation is explained by services inflation, which rose from 0.01% in the previous fortnight to 0.18% in the first fortnight of May. On the other hand, merchandise inflation decelerated to 0.13% biweekly from the previous 0.25%. Within these two items, the following stood out:



- **Services inflation** (0.18% biweekly) **accelerated** significantly with respect to the 0.01% of the previous fortnight. This was mainly due to the **other services** category; whose inflation was 0.24% biweekly after falling 0.08% in the previous fortnight. This is congruent with the fact that the 10 generics with the highest inflation belong to the category of other services, highlighting movies (14.82%), followed by car repair (0.56%) and internet services (0.55%) (Table 2). At the same time, services inflation was driven by **housing services**, which showed a biweekly inflation of 0.15%, accelerating from the 0.10% recorded in the previous fortnight.

It is noteworthy that, analyzing equal periods, services inflation showed its lowest variation since 2020 (0.12% biweekly).

**Table 2.** Services with the highest increase/decrease. % Rate 1H of May, 2025

| Generics with the highest increase | Services                                | Biweekly (%) | Generics with the highest decrease | Services                  | Biweekly (%) |
|------------------------------------|---|--------------|------------------------------------|---------------------------|--------------|
|                                    | Cinema                                  | 14.82%       |                                    | Package tour services     | -2.00%       |
|                                    | Auto repair                             | 0.56%        |                                    | Hotels                    | -1.54%       |
|                                    | Internet services                       | 0.55%        |                                    | Foreign bus               | -0.64%       |
|                                    | Professional services                   | 0.49%        |                                    | Beauty and massage parlor | -0.38%       |
|                                    | Haircutting                             | 0.44%        |                                    | Laundry service           | -0.20%       |
|                                    | Car maintenance                         | 0.31%        |                                    | Air transportation        | -0.05%       |
|                                    | Medical care during childbirth          | 0.30%        |                                    |                           |              |
|                                    | Restaurants and similar                 | 0.29%        |                                    |                           |              |
|                                    | Clinical analysis                       | 0.28%        |                                    |                           |              |
|                                    | Recreational services and night centers | 0.28%        |                                    |                           |              |

Source: Grupo Financiero BASE with INEGI's information.

- Merchandise inflation (0.13% biweekly) decelerated due to 1) non-food merchandise inflation, which went from 0.29% in the previous fortnight to 0.10%, in conjunction with 2) food merchandise inflation, which decelerated from 0.21% in the previous fortnight to 0.17%, being the lowest biweekly inflation for an equal period since 2015 (-0.02% biweekly). The deceleration of both items was thanks to the fall in inflation of the following generics: bedspreads and blankets (-0.45%), consoles, discs and video game downloads (-0.44%) and sandals and huaraches (-0.38%).

**Table 3.** Goods with the highest increase/ decrease, food and non-food. % rate 1H of May, 2025

| Generics with the highest increase | Goods  | Biweekly (%) | Generics with the highest decrease | Goods                                    | Biweekly (%) |
|------------------------------------|--|--------------|------------------------------------|--|--------------|
|                                    | Plants and flowers                             | 2.72%        |                                    | Bedspreads and blankets                  | -0.45%       |
|                                    | Musical instruments, audio and video downloads | 0.46%        |                                    | Consoles, discs and video game downloads | -0.44%       |
|                                    | Energy drinks                                  | 0.39%        |                                    | Sandals and huaraches                    | -0.38%       |
|                                    | Audio and video players, and their accessories | 0.23%        |                                    | Towels, curtains and other linens        | -0.27%       |
|                                    | Pet food                                       | 0.09%        |                                    | Clothing accessories                     | -0.10%       |
|                                    | Merchandise                                    | 2.72%        |                                    |  |              |
|                                    |  |              |                                    |  |              |
|                                    |  |              |                                    |  |              |
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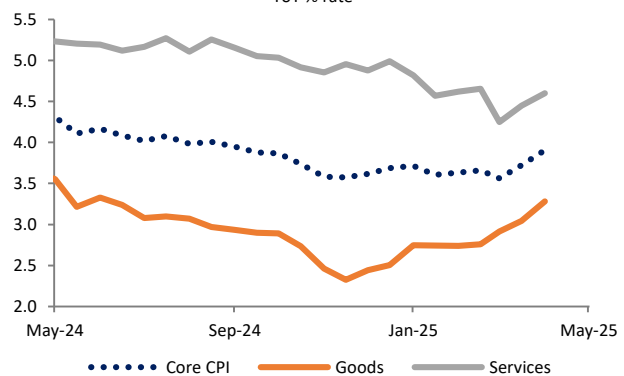
Source: Grupo Financiero BASE with INEGI's information.

## Annual Rate

**Core inflation** stood at 3.97% annual, its fourth consecutive fortnight, accelerating after reaching a recent low in the first fortnight of March (3.56%). **This result is worrisome given that it is the highest annual variation since the second fortnight of August 2024 (4.01%),** when core inflation was just beginning to stabilize after 82 fortnights in which it was above 4.0%.

This is a cause for concern, as the core component determines the medium and long-term trajectory of headline inflation, and its recent upward trend suggests that the Bank of Mexico has not yet achieved a sustained convergence of inflation to the 3% target.

**Figure 5.** Mexico's Core CPI YoY % rate



Within the core component, the annual acceleration of the goods category (3.52%) stood out, which has accelerated for six fortnights and registered its highest variation since the first fortnight of May 2024. Meanwhile, inflation stood at 4.49% annual rate, which has been decelerating for two fortnights. It is important to mention that, when analyzing the trajectory of core inflation, the services component shows a clear downward trend, while

**goods inflation is the main driving force behind this component** (Figure 5). Within core inflation, the following stands out:

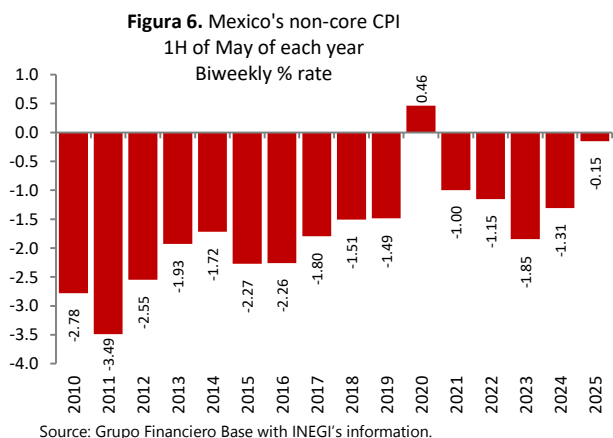
- Higher goods inflation (3.51% annual) was driven by non-food goods inflation (2.64% annual), which strings five fortnights of acceleration, showing its highest inflation since the first fortnight of March 2024 (2.62%). Although it would still be premature, **it cannot be ruled out that non-food goods inflation could enter a correction period, showing higher annual growths, congruent with its long term average 2002 to 2019 (2.83% annual).**
- **Services inflation** (4.49% annual) which, despite being inconsistent, **shows a marked downward trend** (Figure 5). In the first fortnight of May, services inflation decelerated mainly due to the **housing services** category, which stood at 3.53%, making it two fortnights down, showing **its lowest variation since the first fortnight of March 2023 (3.50%).**

## Non-core CPI

### Biweekly rate

Non-core inflation contracted 0.15% biweekly after having been at 0.42% the previous fortnight. It is worth mentioning that non-core inflation usually falls in the first fortnight of May due to downward adjustments in energy tariffs.

Nevertheless, **the contraction in this first fortnight of May was very subdued compared to equal periods in previous years** (Figure 6). Excluding 2020 (0.46%) and 2002 (0.80%) equal periods in which non-core inflation registered positive variations, the data for 2025 shows the smallest drop for an equal period since May 2000 (-0.15%).



The biweekly decline in non-core inflation (-0.15%) was due to a contraction in the energy and government-authorized tariffs category (-2.10%), which has fallen for five consecutive fortnights. Compared to the same periods, this is the smallest contraction in government-authorized tariffs since 2020 (-1.20% annual).

The decline in non-core inflation was limited by agricultural inflation (2.30% biweekly), which showed its highest inflation for the same fortnight since records have been kept.

**It is important to emphasize that the poor biweekly contraction of non-core inflation could be attributed to the acceleration of agricultural inflation, together with a less pronounced drop in energy and government-authorized tariffs.**

Within the agricultural products and government-authorized tariffs categories, the following stood out:

- The biweekly inflation of **agricultural products** (2.30%) was driven by the inflation of **livestock products** (2.87% biweekly), which showed its highest variation since the first fortnight of July 2012 (3.06%) and the highest on record for an equal period. The latter was particularly driven by the biweekly increase in the price of chicken (8.96%) (Table 4). Similarly, inflation of **fruits and vegetables** stood at 1.46% biweekly and although it

decelerated from last fortnight's 2.27%, when compared to equal periods it showed its highest variation since 2021 (1.74%). At the biweekly rate, fruit and vegetable CPI was mainly driven by the increase in the price of papaya (16.25%) and green beans (11.38%), which showed variations above 10%. However, it was attenuated by the biweekly drop in the price of lemons (-7.31%), zucchini (-3.96%) and carrots (-2.60%) (Table 4).

**Table 4.** Agriculture and livestock with the highest increase/ decrease. % rate H1 of May, 2025

|                                    | Fruits and vegetables   | Biweekly (%) | Livestock      | Biweekly (%) |
|------------------------------------|-------------------------|--------------|----------------|--------------|
| Generics with the highest increase | Papaya                  | 16.25%       | Chicken        | 8.96%        |
|                                    | Beans                   | 11.38%       | Beef           | 0.99%        |
|                                    | Guava                   | 6.65%        | Shrimp         | 0.45%        |
|                                    | Chayote                 | 5.15%        | Shrimp Lard    | 0.27%        |
|                                    | Bananas                 | 4.94%        | Beef offal     | 0.16%        |
|                                    | Tomato                  | 4.37%        |                | 0.10%        |
|                                    | Potato and other tubers | 4.17%        |                |              |
|                                    | Grape                   | 3.83%        |                |              |
|                                    | Avocado                 | 3.59%        |                |              |
|                                    | Melon                   | 2.99%        |                |              |
| Generics with the highest decrease | Lemon                   | -7.31%       | Carne de cerdo | -0.29%       |
|                                    | Zucchini                | -3.96%       | Pescado        | -0.26%       |
|                                    | Carrot                  | -2.60%       |                |              |
|                                    | Green tomato            | -2.29%       |                |              |
|                                    | Other fruits            | -2.10%       |                |              |
|                                    | Pear                    | -1.60%       |                |              |
|                                    | Peach                   | -1.48%       |                |              |
|                                    | Apple                   | -1.35%       |                |              |
|                                    | Serrano chili           | -1.30%       |                |              |
|                                    | Cucumber                | -0.73%       |                |              |

Source: Grupo Financiero BASE with INEGI's.

- The biweekly inflation of **energy and tariffs authorized by the government** (-2.10%). Its contraction was due to the downward adjustment in electricity tariffs, which fell 18.45% biweekly, as well as to the prices of high and low octane gasoline, which fell 0.32% and 0.12%, respectively, in this fortnight. The contraction in electricity prices is due to scheduled adjustments made by the Federal Electricity Commission, while gasoline prices could be associated with: 1) the strategy of the federal government, in conjunction with businessmen in the gasoline sector to sell magna gasoline at a maximum price of 23.99 pesos per liter and 2) the international price of oil, the main input to produce gasoline has trended downward (Table 5).

**Table 5.** Energy and government authorized tariffs with the highest decrease/ increase. % rate 1H of May, 2025

|                                    | Energy                    | Biweekly (%) | Government authorized tariffs     | Biweekly (%) |
|------------------------------------|---------------------------|--------------|-----------------------------------|--------------|
| Generics with the highest increase | LP domestic gas           | 0.02%        | Subway or electric transportation | 0.41%        |
|                                    |                           |              | Vehicle formalities               | 0.32%        |
|                                    |                           |              | Parking                           | 0.25%        |
|                                    |                           |              | Water supply fees                 | 0.24%        |
|                                    |                           |              | Collective                        | 0.08%        |
|                                    |                           |              | Taxi                              | 0.06%        |
|                                    |                           |              | City bus                          | 0.02%        |
| Generics with the highest decrease | Electricidad              | -18.45%      |                                   |              |
|                                    | Gasolina de alto octanaje | -0.32%       |                                   |              |
|                                    | Gasolina de bajo octanaje | -0.12%       |                                   |              |

Source: Grupo Financiero BASE with INEGI's information.

### Annual Rate

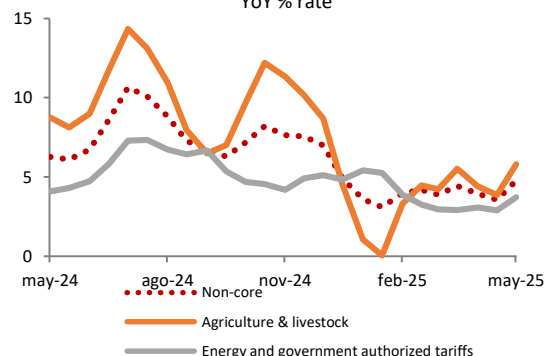
In the first fortnight of May, non-core inflation accelerated to 4.78% annualized, from 3.57% recorded the previous fortnight. With this, non-core inflation reached its highest level since the second fortnight of December 2024 (4.91%).

The annual acceleration was explained by agricultural inflation (5.79%), the highest since the first fortnight of December, together with the higher inflation of energy and tariffs authorized by the government (3.71%), the highest since the first fortnight of February 2025.

Within each category, the following stood out:

- **Agricultural inflation** (5.79% annual), which interrupted two consecutive fortnights of deceleration. When analyzing its short-term trajectory, **this item sends the signal that it began a new upward trend after having reached a minimum in the second fortnight of January** (0.05% annual rate) (Figure 7). Livestock products inflation accelerated to 10.25% annual rate, and since the first fortnight of May 2024 this item has shown an upward trend, with no consistent signs of deceleration. Meanwhile, **fruit and vegetable** inflation stood at -1.22% annual rate, its ninth consecutive fortnight of contraction. Despite this, the declines in this item are decreasing, suggesting that fruit and vegetable inflation could soon turn positive.
- Inflation of **energy and government-authorized tariffs** (3.71% annual rate) remains stable, with rates below the average of the core component (Figure 7). This suggests that it is not generating additional inflationary pressures to the non-core component or to headline inflation. In addition, international energy prices are weak compared to the previous year and the expectation of a global economic slowdown could open the door for them to remain low. This could alleviate inflationary pressures on this component.

Figure 7. Mexico's Non-core CPI  
YoY % rate



Source: Grupo Financiero Base with INEGI's information.

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