

Mexico's National Consumer Price Index (CPI), February 2025

Next release on inflation as of the first half of March: March 24

1. Expectations

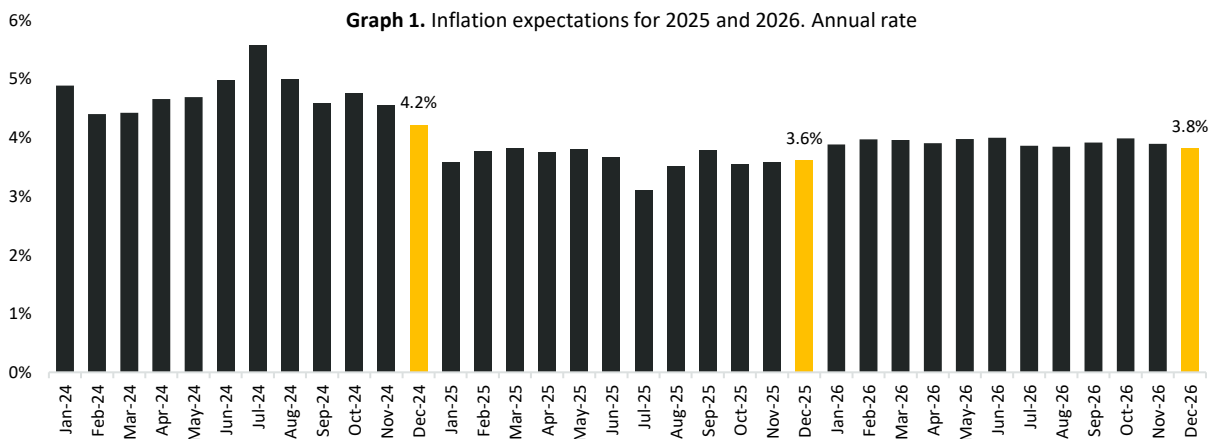
Inflation in Mexico accelerated, rising from 3.59% annually in January to 3.77% in February, marking the first acceleration after three consecutive months of deceleration. As a result, inflation reached its highest level since December 2024, primarily driven by an acceleration in the non-core component, which stood at 4.08% annually, also the highest since December 2024. In contrast, the core component showed an inflation rate of 3.65%, its lowest level since November 2024.

Looking ahead, the following upside risks to inflation in Mexico stand out:

- **Tariffs and trade tensions.** There remains a risk that President Donald Trump could impose tariffs on Mexico, potentially leading the Mexican government to retaliate with tariffs of equal magnitude. This scenario would create inflationary pressures in Mexico. Additionally, the imposition of tariffs could disrupt supply chains and cause product shortages, further driving up prices.
- **Peso depreciation.** The threat of tariffs could lead to high volatility and depreciation of the peso, initially raising the prices of imported goods. If the peso continues to weaken, the effects could spread to the broader economy.
- **Energy prices.** Although the energy component slowed at an annual rate in February, the risk of future increases remains due to potential peso depreciation and rising international prices.
- **Public insecurity,** which particularly affects the services and agricultural products subcomponents.

It is important to note that Mexico's economic weakness could help inflation decline more rapidly toward Banxico's 3% target. According to the latest available Cyclical Indicators System (SIC) report for December, intermittent declines in the coincident indicator and accumulated drops in the leading indicator suggest that Mexico's economy is in a recessionary phase.

Considering this, Grupo Financiero BASE lowers its inflation forecast for 2025 to 3.6%. Despite the recent rebound in inflation, this adjustment reflects the fact that pressures came mainly from the non-core component. Additionally, Banxico is expected to continue cutting interest rates, ending the year at 8.5%.



Source: Grupo Financiero BASE with information from INEGI.

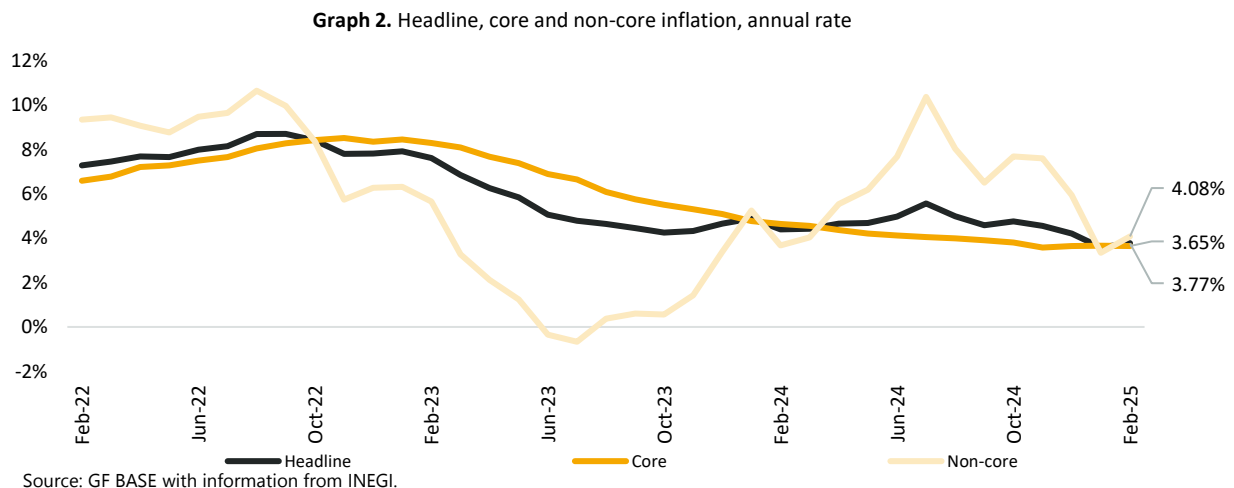
Table 2. February inflation, monthly and annual variation.

February 2025	Monthly inflation	Lowest for an equal month since	Monthly average over the last 10 years	Annual inflation	Lowest since	Consecutive months of deceleration (annual)
Headline inflation	0.28%	2024	0.41%	3.77%	Jan-25	-
Core inflation	0.48%	2021	0.50%	3.65%	Nov-24	1
Goods	0.41%	2024	0.59%	2.75%	Jan-25	-
Food goods	0.39%	2016	0.53%	3.78%	Dec-24	1
Non-food goods	0.42%	2024	0.63%	1.75%	Jan-25	-
Services	0.55%	2022	0.42%	4.64%	Mar-22	2
Housing	0.33%	2022	0.29%	3.75%	Apr-24	2
Education	0.74%	2024	0.44%	5.73%	Jan-25	-
Other services	0.74%	2023	0.53%	5.42%	Oct-21	2
Non-core inflation	-0.39%	2024	0.14%	4.08%	Jan-25	-
Agricultural	-1.44%	2024	-0.88%	3.89%	Jan-25	-
Fruits and vegetables	-6.26%	2024	-3.18%	-5.54%	Jan-25	-
Livestock	1.98%	2024	0.92%	10.53%	Jan-25	-
Energy and authorized tariffs	0.41%	2020	0.93%	3.57%	Mar-24	1
Energy	0.29%	2020	1.08%	3.74%	Mar-24	1
Authorized tariffs	0.64%	2024	0.56%	4.10%	Jan-25	-

Source: Grupo Financiero BASE with information from INEGI.

2. February Inflation – Annual Variation

In Mexico, consumer inflation accelerated in February, reaching an annual rate of 3.77% (Graph 2, Table 1), the highest since December 2024 (4.21%). This marks the first acceleration after three consecutive months of deceleration. The increase was mainly driven by the non-core component.

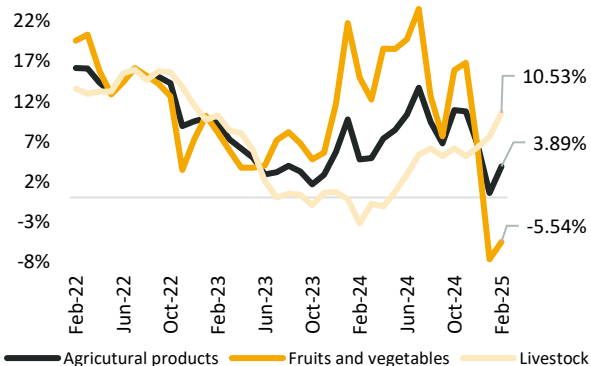


The **non-core component** rose from 3.34% in January to 4.08% in February (Graph 2), also accelerating for the first time in three months. Within this component (Graphs 3 and 4):

- Annual inflation for agricultural products increased from 0.56% in January to 3.89% in February, mainly due to the livestock subcomponent, which recorded an annual rate of 10.53%, the highest since December 2022 (11.50%). In contrast, inflation for fruits and vegetables stood at -5.54%, marking the second consecutive month of negative annual inflation in this subcomponent.

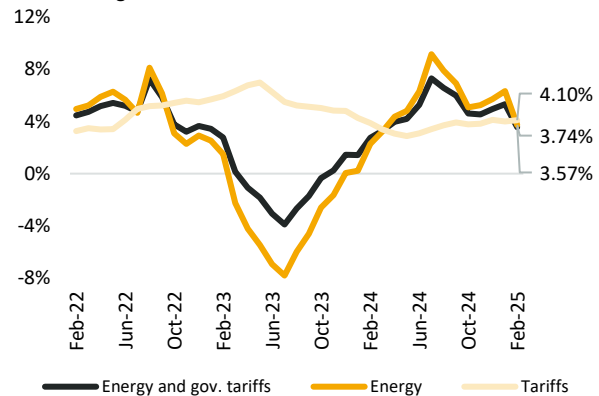
- Inflation for energy and government-regulated tariffs decreased significantly, falling from 5.33% in January to 3.57% in February, mainly due to the energy subcomponent, which dropped to an annual rate of 3.74%, the lowest since March 2024 (3.25%). In contrast, the government-regulated tariffs subcomponent accelerated from 4.01% in January to 4.10% in February, reaching its highest level since December 2024 (4.12%).

Graph 3. Agricultural products, fruits and vegetables, and livestock, annual rate



Source: GF BASE with information from INEGI.

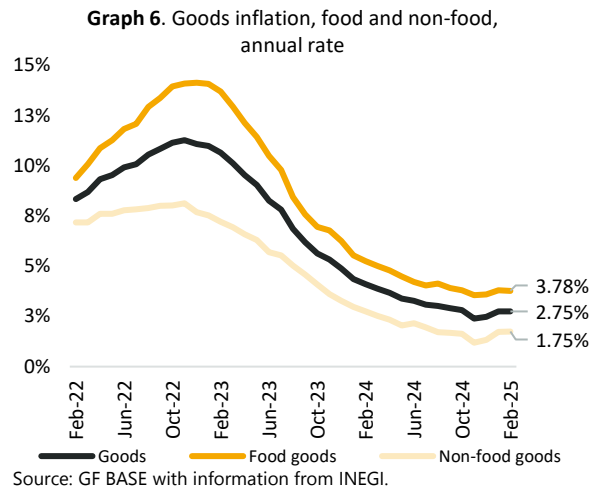
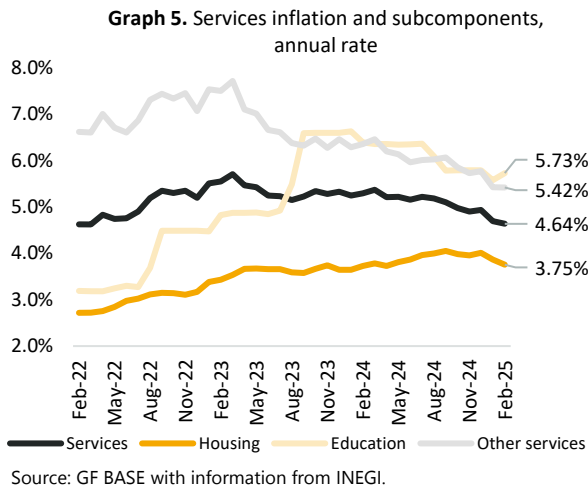
Graph 4. Energy and tariffs, energy and government-authorized tariffs annual rate



Source: GF BASE with information from INEGI.

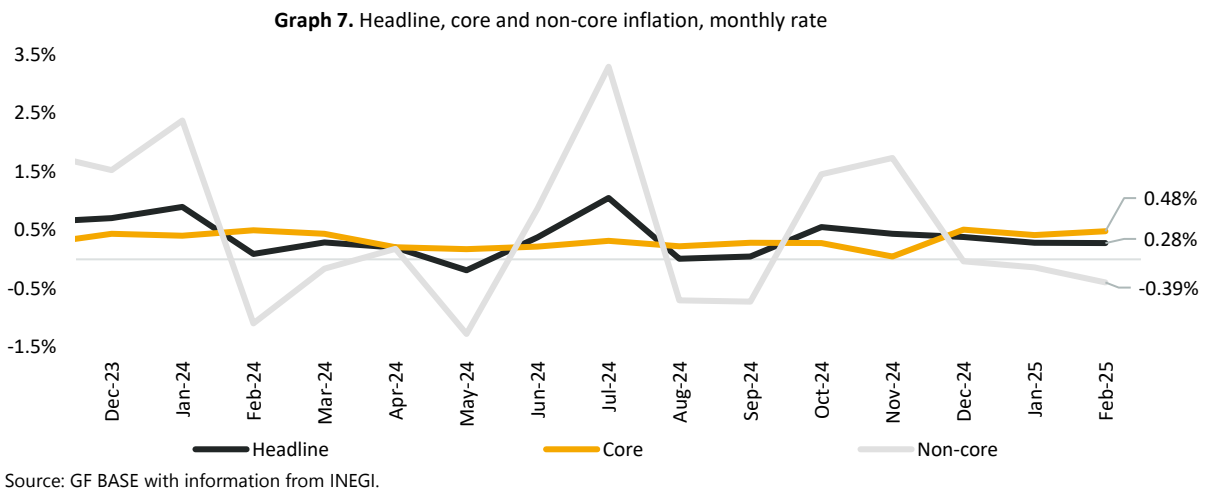
Regarding the **core component**, which is a better measure of long-term inflation trends, it recorded an annual rate of 3.65% (Graph 2), the lowest since November 2024 (3.58%). Within this component (Graphs 5 and 6):

- Annual inflation for services decelerated to 4.64%, the lowest since March 2022 (4.62%). Notably, housing services and other services inflation decreased to 3.75% and 5.42%, their lowest levels since April 2024 and October 2021 (3.73% and 5.11%, respectively). In contrast, inflation for educational services accelerated from 5.58% in January to 5.73% in February, reaching its highest level since December 2024 (5.79%).
- Inflation for goods showed an acceleration, with the annual rate rising to 2.75%, the highest since October 2024 (2.81%). Upside risks to goods inflation persist due to peso depreciation and the tariffs announced against Mexico. Within this component, non-food goods inflation increased for the third consecutive month, reaching an annual rate of 1.75% in February, the highest since July 2024 (1.95%). In contrast, food goods inflation decelerated slightly from 3.79% in January to 3.78% in February, marking the lowest annual rate since December 2024 (3.60%).



3. February Inflation – Monthly Variation

On a monthly basis, Mexico’s inflation stood at 0.28% (Graph 7), the highest for a February since 2023 (0.56%). From a historical perspective, inflationary pressures have been lower, considering that over the last 10 years (2015-2024), the average monthly rate for February was 0.41% (Graph 8).



In February, the **non-core component** stood at -0.39% monthly (Graphs 7 and 9). However, it is important to note that while the monthly inflation for the non-core component was negative, it was less pronounced than the 1.10% decline recorded in February 2024, mainly due to inflationary pressures in the livestock subcomponent (within agricultural products).

- Agricultural products (-1.44%), recording a less pronounced decline compared to February 2024 (-4.60%).
 - Fruits and vegetables (-6.26%), also showed a smaller decline than in February 2024 (-8.43%). The price decreases were mainly led by: 1) tomatoes, 2) nopales and 3) watermelon (Table 2).

- Livestock products (1.98%), the highest rate for a February since 2023 (2.37%) and, before that, since 2004 (2.18%). The increase was primarily driven by: 1) eggs (prices remain pressured due to the impact of avian flu), 2) beef and 3) pork (Table 2).

The rise in egg prices has been driven by supply shortages caused by the avian flu outbreak in the U.S.. The impact is not only due to the virus's lethality but also to the strict sanitary measures imposed by the U.S. Department of Agriculture (USDA), which requires mass culling of birds in any farm where a positive case is detected. As a result, some supermarkets have imposed purchase limits, and restaurant chains in the U.S. have begun applying additional charges on dishes containing eggs. Additionally, in Mexico's border regions, an increase in egg smuggling has been observed, reflecting greater demand pressure and the potential for continued high prices in the coming months.

- Energy and government-regulated tariffs (0.41%) recorded the lowest monthly rate for February since the 2020 decline (-0.29%).
 - Energy (0.29%), the lowest rate for the same month since the 2020 decline (-0.57%). The most significant increases were: 1) natural gas for domestic use, 2) electricity and 3) high-octane gasoline (Table 2).
 - Government-regulated tariffs (0.64%), the highest monthly inflation for February since 2023 (0.96%). All regulated tariffs saw price increases, with the largest increases observed in: issuance of public sector documents, 2) vehicle registration fees and 3) highway tolls (Table 2).

The **core component** showed a monthly inflation of 0.48% (Graphs 7 and 10), the lowest for February since 2021 (0.39%). Within this component, food goods (within goods) and housing services (within services) recorded their lowest inflation rates for February since 2016 and 2022, respectively.

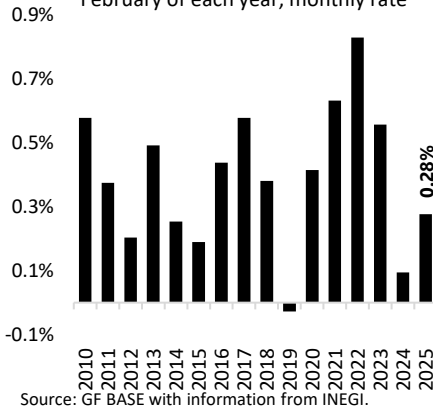
- Goods (0.41%), the highest for February since 2023 (0.65%).
 - Food goods (0.39%), the lowest for February since 2016 (0.28%).
 - Non-food goods (0.42%), the highest for February since 2023 (0.62%).

Within goods (Table 3), those that showed the greatest decrease in prices during February were: 1) lotions and perfumes, 2) corn and 3) table wine. In contrast, the products with the highest price increases: 1) roasted coffee, 2) instant coffee and 3) paper napkins.

- Services (0.55%), the lowest monthly rate for February since 2022 (0.52%).
 - Housing (0.33%), the lowest rate for February since 2022 (0.30%).
 - Education (0.74%), the highest inflation for February since 2023 (0.82%).
 - Other services (0.49%), the lowest rate for February since 2023 (0.69%).

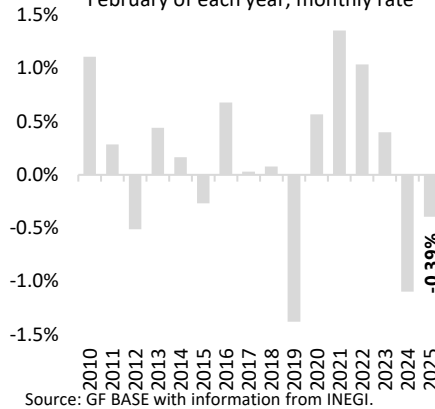
Within services (Table 3), only two service subcategories recorded price declines in February: 1) cinema and 2) beauty salons and massage services. In contrast, the services with the highest price increases: 1) tourist package services, 2) air transportation and 3) laundry services.

Graph 8. Headline inflation, month of February of each year, monthly rate



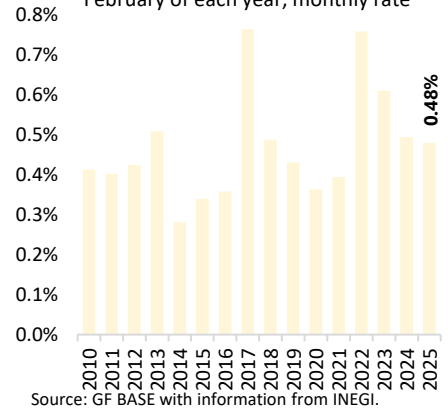
Source: GF BASE with information from INEGI.

Graph 9. Non-core inflation, month of February of each year, monthly rate



Source: GF BASE with information from INEGI.

Graph 10. Core inflation, month of February of each year, monthly rate



Source: GF BASE with information from INEGI.

Table 2. Generics with the highest and lowest monthly variation, non-core component.

Feb-25	Fruits and vegetables	Monthly	Livestock	Monthly	Energy	Monthly	Government authorized tariffs	Monthly
10 generics with the highest increase	Lemon	16.31%	Eggs	5.71%	Natural domestic gas	6.97%	Issuance of public sector documents	2.33%
	Bananas	14.05%	Beef	2.47%	Electricity	0.61%	Car permits	2.19%
	Pear	5.94%	Pork	1.30%	Premium gasoline	0.38%	Highway tolls	1.50%
	Apple	2.30%	Fish	0.75%	LP domestic gas	0.21%	Water supply fees	1.10%
	Chayote	1.77%	Pork lard	0.45%	Regular gasoline	0.01%	Urban bus	0.90%
	Avocado	1.14%	Shrimp	0.36%			Parking lots	0.64%
	Papaya	0.27%	Chicken	0.04%			Shared taxis	0.37%
	Serrano chili	0.09%					Taxi	0.13%
	Dried chili	0.00%					Subway or electric transportation	0.05%
10 generics with the biggest decrease	Tomato	-29.12%	Beef offal	-0.58%				
	Nopales	-15.30%						
	Watermelon	-14.40%						
	Onion	-14.17%						
	Green beans	-9.72%						
	Grapes	-9.64%						
	Zucchini	-7.75%						
	Carrot	-7.32%						
	Poblano chili	-6.34%						
	Pineapple	-6.22%						

Source: Grupo Financiero BASE with information from INEGI.

Table 3. Generics with the highest and lowest monthly variation, core component.

Feb-25	Goods	Monthly	Services	Monthly
10 generics with the highest increase	Roasted coffee	4.35%	Package tour services	3.63%
	Instant coffee	3.20%	Air transportation	2.39%
	Paper napkins	2.92%	Laundry services	1.66%
	Computers	2.77%	Car washing and greasing	1.52%
	Men's shirts and t-shirts	2.69%	Car maintenance	1.52%
	Plants and flowers	2.60%	General hospitalization	1.45%
	Men's suits	2.58%	Childbirth hospitalization	1.38%
	Consoles, discs, and video game downloads	2.47%	Medical care during childbirth	1.33%
	Photographic equipment and materials	2.28%	University	1.29%
	Plant-based milks	2.26%	Additional education	1.23%
10 generics with the biggest decrease	Lotions and perfumes	-1.64%	Cinema	-0.85%
	Corn	-1.17%	Beauty salons and massage services	-0.01%
	Table wine	-1.15%		
	Sugar	-1.14%		
	Evaporated and condensed milk	-0.85%		
	Microwave ovens	-0.75%		
	Canned tuna and sardines	-0.71%		
	Rice	-0.59%		
	Moles and sauces	-0.55%		
	Laundry soap	-0.51%		

Source: Grupo Financiero BASE with information from INEGI.

4. Monthly Contribution to Inflation

The incidence measure refers to the percentage point contribution of each product or component of the National Consumer Price Index (INPC) to overall inflation. In other words, it shows how much each good, service, or product contributes to inflation for a given period. Unlike inflation, which measures the percentage variation in prices, incidence identifies which products have the greatest impact on observed inflation, regardless of whether their prices increased or decreased.

In February, the top 10 products with the highest and lowest monthly contributions were (Table 4):

- Highest contribution: 1) eggs, 2) cafeterias, diners, sandwich shops, and taco stands, 3) beef, 4) homeownership costs and 5) bananas.
- Lowest contribution: 1) tomatoes, 2) onions, 3) potatoes and other tubers, 4) nopales and 5) grapes.

Although livestock products belong to the non-core component, which is characterized by high volatility, the February incidence analysis shows that livestock products continue to exert upward pressure, particularly on staple foods such as eggs and beef. Meanwhile, fruits and vegetables have helped partially moderate inflationary pressures.

Table 4. Generics with the highest and lowest incidence in February, in the National Consumer Price Index (percentage points).

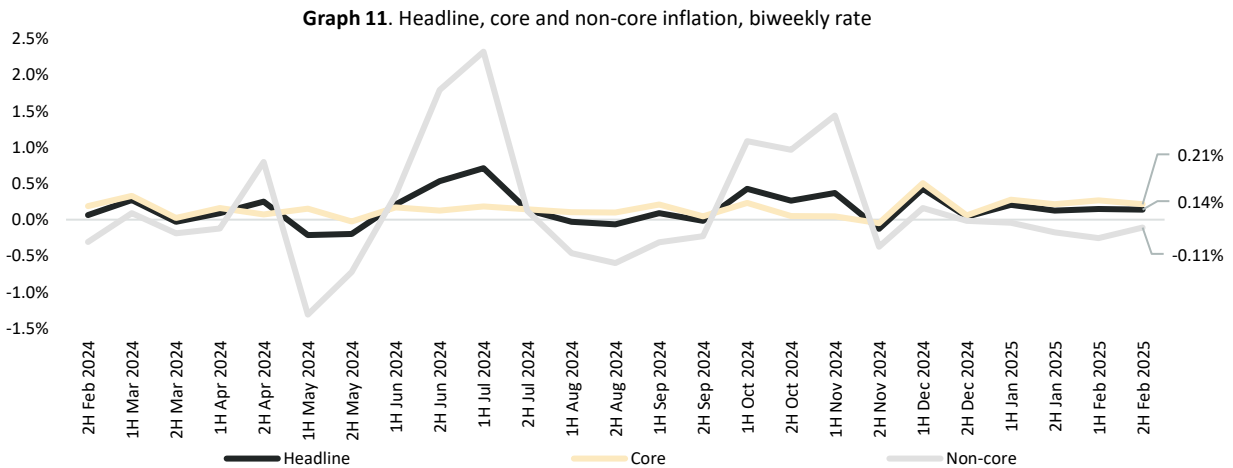
feb-25	Product	Inflation type	Monthly Contribution to inflation
10 generics with the highest incidence	Egg	Non-core	0.059
	Snack shops, inns, sandwich shops and taco shops	Core	0.049
	Beef	Non-core	0.043
	Own housing	Core	0.041
	Bananas	Non-core	0.029
	Restaurants and similar	Core	0.025
	University	Core	0.015
	Lemon	Non-core	0.014
	Pork	Non-core	0.012
	General hospitalization	Core	0.010
10 generics with lower incidence	Tomato	Non-core	-0.166
	Onion	Non-core	-0.036
	Potato and other tubers	Non-core	-0.015
	Nopales	Non-core	-0.014
	Grapes	Non-core	-0.009
	Zucchini	Non-core	-0.009
	Watermelon	Non-core	-0.008
	Carrot	Non-core	-0.007
	Green tomato	Non-core	-0.007
	Other vegetables and legumes	Non-core	-0.007

Source: Grupo Financiero BASE with information from INEGI.

5. Inflation in the Second Half of February

On a biweekly basis, headline inflation stood at 0.14% in the second half of February (Graph 11), marking the highest rate for a comparable biweekly period since 2023 (0.16%). As a result, the annual inflation rate accelerated from 3.74% in the first half of February to 3.81% in the second half, reaching its highest level since the second half of December 2024 (3.99%).

- The core component stood at 0.21% biweekly, the highest for a comparable biweekly period since 2022 (0.32%), and at 3.66% annually, the highest since the first half of January 2025 (3.73%).
- The non-core component registered a biweekly rate of -0.11%, bringing its annual rate to 4.18%, the highest since the second half of December 2024 (4.91%).



6. Basic Basket Inflation – February

In February, the annual inflation rate of the National Consumer Price Index (CPI) stood at 3.77%, accelerating from 3.59% in January. Meanwhile, the annual inflation rate of the basic basket stood at 3.51%, decelerating from 3.82% in January and marking its lowest level since November 2024, when it stood at 3.43% (Graph 12).

It is important to note that Mexico’s basic basket is a subset of the INPC basket. It refers to a group of essential goods and services necessary for the subsistence of an average household, mainly including food, personal hygiene products, household items, and other basic necessities. While the INPC basket tracks price variations for 292 generic products, the basic basket focuses on 84 generics from the INPC.

In February, the basic basket items with the highest price increases were: 1) natural gas for home use, 2) eggs and 3) roasted coffee. In contrast, the items with the largest price declines were: 1) beans, 2) sugar and 3) cinema.

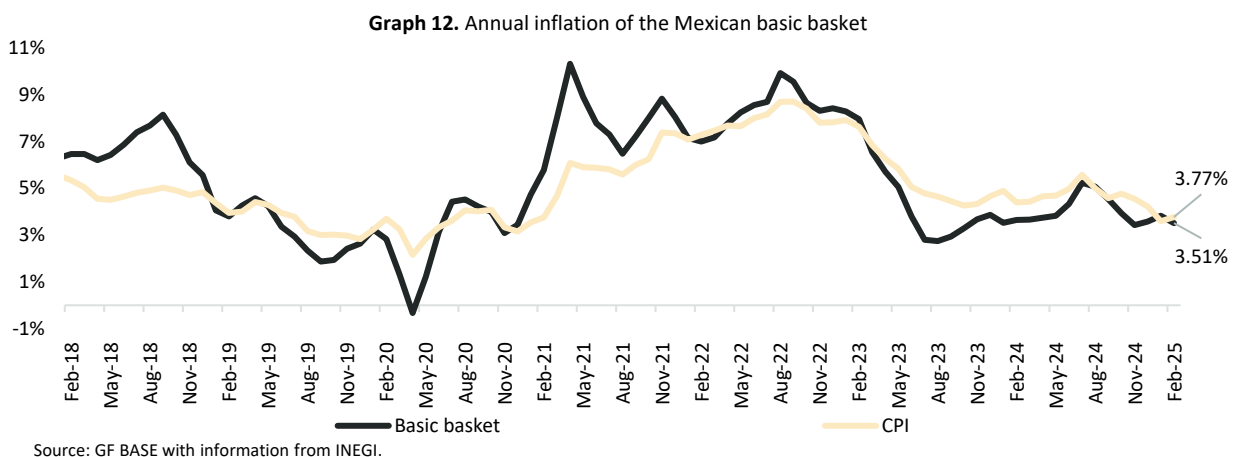


Table 5. Generics of the basic basket with the highest and lowest monthly variation in February

feb-25	Generics of the basic basket	Monthly
Generics with the highest increase	Natural domestic gas	6.97%
	Egg	5.71%
	Roasted coffee	4.35%
	Instant coffee	3.20%
	Paper napkins	2.92%
	Beef	2.47%
	Bicycles	1.69%
	Bleaches	1.61%
	Batteries	1.48%
	Blenders	1.37%
Generics with the biggest drop	BEans	-1.45%
	Sugar	-1.14%
	Cinema	-0.85%
	Evaporated and condensed milk	-0.85%
	Tuna and sardines in cans	-0.71%
	Rice	-0.59%
	Beef offal	-0.58%
	Moles and sauces	-0.55%
	Laundry soap	-0.51%
	Detergents	-0.51%

Source: Grupo Financiero BASE with information from INEGI.

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