

Mexico's CPI, first half of February 2025

Next inflation report for **February**: March 7

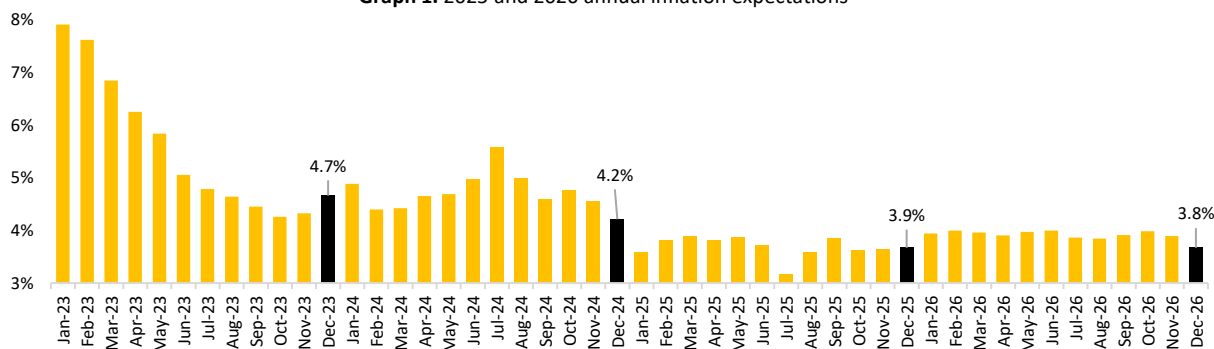
1. Outlook

Inflation in Mexico accelerated in the first half of February to an annual rate of 3.74%, its highest level since the second half of December 2024 (3.99%). This was mainly driven by a rebound in non-core inflation, which rose from 3.09% to 3.98% annually. Notably, both headline and non-core inflation broke their six-consecutive-biweekly-period streak of deceleration.

Meanwhile, core inflation also showed a slight increase, rising from 3.61% to 3.63% annually, reinforcing the presence of upside risks to inflation. This biweekly period was characterized by inflationary pressures in livestock products and services. In contrast, inflation for fruits and vegetables continued to decline, partially moderating the acceleration in headline inflation.

Considering these factors, Grupo Financiero BASE estimates that inflation will close 2025 at 3.9% and that Banco de México will continue cutting interest rates this year, reaching 8.5%.

Graph 1. 2025 and 2026 annual inflation expectations



Source: GF BASE with information from INEGI.

Table 1. Biweekly and annual inflation

1st half of February 2025	Biweekly inflation	Lowest for an equal fortnight since	Biweekly average over the last 10 years	Annual inflation	Lowest since	Consecutive fortnights decelerating
Headline inflation	0.15%	2024	0.18%	3.74%	2H Jan 2025	-
Core inflation	0.27%	2024	0.30%	3.63%	2H Jan 2025	-
Goods	0.21%	2014	0.39%	2.74%	2H Dec 2024	2
Food goods	0.13%	2015	0.28%	3.71%	2H Dec 2024	2
Non-food goods	0.28%	2024	0.48%	1.79%	2H Jan 2025	-
Services	0.32%	2024	0.21%	4.62%	2H Jan 2025	-
Housing	0.20%	2023	0.14%	3.78%	2H Apr 2024	3
Education	0.55%	2024	0.25%	5.69%	2H Jan 2025	-
Other services	0.40%	2024	0.28%	5.37%	2H Jan 2025	-
Non-core inflation	-0.25%	2024	-0.17%	3.98%	2H Jan 2025	-
Agricultural products	-0.81%	2024	-0.93%	3.31%	2H Jan 2025	-
Fruits and vegetables	-4.05%	2024	-2.82%	-6.25%	2H Jan 2025	-
Livestock	1.45%	2024	0.56%	10.40%	2H Jan 2025	-
Energy and authorized tariffs	0.18%	2020	0.43%	3.89%	2H Mar 2024	2
Energy	0.03%	2020	0.50%	4.18%	2H Mar 2024	2
Authorized tariffs	0.45%	2024	0.26%	4.13%	2H Jan 2025	-

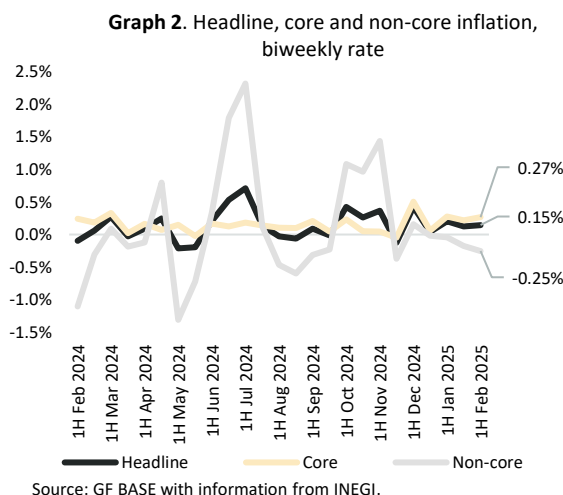
Source: Grupo Financiero BASE with information from INEGI.

2. Mexico's inflation in the first half of February – Biweekly Variation

In the first half of February, **headline inflation** stood at 0.15%, showing a slight increase compared to 0.12% recorded in the second half of January (Graph 2). However, it remained below the 10-year average of 0.18% for the same fortnight (Graph 3 and Table 1). Within general inflation, the following stood out:

2.1 Non-Core Component, which includes the most volatile prices

This component showed a negative biweekly inflation rate of -0.25% (Graph 2), a sharper decline than the 10-year average for the same period (-0.17%) (Graph 4 and Table 1). Within this component, the decline was driven by lower prices for **agricultural products**, which registered -0.81% inflation. Particularly, **fruits and vegetables** showed a biweekly inflation of -4.05%, also below the historical average for this period (-2.82%). The most significant price declines were seen in 1) tomatoes, 2) nopales, and 3) zucchini (Table 2).



In contrast, **livestock product** prices increased, registering a biweekly inflation rate of 1.45%, the highest for the same fortnight since 2023 (1.68%) and, before that, since 1996 (2.91%). Additionally, the increase exceeded the 10-year average for the same period (0.56%) (Table 1). The main drivers of this increase were 1) eggs (whose price remains under pressure due to the avian flu outbreak), 2) beef, and 3) pork (Table 2).

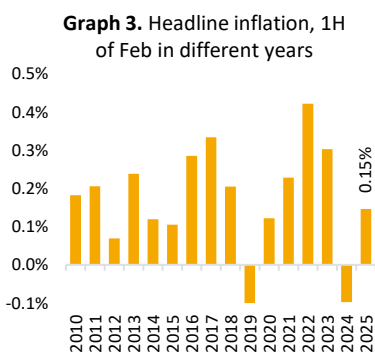
Meanwhile, **energy and government-regulated tariffs** recorded a biweekly inflation rate of 0.18%, slowing from 0.39% in the previous period (Table 1). This was also the lowest inflation rate for the same period since 2020 (-0.38%). Within, **energy inflation stood at 0.03%**, marking the lowest rate for a same-period biweekly inflation since 2020 (-0.60%). The largest price increases were seen in 1) electricity, 2) domestic LP gas, and 3) high-octane gasoline, while low-octane gasoline was the only energy item to show a price decline (Table 2). **Government-regulated tariffs** rose by 0.45% biweekly, the highest increase for an equal fortnight since 2022 (0.46%). The largest price increases were seen in 1) issuance of public sector documents, 2) vehicle-related fees, and 3) water supply charges (Table 2).

2.2 Core Component, which determines inflation trends in the medium and long term by excluding the most volatile prices

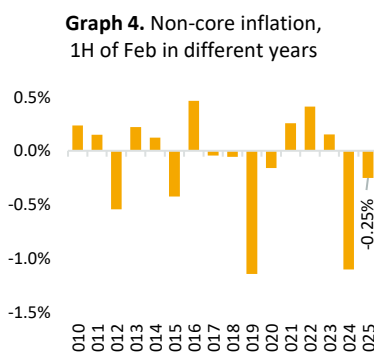
This component stood at 0.27% biweekly in the first half of February (Graph 2). Although it was the highest for an equal fortnight since 2023, it remained slightly below the 10-year average of 0.30% (Graph 5 and Table 1).

Within core component, **goods inflation** stood at 0.21%, the lowest for the same period since 2014 (0.10%). Within, **food goods** showed a biweekly inflation rate of 0.13%, the lowest for an equal fortnight since 2015 (0.09%). **Non-food goods** posted a biweekly inflation rate of 0.28%, the highest for a same-period biweekly rate since 2023 (0.47%). The largest price increases in goods during the first half of February were seen in 1) plants and flowers, 2) consoles, video game discs, and downloads, and 3) energy drinks (Table 3). A seasonal factor linked to Valentine's Day was observed, as the price of plants and flowers tends to rise in February.

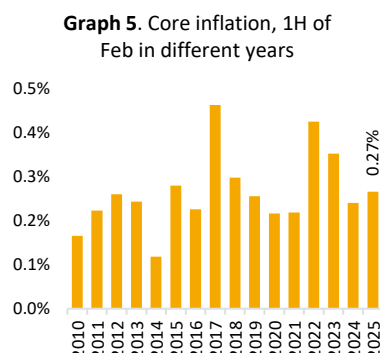
Services inflation stood at 0.32% biweekly, reaching its highest level for a same-period biweekly inflation since 2002 (0.49%), indicating that this subcomponent remains a key driver of core inflationary pressure. Within, **other services** recorded the highest biweekly inflation rate for the same period since 2017 (0.43%). **Educational services** stood at 0.55%, marking the highest inflation rate for this period since 2023 (0.60%) and, before that, since 1999 (0.58%). **Housing services** recorded a biweekly inflation rate of 0.20%, which, excluding the second half of February 2024 (0.22%), represents the highest for an equal fortnight since 2009 (0.27%). The largest price increases in services were seen in 1) air transportation, 2) package tourism services, and 3) car washing and lubrication.



Source: GF BASE with information from INEGI.



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

1H of Feb	Fruits and vegetables	Biweekly (%)	Livestock	Biweekly (%)	Energy	Biweekly (%)	Government authorized tariffs	Biweekly (%)
10 generics with the highest increase	Bananas	5.74%	Eggs	5.28%	Electricity	0.61%	Issuance of public sector documents	2.20%
	Lemon	5.65%	Beef	1.11%	LP domestic gas	0.07%	Car permits	2.00%
	Pear	3.52%	Pork	1.01%	Premium gasoline	0.06%	Water supply fees	0.79%
	Apple	1.45%	Fish	0.55%	Natural domestic gas	0.00%	Parking lots	0.45%
	Papaya	0.70%	Pork lard	0.46%			Urban bus	0.38%
	Avocado	0.58%	Chicken	0.09%			Shared taxis	0.31%
	Serrano chili	0.27%					Taxi	0.15%
							Highway tolls	0.06%
							Subway or electric transportation	0.04%
10 generics with the biggest decrease	Tomato	-18.53%	Shrimp	-0.34%	Regular gasoline	-0.18%		
	Nopales	-10.66%	Beef offal	-0.24%				
	Zucchini	-10.27%						
	Watermelon	-10.00%						
	Onion	-7.81%						
	Melon	-6.37%						
	Green beans	-5.78%						
	Carrot	-4.79%						
	Pineapple	-4.49%						
	Grapes	-4.38%						

Source: Grupo Financiero BASE with information from INEGI.

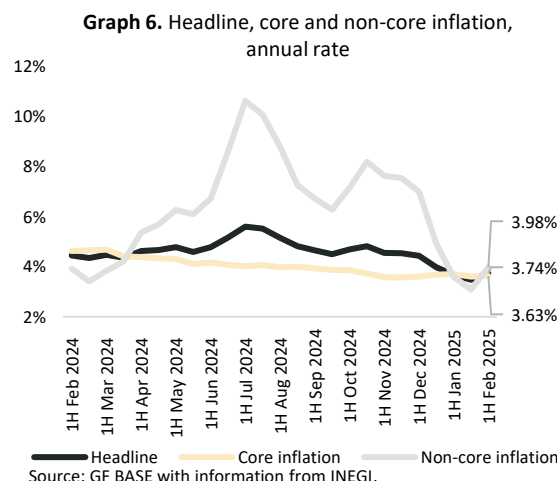
Table 3. Generics with the highest and lowest biweekly variation, core component¹.

1H of Jan	Goods	Biweekly (%)	Services	Biweekly (%)
10 generics with the highest increase	Plants and flowers	2.52%	Air transportation	1.41%
	Consoles, discs, and video game downloads	1.94%	Package tour services	1.06%
	Energy drinks	0.40%	Car washing and greasing	0.99%
	Fashion accessories	0.39%	Additional education	0.95%
	Pet food	0.35%	Car maintenance	0.94%
	Towels, curtains, and other linens	0.34%	University	0.92%
			Medical care during childbirth	0.89%
			General hospitalization	0.87%
			Laundry services	0.81%
			Technical education	0.78%
10 generics with the biggest decrease	Audio and video players and their accessories	-1.26%	Beauty salons and massage services	-0.16%
	Quilts and blankets	-0.80%	Cinema	-0.06%
	Sandals and huaraches	-0.14%	Internet, phone, and pay TV packages	-0.01%
	Musical instruments, and audio and video downloads	-0.07%		

Source: Grupo Financiero BASE with information from INEGI.

3. Mexico's inflation in the first half of February – Annual Variation

Headline inflation accelerated in the first half of February to an annual rate of 3.74% (Graph 6), marking its highest level since the second half of December 2024 (3.99%). Within this, **non-core inflation** also showed a sharp acceleration, reaching 3.98% annually, its highest level since the second half of December 2024 (4.91%). Meanwhile, **core inflation** stood at 3.63% annually, slightly accelerating from the previous biweekly period and reaching its highest level since the first half of January (3.72%).



3.1 Non-Core Component annual inflation highlights (Graphs 7, 8, 9 and Table 1)

- Annual inflation for **agricultural products** (3.31%) ended six consecutive biweekly periods of deceleration, reaching its highest annual rate since the second half of December 2024 (4.54%).
- Annual inflation for **fruits and vegetables** stood at -6.25%, marking the third consecutive biweekly period with negative inflation. Meanwhile, **livestock product** inflation reached 10.40%, accelerating for the fifth consecutive biweekly period and reaching its highest annual rate since the second half of December 2022 (10.81%). Notably, eggs recorded the highest inflation rate among livestock products in the first half of February.

¹ Due to the lack of detailed data on generic goods for the first half of February from INEGI, it was only possible to accurately identify 10 generic goods out of a total of 189 generic goods.

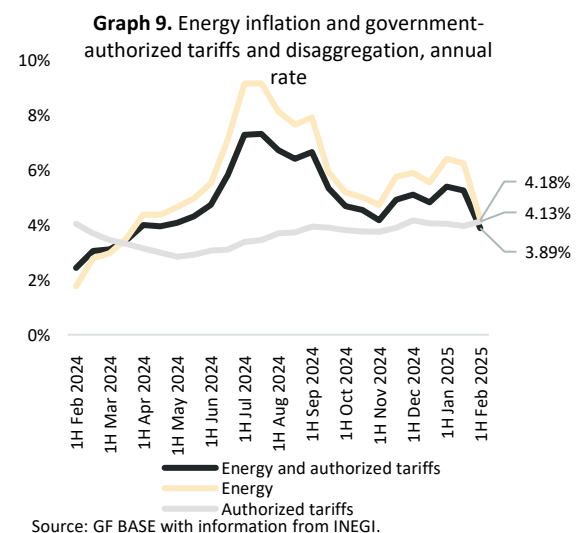
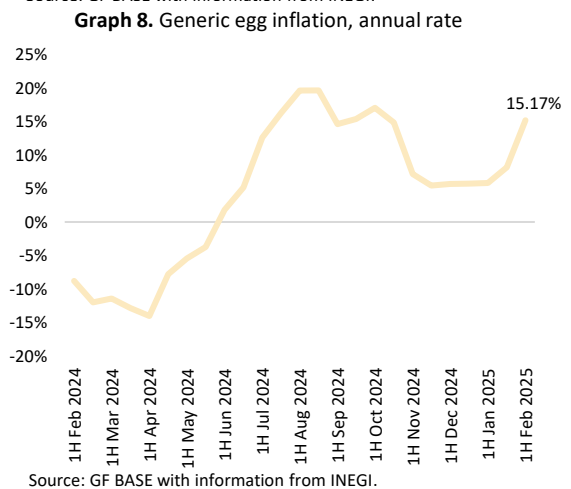
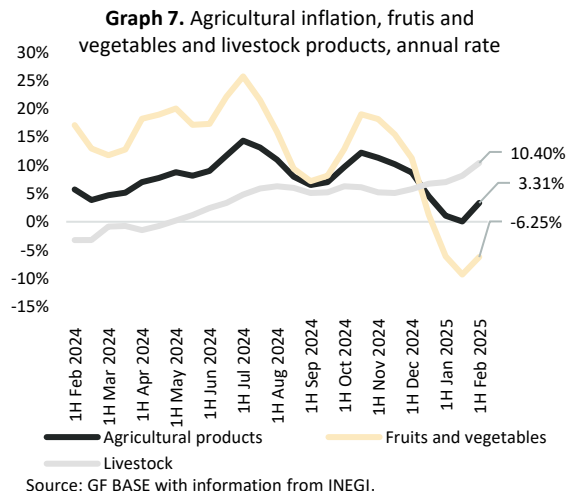
Regarding **egg prices**, it is important to highlight that since 2022, the United States has been facing an avian flu outbreak caused by the H5N1 virus, which has led to the death of over 130 million birds, according to the American Farm Bureau Federation (AFBF). The severity of the impact is due not only to the virus's lethality but also to strict sanitary measures imposed by the U.S. Department of Agriculture (USDA), which mandate the culling of all birds exposed to an infected specimen to contain the outbreak's spread. This has resulted in a significant decline in egg supply in the U.S., exerting upward pressure on egg prices (Graph 8), which has also affected the Mexican market.

While the avian flu outbreak partially explains the increase in egg prices in Mexico, there are also domestic factors contributing to this trend. At the end of January, the Confederation of Industrial Chambers of Mexico (CONCAMIN) warned of an increase in cargo transport insecurity, which has escalated from cargo theft to direct attacks on truck drivers. While no specific products have been identified as the most affected, this situation poses a growing risk to Mexico's supply chain and adds upward pressure on agricultural product prices. Historically, insecurity has contributed to inflationary pressures, not only in agricultural products but also in services.

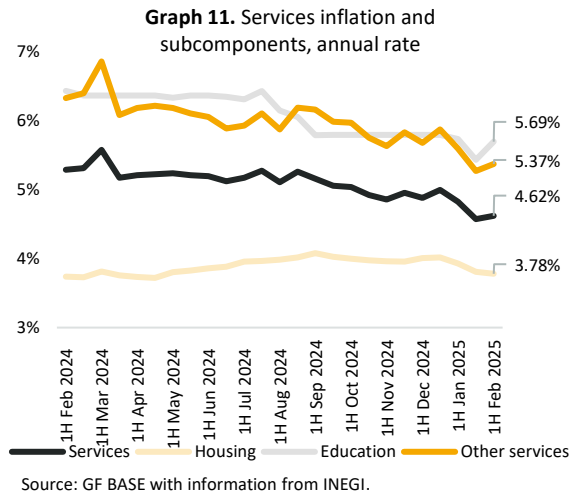
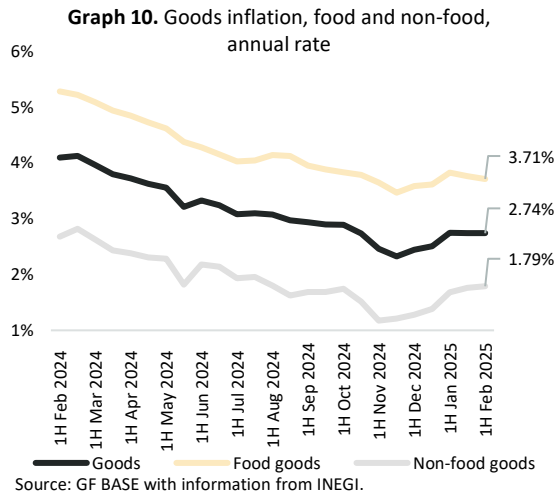
- Annual inflation for **energy and government-regulated tariffs** stood at 3.89%. Within this component, **energy** inflation reached 4.18% annually, marking the lowest rate since the second half of March 2024. Meanwhile, **government-regulated tariffs** recorded an annual inflation rate of 4.13%, the highest since the first half of December 2024 (4.17%).

3.2 Core Component annual inflation highlights (Graphs 10, 11 and Table 1)

- Inflation for **goods** (2.74%) and **food goods** (3.71%) recorded two consecutive biweekly periods of deceleration. In contrast, **non-food goods** inflation (1.79%) continued accelerating for the sixth consecutive biweekly period, reaching its highest annual rate since the first half of August 2024 (1.80%).



- Inflation for **services**, and within it, **other services** and **educational services**, accelerated after two consecutive biweekly periods of deceleration, reaching 4.62%, 5.37%, and 5.69% annually, respectively. In contrast, **housing services** inflation decelerated for the third consecutive biweekly period, reaching 3.78% annually, marking the lowest annual inflation rate since the second half of April 2024 (3.72%).



Both headline and non-core inflation broke their six-consecutive-biweekly-period streak of deceleration. The acceleration in core inflation highlights the persistence of upside risks to inflation, which is particularly relevant as the core component determines the medium- and long-term trajectory of inflation.

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