

## Mexico's CPI, first half of March 2025

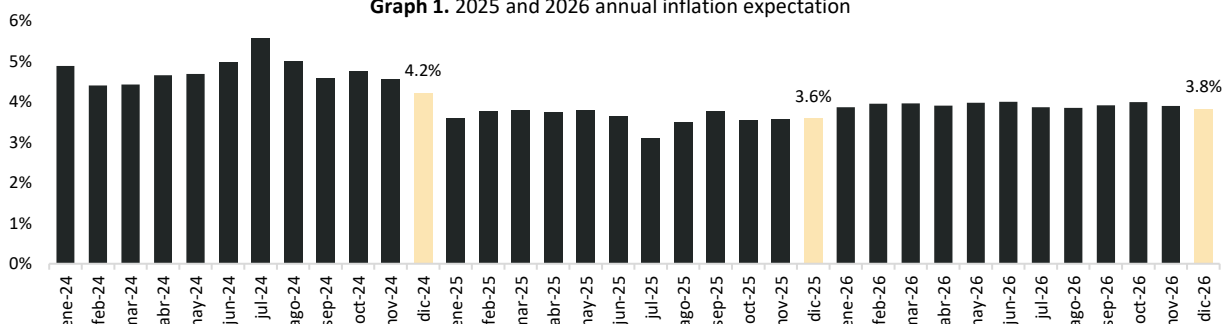
Next inflation report for **March**: April 9

### 1. Summary and expectation

In the first fortnight of March, headline inflation decelerated to 3.67% annually, with core and non-core inflation decelerating to 3.56% and 3.89% annually, respectively. Mexico's biweekly inflation was 0.14%, below the biweekly average of 0.27% of the last ten years for the same fortnight, due to falls in energy and fruit and vegetable prices, both within the non-core component. At the annual rate, the deceleration of services inflation, which has remained above 4% for more than three years, and in particular, the deceleration of inflation in housing services and other services, within the core component, were noteworthy. Although pressures are observed, especially in food inflation, the result of the first two weeks of March allows Grupo Financiero BASE's inflation expectation for the end of 2025 to remain unchanged at 3.6% (Graph 1).

It is important to mention that Mexico's economic slowdown could help inflation fall more quickly to the Bank of Mexico's 3% target, which is why the Bank of Mexico is expected to cut its interest rate this week by 25 basis points and close the year at 8.5%.

**Graph 1.** 2025 and 2026 annual inflation expectation



Source: Grupo Financiero BASE with information from INEGI.

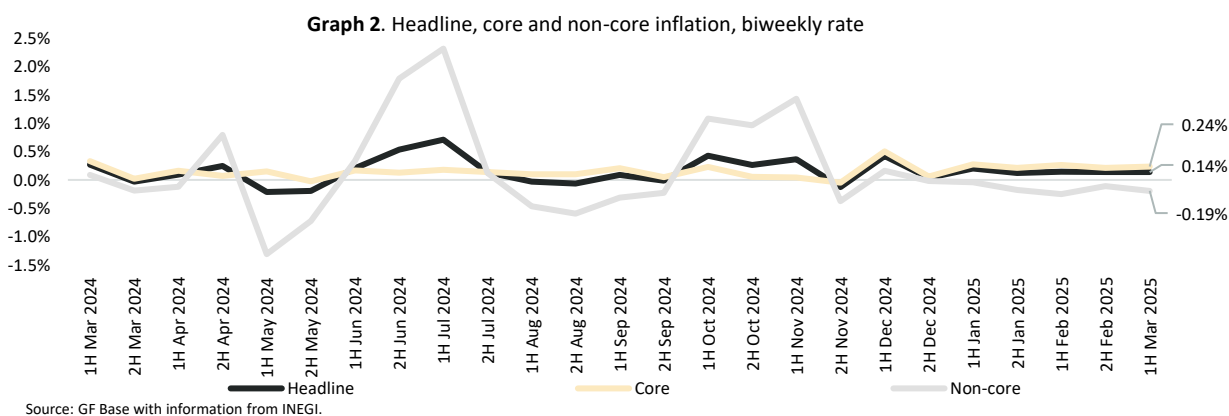
**Table 1.** Biweekly and annual inflation

1st half of March	Biweekly inflation	Lowest for an equal fortnight since	Biweekly average over the last 10 years, for an equal fortnight	Annual inflation	Lowest since	Consecutive months decelerating
<b>Headline inflation</b>	<b>0.14%</b>	<b>2020</b>	<b>0.27%</b>	3.67%	2H Jan 2025	1
<b>Core inflation</b>	0.24%	2020	0.27%	3.56%	2H May 2020	1
<b>Goods</b>	0.25%	2024	0.26%	2.92%	2H Feb 2025	-
Food goods	0.37%	2024	0.25%	4.06%	2H Feb 2025	-
Non-food goods	0.15%	2024	0.25%	1.83%	2H Feb 2025	-
<b>Services</b>	0.22%	2022	0.28%	4.25%	1H Jan 2022	1
Housing	0.14%	2022	0.14%	3.64%	1H Jan 2024	5
Education	0.08%	2024	0.00%	5.85%	2H Feb 2025	-
Other services	0.31%	2020	0.47%	4.72%	1H Jun 2021	1
<b>Non-core inflation</b>	<b>-0.19%</b>	<b>2023</b>	<b>0.28%</b>	3.89%	2H Jan 2025	1
<b>Agricultural products</b>	0.09%	2023	0.17%	4.22%	1H Feb 2025	1
Fruits and vegetables	-0.12%	2024	0.10%	-3.67%	2H Feb 2025	-
Livestock	0.23%	2023	0.29%	8.93%	2H Jan 2025	1
<b>Energy and authorized tariffs</b>	<b>-0.41%</b>	-	0.38%	2.96%	1H Feb 2024	4
Energy	-0.71%	-	0.48%	2.81%	2H Feb 2024	4
Authorized tariffs	0.14%	2021	0.14%	4.06%	2H Jan 2025	2

Source: Grupo Financiero BASE with information from INEGI.

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

In the first fortnight of March, headline inflation stood at 0.14% (Graph 2 and Table 1), the lowest since the second fortnight of January (0.12%) and the lowest for the same fortnight since 2020 when it stood at 0.11% biweekly (Graph 3). It also highlights that Mexico's biweekly inflation remained well below the 10-year average for an equal fortnight of 0.27%. This was due to:



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

This component registered a negative biweekly inflation of 0.19%, the first negative for the same fortnight since 2023 (Graph 2 and Table 1). With this, non-core inflation was well below the biweekly average of the last 10 years for the same fortnight (0.28%). It is worth noting that, in the last 10 years, this component only registered negative inflation in the first fortnight of March in the following years (Graph 4): 2016 (-0.52%), 2020 (-0.04%) y 2023 (-0.31%).

In this component, the negative inflation of the **subcomponent of energy and government-authorized tariffs** of 0.41%, the largest biweekly drop (for the same fortnight) in the history of the index, was noteworthy. This drop was especially due to **energy**, which registered a contraction of 0.71%, the largest for the same fortnight in the history of the index, mainly due to the decrease in prices of both types of gasoline (high and low octane), only electricity tariffs registered an increase in prices (Table 2). It also highlighted that the biweekly inflation of **government-authorized tariffs** of 0.14% was the lowest for the same fortnight since 2021 (0.13%). Of the total of the 9 generics contemplated in government-authorized tariffs, only one registered a decrease in prices during the first fortnight of March. The largest price increases were observed in 1) cab, 2) parking and 3) water supply fees (Table 2).

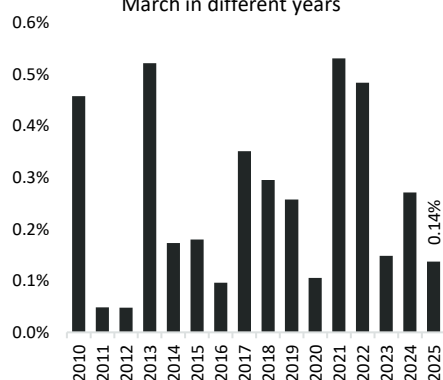
The **agricultural subcomponent** registered a biweekly inflation of 0.09%, the lowest for two weeks of the same amount since 2023. **Fruits and vegetables** registered a negative biweekly inflation of 0.12%, well below the average of the last 10 years (0.10%). The decrease in prices was led mainly by 1) chayote, 2) onion and nopales (Table 2). In contrast, **livestock** showed a biweekly inflation of 0.23%, slightly below the 10-year average (0.29%). Within, the increase was led by 1) beef, 2) beef viscera and 3) pork. On the other hand, this is the first fortnight in which eggs fell after two fortnights of increases, whose price has been pressured by the impact of the avian flu (Table 2). It is worth noting that, of the 32 generics included in fruits and vegetables, 19 recorded a fortnightly fall. Of the 8 generics included in livestock products, 5 recorded a fortnightly fall.

### 2.2 Core Component, which determines inflation trends in the medium and long term by excluding products with more volatile prices

This component showed a biweekly inflation of 0.24% (Graph 2 and Table 1), the lowest for the same fortnight since 2020 when it registered 0.16% (Graph 5), and which is close to the 10-year average of 0.27% biweekly. Within this component, lower pressures were observed in the **services subcomponent**, with a biweekly inflation of 0.22%, the lowest for the same fortnight since 2022. This was mainly due to **housing and other services**, which also registered the lowest inflation for the same fortnight since 2022 (0.12%) and 2020 (0.10%), respectively. In contrast, **education services** registered a biweekly inflation of 0.08%, the highest for the same fortnight since 2008 (0.09%). The services with the highest price increases were 1) air transportation, 2) hotels and 3) foreign buses (Table 3)

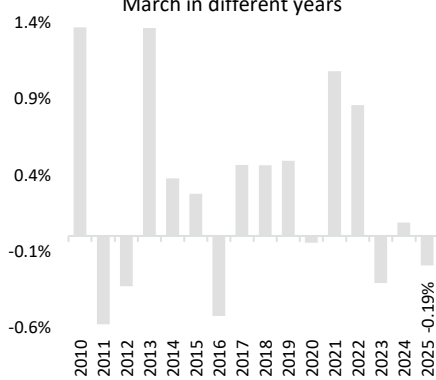
On the other hand, the **goods subcomponent** showed a biweekly inflation of 0.25%, well above the 0.10% observed in the same fortnight of 2024. This was mainly due to **food goods**, which registered a biweekly inflation of 0.37%, the highest for the same fortnight since 2022 and well above the 10-year average for the same fortnight of 0.25%. In contrast, **non-food goods** prices were 0.15%, well below the 10-year average of 0.25% for the same fortnight. The goods with the highest price increases during the first fortnight of March were 1) clothing accessories, 2) audio and video players, and 3) musical instruments and audio and video downloads (Table 3).

**Graph 3.** Headline inflation, 1H of March in different years



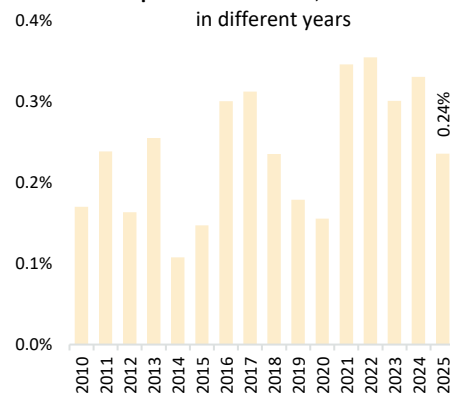
Source: GF BASE with information from INEGI.

**Graph 4.** Non-core inflation, 1H of March in different years



Source: GF BASE with information from INEGI.

**Graph 5.** Core inflation, 1H of March in different years



Source: GF BASE with information from INEGI.

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

1H of Mar	Fruits and vegetables	Biweekly (%)	Livestock	Biweekly (%)	Energy	Biweekly (%)	Government authorized tariffs	Biweekly (%)
10 generics with the highest increase	Green tomato	10.45%	Beef	1.53%	Electricity	0.21%	Taxi	0.45%
	Lemon	9.02%	Beef offal	0.33%			Parking lots	0.21%
	Zucchini	6.05%	Pork	0.21%			Water supply fees	0.18%
	Guava	5.49%					Issuance of public sector documents	0.06%
	Avocado	4.25%					Subway or electric transportation	0.06%
	Poblano chili	4.07%					Urban bus	0.05%
	Orange	3.59%					Shared taxis	0.01%
	Serrano chili	2.84%						
	Green beans	2.67%						
	Apple	2.10%						
10 generics with the biggest decrease	Chayote	-9.17%	Eggs	-0.84%	Regular gasoline	-1.32%	Car permits	-0.10%
	Onion	-6.04%	Chicken	-0.37%	Premium gasoline	-0.15%		
	Nopales	-5.58%	Pork lard	-0.32%				
	Watermelon	-4.98%	Shrimp	-0.20%				
	Pineapple	-3.83%	Fish	-0.04%				
	Grapes	-3.09%						
	Lettuce and cabbage	-2.70%						
	Potatoes and other tubers	-2.67%						
	Papaya	-2.29%						
	Other vegetables and legumes	-1.95%						

Source: Grupo Financiero BASE with information from INEGI.

**Table 3.** Generics with the highest and lowest biweekly variation, core component<sup>1</sup>.

1H of Mar	Goods	Biweekly (%)	Services	Biweekly (%)
10 generics with the highest increase	Fashion accessories	1.76%	Air transportation	6.09%
	Audio and video players and their accessories	0.39%	Hotels	1.68%
	Musical instruments, and audio and video downloads	0.31%	Long-distance bus	1.08%
	Energy drinks	0.16%	Pet services	1.01%
	Sandals and huaraches	0.09%	Funeral services	0.57%
			Medical care during childbirth	0.50%
			Party packages	0.48%
			Medical consultation	0.47%
			Haircuts	0.47%
			Car maintenance	0.44%
10 generics with the biggest decrease	Plants and flowers	-2.38%	Cinema	-1.02%
	Pet food	-0.28%	Package tour services	-0.54%
	Towels, curtains, and other linens	-0.23%	Movie and music streaming	-0.40%
	Consoles, discs, and video game downloads	-0.20%	Clinical tests	-0.05%
	Quilts and blankets	-0.01%		

Source: Grupo Financiero BASE with information from INEGI.

### 3. Mexico's inflation in the first half of March - Biweekly incidence

Incidence refers to the contribution in percentage points of each product or component of the CPI to overall inflation. In other words, it shows how much each good, service or product contributes to inflation in a specific period.

Unlike inflation, which measures the percentage change in prices, the incidence allows us to identify which products have a greater weight in the observed inflation, regardless of whether they rose or fell in price. The incidence of the first two weeks of March shows that inflationary pressures were concentrated in merchandise and services products, which are part of the core component, with some exceptions such as beef, green tomatoes and lemons. Low-octane gasoline stood out as the generic product with the highest negative impact on the CPI.

In the first half of March, the 10 products with the highest positive and negative incidence were (Table 4):

- Highest positive incidence: 1) beef, 2) own housing, 3) other cooked foods, 4) air transportation and 5) *loncherías, fondas, torterías and taquerías*.
- Highest negative incidence: 1) low octane gasoline, 2) onions, 3) eggs, 4) potatoes and other tubers, and 5) sanitary napkins.

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

**Table 4.** Generics with the highest incidence (positive and negative) in the first half of March, in the National Consumer Price Index (*INPC*).

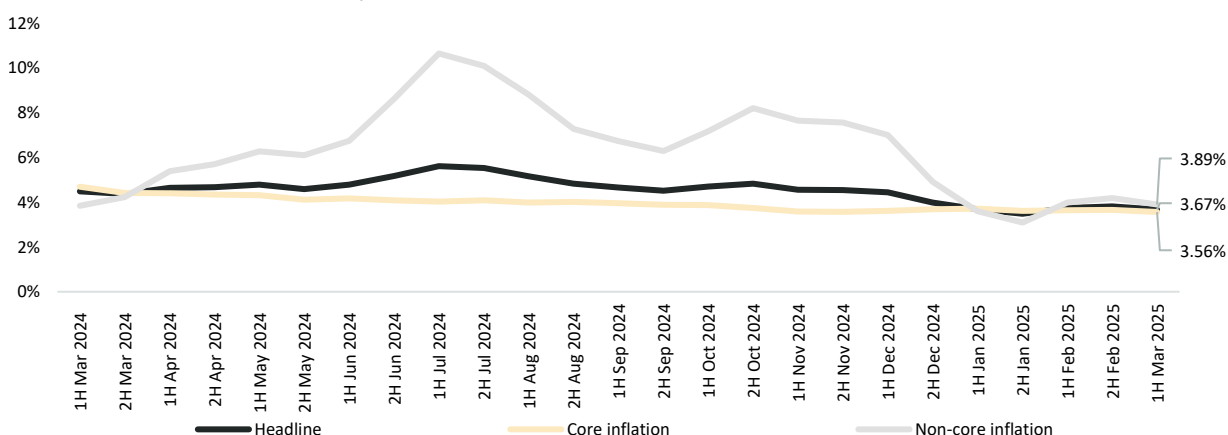
Mar-25	Generic	Type of inflation	Biweekly Incidence (pp)
10 generics with rising prices (positive incidence)	Beef	Non-core	0.028
	Homeownership	Core	0.019
	Other prepared foods	Core	0.014
	Air transportation	Core	0.014
	Diners, snack bars, and taco stands	Core	0.012
	Green tomato	Non-core	0.012
	Restaurants and similar	Core	0.011
	Detergents	Core	0.01
	Lotions and perfumes	Core	0.01
	Lemon	Non-core	0.009
10 generics with decreasing prices (negative incidence)	Regular gasoline	Non-core	-0.063
	Onion	Non-core	-0.013
	Eggs	Non-core	-0.009
	Potatoes and other tubers	Non-core	-0.007
	Sanitary towels	Core	-0.007
	Chicken	Non-core	-0.007
	Skin creams	Core	-0.006
	Chayote	Non-core	-0.005
	Other vegetables and legumes	Non-core	-0.005
	Nopales	Non-core	-0.004

Source: Grupo Financiero BASE with information from INEGI.

#### 4. Mexico's inflation in the first half of March – Annual Variation

In the first half of March, **headline inflation in Mexico** decelerated to an annual rate of 3.67%, the lowest since the second half of January (3.48%). Within Mexico, **non-core inflation** also decelerated to 3.89% annual rate, its lowest rate since the second half of January (3.09%), while **core inflation** decelerated to 3.56% annual rate, its lowest rate since the second half of May 2020 (3.52%). With this, both headline inflation and its two components, core and non-core, decelerated after two consecutive fortnights of acceleration (Graph 6).

**Graph 6.** Headline, core and non-core inflation, annual rate



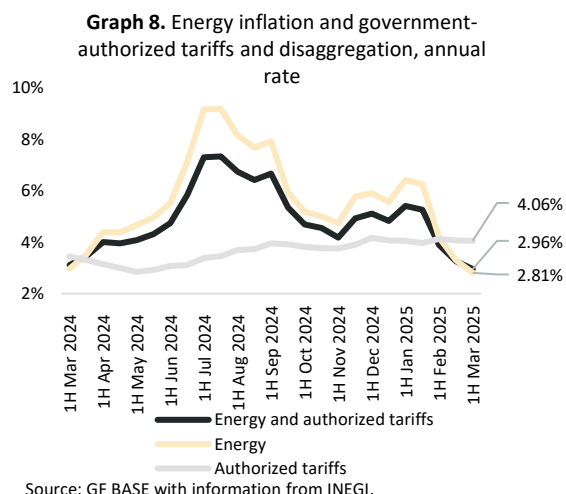
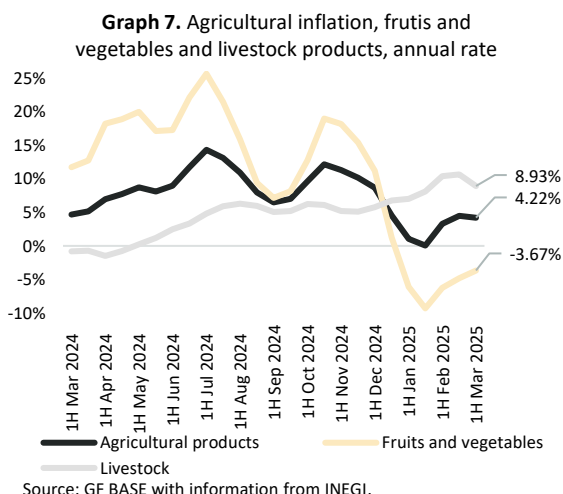
Source: GF BASE with information from INEGI.

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

- Annual **agricultural inflation** (4.22%) decelerated after two consecutive fortnights of acceleration, reaching its lowest annual rate since the first fortnight of February (3.31%). Annual inflation of **fruits and**

**vegetables** stood at -3.67%, the fifth consecutive fortnight showing negative inflation. However, the drop was less pronounced than that recorded in the previous fortnight (-4.81%). **Livestock products** showed an annual inflation rate of 8.93%, decelerating from the previous fortnight and reaching its lowest annual rate since the second fortnight of January (8.13%). It is worth noting that, despite its biweekly drop in price, generic egg continues to be the livestock product with the highest annual inflation in the first fortnight of March.

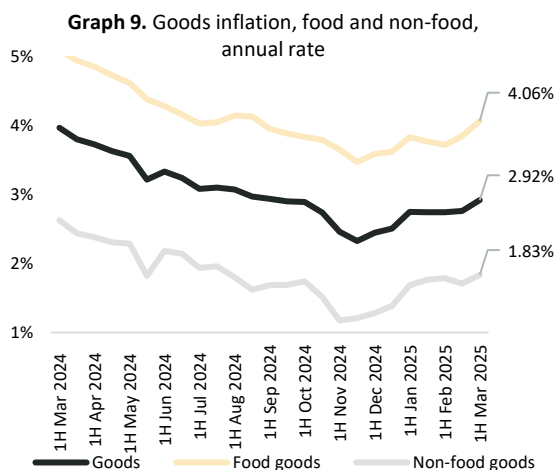
- Annual inflation of the **energy and government-authorized tariffs** component stood at 2.96%, the lowest since the first fortnight of February 2024 (2.44%). The **energy** subcomponent showed an annual inflation rate of 2.81%, adding 4 consecutive fortnights of deceleration to reach its lowest annual rate since the second fortnight of February 2024 (2.79%). On the other hand, annual inflation of **government-authorized tariffs** (4.06%) was the lowest since the second fortnight of January (3.97%).



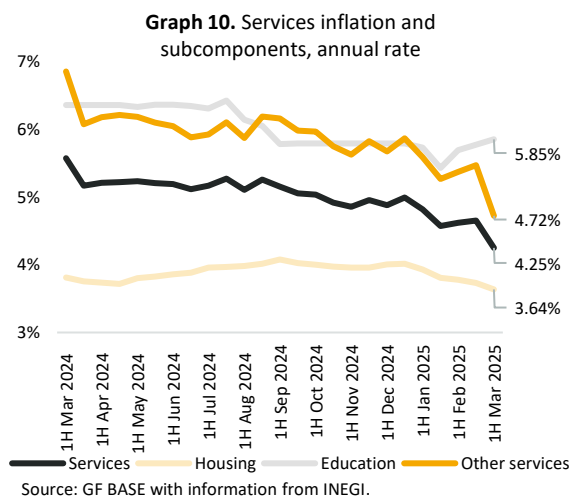
## 4.2 Core Component annual inflation highlights (Graphs 9, 10 and Table 1)

- **Goods** inflation (2.74%), and internally, **food goods** inflation (3.71%) and **non-food goods** inflation (1.83%), accelerated and reached their highest rates since the first fortnight of September 2024 (2.94%), the second fortnight of August 2024 (4.13%) and the second fortnight of July 2024 (1.96%), respectively.
- In contrast, inflation in **services** and, within **services**, **housing** and **other services**, decelerated to 4.25%, 3.64% and 4.72% annually, being the lowest rates since the first fortnight of January 2022 (4.24%), the first fortnight of January 2024 (3.62%) and the first fortnight of June 2021 (4.58%), respectively. Lower inflationary pressures in services are a positive sign, as this component has shown resistance to decline in a sustained manner, remaining above 4% for more than three years. If the deceleration trend continues, it could facilitate headline inflation to move more firmly towards the Bank of Mexico's 3% target. However, it is also important to consider that this moderation could be related to the weakening of the Mexican economy. Since services respond to domestic demand, lower services inflation may also reflect the consequences of a lower consumption environment and a weak labor market. In that case, the slowdown in services would not necessarily be a favorable sign, but rather one of economic cooling.

- Meanwhile, **education services** accelerated for the third consecutive fortnight to 5.85% annualized, the highest annual inflation since the second fortnight of August 2024 (6.05%).



Source: GF BASE with information from INEGI.



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