

Economic Analysis

# February CPI HoH forecast: pico de gallo will drive down headline inflation

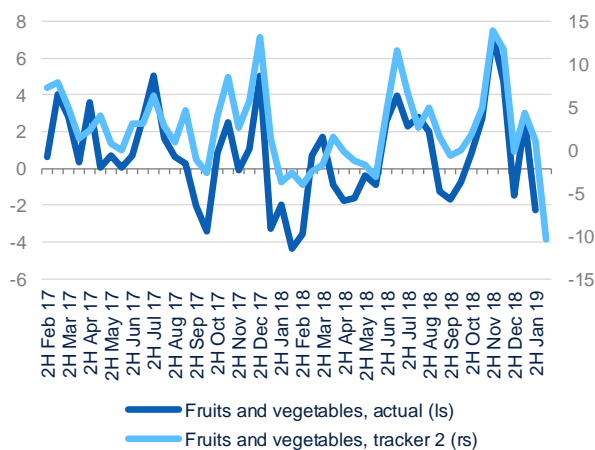
Core inflation will likely ease slightly as we anticipated

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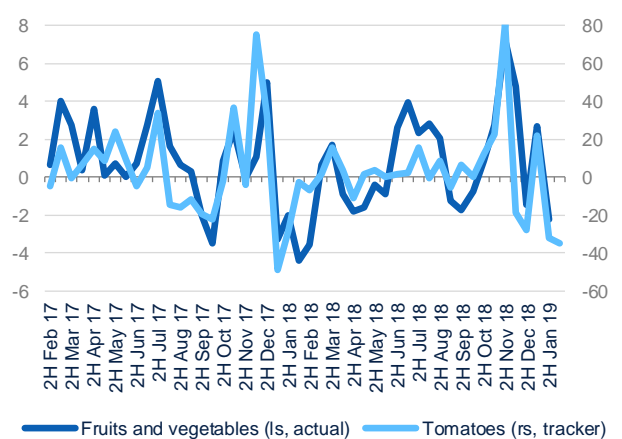
We expect a headline inflation print of **0.03% HoH in the first fortnight of February**, translating into a **4.03% YoY** number, compared to 4.2% in H2 January and 4.37% in January. Our fruits and vegetables prices tracker signals a sharp decline in 2H Jan, led by lower tomatoes, onion and chili prices (see charts). Our gasoline price tracker points to a slight increase (0.4% HoH) of gasoline prices (see chart) that would only partially offset the strong expected decline in perishable food prices.

Chart 1. Fruits and vegetables prices: actual vs tracker (HoH % change)



Source: BBVA Research with INEGI data

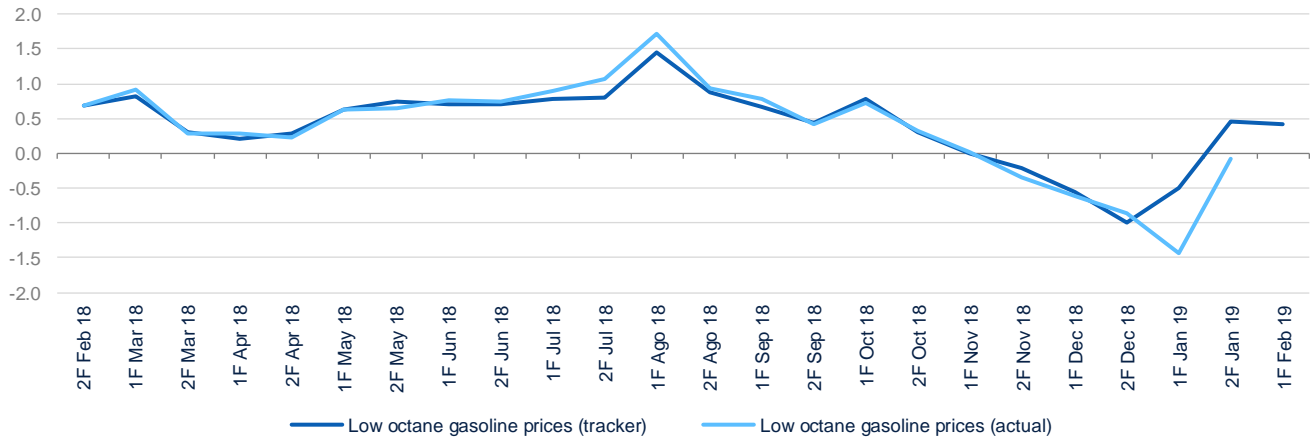
Chart 2. Tomatoes prices: actual vs tracker (HoH % change)



Source: BBVA Research with INEGI data

We expect core inflation to post an increase of **0.22% HoH, consistent with 3.48% in annual terms**, compared to 3.60% in January and 3.55% in the previous fortnight. If accurate, core inflation would break to the downside the narrow 3.6-3.7% in which it has fluctuated for the last ten months, which will support our scenario of core inflation easing somewhat (to 3.5%). Looking ahead, we expect core prices to hover around 3.5% until 4Q when a favorable base effect should bring it down to 3.3% by year-end.

Chart 3. Low octane gasoline prices: actual vs tracker (HoH % change)



Source: BBVA Research with INEGI data

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