

## Inflation Forecast 2H January 2019: 12-month headline inflation at 4.33%

According to our price monitor, we expect second half of January headline inflation at 0.12% and core at 0.17%. On Chart 1, stands out the negative contribution of Fruit and vegetables (-0.05).

In this context, we expect 2H January 2019 12-month headline inflation at 4.33%, lower than its previous reading of 4.52%. It is also important to note that 12-month core inflation decreases from 3.64% to 3.57%, staying within Banxico's inflation target range of 3.0% +/- 1%. Next Thursday February 07th INEGI will publish the inflation report for the period.

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**Chart 1. Inflation 2nd Half January 2019**

CPI	Bi-weekly variation (%)				Bi-weekly contribution (%)		
	Forecast Finamex	Observed			Forecast Finamex	Observed 2H Jan 2019	Difference
		2H Jan 2019	2H Jan 2018	2H Jan 2017			
<b>Headline CPI</b>	<b>0.12</b>		<b>0.31</b>	<b>0.24</b>	<b>0.12</b>		
<b>Core</b>	<b>0.17</b>		<b>0.24</b>	<b>0.37</b>	<b>0.13</b>		
<b>Merchandise</b>	<b>0.11</b>		<b>0.14</b>	<b>0.45</b>	<b>0.04</b>		
Food, beverages and tobacco	0.26		0.38	0.49	0.05		
Non-food merchandise	-0.05		-0.06	0.41	-0.01		
<b>Services</b>	<b>0.25</b>		<b>0.33</b>	<b>0.30</b>	<b>0.09</b>		
Housing	0.18		0.16	0.20	0.03		
Education (tuitions)	0.50		0.51	0.33	0.02		
Other services	0.25		0.46	0.40	0.04		
<b>Non-core</b>	<b>-0.03</b>		<b>0.49</b>	<b>-0.14</b>	<b>-0.01</b>		
<b>Agriculture</b>	<b>-0.43</b>		<b>-0.37</b>	<b>-0.61</b>	<b>-0.05</b>		
Fruit and vegetables	-0.92		-2.00	-1.70	-0.05		
Livestock	0.03		0.72	0.02	0.00		
<b>Energy and government approved fares</b>	<b>0.26</b>		<b>1.01</b>	<b>0.13</b>	<b>0.04</b>		
Energy	0.13		1.18	0.01	0.01		
Government approved fares	0.59		0.66	0.37	0.02		

\*The sum of the components among a subindexes may have differences due to rounding.

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