

Inflation Forecast 1H February 2019: Fruits and vegetables continues to contribute downwards to headline inflation

According to our price monitor, we expect first half of February headline inflation at -0.08%, with the core and non-core components at 0.19% and -0.89%, respectively. The negative contribution of Fruit and vegetables (-0.24), mainly driven by a significant decrease in tomato prices, stands out on Chart 1.

As a result, the 1H February 2019 y/y headline inflation forecast adjusts down 30 basis points, from 4.21% to 3.91%, entering Banxico's interval of +/- 1% around its 3% target for the first time since December 2016. The y/y core inflation forecast decreases 10 basis points from 3.55% to 3.45%.

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Chart 1. Inflation 1st Half February 2019

CPI	Bi-weekly variation (%)			Bi-weekly contribution (%)		
	Forecast Finamex	Observed		Forecast Finamex	Observed	Difference
		1H Feb 2019	1H Feb 2018		1H Feb 2019	
Headline CPI	-0.08	0.20	0.33	-0.08		
Core	0.19	0.30	0.46	0.14		
Merchandise	0.25	0.38	0.69	0.10		
Food, beverages and tobacco	0.23	0.26	0.51	0.05		
Non-food merchandise	0.27	0.48	0.84	0.05		
Services	0.13	0.23	0.27	0.05		
Housing	0.13	0.13	0.15	0.02		
Education (tuitions)	0.17	0.17	0.16	0.01		
Other services	0.13	0.34	0.43	0.02		
Non-core	-0.89	-0.06	-0.04	-0.22		
Agriculture	-2.17	-1.25	-0.86	-0.23		
Fruit and vegetables	-4.66	-4.39	-2.36	-0.24		
Livestock	0.15	0.77	-0.01	0.01		
Energy and government approved fares	0.05	0.65	0.42	0.01		
Energy	-0.03	0.86	0.38	0.00		
Government approved fares	0.25	0.22	0.52	0.01		

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

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