

## Inflation Forecast: Energy prices keeping inflation from going down in 2H February 2019

According to our price monitor, we expect 2H February 2019 headline inflation at 0.14%, with the core and non-core components at 0.14% and 0.12%, respectively. The positive contribution of Energy (0.17), driven by a significant increase in Gasoline prices, more than compensates a further decrease in Fruit and vegetables (-0.14) (see Chart 1).

As a result, 2H February 2019 y/y headline inflation forecast adjusts up 10 basis points, from 3.89% to 3.99%, while y/y core and non-core inflation forecasts increase 1 and 35 basis points, from 3.51% to 3.52% and from 5.15% to 5.50%, respectively.

**Jessica Roldán Peña**  
 Chief Economist  
[jroldan@finamex.com.mx](mailto:jroldan@finamex.com.mx)  
 + 52 (55) 5209 2056

**Víctor Gómez Ayala**  
 Senior Economist  
[vgomez@finamex.com.mx](mailto:vgomez@finamex.com.mx)  
 + 52 (55) 5209 2151

**Jose Arnulfo Quintero**  
 Fixed Income  
[jquintero@finamex.com.mx](mailto:jquintero@finamex.com.mx)  
 + 52 (55) 5209 2141

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

| CPI   | Bi-weekly variation (%) |              |             | Bi-weekly contribution (%) |                     |                         |
|---|-------------------------|--------------|-------------|----------------------------|---------------------|-------------------------|
|   | Forecast<br>Finamex     | Observed     |             |                            | Forecast<br>Finamex | Observed<br>2H Feb 2019 |
|   |                         | 2H Feb 2019  | 2H Feb 2018 | 2H Feb 2017                |                     |                         |
| <b>Headline CPI</b>                         | <b>0.14</b>             | <b>0.04</b>  | <b>0.25</b> | <b>0.14</b>                |                     |                         |
| <b>Core</b>                                 | <b>0.14</b>             | <b>0.14</b>  | <b>0.23</b> | <b>0.11</b>                |                     |                         |
| <b>Merchandise</b>                          | <b>0.22</b>             | <b>0.17</b>  | <b>0.38</b> | <b>0.08</b>                |                     |                         |
| Food, beverages and tobacco                 | 0.26                    | 0.10         | 0.48        | 0.05                       |                     |                         |
| Non-food merchandise                        | 0.17                    | 0.23         | 0.29        | 0.03                       |                     |                         |
| <b>Services</b>                             | <b>0.06</b>             | <b>0.10</b>  | <b>0.10</b> | <b>0.02</b>                |                     |                         |
| Housing                                     | 0.09                    | 0.10         | 0.14        | 0.01                       |                     |                         |
| Education (tuitions)                        | 0.04                    | 0.04         | 0.00        | 0.00                       |                     |                         |
| Other services                              | 0.04                    | 0.13         | 0.10        | 0.01                       |                     |                         |
| <b>Non-core</b>                             | <b>0.12</b>             | <b>-0.22</b> | <b>0.30</b> | <b>0.03</b>                |                     |                         |
| <b>Agriculture</b>                          | <b>-1.37</b>            | <b>-0.94</b> | <b>0.45</b> | <b>-0.14</b>               |                     |                         |
| Fruit and vegetables                        | -3.10                   | -3.55        | 0.62        | -0.15                      |                     |                         |
| Livestock                                   | 0.13                    | 0.66         | 0.35        | 0.01                       |                     |                         |
| <b>Energy and government approved fares</b> | <b>1.17</b>             | <b>0.20</b>  | <b>0.21</b> | <b>0.17</b>                |                     |                         |
| Energy                                      | 1.60                    | 0.25         | 0.21        | 0.17                       |                     |                         |
| Government approved fares                   | 0.12                    | 0.09         | 0.22        | 0.01                       |                     |                         |

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

These numbers, together with 1H February readings, implies a February 2019 annual inflation forecast at 3.94% –finally lying within Banxico’s +/- 1% variability interval around its 3% target–, with core and non-core annual forecasts at 3.51% and 5.32%, respectively.

## **Disclaimer**

The content of this document is strictly informative and does not constitute an offer or recommendation of Casa de Bolsa Finamex S.A.B. Of C.V. to buy, sell or subscribe any kind of securities, or to perform specific transactions.

Casa de Bolsa Finamex S.A.B. Of C.V. is not responsible for the interpretation given to the information and /or content of this document. Casa de Bolsa Finamex S.A.B. Of C.V. does not accept or will accept any liability for losses or damages resulting from investment decisions that would have been based on this document.

The persons responsible for the preparation of this report certify that the opinions stated reflect their own point of view and do not represent the view of Casa de Bolsa Finamex S.A.B. Of C.V. nor of its officials. The persons responsible for the preparation of this report receive no compensation for expressing their opinion in any particular issues mentioned in this document. The persons responsible for the preparation of this report did not receive any compensation from entities other than Casa de Bolsa Finamex S.A.B. de C.V.

This document is based on publicly available information, including BMV, Bloomberg, SIBolsa, official government sites and other web sources which are considered reliable, however Casa de Bolsa Finamex S.A.B. de C.V. makes no warranty regarding its accuracy or completeness.