

## Inflation Forecast: Fruit and vegetables pushes March 2019 annual inflation back above 4%.

According to our price monitor, we expect 2H March 2019 headline inflation at 0.14%, with the core and non-core components at 0.13% and 0.18%, respectively. Within the core component, Other services prices (0.05) are starting to increase more than in previous periods due to seasonal effects. Within the non-core component, Fruit and vegetables price increases continues throughout the second half of the month (0.06) (see Chart 1).

As a result, 2H March 2019 y/y headline inflation forecast adjusts up 13 basis points, from 3.95% to 4.08%. At the same time, y/y core inflation increases 7 basis points from 3.51% to 3.58% and y/y non-core inflation increases 30 basis points from 5.39% to 5.69%.

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

CPI	Bi-weekly variation (%)			Bi-weekly contribution (%)		
	Forecast Finamex	Observed		Forecast Finamex	Observed 2H Mar 2019	Difference
		2H Mar 2019	2H Mar 2018			
<b>Headline CPI</b>	<b>0.14</b>	<b>0.01</b>	<b>0.28</b>	<b>0.14</b>		
<b>Core</b>	<b>0.13</b>	<b>0.05</b>	<b>0.29</b>	<b>0.09</b>		
<b>Merchandise</b>	<b>0.07</b>	<b>0.04</b>	<b>0.30</b>	<b>0.03</b>		
Food, beverages and tobacco	0.11	0.05	0.32	0.02		
Non-food merchandise	0.02	0.03	0.28	0.00		
<b>Services</b>	<b>0.19</b>	<b>0.06</b>	<b>0.28</b>	<b>0.07</b>		
Housing	0.12	0.12	0.09	0.02		
Education (tuitions)	0.00	0.00	0.00	0.00		
Other services	0.29	0.02	0.57	0.05		
<b>Non-core</b>	<b>0.18</b>	<b>-0.10</b>	<b>0.24</b>	<b>0.05</b>		
<b>Agriculture</b>	<b>0.59</b>	<b>0.58</b>	<b>1.11</b>	<b>0.06</b>		
Fruit and vegetables	1.30	1.70	2.77	0.06		
Livestock	0.00	-0.07	0.16	0.00		
<b>Energy and government approved fares</b>	<b>-0.10</b>	<b>-0.50</b>	<b>-0.27</b>	<b>-0.01</b>		
Energy	-0.17	-0.76	-0.43	-0.02		
Government approved fares	0.08	0.06	0.08	0.00		

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

These numbers, together with 1H March readings, imply a March 2019 annual inflation forecast at 4.02% –returning above Banxico’s +/- 1% variability interval around its 3% target–, with core and non-core annual forecasts at 3.54% and 5.54%, respectively.

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