

Inflation Forecast: Electricity prices driving biweekly inflation down.

According to our price monitor, we expect 1H April 2019 headline inflation at -0.24%, with the core and non-core components at 0.20% and -1.52%, respectively. Within the non-core component, a decrease in Energy prices (-0.31) –mainly due to seasonal effects that push down Electricity prices– stands out. Lower gasoline prices also contribute to some extent to this reduction. Within the core component, Other services prices (0.06) mildly compensate the aforementioned decline (see Chart 1).

However, a low base-effect takes 1H April 2019 y/y headline inflation forecast up 11 basis points, from 4.06% to 4.17%. By the same token, y/y core inflation increases 13 basis points from 3.60% to 3.73%, while y/y non-core inflation increases 1 basis point from 5.54% to 5.55%.

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Chart 1. Inflation 1st Half April 2019

CPI	Bi-weekly variation (%)			Bi-weekly contribution (%)		
	Forecast Finamex	Observed 1H Apr 2019	Observed 1H Apr 2018	Forecast Finamex	Observed 1H Apr 2019	Difference
Headline CPI	-0.24		-0.35	-0.15		
Core	0.20		0.07	0.26		0.15
Merchandise	0.19		0.27	0.33		0.07
Food, beverages and tobacco	0.19		0.15	0.40		0.04
Non-food merchandise	0.20		0.38	0.28		0.04
Services	0.20		-0.11	0.20		0.07
Housing	0.09		0.10	0.09		0.01
Education (tuitions)	0.00		0.01	0.00		0.00
Other services	0.35		-0.36	0.39		0.06
Non-core	-1.52		-1.53	-1.38		-0.38
Agriculture	-0.72		-0.46	0.53		-0.07
Fruit and vegetables	-1.70		-0.93	0.33		-0.08
Livestock	0.10		-0.17	0.64		0.01
Energy and government approved fares	-2.07		-2.16	-2.49		-0.31
Energy	-2.93		-3.26	-3.88		-0.31
Government approved fares	0.07		0.12	0.34		0.00

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

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