

May 2nd, 2019

2nd Fortnight April 2019 inflation forecast: Fruit and vegetables prices strike back.

Based on our price monitor, we expect 2F April 2019 headline inflation at **0.05%**, with core and non-core inflation at **-0.01%** and **0.23%**, respectively (see Figure 1 and Table 1).

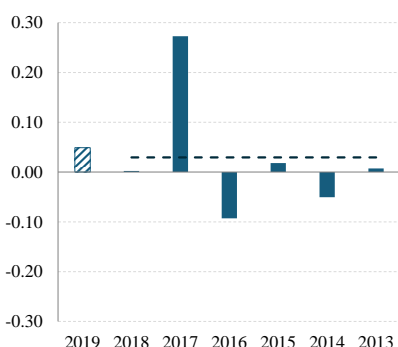
Accordingly, *incidences* of the core and non-core components in our headline inflation forecast are -0.01 and 0.06 percentage points (pp), respectively (see Figure 2 and Table 1):¹

- **Within the non-core component, an increase in Fruit and vegetables prices (0.05pp) stands out** –mainly due to a continued increase in Avocado prices.
- **Within the core component, a decrease in Other services prices (-0.07pp)** – which include post-Easter effects for Packages of Touristic Services and Air Transportation prices– **more than compensate an increase in Merchandise prices (0.05pp).**

Thus, our 12-month headline inflation forecast increases from 4.38% to 4.43%. Within it, 12-month core inflation decreases from 3.94% to 3.82%, while its non-core counterpart increases from 5.77% to 6.30%.

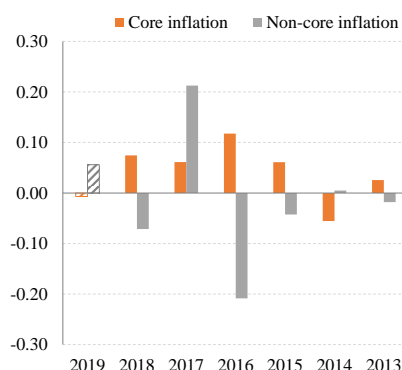
These estimates, together with 1F April prints, imply an April 2019 annual inflation forecast at **4.41%** –once again well above Banxico's +/- 1% variability interval around its 3% target–, with core and non-core annual forecasts at **3.88%** and **6.04%**, respectively (see Figure 3).

Figure 1. 2F April's inflation (%)



Source: INEGI and Finamex.

Figure 2. Inflation incidences (pp)



Source: INEGI and Finamex.

¹ The sum of incidences can differ from the headline number due to rounding effects.

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Figure 3. Annual Inflation

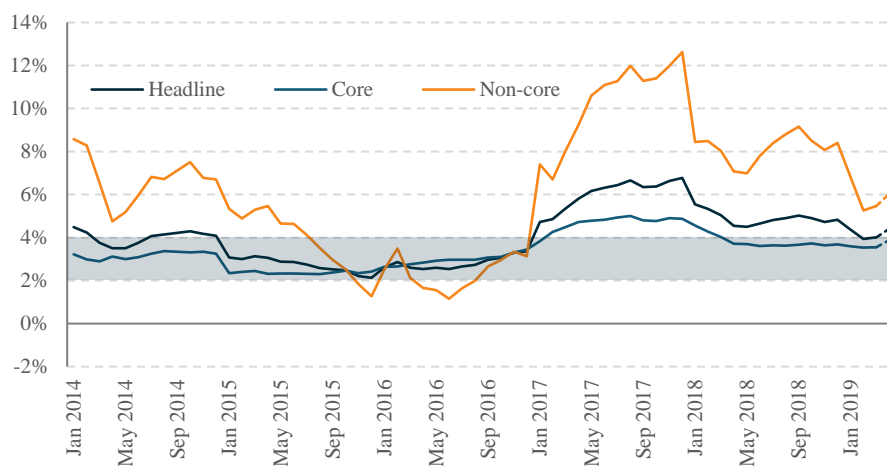


Table 1. 2F April's inflation: Forecast and past prints

CPI	Forecast Finamex	Bi-weekly variation (%)			Forecast Finamex	Bi-weekly contribution (%)	
		2F Apr 2019	2F Apr 2018	2F Apr 2017		Observed 2H Apr 2019	Difference
Headline CPI	0.05		0.00	0.27	0.05		
Core	-0.01		0.10	0.08	-0.01		
Merchandise	0.14		0.07	0.24	0.05		
Food, beverages and tobacco	0.17		0.06	0.17	0.03		
Non-food merchandise	0.10		0.09	0.30	0.02		
Services	-0.17		0.12	-0.06	-0.06		
Housing	0.09		0.11	0.11	0.01		
Education (tuitions)	0.01		0.01	0.02	0.00		
Other services	-0.43		0.17	-0.26	-0.07		
Non-core	0.23		-0.28	0.85	0.06		
Agriculture	0.63		-0.66	1.57	0.06		
Fruit and vegetables	1.18		-1.79	3.59	0.05		
Livestock	0.17		0.01	0.37	0.01		
Energy and government approved fares	-0.06		-0.05	0.41	-0.01		
Energy	-0.13		-0.15	0.31	-0.01		
Government approved fares	0.12		0.14	0.62	0.01		

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

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