

1st Fortnight May 2019 inflation forecast: Subsidies to Electricity prices pushing down inflation.

May 17th, 2019

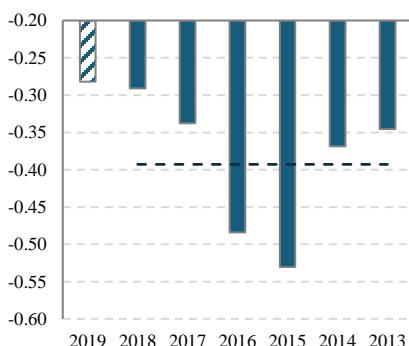
Based on our price monitor, we expect 1F May 2019 headline inflation at **-0.28%**, with core and non-core inflation at **0.09%** and **-1.42%**, respectively (see Figure 1 and Table 1).

Accordingly, *incidences* of the core and non-core components in our headline inflation forecast are 0.07 and -0.35 percentage points (pp), respectively (see Figure 2 and Table 1):¹

- **Within the non-core component, a decrease in Energy prices (-0.41pp) stands out** –mainly due to a seasonal effect.

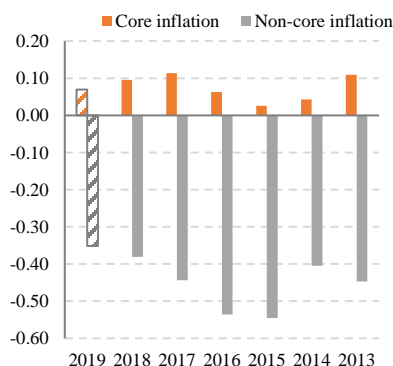
Our 12-month headline inflation forecast increases from 4.44% to 4.45%. Within it, 12-month core inflation decreases from 3.81% to 3.77%, while its non-core counterpart increases from 6.39% to 6.49%.

Figure 1. 1F May's inflation (%)



Source: INEGI and Finamex.

Figure 2. Inflation incidences (pp)



Source: INEGI and Finamex.

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

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

CPI	Bi-weekly variation (%)			Bi-weekly contribution (%)		
	Forecast Finamex	Observed		Forecast Finamex	Observed 1H May 2019	Difference
		1F May 2019	1F May 2018	1F May 2017		
Headline CPI	-0.28		-0.29	-0.34	-0.28	
Core	0.09		0.13	0.15	0.07	
Merchandise	0.17		0.06	0.26	0.07	
Food, beverages and tobacco	0.26		0.19	0.25	0.05	
Non-food merchandise	0.07		-0.04	0.26	0.01	
Services	0.01		0.18	0.06	0.00	
Housing	0.10		0.09	0.08	0.02	
Education (tuitions)	0.02		0.02	0.03	0.00	
Other services	-0.07		0.33	0.05	-0.01	
Non-core	-1.42		-1.51	-1.80	-0.35	
Agriculture	0.59		-0.69	0.23	0.06	
Fruit and vegetables	0.70		-1.60	0.05	0.03	
Livestock	0.50		-0.16	0.35	0.03	
Energy and government approved fares	-2.84		-1.99	-3.03	-0.41	
Energy	-4.03		-3.00	-5.38	-0.41	
Government approved fares	0.04		0.05	1.54	0.00	

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

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