

June 3rd, 2019

2nd Fortnight May 2019 inflation forecast: Core inflation not giving in.

Based on our price monitor, we expect 2F May 2019 headline inflation at **0.13%**, with core and non-core inflation at **0.19%** and **-0.03%**, respectively (see Figure 1 and Table 1).

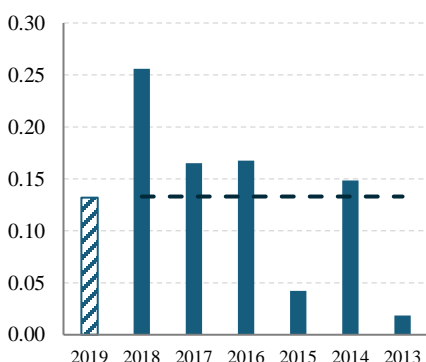
Accordingly, *incidences* of the core and non-core components in our headline inflation forecast are 0.14 and -0.01 percentage points (pp), respectively (see Figure 2 and Table 1):¹

- Within the *core component*, an increase of Merchandise prices contribute **10pp** to our headline estimate: Food, beverages and tobacco prices add **0.07pp**, while Non-Food Merchandise prices add **0.03pp**.
- Within the *non-core component*, a decrease in Fruit and vegetables prices (**-0.02pp**) stands out.

Our 12-month headline inflation forecast decreases from 4.43% to 4.30%. Within it, 12-month core inflation increases from 3.77% to 3.80%, while its non-core counterpart decreases from 6.41% to 5.81%.

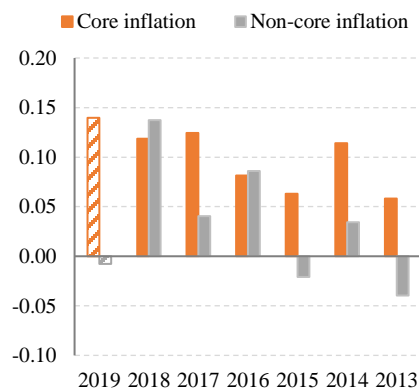
These estimates, together with 1F May prints, imply a May 2019 annual inflation forecast at **4.37%**, with core and non-core annual forecasts at **3.78%** and **6.11%**, respectively (see Figure 3). These numbers compare to April's 2019 prints of **4.41%**, **3.87%** and **6.08%**, respectively.

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



Source: INEGI and Finamex.

Figure 2. Inflation incidences (pp)



Source: INEGI and Finamex.

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Figure 3. Annual Inflation

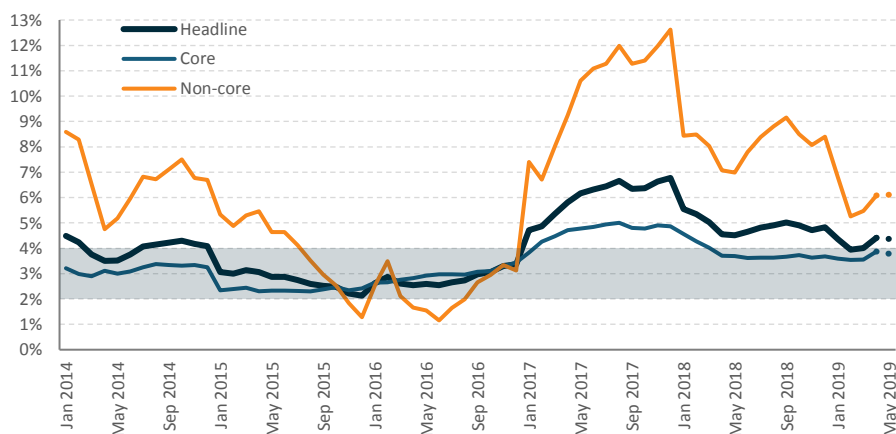


Table 1. 2F May's inflation: Forecast and past prints

CPI	Bi-weekly variation (%)				Bi-weekly contribution (%)		
	Forecast Finamex	Observed			Forecast Finamex	Observed 2F May 2019	Difference
		2F May 2019	2F May 2018	2F May 2017			
Headline CPI	0.13		0.26	0.17	0.13		
Core	0.19		0.16	0.17	0.14		
Merchandise	0.25		0.22	0.20	0.10		
Food, beverages and tobacco	0.35		0.16	0.23	0.07		
Non-food merchandise	0.15		0.28	0.18	0.03		
Services	0.11		0.10	0.13	0.04		
Housing	0.13		0.12	0.14	0.02		
Education (tuitions)	0.04		0.04	0.03	0.00		
Other services	0.11		0.11	0.15	0.02		
Non-core	-0.03		0.54	0.16	-0.01		
Agriculture	0.02		-0.11	0.38	0.00		
Fruit and vegetables	-0.44		-0.40	0.69	-0.02		
Livestock	0.40		0.06	0.20	0.02		
Energy and government approved fares	-0.07		0.93	0.02	-0.01		
Energy	-0.12		1.42	0.04	-0.01		
Government approved fares	0.04		-0.02	0.00	0.00		

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

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