

July 2nd, 2019

2nd Fortnight June 2019 inflation forecast: It's all about core inflation.

Based on our price monitor, we expect 2F June 2019 headline inflation at **0.11%**, with core and non-core inflation at **0.14%** and **0.01%**, respectively (see Figure 1 and Table 1).

Accordingly, *incidences* of the core and non-core components in our headline inflation forecast are 0.11 and 0 percentage points (pp), respectively (see Figure 2 and Table 1):¹

- Within the *core component*, Services prices contribute 7 pp to our headline estimate, while Merchandise prices do so by 4 pp.
- Within the *non-core component*, a decrease in Energy prices (-0.09pp) stands out, countered by an increase in Fruit and Vegetable prices (0.08pp).

Our 12-month headline inflation forecast decreases from 4.00% to 3.86%. Within it, 12-month core inflation decreases from 3.87% to 3.86%, while its non-core counterpart decreases from 4.34% to 3.79%.

These estimates, together with 1F June prints, imply a June 2019 annual inflation forecast at **3.93%**, back on track below Banxico's +/- 1% variability interval around the 3% target. However, should our estimates materialize, the composition would entail core and non-core annual forecasts at **3.87%** and **4.06%**, respectively (see Figure 3). These numbers compare to May's 2019 prints of **4.28%**, **3.77%** and **5.78%**, respectively.

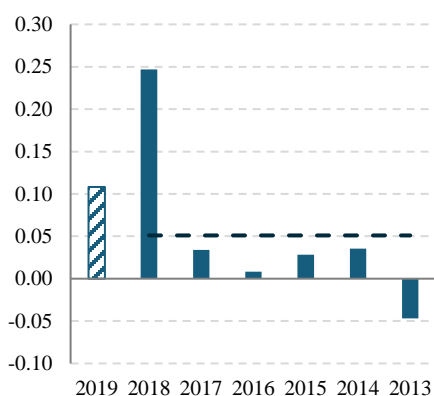
Jessica Roldán Peña
Chief Economist
jroldan@finamex.com.mx
+ 52 (55) 5209 2056

Víctor Gómez Ayala
Senior Economist
vgomez@finamex.com.mx
+ 52 (55) 5209 2151

Jose Arnulfo Quintero
Fixed Income
jquintero@finamex.com.mx
+ 52 (55) 5209 2141

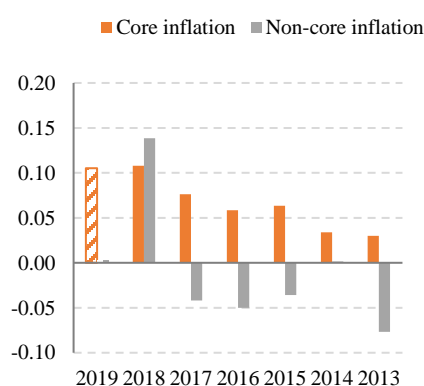
Montserrat Aldave Hoyo
Economist
caldave@finamex.com.mx
+ 52 (55) 5209 2029

Figure 1. 2F June'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.

July 2nd, 2019

Figure 3. Annual Inflation

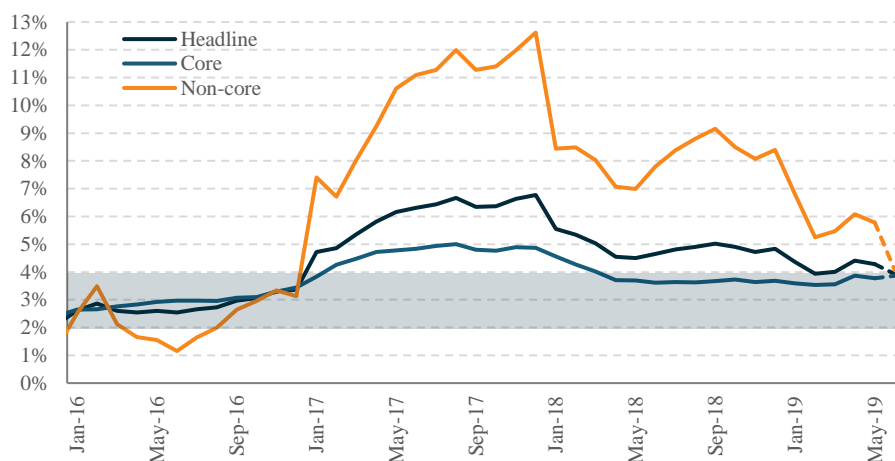


Table 1. 2F June's inflation: Forecast and past prints

CPI	Bi-weekly variation (%)			Bi-weekly contribution (%)		
	Forecast Finamex	Observed 2F Jun 2019	Observed 2F Jun 2018	Forecast Finamex	Observed 2F Jun 2019	Difference
Headline CPI	0.11		0.25		0.11	
Core	0.14		0.14		0.11	
Merchandise	0.10		0.05		0.04	
Food, beverages and tobacco	0.13		0.16		0.03	
Non-food merchandise	0.06		-0.05		0.01	
Services	0.19		0.23		0.07	
Housing	0.12		0.17		0.02	
Education (tuitions)	0.06		0.03		0.00	
Other services	0.27		0.36		0.17	
Non-core	0.01		0.54		-0.17	
Agriculture	0.85		0.87		0.09	
Fruit and vegetables	1.90		2.61		0.70	
Livestock	0.03		-0.11		0.00	
Energy and government approved fares	-0.59		0.35		-0.53	
Energy	-0.89		0.50		-0.88	
Government approved fares	0.09		0.06		0.10	

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

July 2nd, 2019

Disclaimer

The information included in this document should not be considered as a complete and detailed description of the terms and conditions of a particular operation. The terms and conditions applicable to a particular operation will be included in the documents that, if applicable, the parties sign. The information included in this document is based on reliable sources; however, it does not represent, imply or guarantee accuracy or fidelity and is subject to changes, amendments, additions, clarifications or substitutions at any time and without prior notice. In the same way, this document is for informational and guidance purposes and therefore should not be considered as an investment recommendation or advisory or as an offering of investment instruments or securities for sale, purchase or subscription. Past returns do not guarantee future returns. This document does not constitute a recommendation, advice or opinion on accounting, tax, legal or any other aspects; these aspects must be evaluated by each party with the support of the advisors it deems necessary. Casa de Bolsa Finamex, S.A.B. de C.V. (including its shareholders, officers and employees) will not be liable for damages or losses of any kind that are intended to be based on the use of this document or its content.

The information contained in this document is strictly confidential for its addressee and its total or partial reproduction is prohibited without the prior written authorization of Casa de Bolsa Finamex, S.A.B. de C.V.