

August 1st, 2019

2nd Fortnight July 2019 inflation forecast: Non-core inflation continues saving the day!

Based on our price monitor, we expect 2F July 2019 headline inflation at **0.02%**, with core and non-core inflation at **0.05%** and **-0.09%**, respectively (see Figure 1 and Table 1).

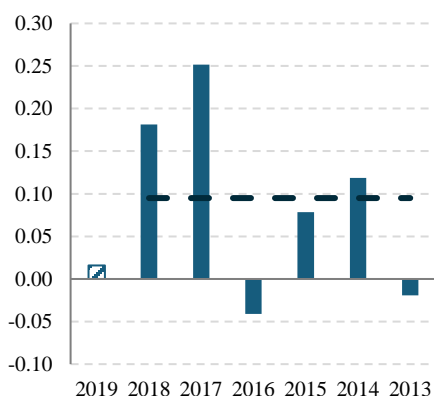
Accordingly, *incidences* of the core and non-core components in our headline inflation forecast are 0.04 and -0.02 percentage points (pp), respectively (see Figure 2 and Table 1):¹

- Within the *core component*, Food, beverages and tobacco and Housing prices contribute 0.02 pp each to our headline estimate.
- Within the *non-core component*, a decrease in Fruit and vegetables prices offset the former effects by -0.02pp.

Our 12-month headline inflation forecast decreases from 3.84% to 3.67%. Within it, 12-month core inflation stays in 3.81%, while its non-core counterpart decreases from 3.92% to 3.25%.

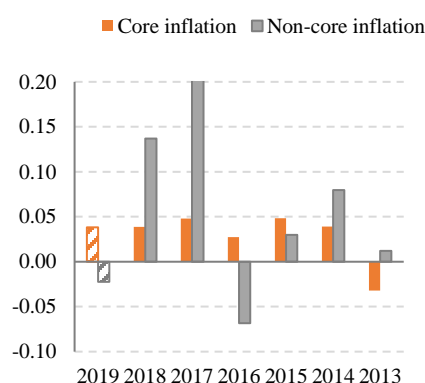
Should our estimates materialize, together with 1F July prints, they would entail a significant decrease of July 2019 annual inflation relative to June, from 3.95% to 3.76%. This decrease is largely explained by non-core inflation, which would decrease from 4.19% to 3.58%. Core inflation would also contribute marginally, by going down from 3.85% to 3.81% (see Figure 3).

Figure 1. 2F July'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.

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

August 1st, 2019

Figure 3. Annual Inflation

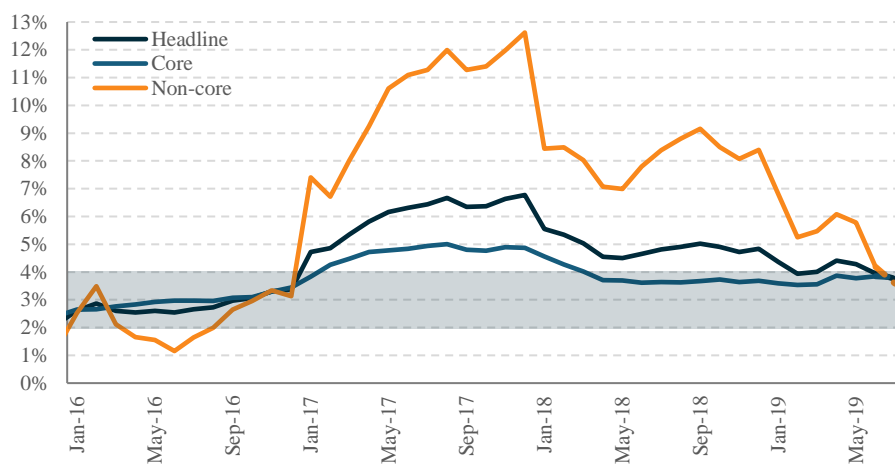


Table 1. 2F July's inflation: Forecast and past prints

CPI	Bi-weekly variation (%)			Bi-weekly contribution (%)		
	Forecast Finamex	Observed		Forecast Finamex	Observed	Difference
		2F Jul 2019	2F Jul 2018	2F Jul 2017		
Headline CPI	0.02		0.18	0.25	0.02	
Core	0.05		0.05	0.06	0.04	
Merchandise	0.04		0.03	0.09	0.02	
Food, beverages and tobacco	0.10		0.10	0.17	0.02	
Non-food merchandise	-0.02		-0.03	0.01	0.00	
Services	0.06		0.07	0.05	0.02	
Housing	0.10		0.09	0.09	0.02	
Education (tuitions)	0.08		0.02	0.06	0.00	
Other services	0.02		0.06	-0.01	0.00	
Non-core	-0.09		0.56	0.82	-0.02	
Agriculture	-0.08		0.71	2.11	-0.01	
Fruit and vegetables	-0.50		2.31	5.04	-0.02	
Livestock	0.25		-0.26	0.28	0.01	
Energy and government approved fares	-0.10		0.47	0.00	-0.01	
Energy	-0.17		0.71	-0.10	-0.02	
Government approved fares	0.06		-0.01	0.16	0.00	

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

August 1st, 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.