

August 16th, 2019

1st Fortnight August 2019 inflation forecast: More of the same.

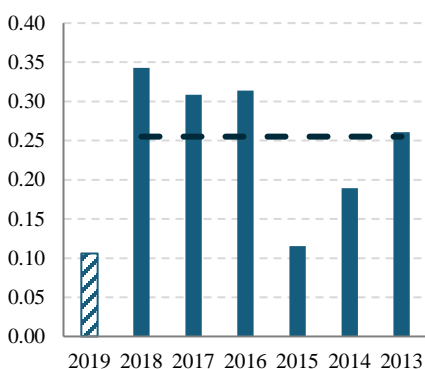
Based on our price monitor, we expect 1F August 2019 headline inflation at **0.11%**, with core and non-core inflation at **0.14%** and **-0.01%**, respectively (see Figure 1 and Table 1).

Accordingly, *incidences* of the core and non-core components in our headline inflation forecast are 0.11 and 0.00 percentage points (pp), respectively (see Figure 2 and Table 1):¹

- Within the *core component*, an increase in Merchandise prices (0.09pp) stands out.
- Within the *non-core component*, a decline in poultry prices contributes to the decrease in Livestock prices (-0.02pp).

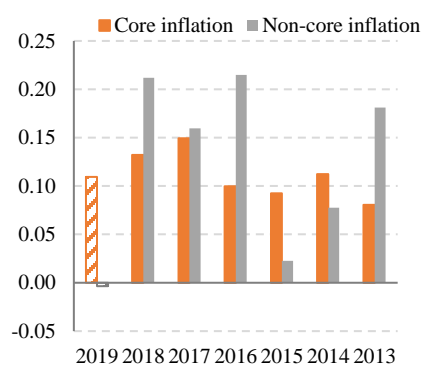
Our 12-month headline inflation forecast goes down from 3.72% to 3.47%, driven by decreases in both core and non-core inflation, from 3.83% to 3.80% and from 3.37% to 2.47%, respectively.

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



Source: INEGI and Finamex.

Figure 2. Inflation incidences (pp)



Source: INEGI and Finamex.

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

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

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

CPI	Bi-weekly variation (%)			Bi-weekly contribution (%)		
	Forecast Finamex	Observed		Forecast Finamex	Observed 1F Aug 2019	Difference
		1F Aug 2019	1F Aug 2018	1F Aug 2017		
Headline CPI	0.11		0.34	0.31	0.11	
Core	0.14		0.18	0.20	0.11	
Merchandise	0.22		0.30	0.41	0.09	
Food, beverages and tobacco	0.21		0.27	0.26	0.04	
Non-food merchandise	0.24		0.33	0.53	0.05	
Services	0.06		0.04	0.02	0.02	
Housing	0.08		0.05	0.10	0.01	
Education (tuitions)	1.34		1.35	1.03	0.05	
Other services	-0.23		-0.24	-0.38	-0.04	
Non-core	-0.01		0.86	0.64	0.00	
Agriculture	-0.04		0.89	0.87	0.00	
Fruit and vegetables	0.41		2.80	1.64	0.02	
Livestock	-0.39		-0.65	0.36	-0.02	
Energy and government approved fares	0.00		0.84	0.49	0.00	
Energy	-0.09		1.13	0.62	-0.01	
Government approved fares	0.21		0.16	0.26	0.01	

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

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