

2nd Fortnight August 2019 inflation forecast: Unstoppable non-core inflation!

September 2nd, 2019

Based on our price monitor, we expect 2F August 2019 headline inflation at **0.07%**, with core and non-core inflation at **0.14%** and **-0.16%**, 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 -0.04 percentage points (pp), respectively (see Figure 2 and Table 1):¹

- Within the *core component*, Food, beverages and tobacco prices contribute **0.04 pp** to our headline estimate.
- Within the *non-core component*, a decrease in Fruit and vegetables and Energy prices partially offset the former effects by **-0.03pp** each.

Our 12-month headline inflation forecast decreases from 3.29% to 3.06%. Within it, 12-month core inflation increases from 3.77% to 3.83%, while its non-core counterpart decreases from 1.81% to 0.71%.

Should our estimates materialize, together with 1F August prints, they would entail a significant decrease of August annual inflation relative to July, from 3.78% to 3.17%. As it has been the case during the past four months, this decrease is largely explained by non-core inflation (from 3.64% to 1.26%). Core inflation, on the other hand, would decrease from 3.82% to 3.80%. (see Figure 3).

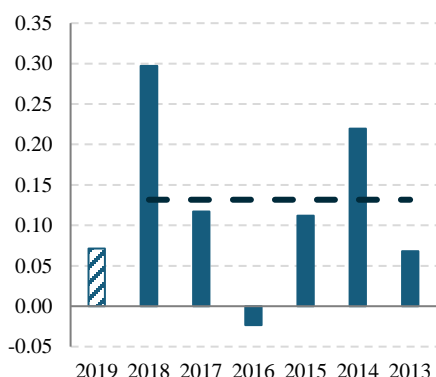
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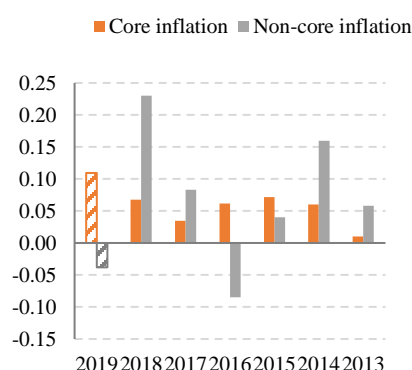
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Figure 1. 2F August's inflation (%)



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.

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Figure 3. Annual Inflation

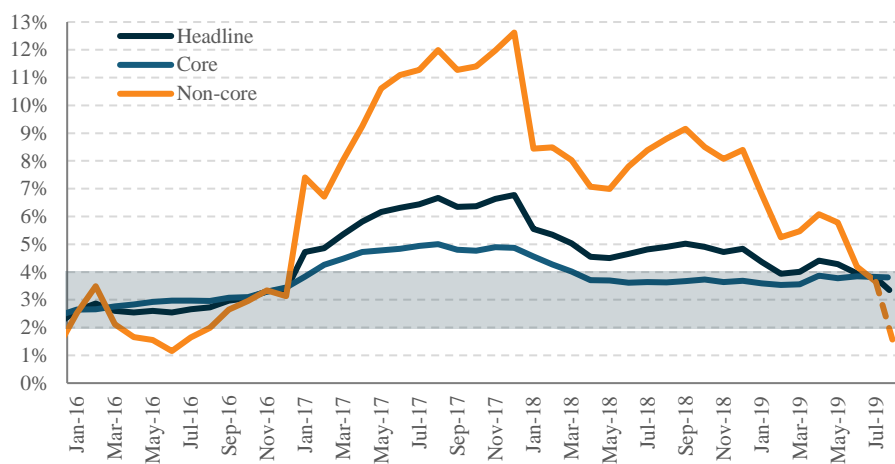


Table 1. 2F August's inflation: Forecast and past prints

CPI	Bi-weekly variation (%)				Bi-weekly contribution (%)		
	Forecast Finamex	Observed			Forecast Finamex	Observed	Difference
		2F Aug 2019	2F Aug 2018	2F Aug 2017			
Headline CPI	0.07		0.30	0.12	0.07		
Core	0.14		0.09	0.05	0.11		
Merchandise	0.16		0.14	0.05	0.06		
Food, beverages and tobacco	0.22		0.18	0.05	0.04		
Non-food merchandise	0.10		0.10	0.04	0.02		
Services	0.13		0.03	0.04	0.05		
Housing	0.12		0.13	0.13	0.02		
Education (tuitions)	0.16		0.16	0.30	0.01		
Other services	0.12		-0.08	-0.12	0.02		
Non-core	-0.16		0.93	0.33	-0.04		
Agriculture	-0.21		1.28	0.28	-0.02		
Fruit and vegetables	-0.73		2.03	0.64	-0.03		
Livestock	0.20		0.64	0.05	0.01		
Energy and government approved fares	-0.12		0.68	0.36	-0.02		
Energy	-0.26		0.89	0.46	-0.03		
Government approved fares	0.20		0.20	0.20	0.01		

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

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