

September 18th, 2019

1st Fortnight September 2019 inflation forecast: Unsurprisingly low.

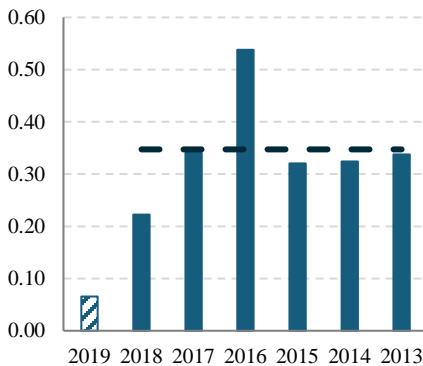
Based on our price monitor, we expect 1F September 2019 headline inflation at **0.07%**, with core and non-core inflation at **0.16%** and **-0.22%**, respectively (see Figure 1 and Table 1).

Accordingly, *incidences* of the core and non-core components in our headline inflation forecast are 0.12 and -0.05 percentage points (pp), respectively (see Figure 2 and Table 1):¹

- Within the *core component*, an increase in **Merchandise prices (0.09pp)** stands out. On **Services side**, **Education (tuition) prices (0.08pp)** are partially offset by **Other services prices (-0.06pp)**.
- Within the *non-core component*, declines in both **Fruit and vegetables and Livestock prices** (of -0.05pp and -0.02pp, respectively) continue contributing to negative inflation print for Agricultural prices.

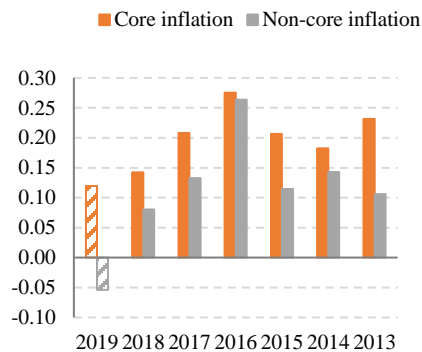
Our 12-month headline inflation forecast goes down from 3.04% to 2.88%, driven by decreases in both core and non-core inflation, from 3.78% to 3.75%, and from 0.76% to 0.21%, respectively. If materialized, the latter would imply a record-low print for non-core inflation.

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



Source: INEGI and Finamex.

Figure 2. Inflation incidences (pp)



Source: INEGI and Finamex.

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

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

CPI	Bi-weekly variation (%)			Bi-weekly contribution (%)		
	Forecast Finamex	Observed		Forecast Finamex	Observed 1F Sep 2019	Difference
		1F Sep 2019	1F Sep 2018			
Headline CPI	0.07	0.22	0.34	0.07		
Core	0.16	0.19	0.28	0.12		
Merchandise	0.23	0.21	0.25	0.09		
Food, beverages and tobacco	0.25	0.18	0.12	0.05		
Non-food merchandise	0.20	0.25	0.36	0.04		
Services	0.08	0.16	0.30	0.03		
Housing	0.09	0.11	0.06	0.01		
Education (tuitions)	2.13	1.96	2.21	0.08		
Other services	-0.36	-0.18	-0.05	-0.06		
Non-core	-0.22	0.33	0.53	-0.05		
Agriculture	-0.72	-0.36	0.27	-0.07		
Fruit and vegetables	-1.11	-1.28	0.29	-0.05		
Livestock	-0.40	0.42	0.26	-0.02		
Energy and government approved fares	0.14	0.82	0.70	0.02		
Energy	0.19	1.17	1.07	0.02		
Government approved fares	0.03	0.00	0.04	0.00		

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

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