
2nd Fortnight September 2019 Inflation Forecast: All in place.

- **Based on our price monitor, we expect 2F September 2019 headline inflation at 0.18%, with core and non-core inflation at 0.12% and 0.38%, respectively** (see Figure 1 and Table 1).
- Accordingly, incidences of the core and non-core components in our headline inflation forecast are 0.09 and 0.09 percentage points (pp), respectively (see Figure 2 and Table 1):¹
 - a. **Within the core component, Food, beverages and tobacco and Other services prices contribute 0.03pp each to our headline estimate.**
 - b. **Within the non-core component, an increase in Fruit and vegetables prices contribute 0.05pp.**
- Our 12-month headline inflation forecast increases from 2.99% to 3.07%. While 12-month core inflation decreases from 3.78% to 3.72%, non-core inflation increases from its historical level of 0.57% to 1.08%.
- **Should our estimates materialize, together with 1F September prints, they would entail September headline annual inflation further going down from 3.16% in August to 3.03%. As it has been the case for the past five months, this decrease would be largely explained by non-core inflation (from 1.29% to 0.82%). Core inflation, on the other hand, would have also slightly decrease from 3.78% to 3.75% (see Figure 3).**

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

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

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

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

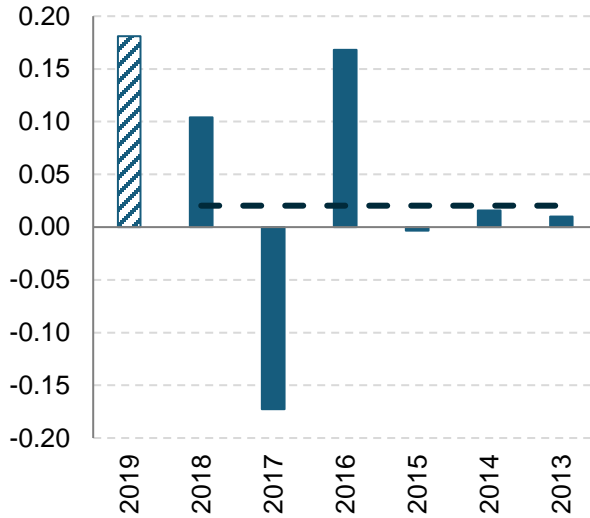


Figure 2. Inflation incidences (pp)

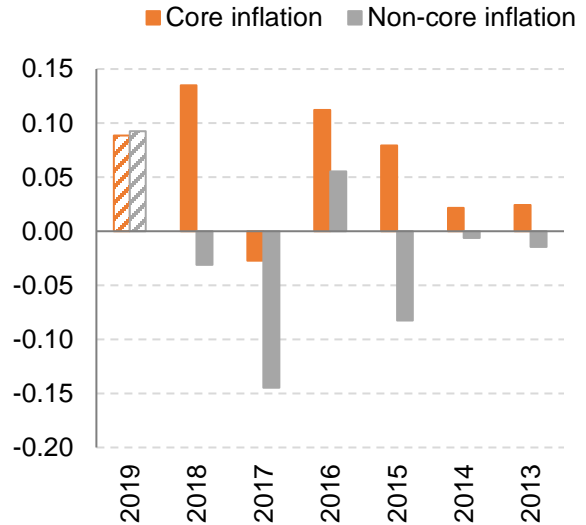


Figure 3. Annual Inflation

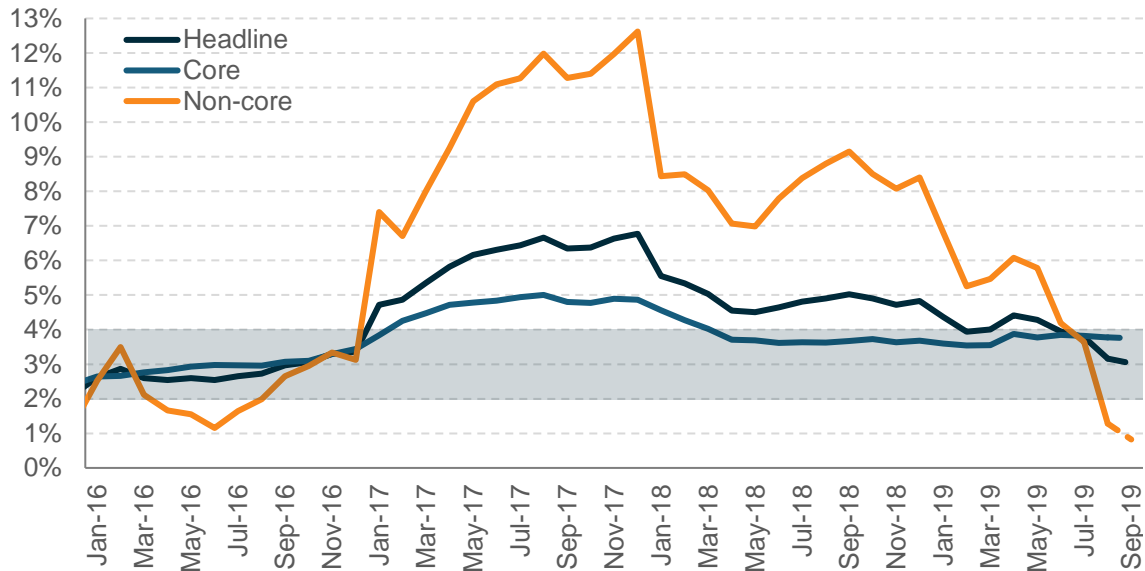


Table 1. 2F September's inflation: Forecast and past prints

CPI	Bi-weekly variation (%)				Bi-weekly contribution (%)		
	Forecast Finamex	Observed			Forecast Finamex	Observed 2F Sep 2019	Difference
		2F Sep 2019	2F Sep 2018	2F Sep 2017			
Headline CPI	0.18	0.10	-0.17	0.18			
Core	0.12	0.18	-0.04	0.09			
Merchandise	0.10	0.19	0.11	0.04			
Food, beverages and tobacco	0.16	0.26	0.05	0.03			
Non-food merchandise	0.03	0.11	0.17	0.01			
Services	0.14	0.17	-0.17	0.05			
Housing	0.12	0.10	0.08	0.02			
Education (tuitions)	0.02	0.01	0.00	0.00			
Other services	0.18	0.27	-0.48	0.03			
Non-core	0.38	-0.13	-0.58	0.09			
Agriculture	0.70	-0.96	-0.95	0.07			
Fruit and vegetables	1.12	-1.71	-2.03	0.05			
Livestock	0.36	-0.33	-0.23	0.02			
Energy and government approved fares	0.15	0.47	-0.34	0.02			
Energy	0.20	0.64	0.85	0.02			
Government approved fares	0.04	0.07	-2.50	0.00			

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

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(*) Research analyst(s) primarily responsible for the preparation and content of this research report.