
2nd Fortnight October 2019 Inflation Forecast: A little change of roles.

- **Based on our price monitor, we expect headline inflation for the 2nd Fortnight of October 2019 at 0.10%, with core and non-core inflations at 0.10% 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 0.08 and 0.02 percentage points (pp), respectively (see Figure 2 and Table 1):¹
 - a. Within the core component, Other services prices contribute 0.04 pp to our headline estimate.**
 - b. Within the non-core component, an increase in Livestock prices contribute 0.02pp.**
- As a result, our 12-month headline inflation forecast slightly decreases from 3.01% to 2.97%. Within, 12-month core inflation remains at 3.68%, while non-core inflation goes down once again, from 0.99% to 0.83%.
- **Should our estimates materialize, together with 1F October prints, they would entail October headline annual inflation at 2.99%, falling below Banco de México's 3% target. Remarkably, this would be the first time in six months that core inflation drops below the 3.7% mark, from 3.75% to 3.68%, and that non-core inflation goes up, from 0.71% to 0.91% (see Figure 3).**

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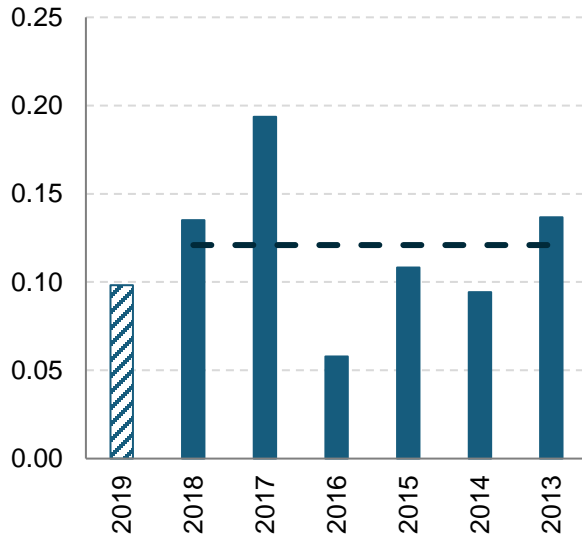
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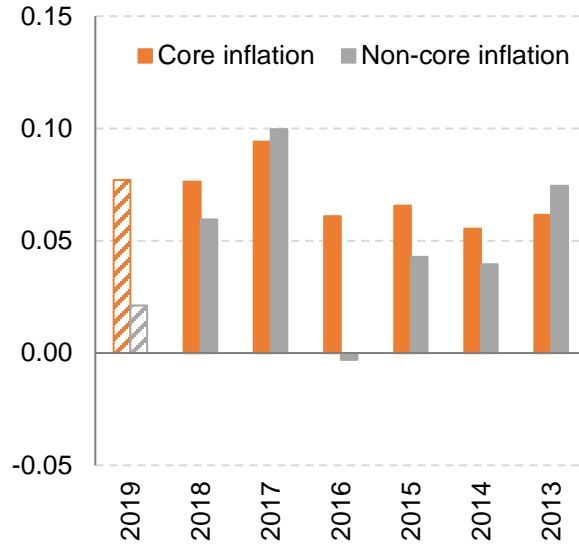
¹ The sum of incidences can differ from the headline number due to rounding effects.

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



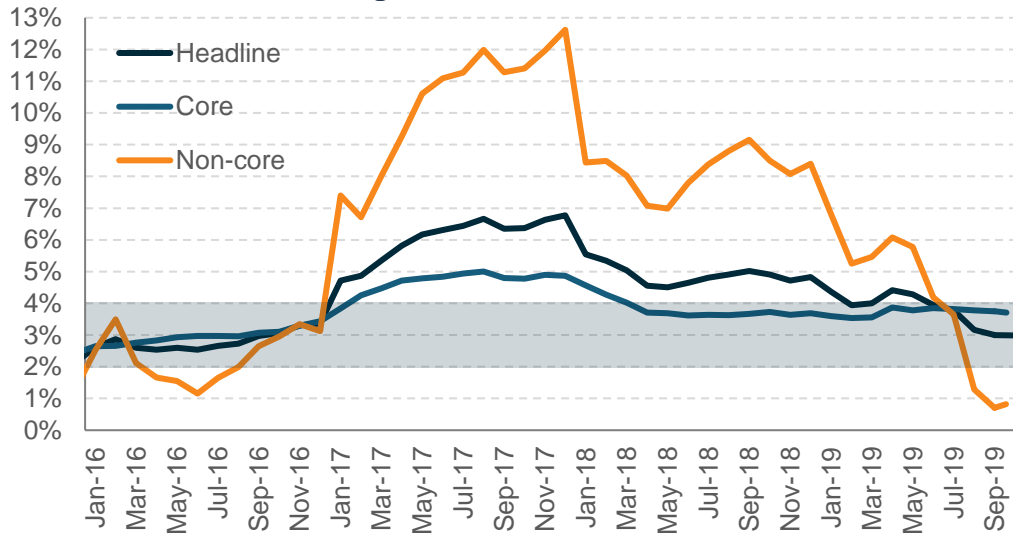
Source: Finamex Economic Research with data from INEGI.

Figure 2. Inflation incidences (pp)



Source: Finamex Economic Research with data from INEGI.

Figure 3. Annual Inflation



Source: Finamex Economic Research with data from INEGI.

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

CPI	Bi-weekly variation (%)				Bi-weekly contribution (%)		
	Forecast Finamex	Observed			Forecast Finamex	Observed 2F Oct 2019	Difference
		2F Oct 2019	2F Oct 2018	2F Oct 2017			
Headline CPI	0.10	0.14	0.19	0.10			
Core	0.10	0.10	0.13	0.08			
Merchandise	0.05	0.01	0.05	0.02			
Food, beverages and tobacco	0.10	0.02	0.05	0.02			
Non-food merchandise	0.00	0.00	0.05	0.00			
Services	0.16	0.20	0.19	0.06			
Housing	0.09	0.08	0.11	0.01			
Education (tuitions)	0.00	0.00	0.00	0.00			
Other services	0.25	0.35	0.33	0.04			
Non-core	0.09	0.24	0.39	0.02			
Agriculture	0.17	0.55	0.21	0.02			
Fruit and vegetables	-0.12	0.82	0.85	-0.01			
Livestock	0.40	0.33	-0.19	0.02			
Energy and government approved fares	0.03	0.03	0.51	0.00			
Energy	0.01	0.01	0.77	0.00			
Government approved fares	0.07	0.08	0.00	0.00			

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

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