
2nd Fortnight November 2019 Inflation Forecast: Non-core inflation to reach new historical low.

- **Based on our price monitor, we expect headline inflation for the 2nd Fortnight of November 2019 at 0.13%, with core and non-core inflations at 0.10% and 0.23%, respectively (see Figure 1 and Table 1).**
- Accordingly, incidences of the core and non-core components in our headline inflation forecast are 0.07 and 0.06 percentage points (pp), respectively (see Figure 2 and Table 1):¹
 - a. Within the core component, Food, beverages and tobacco prices contribute 0.05 pp to our headline estimate.**
 - b. Within the non-core component, an increase in Fruit and vegetables prices contribute 0.04pp.**
- As a result, our 12-month headline inflation forecast decreases from 3.10% to 2.89%. Within, 12-month core inflation increases from 3.66% to 3.74%, while non-core inflation goes down from 1.45% to 0.41%, thus reaching new historical low.
- **Should our estimates materialize, together with 1F November prints, they would entail November headline annual inflation at 3.00%, in line with Banco de México's target. (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

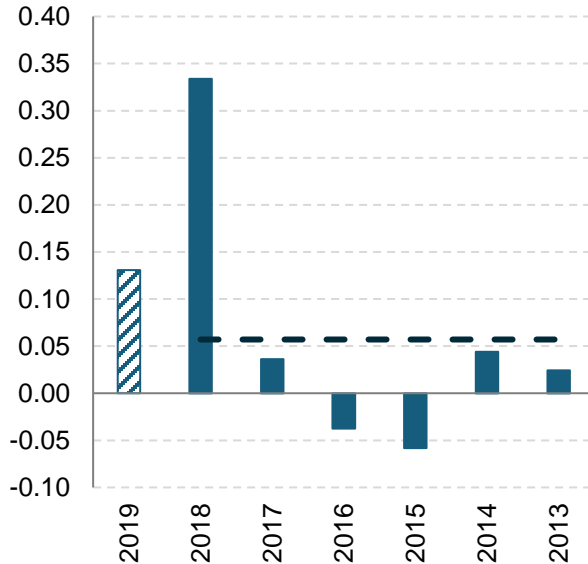
Fixed Income
jquintero@finamex.com.mx
+ 52 (55) 5209 2141

Montserrat Aldave

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

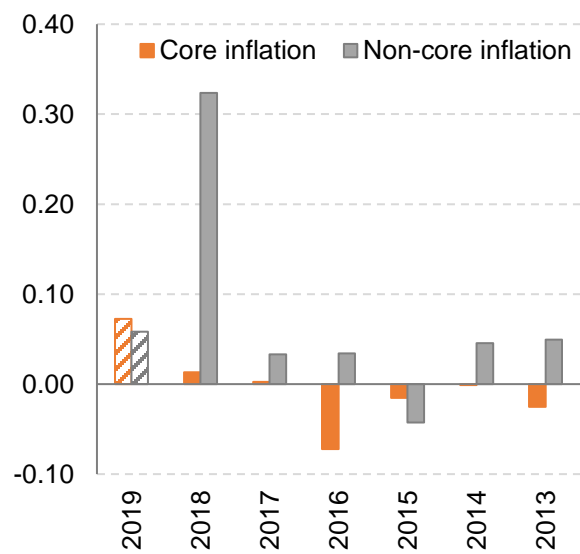
¹ The sum of incidences can differ from the headline number due to rounding effects.

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



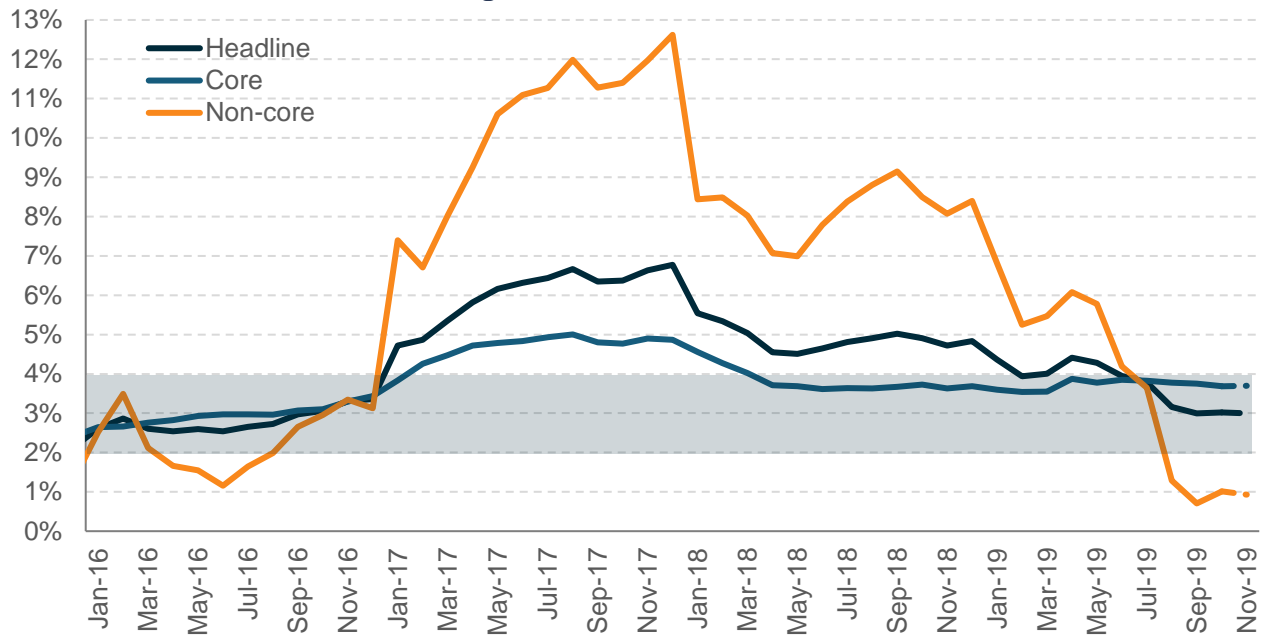
Source: Finamex Economic Research with data from INEGI.

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 November's inflation: Forecast and past prints

CPI	Bi-weekly variation (%)				Bi-weekly contribution (%)		
	Forecast Finamex	Observed			Forecast Finamex	Observed 2F Nov 2019	Difference
		2F Nov 2019	2F Nov 2018	2F Nov 2017			
Headline CPI	0.13	0.33	0.04	0.13			
Core	0.10	0.02	0.00	0.07			
Merchandise	0.09	0.04	-0.03	0.03			
Food, beverages and tobacco	0.25	0.16	0.24	0.05			
Non-food merchandise	-0.09	-0.08	-0.26	-0.02			
Services	0.11	-0.01	0.04	0.04			
Housing	0.11	0.11	0.12	0.02			
Education (tuitions)	0.00	0.00	0.00	0.00			
Other services	0.13	-0.12	-0.04	0.02			
Non-core	0.23	1.27	0.13	0.06			
Agriculture	0.28	3.54	-0.05	0.03			
Fruit and vegetables	0.79	7.23	-0.07	0.04			
Livestock	-0.14	0.41	-0.04	-0.01			
Energy and government approved fares	0.20	-0.28	0.24	0.03			
Energy	0.29	-0.39	0.35	0.03			
Government approved fares	0.00	0.03	0.02	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.