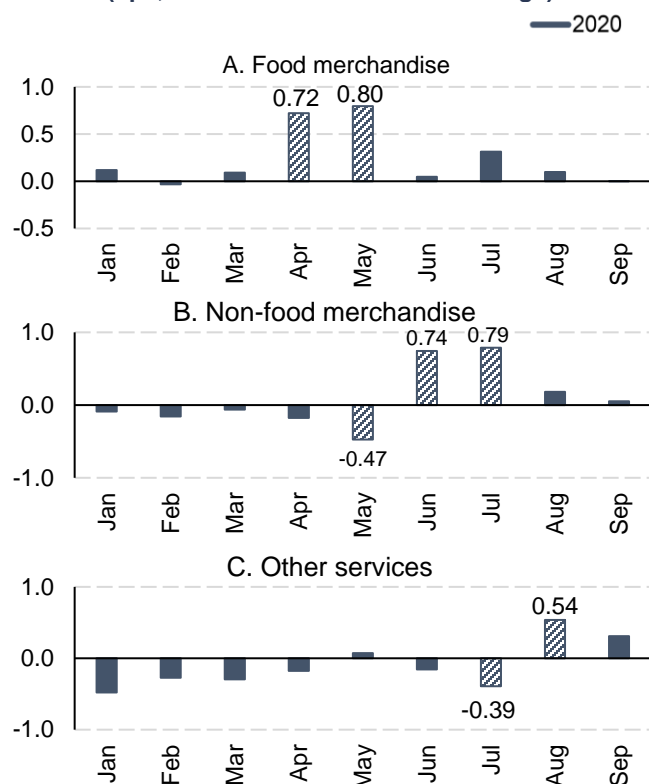


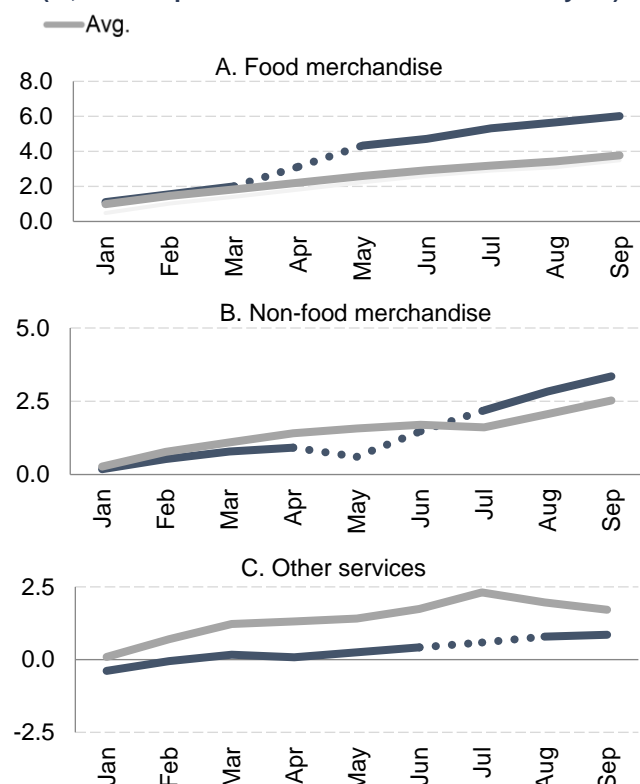
## Recent core inflation dynamics: Are pandemic initial shocks fading away?

While the initial effects of Covid-19 related shocks on certain components of core inflation have been differentiated, the latest inflation figures published yesterday by INEGI seem to reinforce the idea that these are now fading away. In the case of Food Merchandise prices, the largest monthly impacts came in April and May, as the corresponding monthly inflations are big outliers when compared to average dynamics (Figure 1A). Even though these effects momentarily accelerated the pace of accumulated inflation during those months (Figure 2A), the subsequent increases have been similar to those of previous years. In the case of Non-food merchandise prices (Figures 1B and 2B), we identify May, June and July as the months that were mainly affected. Finally, even though Other services monthly inflation has remained below average throughout the entire year, July and August were the months displaying greater discrepancies with respect to average dynamics, as seasonal effects that are usually observed during these months were absent.

**Figure 1. 2020 monthly inflation**  
(bps, deviation from historical average)



**Figure 2. Accumulated inflation**  
(%, with respect to the last December of each year)



Note: Patterned blue columns and dotted lines identify those episodes where monthly inflation has been above or below 2 std from the 2011-2019 average. Source: Finamex Economic Research with data from INEGI.

**Jessica Roldán Peña**

Chief Economist

[jroldan@finamex.com.mx](mailto:jroldan@finamex.com.mx)

+ 52 (55) 5209 2056

**Víctor Gómez Ayala**

Senior Economist

[vgomez@finamex.com.mx](mailto:vgomez@finamex.com.mx)

+ 52 (55) 5209 2151

**Montserrat Aldave Hoyo**

Economist

[caldave@finamex.com.mx](mailto:caldave@finamex.com.mx)

+ 52 (55) 5209 2029

**Pablo Mendoza Icaza**

Economist

[pmendoza@finamex.com.mx](mailto:pmendoza@finamex.com.mx)

+ 52 (55) 5209 2169

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