

Economic Analysis

May CPI HoH forecast: fresh food prices likely to drive up annual headline inflation

Core inflation will likely fall back within the narrow range in which it has fluctuated for the past year

Javier Amador

Headline inflation is likely set to edge higher in the first half of May. We expect a print of -0.16% 2Wo2W in the first half of May, translating into a **4.58% YoY** number, compared to 4.44% in H2 April and 4.41% in April. Our fresh food price trackers signal increases in both fruit and vegetable and meat and egg prices. We are expecting pressures from tomatoes, avocados and chicken prices. These pressures are likely to partially offset the seasonal decline in electricity prices (-20.0% 2Wo2W expected), the expected stability in gasoline prices (0.05% 2Wo2W) and the projected decline in LP gas prices (of -1.0% 2Wo2W).

We expect core inflation to ease. We expect core prices to post a mild increase of 0.03% 2Wo2W, consistent with 3.70% in annual terms, compared to 3.87% in H2 April and 3.87% in April. If accurate, core inflation would fall back the narrow 3.6-3.7% in which it had fluctuated for twelve months before edging higher in April.

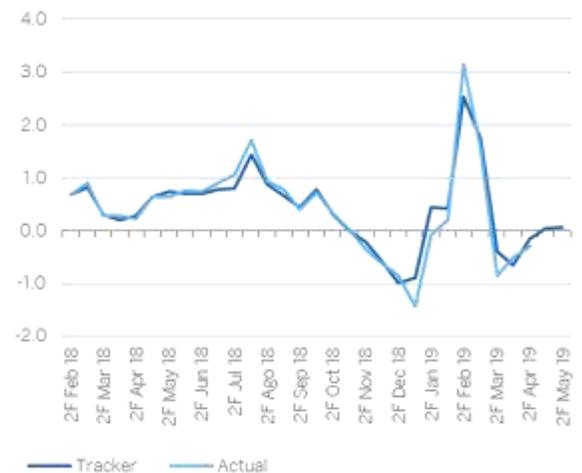
Looking ahead, headline inflation will not fall below 4.0% until August while core prices will hover around 3.6-3.7% the rest of 2Q and in 3Q.

Figure 1. Inflation Breakdown

	H1 May 19		H2 Apr 19
	2Wo2W %	YoY %	YoY %
Headline	-0.16	4.58	4.44
Core	0.03	3.70	3.81
Core goods	0.13	3.80	3.74
Core food	0.20	4.82	4.81
Non-food core	0.05	2.80	2.70
Core services	-0.08	3.56	3.84
Core Housing	0.13	2.82	2.78
Core Education (tuitions)	0.01	4.83	4.84
Core Other Services	-0.29	4.05	4.70
Non-Core	-0.74	7.23	6.39
Non-core Food	1.33	7.81	5.66
Fruits and Vegetables	1.50	15.00	11.49
Meat and Eggs	1.20	3.51	2.12
Energy-related and Regulated	-2.22	6.67	6.93
Energy-related	-3.21	8.25	8.48
Regulated	0.08	3.54	3.51

Source: BBVA Research / INEGI

Chart 1. Low octane gasoline prices: actual vs tracker (HoH % change)



Source: BBVA Research

Disclaimer

This document was prepared by Banco Bilbao Vizcaya Argentaria's (BBVA) BBVA Research and BBVA Bancomer S. A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer on behalf of itself and is provided for information purposes only. The information, opinions, estimates and forecasts contained herein refer to the specific date and are subject to changes without notice due to market fluctuations. The information, opinions, estimates and forecasts contained in this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA Bancomer, and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. This document is not an offer to sell or a solicitation to acquire or dispose of an interest in securities.

