

Flash

Mexico

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Economic Analysis

Mexico
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September's first fortnight inflation: downwards surprise due to lower than expected contributions from education, agricultural products and tariffs set by local governments

- **CPI: Observed: 0.21% fof vs BBVA: 0.32% fof Consensus: 0.37% fof**
- **Core: Observed: 0.22% fof vs BBVA: 0.25% fof Consensus: 0.29% fof**
- **The surprisingly low contributions from the education, public tariffs and agricultural products caused an inflation reduction in annual terms. The result from September's first fortnight generates a downwards bias on our forecast of inflation around 3.35% at years end**

During September's first fortnight inflation turned out lower than expected by the market and BBVA Research, reducing annually from 3.4% in the previous fortnight to 3.2%

Core Inflation also reduced from 3.2% in the previous fortnight to 3.1%. The prices of merchandise grew 0.2% remaining stable annually around 4.5% yoy, this result is consistent with lower effects in the prices of processed food from the prices of grains in international markets. Services grew 0.23% fof reducing in annual terms from 2.2% in August's last fortnight to 2.0% during September's first. This reduction was caused mainly by the deceleration of education prices from 4.8% in the previous fortnight to 4.1%, and to the historically low inflation rates in the housing and other services components.

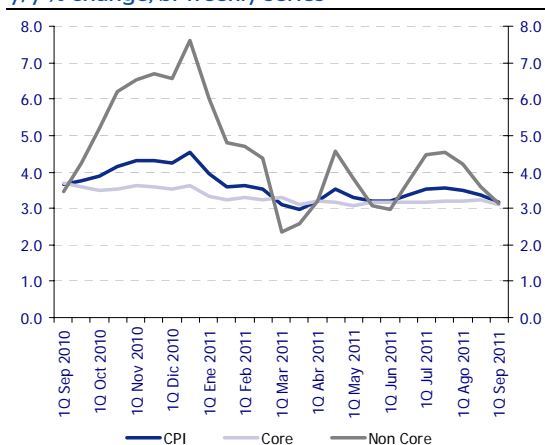
Non-Core inflation raised 0.19% fof, reducing in annual terms from 3.6% in August's second fortnight to 3.1%, this performance is due mainly to a slowdown in the prices of farm products (-0.33% fof) and to the stability observed in the tariffs set by local governments (0.02% fof). Despite Non-Core Inflation reduced annually it can pick up in the short term because of the volatility of agricultural prices.

The result from September's first fortnight generates a downwards bias on our forecast of inflation around 3.35% at years end

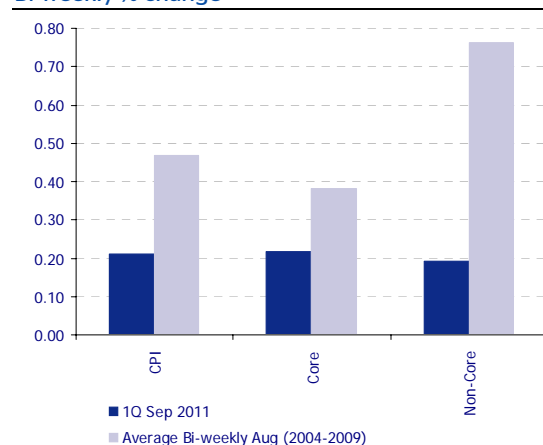
Table 1
 Inflation, Bi-weekly and annual % change

	Bi-weekly % chg.				Annual % chg.		
	1F Sep 2010	1F Sep 2011	Consensus	BBVA Research	1F Sep 2011	Consensus	BBVA Research
CPI	0.11	0.21	0.37	0.32	3.16	3.33	3.27
Core	0.03	0.22	0.29	0.25	3.11	3.18	3.14
Non Core	0.39	0.19	0.63	0.55	3.13	3.58	3.50

Source: BBVA Research with INEGI data

 Chart 1
 General Inflation and Components
 y/y % change, bi-weekly series


Source: BBVA Research with INEGI data

 Chart 2
 General Inflation and Components
 Bi-weekly % change


Source: BBVA Research with INEGI data

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