

# Flash

## Mexico

September 22, 2011  
Economic Analysis

Mexico  
Pedro Uriz Borrás  
pedro.uriz2@bbva.bancomer.com

## 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.

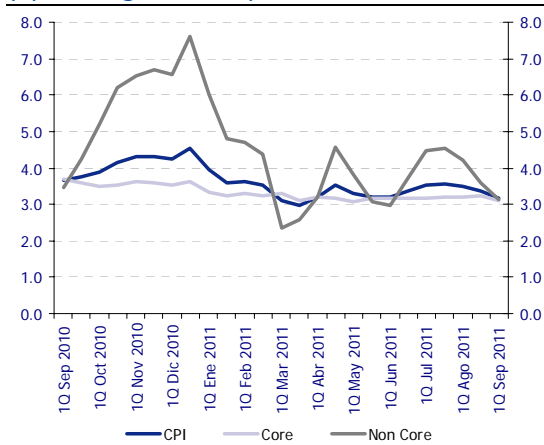
The result from September's first fortnight generates a downwards bias on our forecast of inflation around 3.35% at years end

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
<b>CPI</b>	0.11	0.21	0.37	0.32	3.16	3.33	3.27
<b>Core</b>	0.03	0.22	0.29	0.25	3.11	3.18	3.14
<b>Non Core</b>	0.39	0.19	0.63	0.55	3.13	3.58	3.50

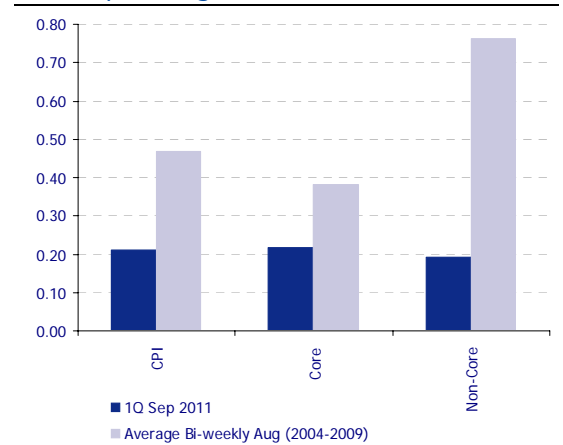
Source: BBVA Research with INEGI data

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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