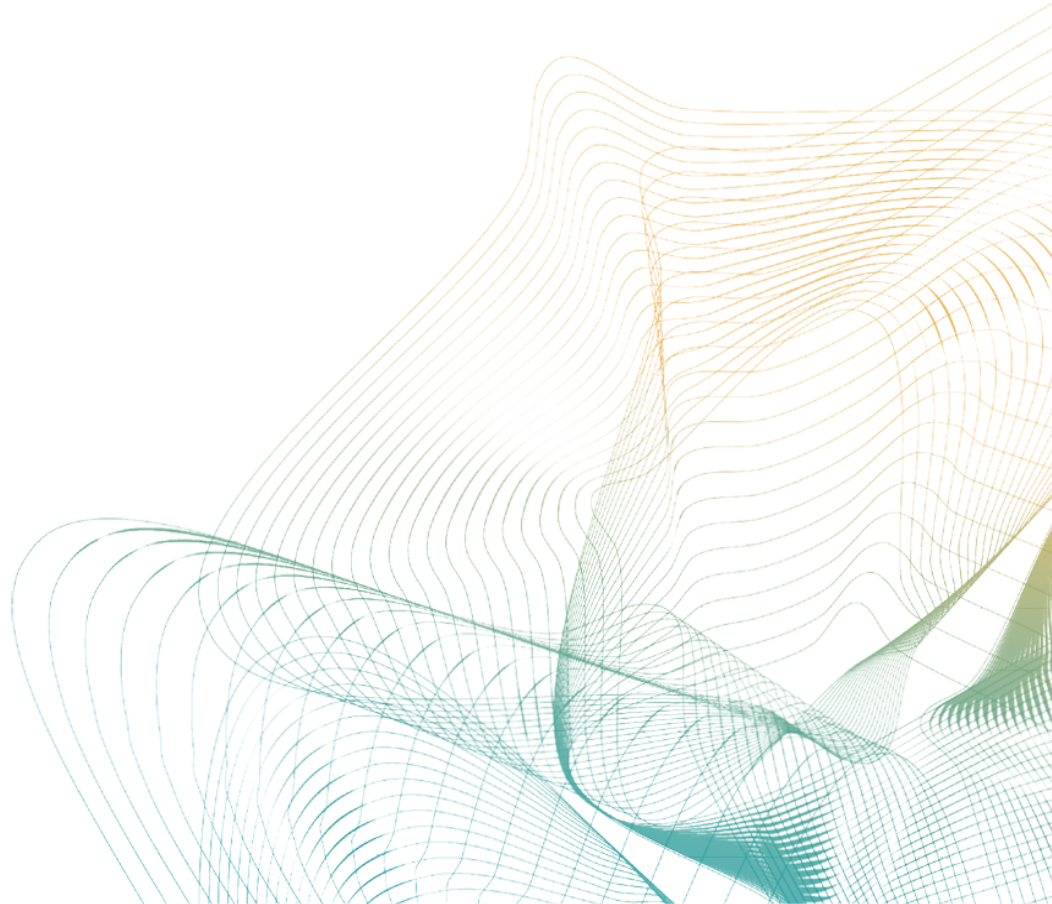


Inflation Report

2019-I



Contents

1.	OVERVIEW	1
1.1	Monetary Policy and Financial Markets	2
1.2	Macroeconomic Developments and Main Assumptions	4
1.3	Inflation and the Monetary Policy Outlook	7
1.4	Key Risks to Inflation Forecasts and the Likely Monetary Policy Response	9
2.	INTERNATIONAL ECONOMIC DEVELOPMENTS	13
2.1	Global Growth	13
2.2	Commodity Prices and Global Inflation	16
2.3	Global Monetary Policy	19
2.4	Global Risk Indicators and Portfolio Flows	21
3.	INFLATION DEVELOPMENTS	23
3.1	Core Inflation Outlook	24
3.2	Food, Energy and Alcohol-Tobacco Prices	29
3.3	Domestic Producer Prices	31
3.4	Agricultural Producer Prices	33
3.5	Expectations	34
4.	SUPPLY AND DEMAND DEVELOPMENTS	45
4.1	Supply Developments	45
4.2	Demand Developments	47
4.3	Labor Market	50
4.4	Wages and Productivity	52
4.5	Output Gap	54
5.	FINANCIAL CONDITIONS AND MONETARY POLICY	61
5.1	Relative Performance in Financial Markets	62
5.2	Credit Conditions	63
5.3	Monetary Policy	67
6.	PUBLIC FINANCE	73
6.1	Budget Developments	73
6.2	Developments in the Public Debt Stock	76
7.	MEDIUM-TERM PROJECTIONS	79
7.1	Current State, Short-Term Outlook and Assumptions	79
7.2	Medium-Term Projections	82
7.3	Key Risks to Inflation Forecasts and the Likely Monetary Policy Response	85
	BOXES	
Box 3.1	Inflation Uncertainty Measures	37
Box 3.2	Coordination Between Monetary and Fiscal Policies: Sliding Scale Tariff and Its Impact on Inflation	42
Box 4.1	Recent Trends in Imports: Consumption and Investment Goods	55
Box 4.2	Structural Policy Measures to Reduce the Current Account Deficit	58
Box 7.1	An Evaluation of End-2018 Inflation Forecasts	91
Box 7.2	The Interaction Between Monetary and Fiscal Policies in a Structural General Equilibrium Model	95