

Complementary agreement to the *Plan Against Inflation* – Actions focused on food items

- Today, President López Obrador, along with members of the Cabinet and representatives of private sector companies, unveiled additional measures to fight inflation
- We must remember that this comes on top of [the first plan released on May 4th](#), where 16 specific actions were presented to fend-off price increases
- Most of the actions are focused on mitigating food price pressures, highlighting actions on three fronts:
 - (1) Foreign trade, particularly in terms of procedures and regulations, as well as the cancellation of some key exports;
 - (2) Specific measures from the federal government; and
 - (3) Cooperation of private sector companies to reduce costs in both inputs and final goods
- We consider that these measures are positive. However, their effect could be limited when considering the influence of global drivers, the advance already accumulated in some prices, and the inherent difficulties to have a sizable impact in aggregate supply

New measures against inflation. Today, President López Obrador, along with the Ministry of Finance, Rogelio Ramírez de la O, in addition to representatives of private sector companies, announced additional actions to fight inflation. We must remember that these are in addition to those in [the first plan, released on May 4th](#). The new measures are focused on mitigating food price increases, considering that actions already carried out by the federal government in energy will remain in place. We identify 10 actions, highlighting some related to foreign trade, as well as efforts by both producers and retailers to maintain prices, and even reduce them. Most of these actions will be in place at least until February 28, 2023. So far, 15 companies have joined the agreement, although the president did not rule out that more may join.

Actions on foreign trade, focused on facilitating procedures and cancellation of key exports. On this front, we recognize four measures, including: (1) A single universal license for companies that are part of the agreement that will exempt them from procedures and permits related to importing food and supplies, including those of SENASICA and COFEPRIS, as well as the general import tax; (2) the authority will suspend, within the framework of the license, the review of any regulation considered to prevent or make food imports more expensive (*e.g.* tariffs, entry barriers, etc.); (3) supervision of the quality of imports will be the responsibility of each company that has the license; and (4) the export of white corn, beans, sardines, aluminum and steel scrap used for food packaging are canceled until the end of the agreed period.

October 3, 2022

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Additional government measures, continuing previous efforts. On this front, we identified four measures, some of which were already part of the first plan, being: (1) The fuel and electricity price subsidy policy will be extended; (2) highway tariffs granted to FONADIN and CAPUFE will not be increased; (3) attention to cases of food items that require particular solutions to overcome situations of unfair competition, consumption cycles, trade restrictions or any other measure that is not possible to overcome by the company itself and that impacts food supplies; (4) support grain production by strengthening current programs, especially those that present a production deficit. Of these, we identify point 3 as a new measure, although it is not entirely clear which specific actions the government could carry out in this front.

Important efforts from the private sector. Here, we identify two specific actions of producers and retailers, focused on: (1) Decrease by 8% the price of the basic basket of 24 goods defined in the *Plan Against Inflation* (see annexed table); and (2) actions to contain the price of corn flour, which should have a positive impact on the price of tortillas.

Measures of the agreement against inflation

#	Measure	Area	Comments	New or extended
1	Single universal license to import and distribute food, related supplies and packaging	Foreign trade	Exempts them from the general import tax and any procedure or permit including those of SENASICA and COFEPRIS	New
2	The authority will suspend all signatory companies from any regulation that is considered to prevent or make the imports of food and its mobility in the country more expensive	Foreign trade	This measure includes tariffs, non-tariff barriers to foreign trade and other requirements for entry and distribution	New
3	Businesses will carry out the necessary verification to ensure that food and supplies that are imported and distributed meet standards of quality	Foreign trade	Said imports must be free of sanitary contingencies as well as of any of other nature	New
4	Policy to contain fuel and energy prices is maintained	Federal government		Extended
5	Highway tolls will be frozen	Federal government	Applies to FONADIN and CAPUFE highways	Extended
6	With the goal of strengthening national production of food products, the government will address cases that require particular solutions in terms of competition or production	Federal government	By competition or production, they refer to cases such as unfair competition, consumption cycles or trade restrictions or any other situation that is not feasible to overcome by the company itself or that affects the supply of food	New
7	Program to strengthen national grain production	Federal government	Special focus on grains for which we have deficits	Extended
8	Exports of white corn, beans, sardines, aluminum, and steel scrap used for food packaging are canceled	Foreign trade	Could extend to other products if the circumstances call for it	New
9	Decrease the price of the 24 basic basket by 8% to \$1,039	Businesses	The current average price stands at \$1,129	New
10	Corn flour producers agree to keep prices unchanged for several products, with a 3% reduction in one of the goods	Businesses	The discount would apply to "extra premium basic flour without conservatives"	New

Source: Banorte with data from the MoF

Commitment from fifteen producers, although with the possibility of more joining. During the press conference, they highlighted 15 companies that will start with the program, as shown in the table below. Considering the categories covered, we believe that the effort is important since they represent a relevant weight in terms of CPI. Additionally, they mentioned that they do not rule out that other companies may join to expand the impact of the program.

Businesses part of the new Agreement Against Inflation

Business	Sector/Food	Business	Sector/Food
Tuny	Tuna	Sukarne	Beef
Grupo Pinsa-Dolores	Tuna	Grupo Gusi	Beef
Grupo Gruma- Maseca	Tortillas	Opormex	Pork
Grupo Minsa	Tortillas	Sigma Alimentos	Pork
Bachoco	Chicken and eggs	Walmart	Retailers
San Juan	Eggs	Chedraui	Retailers
Calvario	Eggs	Soriana	Retailers
Valle Verde	Grains and beans		

Source: SHCP

We believe that the measures are positive, reaffirming the commitment from the government to try and keep inflation contained. In our opinion, and similar to what we said in the presentation of the first *Plan Against Inflation*, we believe that actions are adequate, trying to impact aggregate supply. In addition, the focus of the measures, centered in food items, seems quite relevant to us considering that: (1) They represent a large part of household spending; and (2) they have shown relevant increases in the last few months. Nevertheless, we believe their impact could be relatively limited, considering that some restrictions for the acquisition of raw materials prevail, mainly on global factors (*e.g.* war in Ukraine, supply chain issues). In addition, we don't know what difficulties businesses will face to deal with administrative changes, which could imply an additional challenge. In this context, and considering that the outlook remains quite difficult, [we maintain our call of inflation at the end of the year at 9.0%](#). However, if these measures consolidate, we believe they could be a positive factor heading into 2023.

Annex: Items from PROFECO's basic basket *

#	Item	Weight in CPI (%)*	% y/y (2H-Apr-22)	% y/y (1H-Sep-22)	% y/y (Average 15-19)	Other baskets in which they are included:		
						Basic (SEGALMEX)	Minimum consumption	CONEVAL
1	Corn and rapeseed oil	0.42	37.5	26.7	3.2	X	X	X
2	Rice	0.21	-1.4	4.3	5.7	X	X	X
3	Canned tuna ¹	0.17	10.8	10.1	6.2	X	X	X
4	Brown sugar	0.36	-0.19	3.0	13.2	X	X	X
5	Beef steak ²	2.16	17.1	13.4	6.9	X	X	X
6	Onions	0.20	92.3	87.3	27.2			X
7	Jalapeño peppers ³	0.09	22.3	14.1	17.2			X
8	Pork chops ²	0.62	9.4	9.6	3.1			X
9	Beans	0.45	-7.3	-2.3	7.1	X	X	X
10	Eggs (White)	0.71	5.3	35.7	1.6	X	X	X
11	Toilet soap	0.15	16.8	17.4	3.9	X	X	X
12	Tomatoes	0.50	21.7	-14.52	20.7			X
13	Milk	1.50	6.3	10.1	4.4	X	X	X
14	Lemons	0.09	26.1	14.2	6.3			X
15	Apples	0.27	13.8	-2.5	12.2			X
16	Oranges	0.22	20.7	47.5	8.9			X
17	White bread	0.25	14.5	21.9	5.7	X	X	X
18	Potatoes	0.48	3.2	80.9	6.6			X
19	Toilet paper	0.56	5.4	12.4	6.6	X	X	X
20	Pasta	0.17	13.8	19.4	4.5	X	X	X
21	Whole chicken ²	1.52	11.9	11.7	2.9			X
22	Canned sardines ¹	--	--	--	--	X	X	X
23	Corn tortillas	1.87	17.5	15.1	3.5	X	X	X
24	Carrots	0.08	1.9	4.6	6.7			
TOTAL		13.03						

Notes: * Weights are approximated by the closest category within CPI: 1. In CPI it also includes sardines; 2. Considering categories "beef", "pork" and "chicken" in CPI; 3. Corresponds to "other fresh chillies" in CPI

Source: Banorte with data from the MoF, PROFECO and INEGI

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