

Banxico QR – Downward revision in 2023 GDP supports a less hawkish rhetoric

- Banxico published today its 4Q23 *Quarterly Report* (QR). Broadly speaking, both revisions to the estimates and the comments from Board members confirm the less hawkish bias seen in [recent communications](#)
- Regarding estimates, GDP for this year was revised to 2.8% from 3.0% (Banorte: 2.4%), also with an adjustment lower in employment forecasts. Meanwhile, those for inflation were unchanged relative to the [most recent statement](#), as in recent updates
- The Q&A covered several topics, although the most relevant were those regarding possible actions at upcoming meetings and conditions that will have to materialize to start seeing cuts. In this sense, most responses centered on inflation conditions and its outlook
- Information contained in the document reinforces our view that cuts will begin with a 25bps cut in March. In addition, we reiterate our forecast that the reference rate will close the year at 9.75%

Downward revision in the GDP growth estimate... In line with our view, Banxico revised lower its GDP forecast for the current year, closing in on the vision that prevails in the market. Specifically, the estimate for 2023 was 20bps lower at 2.8%, with next year unchanged at 1.5%. Consistent with this, adjustments were made in other forecasts. We highlight that the output gap –which is the estimate about the cyclical position of the economy relative to its potential– remained positive throughout the forecast horizon. This is relevant as it suggests a backdrop in which demand side inflationary pressures can materialize more easily, despite being lower at the margin. As such, we believe this is still an upside risk to prices.

...and the tone of Board members... Questions touched several subjects. In our opinion, the view from each participant became clearer. In this sense, we reaffirm our view that Irene Espinosa holds the most hawkish opinion, showing relevant concerns about the inflation outlook. In addition, she suggested that March's decision has not been taken. After her, we see Jonathan Heath. He considered that it would be a big mistake to start easing prematurely, although still talking about 'fine-tuning' the reference rate to avoid excessive tightening based on his estimate of the appropriate level of the ex-ante real rate. With a more dovish tone, Governor Victoria Rodríguez mentioned that prevailing conditions will weigh on upcoming actions and that the pace of cuts will be gradual. Nevertheless, she does consider that there are elements to start the discussion about rate reductions. Similarly, Galia Borja argued that some of the shocks that impacted inflation have dissipated, although caution is still warranted, and they must act on a decision-by-decision basis. Finally, with the most dovish tilt, Omar Mejía mentioned that the margin to cut the rate is ample, although the challenge comes from adjusting the degree of monetary restriction to a level which is congruent with current inflation.

...support our vision of a first cut in March, with a cumulative reduction in the year of 150bps. The contents of the publication, forecast revisions, and comments in the press conference were aligned with our view and did not show any strong surprises. In this context, we maintain our call of the first 25bps cut in March, followed by a pause in May. After this, declines would resume in June (also of -25bps) and, from then onwards, consecutive and of the same magnitude for the rest of the year. Thus, accumulated cuts for all of 2024 would amount to 150bps, with the rate closing December at 9.75%.

February 28, 2024



Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com



Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com



Francisco José Flores Serrano
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com



Yazmín Selene Pérez Enríquez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com



Cintia Gisela Nava Roa
Senior Economist, Mexico
cintia.nava.roa@banorte.com

Banxico's decisions in 2024

Date	Decision
February 8th	0bps
March 21 st	--
May 9 th	--
June 27 th	--
August 8 th	--
September 26 th	--
November 14 th	--
December 19 th	--

Source: Banxico



www.banorte.com/analisiseconomico
[@analisis_fundam](#)

Winners of the awards as the best economic forecasters in Mexico by LSEG and Focus Economics in 2023



Document for distribution among the general public

Inflation forecasts and its balance of risks unchanged. As usual, the estimated inflation path was the same as the one presented in the last decision. The balance of risks and its upward bias were also unchanged, only providing additional details on the factors comprising it. At the margin, there seems that some divergence prevails among members, noting the comment from Deputy Governor Espinosa that we cannot rule out a scenario in which core inflation stagnates close to its current level (above the target). Nevertheless, Governor Rodríguez, Deputy Governors Borja and Mejía, emphasized the progress made in the disinflation process.

CPI forecasts

% y/y, quarterly average

	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
Headline	4.4*	4.7	4.3	3.9	3.5	3.2	3.1	3.1	3.1
Core	5.3*	4.6	4.1	3.7	3.5	3.2	3.1	3.1	3.1

Source: Banco de México. *Observed data

Slight downward revision in 2024's GDP estimate, with 2025 unchanged. For 2024, we saw a 20bps reduction in the point forecast to 2.8% (range: 2.2% to 3.4%), above our estimate and consensus (banking sector survey), both at 2.4%. They mentioned that the revision was due to a lower inertial effect caused by [a higher-than-expected deceleration in 4Q23](#), with the rest of the outlook without major changes. Risks remain balanced over the forecast horizon. For 2025, the report specifies that "...the projected fiscal consolidation effort is expected to be reflected in lower domestic spending...", while external demand would garner a higher relevance given the recovery of US economic activity. Lastly, and as we have already mentioned, the output gap also showed a marginal reduction, although it is still positive.

Changes in other estimates. Banxico slightly adjusted to the downside its estimates for job creation affiliated to IMSS for both 2024 and 2025. However, figures still indicate overall labor market strength. On external accounts, narrower deficits are anticipated for both the trade and current account balances in 2024, although with the latter posting a larger deficit in 2025. For more details, see the tables below.

Banxico's Forecasts

Current Report (4Q23)

	2024	2025
GDP (% y/y)		
Central scenario	2.8	1.5
Range	2.2 to 3.4	0.7 to 2.3
Employment (thousands)	580 to 760	530 to 730
Trade Balance (US\$ bn)	-25.6 to -17.6 (-1.3% to -0.9% of GDP)	-27.9 to -17.9 (-1.5% to -1.0% of GDP)
Current account (US\$ bn)	-22.6 to -10.1 (-1.2% to -0.5% of GDP)	-27.2 to -11.2 (-1.5% to -0.6% of GDP)

Source: Banxico

Banxico's Forecasts

Previous Report (3Q23)

	2023	2024	2025
GDP (% y/y)			
Central scenario	3.3	3.0	1.5
Range	3.1 to 3.5	2.3 to 3.7	0.7 to 2.3
Employment (thousands)	670 to 770	610 to 810	550 to 750
Trade Balance (US\$ bn)	-16.0 to -10.0 (-0.9% to -0.6% of GDP)	-27.8 to -19.6 (-1.5% to -1.1% of GDP)	-26.8 to -17.4 (-1.5% to -1.0% of GDP)
Current account (US\$ bn)	-18.6 to -8.6 (-1.0% to -0.5% of GDP)	-24.3 to -11.6 (-1.3% to -0.6% of GDP)	-23.4 to -7.4 (-1.3% to -0.4% of GDP)

Source: Banxico

Analyst Certification.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Santiago Leal Singer, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Leslie Thalia Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Daniel Sebastián Sosa Aguilar, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Jazmín Daniela Cuautencos Mora, Andrea Muñoz Sánchez and Paula Lozoya Valadez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V, since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.

Directory

Research and Strategy



Raquel Vázquez Godínez
Assistant
raquel.vazquez@banorte.com
(55) 1670 - 2967



María Fernanda Vargas Santoyo
Analyst
maria.vargas.santoyo@banorte.com
(55) 1103 - 4000 x 2586

Economic Research



Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com
(55) 1103 - 4046



Yazmín Selene Pérez Enríquez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com
(55) 5268 - 1694

Market Strategy



Santiago Leal Singer
Director of Market Strategy
santiago.leal@banorte.com
(55) 1670 - 1751



José Itzamna Espitia Hernández
Senior Strategist, Equity
jose.espitia@banorte.com
(55) 1670 - 2249



Leslie Thalía Orozco Vélez
Senior Strategist, Fixed Income and FX
leslie.orozco.velez@banorte.com
(55) 5268 - 1698



Juan Carlos Mercado Garduño
Strategist, Equity
juan.mercado.garduno@banorte.com
(55) 1103 - 4000 x 1746

Quantitative Analysis



Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com
(55) 1670 - 2972



José De Jesús Ramírez Martínez
Senior Analyst, Quantitative Analysis
jose.ramirez.martinez@banorte.com
(55) 1103 - 4000



Andrea Muñoz Sánchez
Analyst, Quantitative Analysis
andrea.muñoz.sanchez@banorte.com
(55) 1103 - 4000



Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com
(55) 1103 - 4043



Itzel Martínez Rojas
Analyst
itzel.martinez.rojas@banorte.com
(55) 1670 - 2251



Francisco José Flores Serrano
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com
(55) 1670 - 2957



Cintia Gisela Nava Roa
Senior Economist, Mexico
cintia.nava.roa@banorte.com
(55) 1103 - 4000



Marissa Garza Ostos
Director of Equity Strategy
marissa.garza@banorte.com
(55) 1670 - 1719



Carlos Hernández García
Senior Strategist, Equity
carlos.hernandez.garcia@banorte.com
(55) 1670 - 2250



Isaías Rodríguez Sobrino
Analyst, Fixed Income, FX and Commodities
isaias.rodriguez.sobrino@banorte.com
(55) 1670 - 2144



Paula Lozoya Valadez
Analyst, Equity
paula.lozoya.valadez@banorte.com
(55) 1103 - 4000



José Luis García Casales
Director of Quantitative Analysis
jose.garcia.casales@banorte.com
(55) 8510 - 4608



Daniel Sebastián Sosa Aguilar
Senior Analyst, Quantitative Analysis
daniel.sosa@banorte.com
(55) 1103 - 4000 x 2124



Lourdes Calvo Fernández
Analyst (Edition)
lourdes.calvo@banorte.com
(55) 1103 - 4000 x 2611



Katia Celina Goya Ostos
Director of Economic Research, Global
katia.goya@banorte.com
(55) 1670 - 1821



Luis Leopoldo López Salinas
Economist, Global
luis.lopez.salinas@banorte.com
(55) 1103 - 4000 x 2707



Víctor Hugo Cortes Castro
Senior Strategist, Technical
victorh.cortes@banorte.com
(55) 1670 - 1800



Hugo Armando Gómez Solís
Senior Analyst, Corporate Debt
hugoa.gomez@banorte.com
(55) 1670 - 2247



Gerardo Daniel Valle Trujillo
Analyst, Corporate Debt
gerardo.valle.trujillo@banorte.com
(55) 1670 - 2248



Miguel Alejandro Calvo Domínguez
Senior Analyst, Quantitative Analysis
miguel.calvo@banorte.com
(55) 1670 - 2220



Jazmin Daniela Cuautencos Mora
Strategist, Quantitative Analysis
jazmin.cuautencos.mora@banorte.com
(55) 1103 - 4000