

Banxico – Unchanged, but the convergence of inflation to the target will take more time

- In line with our view and in a unanimous decision, Banxico's Board kept the reference rate at 11.00%
- In our opinion, the tone of the statement was similar to the previous decision, maintaining a restrictive and cautious bias. Nevertheless, we highlight the changes to the forward guidance, stating that *"...Looking ahead, it will assess the inflationary environment in order to discuss reference rate adjustments..."*. Said language is close to the one used in February, before the cut that materialized in March
- In addition, we believe other elements balanced the tone. We noted:
 - (1) The upward revision to inflation forecasts for the next six quarters, both for the headline and the core (see table below);
 - (2) The delayed estimate for the convergence of inflation to its target, from 2Q25 to 4Q25;
 - (3) That the balance of risks for inflation remains tilted to the upside, just with small changes to the factors that make it up. Meanwhile, expectations for this year climbed at the margin; and
 - (4) The view that the disinflationary process will continue, albeit with the effects from inflationary shocks taking longer-than-expected to dissipate. Specifically, expectations that services' inflation will be more persistent
- On global economic activity, they confirmed that it expanded at a faster pace in the first quarter. Nevertheless, for Mexico they mentioned that *"...the weak behavior of economic activity during the last quarter of 2023 is anticipated to have extended into the first quarter of 2024..."*, in line with the performance already seen in the [preliminary report](#)
- Given changes to the forward guidance and the unanimous vote, we reiterate our call of a 25pb cut on June 27th. Moreover, we maintain our view of another pause in the decision to be held on August 8th, especially due to the upward revision in inflation forecasts and after reaffirming the need to continue with the prudent management of monetary policy
- After this, we still expect three consecutive reductions of 25bps each in September, November, and December. As a result, the reference rate would end this year at 10.00%

Banxico: CPI forecasts

% y/y, quarterly average

	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
Headline	4.4*	4.6*	4.6	4.4	4.0	3.5	3.3	3.2	3.0	3.0
Current	4.4*	4.6	4.4	4.0	3.6	3.2	3.1	3.1	3.1	3.1
Previous	--	--	20	40	40	30	20	10	-10	-10
Difference (bps)										
Core										
Current	5.3*	4.7*	4.3	4.0	3.8	3.5	3.3	3.2	3.0	3.0
Previous	5.3*	4.7	4.2	3.8	3.5	3.2	3.1	3.1	3.1	3.1
Difference (bps)	--	--	10	20	30	30	20	10	-10	-10

*Actual data

Source: Banxico

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Banxico's decisions in 2024

Date	Decision
February 8 th	0bps
March 21 st	-25bps
May 9 th *	0bps
June 27 th	--
August 8 th	--
September 26 th	--
November 14 th	--
December 19 th	--

*The minutes of the decision will be published on May 23rd
Source: Banxico



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