September 26, 2024

Banxico: -25bps in line with our forecast, suggesting this will be the pace going forward

- **In line with our forecast Banxico's Board cut the reference rate by 25bps to 10.50% in a split decision. The dissent came from Jonathan Heath, who supported leaving the rate at 10.75%**
- **In our view, the tone was slightly more dovish than the previous statement, highlighting:**
  - **(1) A slight adjustment in the forward guidance, signaling that "*…the Board expects that the inflationary environment will allow further reference rate adjustments…*", eliminating the word "discussing", which in our opinion alluded to the possibility that consecutive moves would not materialize;**
  - **(2) The recognition that, despite the balance of risks for inflation remaining tilted to the upside, conditions have improved, situation that is seen in current and expected levels of core inflation;**
  - **(3) The expectation that effects from recent shocks in non-core inflation on the headline will continue dissipating over the next quarters; and**
  - **(4) A view of weakness in economic activity, in a context of "*…in a context of high uncertainty caused by external and domestic factors…*", along a deceleration in job creation**
- **On inflation forecasts, revisions to both the headline and the core were to the downside and concentrated in more immediate quarters (see table below). As such, the timing of the convergence to the target remained in 4Q25**
- **Considering the magnitude of today's cut, the tone of the statement and our expectations for inflation and economic activity, we expect the cuts to continue in the next decisions. Specifically, we forecast a 25bps cut in the November 14th decision, taking the rate to 10.25%**
- **For December we also anticipate -25bps, with the volatility associated with the US electoral process being left behind. This would leave the rate at the end of 2024 at 10.00%**
- **In 2025, we believe that the cuts will continue, anticipating 25bps reductions in each of the 8 meetings scheduled for the year (cumulative: -200bps). Thus, the reference rate would close the year at 8.00%**

Banxico: CPI forecasts
% y/y, quarterly average

	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26
Headline										
Current	4.8*	5.1	4.3	3.7	3.3	3.1	3.0	3.0	3.0	3.0
Previous	4.8*	5.2	4.4	3.7	3.3	3.1	3.0	3.0	3.0	--
Difference (bps)	--	-10	-10	0	0	0	0	0	0	--
Core										
Current	4.2*	4.0	3.8	3.5	3.3	3.1	3.0	3.0	3.0	3.0
Previous	4.2*	4.0	3.9	3.6	3.3	3.1	3.0	3.0	3.0	--
Difference (bps)	--	0	-10	-10	0	0	0	0	0	--

*Actual data
Source: Banxico


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Banxico's decisions in 2024

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

*The minutes of this decision will be published on October 10th
Source: Banxico

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LSEG STARMINE AWARD FOR REUTERS POLLS
Best Forecaster Economic Indicators for Mexico 2023

BANORTE

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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, Leslie Thalía 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, Marcos Saúl García Hernandez, Juan Carlos Mercado Garduño, Ana Gabriela Martínez Mosqueda, Jazmin 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.

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	Reference
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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.

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