**Economic and Financial Markets Research**
Economic Research, Mexico

**March 27, 2025**

# Banxico – The easing cycle will be more extensive

- **In line with our forecast, Banxico's Board cut the reference rate by 50bps to 9.00%**
- **In our view, the tone was more dovish, highlighting:**
  - **(1) A unanimous vote, with Jonathan Heath joining the rest of the Board after his dissent in February;**
  - **(2) Continuity in the forward guidance, signaling that the Board is "*...looking forward it could continue calibrating the monetary policy stance and consider adjusting it in similar magnitudes...*";**
  - **(3) A view of additional weakness in Mexico's economic activity, signaling that "*...the environment of uncertainty and trade tensions poses significant downward risks...*";**
  - **(4) An improvement in the balance of risks for inflation, even when it remains tilted to the upside; and**
  - **(5) The strategy of continuing with monetary easing, with lower levels of the reference rate being consistent with the new stage in the fight against inflation, even when considering "*...the possible impact of changes in trade policies worldwide...*"**
- **There were no revisions to inflation forecasts (see table below). As such, the timing of the convergence to the target remained in 3Q26**
- **On the balance of risks for inflation they recognized increased uncertainty due to changes in economic policies in the US. However, they stated that "*...its effects could imply inflationary pressures on both sides of the balance...*"**
- **Starting from the more dovish tone and considering an outlook of lower economic activity, a more favorable scenario for prices, and the relative stability of the Mexican peso despite an environment of higher uncertainty, we believe there is room for additional cuts in Banxico's reference rate this year**
- **As such, we expect a 50bps cut in the upcoming meeting on May 15th, taking the rate to 8.50%. Moreover, after the changes in the statement and a more challenging backdrop, we forecast additional adjustments in the reference rate through the year. As such, we expect a year-end level of 7.75%, lower than our previous estimate (8.50%)**

**Banxico: CPI forecasts**
% y/y, quarterly average

| | 4Q24 | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26 | 2Q26 | 3Q26 | 4Q26 | 1Q27 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Headline** | | | | | | | | | | |
| Current | 4.5* | 3.7 | 3.5 | 3.4 | 3.3 | 3.2 | 3.1 | 3.0 | 3.0 | 3.0 |
| Previous | 4.5* | 3.7 | 3.5 | 3.4 | 3.3 | 3.2 | 3.1 | 3.0 | 3.0 | -- |
| Difference (bps) | -- | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -- |
| **Core** | | | | | | | | | | |
| Current | 3.7* | 3.6 | 3.5 | 3.4 | 3.3 | 3.2 | 3.0 | 3.0 | 3.0 | 3.0 |
| Previous | 3.7* | 3.6 | 3.5 | 3.4 | 3.3 | 3.2 | 3.0 | 3.0 | 3.0 | -- |
| Difference (bps) | -- | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -- |

*Actual data
Source: Banxico



**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 2025**

| Date | Decision |
|---|---|
| February 6th | -50bps |
| March 27th* | -50bps |
| May 15th | -- |
| June 26th | -- |
| August 7th | -- |
| September 25th | -- |
| November 6th | -- |
| December 18th | -- |

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


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|---|---|
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| **HOLD** | When the share expected performance is similar to the MEXBOL estimated performance. |
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# Directory
## Research and Strategy

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

**Raquel Vázquez Godinez**
Assistant
raquel.vazquez@banorte.com
(55) 1670 – 2967

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

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

**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

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

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

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

**Cintia Gisela Nava Roa**
Senior Economist, Mexico
cintia.nava.roa@banorte.com
(55) 1105 - 1438

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

## Market Strategy

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

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

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

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

**Hugo Armando Gómez Solís**
Senior Strategist, Equity
hugoa.gomez@banorte.com
(55) 1670 - 2247

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

**Marcos Saúl García Hernandez**
Analyst, Fixed Income, FX and Commodities
marcos.garcia.hernandez@banorte.com
(55) 1670 - 2296

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

**Ana Laura Zaragoza Félix**
Strategist, Corporate Debt
ana.zaragoza.felix@banorte.com
(55) 1103 - 4000

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

**Ana Gabriela Martínez Mosqueda**
Strategist, Equity
ana.martinez.mosqueda@banorte.com
(55) 5261 - 4882

**Paula Lozoya Valadez**
Analyst, Equity
paula.lozoya.valadez@banorte.com
(55) 1103 - 4000 x 2060

## Quantitative Analysis

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

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

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

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

**Jazmin Daniela Cuautencos Mora**
Strategist, Quantitative Analysis
jazmin.cuautencos.mora@banorte.com
(55) 1670 - 2904

**Andrea Muñoz Sánchez**
Strategist, Quantitative Analysis
andrea.muñoz.sanchez@banorte.com
(55) 1105 - 1430