

## Banxico minutes – Cuts will continue despite external uncertainty

- Banxico released the minutes of the decision held on March 27<sup>th</sup>. The vote was unanimous for a 50bps cut to 9.00%, in line with our expectations
- In our view, the document endorsed the more dovish tone of the [statement](#), suggesting that a same-magnitude cut will be made at the next meeting
- Among the strongest arguments to support this scenario are: (1) The need to continue the calibration process of the monetary stance, given the level of the ex-ante real rate; and (2) greater weakness in economic activity in the context of high global uncertainty
- Members recognized the new trade order, stating that the magnitude of the impact still must be determined. We believe the majority considers this could induce lower inflation due to its effect on aggregate demand and the degree of economic slack
- We also highlight that our [natural processing language model](#) identified that Governor Victoria Rodríguez showed a relevant change in her narrative, adopting a less dovish tone and different semantics
- Finally, we reiterate our call of a 50bps cut in the next meeting on May 15<sup>th</sup>, with the reference rate at 7.75% by year-end 2025

**Banxico will keep lowering the reference rate, with the ‘forward guidance’ suggesting another 50bps cut at the upcoming meeting.** In our view, the document’s tone emphasized the dovish bias of the last [statement](#). This is also reflected in the forward guidance, which suggests a high probability of a consecutive 50bps cut in May. We think all members’ remarks swirled around three main ideas: (1) The need to continue calibrating the reference rate given the current level of the ex-ante real rate; (2) the deterioration of economic activity in the context of high global uncertainty; and (3) the potential implications of tariffs by the US. In detail, most members acknowledged the progress in the disinflationary process, placing them at a stage in which they seek to bring inflation closer to historical averages. Some reiterated that the current restrictive level of the ex-ante real rate compared to the level of inflation allows for additional adjustments. As in the previous decision, economic slack was emphasized, indicating that it is a clear incentive to make additional cuts. Finally, members delved into some risks arising from the new trade order. These include the exchange rate, input prices, and the performance of domestic demand. However, and at least for now, the absence of clarity on this matter prevents them from determining a net effect or making specific decisions in this regard. All in all, we reaffirm our estimate of a 50bps cut on May 15 to 8.50%. Finally, we believe there will be additional cuts that will bring the rate to 7.75% by year-end.

**Lower inflationary pressures and economic weakness are key for the rate cut cycle.** On the former, we believe Governor Victoria Rodríguez stated that the balance of risks has improved, so we must not “...lose sight of the remarkable progress in the disinflationary process...”. Another relevant point she emphasized is that the real ex-ante rate is visibly above neutrality and high, so she assured that “...there is sufficient room to continue with the calibration process...”. In this regard, Galia Borja expressed that “...upward risks to inflation are contained...”. Moreover, the majority acknowledged relative stability in core inflation. Regarding growth, all members referred to its weakness. Even Gabriel Cuadra considers it likely that “...the annual variation of GDP in 2025 could be in the lower part of the range published in the last Quarterly Report ...”, and Omar Mejía recognized “...a further weakening of consumption due to the cooling of the labor market...”.

April 10, 2025



**Alejandro Padilla Santana**  
Chief Economist and Head of Research  
[alejandro.padilla@banorte.com](mailto:alejandro.padilla@banorte.com)



**Juan Carlos Alderete Macal, CFA**  
Executive Director of Economic Research and Market Strategy  
[juan.alderete.macal@banorte.com](mailto:juan.alderete.macal@banorte.com)



**Francisco José Flores Serrano**  
Director of Economic Research, Mexico  
[francisco.flores.serrano@banorte.com](mailto:francisco.flores.serrano@banorte.com)



**Yazmín Selene Pérez Enríquez**  
Senior Economist, Mexico  
[yazmin.perez.enriquez@banorte.com](mailto:yazmin.perez.enriquez@banorte.com)



**Cintia Gisela Nava Roa**  
Senior Economist, Mexico  
[cintia.nava.roa@banorte.com](mailto:cintia.nava.roa@banorte.com)

### Banxico's decisions in 2025

Date	Decision
<a href="#">February 6<sup>th</sup></a>	-50bps
<a href="#">March 27<sup>th</sup></a>	-50bps
May 15 <sup>th</sup>	--
June 26 <sup>th</sup>	--
August 7 <sup>th</sup>	--
September 25 <sup>th</sup>	--
November 6 <sup>th</sup>	--
December 18 <sup>th</sup>	--

Source: Banxico



[@analisis\\_fundam](http://www.banorte.com/analisiseconomico)

Document for distribution among the general public

On the other hand, Jonathan Heath supported the rate cut, assessing that “...the anticipated magnitude of the economic weakness is such that it should really contribute to contain inflationary pressures...”. Nevertheless, we believe he maintains greater caution, as for him “...the economic slowdown in itself will not guarantee that the target will be met in the forecast horizon...”. Furthermore, he added that, moving forward, “...if current inflation persists [...] it will not be possible to continue reducing the monetary policy stance as anticipated by markets...”. This refers to the notion that the interest rate spread between Mexico and the US cannot fall below the historical average in a context of uncertainty.

#### Banorte's assessment on Board member's comments in the March 27<sup>th</sup> minutes

Bias	Member	Order in the minutes	Relevant comments
Hawkish	Jonathan Heath	4	<p>“...considered that the space for monetary policy easing could be smaller in the future...”</p> <p>“...the forward guidance should emphasize that new information will be considered without haste and with caution...”</p> <p>“...the high uncertainty coming from abroad calls for acting with prudence...”</p>
	Gabriel Cuadra	3	<p>“...it is possible that a cut of the same magnitude could be implemented at the next meeting...”</p> <p>“...an eventual adjustment in relative prices should take place without contaminating the price formation process, and that, to achieve that, the monetary policy stance would have to remain restrictive...”</p> <p>“...the imposition of tariffs, as a negative demand-side shock, would result in a smaller pass-through [exchange rate] compared to other types of shocks...”</p> <p>“...temporary inflationary pressures could be observed, although the greater slack would cause lower pressures going forward...”</p>
	Galia Borja	2	<p>“...upward risks to inflation are contained and that inflation determinants are consistent with the convergence to the target in the forecast horizon...”</p> <p>“...the reference rate cut of 50 basis points is consistent with both the available information and the effects potentially associated with changes in trade policies...”</p>
	Victoria Rodríguez	1	<p>“...looking ahead, adjustments of a similar magnitude to the current decision could be made, while maintaining a restrictive monetary policy stance...”</p> <p>“...the bias of the balance of risks for the expected trajectory of inflation has improved...”</p> <p>“...highlighted the need for a comprehensive analysis of the tariff measures implemented or those that may materialize, including possible exceptions or preferential treatment differentiated by region...”</p> <p>“...greater-than-expected easing of slack conditions (...) the pass-through of an additional depreciation to prices and other cost increases could be limited...”</p>
	Omar Mejía	5	<p>“...looking ahead adjustments of the same magnitude in the reference rate could continue...”</p> <p>“...the US tariff policy (...) the scope and timing of the proposed changes are unknown and, in the event of more adverse scenarios materializing, although these would have effects on both sides of the balance, the downward bias for inflation would prevail...”</p>
Dovish			

Source: Banorte with information from Banxico

**All members discussed the potential consequences of the new protectionist agenda of the US.** We believe that these comments gained more relevance among Board members. In this respect, each member's argument devoted some space on the new scenario for international trade. The issues were tackled with the reservation that there is very high uncertainty and low visibility about the result of US policy on tariffs. We identified three broad conclusions: (1) That high uncertainty has already had a negative effect on the economy; (2) that if tariffs are persistent, they will translate into lower external demand and an additional depreciation of the Mexican peso; and (3) that the effect could be stronger and will depend on the durability and level of the tariffs. In our view, a highlight was that the majority sees risks to the downside for inflation due to lower economic activity. Meanwhile, the pass-through effect would be relatively contained. Lastly, on tariffs, it is important to stress that Board members stated that their decisions will be prudent and based only on the measures effectively implemented.

## 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, Leslie Thalia Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, 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, Ana Laura Zaragoza Félix, 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.

## 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.*



**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



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



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



**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



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



**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) 1105 - 1438



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



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



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



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



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



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



**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



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



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



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



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



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