August 7, 2025

Banxico – The path to 7.00% consolidates

- **In line with our call, Banxico's Board cut the reference rate by 25bps to 7.75% in a split decision. Jonathan Heath dissented once again, favoring an unchanged stance**
- **In our view, the tone remains dovish, with a very similar language *vis-à-vis* the previous decision. We highlight the continuity of the forward guidance, stating that: "*…looking ahead, the Board will assess further adjustments to the reference rate…*"**
- **Headline inflation forecasts were broadly unchanged, only with a marginal downward revision for 3Q25 (see table below). Hence, the estimated moment for the convergence to the target remained in 3Q26. On the contrary, core estimates were slightly higher for the next three quarters, in line with its recent behavior**
- **In this respect, the balance of risks for inflation remains skewed to the upside, with the same drivers relative to the previous statement. In a similar fashion, their assessment about the effects of trade uncertainty, both for prices and economic activity, also remained unchanged**
- **For the economy, they recognized the better performance in 2Q25. Nevertheless, the view about the persistence of slack conditions prevailed**
- **It is our take that rate cuts will continue during the rest of the year, based on**
  - **(1) The performance of the MXN, which has appreciated 11.8% year-to-date, expecting that it will stay at relatively favorable levels in coming months;**
  - **(2) The limited outlook for economic activity, providing room in terms of the overall slack for some prices;**
  - **(3) Renewed bets that the Fed will cut its reference rate, with increasing speculation about a reduction as soon as in September due to the deceleration of the labor market; and**
  - **(4) A relatively benign scenario relative to other countries in terms of tariffs, even after factoring-in lingering uncertainty after the new 90-day pause announced last week**
- **All in all, we forecast a 25bps rate cut in the meeting to be held on September 25th, taking it to 7.50%. Moreover, we reiterate our estimate of a 7.00% interest rate by year-end**

Banxico: CPI forecasts
% y/y, quarterly average

	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26	1Q27	2Q27
Headline									
Current	4.2*	3.8	3.7	3.4	3.1	3.0	3.0	3.0	3.0
Previous	4.2*	4.1	3.7	3.4	3.1	3.0	3.0	3.0	3.0
Difference (bps)	--	-30	0	0	0	0	0	0	0
Core									
Current	4.1*	4.1	3.7	3.5	3.1	3.0	3.0	3.0	3.0
Previous	4.1*	3.8	3.6	3.4	3.1	3.0	3.0	3.0	3.0
Difference (bps)	--	30	10	10	0	0	0	0	0

*Actual data
Source: Banxico


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Banxico's decisions in 2025

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

*The minutes of this decision will be published on August 21st.
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, Leslie Thalía 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, 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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