

However, and based on the minutes, he warned that “...failing to implement a gradual monetary adjustment entails the risk of attaining equilibrium at higher inflation levels...”. Therefore, we believe that, for him, prudence will be key for the rest of the cycle.

Upward revision in 2024 GDP in the 3Q24 Quarterly Report, with 2025 unchanged. Apart from the comments that we have already detailed above, the focus yesterday was on the updates to the macroeconomic framework. GDP for 2024 was raised by 30bps in the point forecast, from 1.5% to 1.8% (range: 1.6% to 2.0%). This was driven by stronger-than-expected growth in the third quarter, along with other adjustments in the series for the rest of the year. For 2025, the estimate was unchanged at 1.2% (range: 0.4% to 2.0%). This projection already incorporates a view of lower investment on “...higher uncertainty related to external and domestic factors...”. However, they also factored in additional spending by the federal government than previously discounted. Turning to 2026, the point-estimate stands at 1.8% (range: 1.0% to 2.6%). They estimate that the output gap is currently positive (*i.e.* an economy operating above potential, which could lead to price pressures from the demand side), although back to negative territory in 1Q25. This situation would prevail over the remainder of the forecast horizon, which in turn could be a driver for additional cuts. On other estimates, Banxico: (1) Adjusted its view for job creation affiliated to IMSS to the downside for both 2024 and 2025; and (3) sees narrower deficits in the trade balance and current account in both years, consistent with their performance so far. For further details, see the tables below.

Banxico's Forecasts

Current Report (2Q24)

	2024	2025	2026
GDP (% y/y)			
Central scenario	1.8	1.2	1.8
Range	1.6 to 2.0	0.4 to 2.0	1.0 to 2.6
Employment (thousands)			
	250 to 350	340 to 540	400 to 600
Trade Balance (US\$ bn)			
	-15.9 to -10.4 (-0.9% to -0.6% of GDP)	-22.1 to -14.1 (-1.2% to -0.8% of GDP)	-24.3 to -14.9 (-1.3% to -0.8% of GDP)
Current account (US\$ bn)			
	-18.6 to -8.6 (-1.0% to -0.5% of GDP)	-19.3 to -6.6 (-1.1% to -0.4% of GDP)	-22.9 to -6.4 (-1.2% to -0.3% of GDP)

Source: Banxico

Banxico's Forecasts

Previous Report (1Q24)

	2024	2025
GDP (% y/y)		
Central scenario	1.5	1.2
Range	1.1 to 1.9	0.4 to 2.0
Employment (thousands)		
	410 to 550	430 to 630
Trade Balance (US\$ bn)		
	-19.0 to -11.0 (-1.0% to -0.6% of GDP)	-23.7 to -13.7 (-1.3% to -0.8% of GDP)
Current account (US\$ bn)		
	-22.0 to -9.5 (-1.2% to -0.5% of GDP)	-23.4 to -7.4 (-1.3% to -0.4% of GDP)

Source: Banxico