

February 8, 2024

Press Release

Monetary Policy Statement

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Banco de México's Governing Board decided to maintain the target for the overnight interbank interest rate at 11.25%.

World economic activity is anticipated to have grown during the fourth quarter of 2023 at a more moderate rate than in the previous quarter, although it continues showing resilience. In most advanced economies, headline inflation increased due to pressures on energy prices while core inflation continued decreasing. The central banks of these economies left their reference rates unchanged. Government bond yields at a global level reversed part of the decline registered in the last months of 2023. Among key global risks are the intensification of geopolitical turmoil, the protraction of inflationary pressures, tight financial conditions, and, to a lesser extent, the challenges to financial stability.

In Mexico, government bond yields registered mixed adjustments for the short and medium terms, and moderate increases for the long term. The Mexican peso appreciated slightly. The Mexican economy experienced robust growth in 2023, although during the last quarter it slowed down more than anticipated. The labor market remained strong.

Since the last monetary policy meeting, annual headline inflation has increased. During January, it registered 4.88% as a result of a rebound in the non-core component, which is characterized for showing high volatility. Core inflation, which better reflects the trend in inflation, continued decreasing. Nevertheless, it remains at relatively high levels, registering 4.76% during the same month. Expectations for headline inflation for the end of 2024 increased, while those for longer terms remained relatively stable at levels above target.

The forecast for headline inflation was revised slightly upwards for the short term. Supply shocks on some specific items of the non-core component basically account for said adjustment. Nevertheless, headline inflation is still foreseen to converge to the target in the second quarter of 2025 (see table). Projections for core inflation throughout the forecast horizon remain practically at the same levels of the previous monetary policy meeting. The disinflation process is expected to continue, in view of the monetary policy stance and the easing of the shocks generated by the pandemic and the war in Ukraine. These projections are subject to risks. On the upside: i) persistence of core inflation at high levels; ii) foreign exchange depreciation; iii) greater cost-related pressures; iv) a greater-than-expected resilience of the economy, v) climate-related impacts; and vi) the intensification of geopolitical conflicts. On the downside: i) a greater-than-anticipated slowdown of the world economy; ii) a lower pass-through effect from some cost-related pressures, and iii) that the lower levels registered by Mexico's exchange rate in relation to the first months of 2023 contribute more than anticipated to reduce certain pressures on inflation. The balance of risks for the trajectory of inflation within the forecast horizon remains biased to the upside.

The Governing Board evaluated the effects of the shocks on inflation and its determinants, along with the behavior of medium- and long-term inflation expectations and the price formation process. It acknowledged the disinflationary process in Mexico. Nevertheless, it estimated that the outlook is still challenging. Based on the above, and taking into consideration the monetary policy stance already attained and the persistence of the shocks that the Mexican economy is facing, with the presence of all its members, the Board decided unanimously to maintain the target for the overnight interbank interest rate at 11.25%. With this decision, the monetary policy stance remains in the trajectory required for inflation to converge to its 3% target within the forecast horizon.

The Board will thoroughly monitor inflationary pressures as well as all factors that have an incidence on the foreseen path for inflation and its expectations. In the next monetary policy meetings, it will assess, depending on available information, the possibility of adjusting the reference rate. It will take into account the progress in the inflation outlook and the challenges that prevail. It will also consider the incidence of both the restrictive policy stance that has been maintained and that prevailing in the future on inflation throughout the horizon in which monetary policy operates. Actions will be implemented in such a way that the reference rate remains consistent at all times with the trajectory needed to enable an orderly and sustained convergence of headline inflation to the 3% target during the forecast period. The central bank reaffirms its commitment with its primary mandate and the need to continue its efforts to consolidate an environment of low and stable inflation.

Forecasts for Headline and Core Inflation

Annual percentage change of quarterly average indices

	2023				2024				2025			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Headline (CPI)												
Current (02/08/2024) ^{1/}	7.5	5.7	4.6	4.4	4.7	4.3	3.9	3.5	3.2	3.1	3.1	3.1
Previous (12/14/2023) ^{2/}	7.5	5.7	4.6	4.4	4.3	4.1	3.8	3.5	3.2	3.1	3.1	3.1
Core												
Current (02/08/2024) ^{1/}	8.3	7.3	6.2	5.3	4.6	4.1	3.7	3.5	3.2	3.1	3.1	3.1
Previous (12/14/2023) ^{2/}	8.3	7.3	6.2	5.4	4.7	4.1	3.7	3.5	3.2	3.1	3.1	3.1
Memo												
Annualized seasonally adjusted quarterly variation in percent^{3/}												
Current - Headline ^{1/}	4.9	3.6	4.4	5.2	5.0	2.8	3.1	3.2	3.6	2.7	3.1	3.1
Current - Core ^{1/}	7.2	5.3	4.6	4.4	4.1	3.4	3.2	3.4	3.0	3.0	3.2	3.2

1/ Forecast starting February 2024.

2/ Forecast starting December 2023. See monetary policy statement of December 14, 2023.

3/ See [methodological note](#) on the seasonal adjustment process.

Source: INEGI for observed annual variation figures and Banco de México for seasonally adjusted figures and forecasts.

Note: Shaded areas correspond to observed figures.