

November 9, 2023

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%.

During the third quarter of 2023, heterogeneity in economic activity across countries intensified. Headline inflation continued decreasing in most economies. Nevertheless, it remains at high levels. Core inflation decreased, although more gradually than headline inflation. Most central banks of the major advanced economies left their reference rates unchanged. These rates are expected to remain at high levels for an extended period. Sovereign interest rates increased worldwide and the US dollar registered a generalized appreciation, although recently these trends reverted. Among key global risks are the persistence of inflationary pressures, the worsening of geopolitical turmoil, tighter financial conditions, and, to a lesser extent, the challenges to financial stability.

In Mexico, government bond yields increased for all terms and the Mexican peso depreciated. However, in line with developments in international financial markets, these adjustments also tended to revert. Economic activity continued experiencing robust growth and the labor market remained strong.

Since the last monetary policy meeting, annual headline and core inflation continued decreasing. However, they remained high, registering 4.26% and 5.50%, respectively, in October. Non-core inflation remained at unusually low levels, reaching 0.56% during that month. Expectations for headline inflation for the end of 2023 remained unchanged while those for core inflation decreased. Longer-term ones remained relatively stable at levels above target.

The easing of the shocks resulting from the pandemic and the geopolitical conflict, along with the monetary policy stance, have contributed to inflation's downward trend. The forecasts continue anticipating that both headline and core inflation will remain on a downward trend. Inflation is still foreseen to converge to the target in the second quarter of 2025 (see table). 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, and v) pressures on energy prices or on agricultural and livestock product prices. 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 early 2023 contribute more than as 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 magnitude and diversity of the inflationary shocks and their determinants, along with the evolution of medium- and long-term inflation expectations and the price formation process. It acknowledged the progress of the disinflationary process in Mexico. Nevertheless,

it deemed 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. It considers that, in order to achieve an orderly and sustained convergence of headline inflation to the 3% target, the reference rate must be maintained at its current level for some time. The latter, taking into account that although the outlook remains complicated, progress on disinflation has been made. 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

	2022		2023				2024				2025		
	III	IV	I	II	III	IV	I	II	III	IV	I	II	III
Headline (CPI)													
Current (11/09/2023) ^{1/}	8.5	8.0	7.5	5.7	4.6	4.4	4.3	4.0	3.7	3.4	3.2	3.1	3.1
Previous (09/28/2023) ^{2/}	8.5	8.0	7.5	5.7	4.6	4.7	4.4	4.0	3.7	3.4	3.2	3.1	3.1
Core													
Current (11/09/2023) ^{1/}	8.0	8.4	8.3	7.3	6.2	5.3	4.5	3.9	3.5	3.3	3.2	3.1	3.1
Previous (09/28/2023) ^{2/}	8.0	8.4	8.3	7.3	6.2	5.3	4.5	3.9	3.5	3.3	3.2	3.1	3.1
Memo													
Annualized seasonally adjusted quarterly variation in percent^{3/}													
Current - Headline ^{1/}	8.7	6.1	5.0	3.9	4.4	4.9	4.0	3.0	3.3	3.2	3.2	2.9	3.3
Current - Core ^{1/}	8.9	8.3	7.1	5.3	4.6	4.4	3.5	3.0	3.2	3.4	3.0	2.7	3.3

1/ Forecast starting October 2023.

2/ Forecast starting September 2023. See monetary policy statement of September 28, 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.