

December 14, 2023

Press Release

Monetary Policy Statement

This document is provided for the reader's convenience only. The translation from the official Spanish version was made by Banco de México's staff. Discrepancies may possibly arise between the original document in Spanish and its English translation. For this reason, the original Monetary Policy Statement in Spanish remains the only official document.

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

Available information suggests that world economic activity would decelerate during the fourth quarter of 2023, although it continues showing resilience. Headline inflation kept decreasing in most economies. Nevertheless, it remains at levels above their central banks' targets. Core inflation decreased, although more gradually than headline inflation. The central banks of the major advanced economies left their reference rates unchanged. Sovereign interest rates decreased worldwide and the US dollar registered a generalized depreciation, in an environment of lower risk aversion. 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 decreased, especially those for medium and long terms, in line with developments in international financial markets. The Mexican peso appreciated slightly. The Mexican economy has continued experiencing robust growth and the labor market remains strong.

Since the last monetary policy meeting, annual headline inflation increased slightly. In November, it registered 4.32% as a result of a rise in the non-core component. Core inflation continued decreasing; nevertheless, it remained at high levels, registering 5.30% during the same month. Expectations for headline inflation for the end of 2023 decreased while those for core inflation increased. Longer-term ones remained relatively stable at levels above target.

Looking ahead, 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. However, current forecasts incorporate a more gradual decline in both food merchandise inflation and services inflation. For this reason, the forecasts for headline and core inflation have been revised upwards for some quarters. 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 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. 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			
	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
Headline (CPI)													
Current (12/14/2023) ^{1/}	8.0	7.5	5.7	4.6	4.4	4.3	4.1	3.8	3.5	3.2	3.1	3.1	3.1
Previous (11/09/2023) ^{2/}	8.0	7.5	5.7	4.6	4.4	4.3	4.0	3.7	3.4	3.2	3.1	3.1	
Core													
Current (12/14/2023) ^{1/}	8.4	8.3	7.3	6.2	5.4	4.7	4.1	3.7	3.5	3.2	3.1	3.1	3.1
Previous (11/09/2023) ^{2/}	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/}	6.2	4.9	3.7	4.4	4.9	4.3	3.1	3.2	3.3	3.3	2.9	3.1	3.2
Current - Core ^{1/}	8.3	7.1	5.4	4.6	4.5	4.2	3.1	3.3	3.5	3.1	2.8	3.3	3.3

1/ Forecast starting December 2023.

2/ Forecast starting October 2023. See monetary policy statement of November 9, 2023. Forecast presented in the Quarterly Report July-September 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.