

March 21, 2024

Press Release

Monetary Policy Statement

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Banco de México's Governing Board decided to lower the target for the overnight interbank interest rate by 25 basis points to 11.00%, effective March 22, 2024.

World economic activity is expected to grow during the first quarter of 2024 at a slightly higher rate than in the previous quarter. In most advanced economies, headline and core inflation continued decreasing, although the latter has done so more gradually. The central banks of these economies left their reference rates unchanged. Government bond yields registered generalized increases worldwide. 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 fluctuated within a narrow range. The Mexican peso appreciated and its volatility decreased. The Mexican economy is expected to show greater dynamism during the first quarter of 2024 as compared to the weakness of the previous quarter. The labor market remained strong.

Annual headline inflation, which had increased at the end of 2023 and in January 2024, decreased in February to 4.40%. This decline reflected a slight reversion exhibited by the non-core component, which had been exerting pressure on it. Moreover, core inflation continued decreasing, registering 4.64% in February. Expectations for headline inflation for the end of 2024 decreased, while those for core inflation remained unchanged. Those for longer terms remained relatively stable at levels above target.

The forecasts for headline and core inflation were revised marginally for certain quarters and thus have remained relatively stable in the last monetary policy decisions. Headline inflation is still foreseen to converge to the target in the second quarter of 2025 (see table). Starting from the fourth quarter of 2024, projections for core inflation remain practically at the same levels as those of the previous meeting. Thus, the disinflation process is expected to continue, in view of the monetary policy stance attained 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; 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 easing of 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 underway since the last time the reference rate was adjusted; nevertheless, it considered the challenges and risks that prevail, which requires monetary policy to

continue being managed prudently. Based on the above, with the presence of all its members, the Board decided by majority to lower the target for the overnight interbank interest rate by 25 basis points to 11.00%. With this decision, the monetary policy stance remains restrictive and will continue being conducive to the convergence of inflation to the 3% target in 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 make its decisions depending on available information. 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.

Voting in favor of the decision were Victoria Rodríguez, Galia Borja, Jonathan Heath, and Omar Mejía. Voting in favor of maintaining the target for the overnight interbank interest rate at 11.25% was Irene Espinosa.

Forecasts for Headline and Core Inflation
Annual percentage change of quarterly average indices

	2023				2024				2025			2026
	II	III	IV	I	II	III	IV	I	II	III	IV	I
Headline (CPI)												
Current (03/21/2024) ^{1/}	5.7	4.6	4.4	4.6	4.4	4.0	3.6	3.2	3.1	3.1	3.1	3.1
Previous (02/08/2024) ^{2/}	5.7	4.6	4.4	4.7	4.3	3.9	3.5	3.2	3.1	3.1	3.1	
Core												
Current (03/21/2024) ^{1/}	7.3	6.2	5.3	4.7	4.2	3.8	3.5	3.2	3.1	3.1	3.1	3.1
Previous (02/08/2024) ^{2/}	7.3	6.2	5.3	4.6	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/}	3.6	4.2	5.2	4.9	2.8	3.1	3.3	3.4	2.5	3.3	3.2	3.3
Current - Core ^{1/}	4.9	4.6	4.6	4.3	3.5	3.1	3.3	3.1	3.2	3.2	3.2	3.0

1/ Forecast starting March 2024.

2/ Forecast starting February 2024. See monetary policy statement of February 8, 2024. Forecast included in the Quarterly Report October-December 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.