

May 9, 2024

## Press Release

**Monetary Policy Statement**

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**Banco de México's Governing Board decided to leave the target for the overnight interbank interest rate unchanged at 11.00%.**

World economic activity grew in the first quarter of 2024 at a higher rate than in the previous quarter. In various advanced economies, headline and core inflation continued decreasing, although, in some cases, both of them increased in their latest readings. The central banks of most of these economies left their reference rates unchanged. In an environment of greater risk aversion, international financial markets exhibited volatility. Government bond yields registered generalized increases worldwide and the US dollar appreciated. 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.

Since the last monetary policy meeting, medium and long-term government bond yields have increased. The Mexican peso underwent episodes of volatility. The weak behavior of economic activity during the last quarter of 2023 is anticipated to have extended into the first quarter of 2024. The labor market remained strong.

Annual headline inflation rose from 4.40 to 4.65% between February and April 2024, as a result of an increase in the non-core component. Core inflation, which better reflects the inflation trend, continued decreasing during the same period, from 4.64 to 4.37%. Expectations for headline and core inflation for the end of 2024 adjusted upwards. Those for longer terms remained relatively stable at levels above target.

The disinflation process is expected to continue. Nevertheless, considering that inflationary shocks are foreseen to take longer to dissipate, the forecasts for headline and core inflation have been revised upwards for the next six quarters. In particular, services inflation is foreseen to show more persistence, as compared to what had been previously anticipated. Thus, headline inflation is now expected to converge to the target in the fourth quarter of 2025 (see table). 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) weaker-than-anticipated global economic activity; ii) a lower pass-through effect from some cost-related pressures, and iii) that Mexico's exchange rate levels mitigate 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, the behavior of medium- and long-term inflation expectations, and the disinflationary process. It stated that challenges and risks prevail, which requires monetary policy to continue being managed prudently. It

took into account the expectation that the effects of the shocks will affect inflation longer than had been anticipated. Concurrently, it estimated that said shocks will continue easing. Based on the above, with the presence of all its members, the Board decided unanimously to leave the target for the overnight interbank interest rate unchanged at 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. Looking ahead, it will assess the inflationary environment in order to discuss reference rate adjustments. 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				2026
	III	IV	I	II	III	IV	I	II	III	IV	I
<b>Headline (CPI)</b>											
Current (05/09/2024) <sup>1/</sup>	4.6	4.4	4.6	4.6	4.4	4.0	3.5	3.3	3.2	3.0	3.0
Previous (03/21/2024) <sup>2/</sup>	4.6	4.4	4.6	4.4	4.0	3.6	3.2	3.1	3.1	3.1	3.1
<b>Core</b>											
Current (05/09/2024) <sup>1/</sup>	6.2	5.3	4.7	4.3	4.0	3.8	3.5	3.3	3.2	3.0	3.0
Previous (03/21/2024) <sup>2/</sup>	6.2	5.3	4.7	4.2	3.8	3.5	3.2	3.1	3.1	3.1	3.1
<b>Memo</b>											
<b>Annualized seasonally adjusted quarterly variation in percent<sup>3/</sup></b>											
Current - Headline <sup>1/</sup>	4.2	5.1	4.9	3.3	3.5	3.6	3.4	2.7	3.0	3.0	3.3
Current - Core <sup>1/</sup>	4.5	4.7	4.3	3.8	3.5	3.5	3.2	3.2	3.2	2.9	3.0

1/ Forecast starting April 2024.

2/ Forecast starting March 2024.

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.