

February 9, 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 raise the target for the overnight interbank interest rate by 50 basis points to 11.00%, effective February 10, 2023.**

World economic growth moderated during the fourth quarter of 2022. The outlook for 2023 continues implying a deceleration. Global inflation remains high, although headline inflation decreased in a large number of economies due to lower pressures on energy prices. In several cases, the core component still does not show a downward inflection. Most central banks, including the US Federal Reserve, continued raising their reference rates and announced that they will remain high for an extended period. Among key global risks are those associated with the pandemic, the persistence of inflationary pressures, the intensification of geopolitical turmoil, and tighter monetary and financial conditions.

Since the previous monetary policy decision, the Mexican peso has appreciated. Short-term interest rates increased while medium- and long-term ones decreased. During the fourth quarter of 2022, the Mexican economy continued growing, although it lost momentum as compared to previous quarters.

In January, headline inflation increased to a level of 7.91%. Core inflation, which reflects inflation's trend more accurately, surprised to the upside, reaching 8.45%. This was due to a slower-than-anticipated decrease in food merchandise inflation and a rebound in that of services. Inflation expectations for 2023 and 2024 were revised again upwards, while those for longer terms were adjusted slightly downwards, although they remain above target.

In view of a slower-than-foreseen disinflationary process, forecasts for headline and core inflation were revised upwards for the entire horizon. Inflation is projected to converge to the 3% target in the fourth quarter of 2024 (see Table). These projections are subject to risks. On the upside: i) persistence of core inflation at high levels; ii) pressures on energy prices or on agricultural and livestock product prices; iii) the Chinese economy's reopening; iv) exchange rate depreciation; and v) greater cost-related pressures. On the downside: i) a greater-than-anticipated slowdown of the world economy; ii) a decline in the intensity of the geopolitical conflict; iii) a better functioning of supply chains; iv) a lower pass-through effect from some cost-related pressures; and v) a larger-than-anticipated effect from the Federal Government's measures to fight elevated prices. 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 its determinants, along with the evolution of medium- and long-term inflation expectations and the price formation process. It considered the challenges stemming from the ongoing tightening of global financial conditions, the environment of uncertainty, the persistence of accumulated inflationary pressures and the possibility of greater effects on inflation, as well as the monetary policy stance already attained in this hiking cycle. In particular, it deemed that, given the dynamics of core inflation, on this occasion it is necessary to continue with the magnitude of the reference rate adjustment of the previous policy meeting,

in order to be in a better position to tackle a still complex inflation environment. Based on the above, and with the presence of all its members, the Board decided unanimously to raise the target for the overnight interbank interest rate by 50 basis points to 11.00%. With this action, the monetary policy stance adjusts to 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. The latter, in order to set a policy rate that is consistent at all times with both the orderly and sustained convergence of headline inflation to the 3% target within the time frame in which monetary policy operates as well as with an adequate adjustment of the economy and financial markets. The Board considers that, given the monetary policy stance already attained and depending on the evolution of incoming data, for its next policy meeting, the upward adjustment to the reference rate could be of lower magnitude.

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

	2022				2023				2024			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
<b>Headline (CPI)</b>												
Current (02/09/2023) <sup>1/</sup>	7.3	7.8	8.5	8.0	7.7	6.4	5.3	4.9	4.2	3.7	3.4	3.1
Previous (12/15/2022) <sup>2/</sup>	7.3	7.8	8.5	8.1	7.5	5.9	4.8	4.2	3.8	3.4	3.1	3.0
<b>Core</b>												
Current (02/09/2023) <sup>1/</sup>	6.5	7.3	8.0	8.4	8.2	7.3	6.2	5.0	4.1	3.5	3.2	3.1
Previous (12/15/2022) <sup>2/</sup>	6.5	7.3	8.0	8.5	7.8	6.7	5.5	4.3	3.7	3.2	3.0	3.0
<b>Memo</b>												
<b>Annualized seasonally adjusted quarterly variation in percent<sup>3/</sup></b>												
Current - Headline <sup>1/</sup>	7.0	10.0	8.7	6.4	5.8	4.8	4.4	4.6	3.2	2.7	3.0	3.5
Current - Core <sup>1/</sup>	7.8	8.7	8.8	8.4	7.0	5.2	4.3	3.5	3.4	3.0	2.8	3.1

1/ Forecast starting February 2022.

2/ Forecast starting December 2022. See monetary policy statement of December 15, 2022. 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.