BANCO DE MÉXICO

March 27, 2025

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 50 basis points to 9.00%, effective March 28, 2025.

Prospects for world economic growth were revised downwards, including those for the US economy. The adjustments were partly due to various announcements on the imposition of tariffs. In early 2025, inflation exhibited a mixed behavior across the main advanced economies. In its latest monetary policy decision, the US Federal Reserve left its reference rate unchanged. Government interest rates performed differently by region and the US dollar depreciated. Global risks continued increasing. Among these are the escalating trade tensions and the intensification of geopolitical turmoil, and their possible impact on inflation, on the economic weakening, and on volatility in financial markets.

Since the previous monetary policy decision, Mexico's government interest rates decreased in all terms. The Mexican peso slightly appreciated, although it traded in a wide range. The Mexican economy is expected to exhibit weakness once again in the first quarter of 2025. The environment of uncertainty and trade tensions poses significant downward risks.

Headline inflation remained at levels unseen since early 2021, reaching 3.67% in the first fortnight of March 2025. Core inflation registered 3.56% during the same period, slightly below its average level between 2003 -when the 3% permanent target was set- and 2019. Headline inflation expectations for the end of 2025 decreased while those for longer terms remained relatively stable at levels above target.

Inflation forecasts remain unchanged and headline inflation is still expected to converge to the target in the third quarter of 2026 (see table). Forecasts are subject to the following risks. On the upside: i) foreign exchange depreciation; ii) disruptions due to geopolitical conflicts or foreign trade policies; iii) persistence of core inflation; iv) cost-related pressures; and v) climate-related impacts. On the downside: i) lower-than-anticipated economic activity; ii) a lower pass-through from some cost-related pressures, and iii) a lower-than-anticipated pass-through of the peso depreciation on inflation. Although the balance of risks for the trajectory of inflation within the forecast horizon remains biased to the upside, it has improved. The changes in economic policy by the new US administration have added uncertainty to the forecasts. Its effects could imply inflationary pressures on both sides of the balance.

The Governing Board deemed that the disinflation process remains well on track and reiterated that the fight against inflation is at a stage where the aim is to bring inflation from its current level, around its pre-pandemic historical average, to the 3% target. It considered that reference rate levels lower than those set as a result of the global shocks are consistent with the challenges posed by the present stage, including the possible impact of changes in trade policies worldwide. Taking into account the current inflationary outlook and the prevailing level of monetary restriction, with the presence of all its members, the Board decided unanimously to lower the target for the overnight interbank interest rate by 50 basis points to 9.00%.

The Board estimates that looking ahead it could continue calibrating the monetary policy stance and consider adjusting it in similar magnitudes. It anticipates that the inflationary environment will allow to continue the rate cutting cycle, albeit maintaining a restrictive stance. It will take into account the effects of the country's weak economic activity and the incidence of both the restrictive monetary policy stance that has been maintained and the stance prevailing in the future on the evolution of 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 to 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

	2024			2025				2026				2027
	II	III	IV	I	II	III	IV	I	II	III	IV	I
Headline (CPI)												
Current (03/27/2025)[1/]	**4.8**	**5.0**	**4.5**	**3.7**	**3.5**	**3.4**	**3.3**	**3.2**	**3.1**	**3.0**	**3.0**	**3.0**
Previous (02/06/2025)[2/]	4.8	5.0	4.5	3.7	3.5	3.4	3.3	3.2	3.1	3.0	3.0	
Core												
Current (03/27/2025)[1/]	**4.2**	**4.0**	**3.7**	**3.6**	**3.5**	**3.4**	**3.3**	**3.2**	**3.0**	**3.0**	**3.0**	**3.0**
Previous (02/06/2025)[2/]	4.2	4.0	3.7	3.6	3.5	3.4	3.3	3.2	3.0	3.0	3.0	
Memo												
Annualized seasonally adjusted quarterly variation in percent[3/]												
Current - Headline[1/]	4.0	5.2	3.0	2.9	3.4	3.9	2.8	2.6	3.1	3.4	2.7	2.8
Current - Core[1/]	3.6	3.6	3.4	4.1	3.3	3.1	3.0	3.2	2.9	2.9	3.0	3.1

1/ Forecast starting March 2025.
2/ Forecast starting January 2025. See monetary policy statement of February 6, 2025. Forecast presented in the Quarterly Report October-December 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.