

November 14, 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 10.25%, effective November 15, 2024.

During the third quarter of 2024, world economic activity is expected to have grown at a rate similar to that of the previous quarter, although with a heterogeneous performance across countries. In advanced economies, headline inflation has continued declining and, in several cases, it has remained below their central banks' targets. In its latest monetary policy decision, the US Federal Reserve cut its reference rate by 25 basis points. Significant episodes of volatility were observed in international financial markets. Government interest rates increased and the US dollar appreciated. Among key global risks are the possibility of policies that revert global economic integration, the intensification of geopolitical turmoil, the protraction of inflationary pressures, and higher levels of volatility in financial markets.

Since the previous monetary policy decision, Mexico's medium- and long-term government interest rates increased. The Mexican peso depreciated markedly and registered volatility mainly in response to the effects of the electoral process in the United States. Nevertheless, financial markets have exhibited a relatively orderly behavior. During the third quarter of 2024, according to timely information, domestic productive activity would have grown at a higher rate than in the previous three quarters, when it remained practically stagnant. It is expected to exhibit a lack of dynamism in 2025. As for the labor market, employment slowed down. The balance of risks to growth of economic activity remained biased to the downside.

Annual headline inflation rebounded to 4.76% in October, due to the effects of supply shocks that have affected the non-core component. Core inflation, which better reflects inflation's trend, continued decreasing and registered 3.80% in October. Inflation expectations for the end of 2024 were revised downwards, while those for longer terms remained relatively stable at levels above target.

The forecast for headline inflation was revised upwards in the short term due to the supply shocks. Headline inflation is still 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) greater foreign exchange depreciation; iii) greater cost-related pressures; iv) climate-related impacts, and v) the intensification of geopolitical conflicts. On the downside: i) lower-than-anticipated economic activity; ii) a lower pass-through effect from some cost-related pressures, and iii) a lower-than-anticipated effect of the peso's depreciation on inflation. The balance of risks for the trajectory of inflation within the forecast horizon remains biased to the upside. Nevertheless, the inflation outlook has been improving after the significant shocks caused by the pandemic and the war in Ukraine. The behavior of core inflation reflects this improvement.

The Governing Board assessed the behavior of inflation and its determinants, as well as of inflation expectations. It considered the nature of the shocks that have affected the non-core component and the

projection that their effects on headline inflation will dissipate over the next quarters. It took into account core inflation's trajectory and the fact that it is anticipated to continue decreasing. It estimated that, although the outlook for inflation still calls for a restrictive monetary policy stance, its evolution implies that it is adequate to reduce the level of monetary restriction. Thus, with the presence of all its members, the Board decided unanimously to lower the target for the overnight interbank interest rate by 25 basis points to 10.25%.

Looking ahead, the Board expects that the inflationary environment will allow further reference rate adjustments. It will consider the prospects of global shocks continuing to fade and the effects of the weakness in economic activity. It will take into account the incidence of the monetary policy stance that has been maintained and that 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 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		
	IV	I	II	III	IV	I	II	III	IV	I	II	III	
Headline (CPI)													
Current (11/14/2024) ^{1/}	4.4	4.6	4.8	5.0	4.7	3.9	3.4	3.1	3.0	3.0	3.0	3.0	
Previous (09/26/2024) ^{2/}	4.4	4.6	4.8	5.1	4.3	3.7	3.3	3.1	3.0	3.0	3.0	3.0	
Core													
Current (11/14/2024) ^{1/}	5.3	4.7	4.2	4.0	3.7	3.5	3.3	3.1	3.0	3.0	3.0	3.0	
Previous (09/26/2024) ^{2/}	5.3	4.7	4.2	4.0	3.8	3.5	3.3	3.1	3.0	3.0	3.0	3.0	
Memo													
Annualized seasonally adjusted quarterly variation in percent^{3/}													
Current - Headline ^{1/}	5.3	5.3	4.2	5.3	3.5	2.8	2.5	3.7	3.1	2.8	2.6	3.4	
Current - Core ^{1/}	4.6	4.3	3.7	3.6	3.5	3.3	2.7	3.0	2.9	3.2	2.8	3.0	

1/ Forecast starting November 2024.

2/ Forecast starting September 2024. See monetary policy statement of September 26, 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.