

September 28, 2023

## Press Release

**Monetary Policy Statement**

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**Banco de México's Governing Board decided to maintain the target for the overnight interbank interest rate at 11.25%.**

Headline inflation continued decreasing in most economies. Nevertheless, it remains at high levels. The core component keeps showing a resistance to decline. Prospects for world growth imply a higher rate of expansion for 2023 as compared to previous forecasts. Most central banks of the major advanced economies left their reference rates unchanged. These rates are expected to remain at high levels for an extended period. Sovereign interest rates increased worldwide and the US dollar registered a generalized appreciation. Among key global risks are the persistence of inflationary pressures, the worsening of geopolitical turmoil, tighter financial conditions, and, to a lesser extent, the challenges to financial stability.

In Mexico, since the previous monetary policy decision, government bond yields, mainly medium and long-term ones, increased. The Mexican peso exhibited volatility and depreciated. Economic activity shows resilience and the labor market remains strong.

Since the last monetary policy meeting, annual headline and core inflation continued decreasing. However, they are still high, as they registered 4.44% and 5.78%, respectively, in the first fortnight of September. Non-core inflation increased slightly, although it still remains at unusually low levels, reaching 0.48% during such period. Inflation expectations for the end of 2023 increased. Longer-term ones remained relatively stable at levels above target.

The easing of the shocks resulting from the pandemic and the geopolitical conflict, along with the monetary policy stance, have contributed to inflation's downward trend. However, the effects of the shocks continue affecting inflation, especially its services component, in an environment where economic activity is more resilient than previously anticipated. In this context, after incorporating all available information, the forecasts for headline and core inflation have been revised upwards for the entire horizon, reflecting a more gradual decline in inflation than previously foreseen. Inflation is projected to converge to the 3% target in the second quarter of 2025 (see table). These projections are subject to risks. On the upside: i) persistence of core inflation at high levels; ii) foreign exchange depreciation due to volatility in international financial markets; iii) greater cost-related pressures; iv) that the economy's resilience contributes to a more gradual decline in inflation than foreseen, and v) pressures on energy prices or on agricultural and livestock product prices. 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 exchange rate appreciation contributes more than anticipated to mitigate some 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 magnitude and diversity of the inflationary shocks and their determinants, along with the evolution of medium- and long-term inflation expectations and the price formation process. It considered that, although progress in the disinflation process has been made, the outlook is still very complex. Based on the above, and taking into account the monetary policy stance already attained and the persistence of the shocks that the Mexican economy is facing, with the presence of all its members, the Board decided unanimously to maintain the target for the overnight interbank interest rate at 11.25%. With this decision, the monetary policy stance remains in 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. It estimates that the inflationary outlook will be complicated and uncertain throughout the entire forecast horizon, with upward risks. Thus, in order to achieve an orderly and sustained convergence of headline inflation to the 3% target, it considers that it will be necessary to maintain the reference rate at its current level for an extended 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

	2022		2023		2024				2025				
	III	IV	I	II	III	IV	I	II	III	IV	I	II	III
<b>Headline (CPI)</b>													
Current (09/28/2023) <sup>1/</sup>	8.5	8.0	7.5	5.7	4.6	4.7	4.4	4.0	3.7	3.4	3.2	3.1	3.1
Previous (08/10/2023) <sup>2/</sup>	8.5	8.0	7.5	5.7	4.7	4.6	4.1	3.7	3.4	3.1	3.1	3.1	
<b>Core</b>													
Current (09/28/2023) <sup>1/</sup>	8.0	8.4	8.3	7.3	6.2	5.3	4.5	3.9	3.5	3.3	3.2	3.1	3.1
Previous (08/10/2023) <sup>2/</sup>	8.0	8.4	8.3	7.3	6.2	5.1	4.2	3.6	3.2	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>	8.7	6.0	5.1	4.0	4.5	5.3	3.6	2.9	3.3	3.5	3.0	2.8	3.3
Current - Core <sup>1/</sup>	8.8	8.4	7.1	5.2	4.6	4.4	3.5	3.1	3.1	3.4	3.0	2.7	3.2

1/ Forecast starting September 2023.

2/ Forecast starting August 2023. See monetary policy statement of August 10, 2023. Forecast presented in the Quarterly Report April-June 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.