

## Press Release

**Monetary Policy Statement**

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**Banco de México's Governing Board decided to raise the target for the overnight interbank interest rate by 75 basis points to 10.00%, effective November 11, 2022.**

Available indicators anticipate a moderate expansion of world economic activity during the third quarter, although the outlook for 2023 has continued to deteriorate. Global inflation remains high and risks to the upside persist, although there are signs that pressures on primary goods and disruptions in supply chains have started to mitigate. Financial conditions remained tight. A large number of central banks continued raising their reference rates, some of them in a lesser-than-expected magnitude. These reference rates are foreseen to remain at high levels for an extended period. In its latest monetary policy decision, the Federal Reserve raised the target range for the federal funds rate by 75 basis points for a fourth consecutive time and anticipated additional increases. 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.

The Mexican peso appreciated, thus showing greater resilience than other currencies. Short-term interest rates increased while medium- and long-term ones registered limited adjustments. The Mexican economy continued recovering during the third quarter. It exhibited a rate of expansion similar to that of the previous two quarters, higher than expected, reaching a level close to that registered prior to the onset of the pandemic. Slack conditions have continued decreasing.

In October, headline inflation declined slightly to 8.41%, due to a reduction in its non-core component. Core inflation, however, continued trending upwards, reaching 8.42%. The accumulated pressures associated with both the pandemic and the military conflict have continued to affect headline and core inflation. Their expectations for 2022, 2023, and for the medium term rose again, while those for the long term remained stable, although above the target.

For the short term, forecasts for headline inflation were revised marginally downwards, while those for core inflation were revised slightly upwards. Inflation is still projected to converge to the 3% target in the third quarter of 2024 (see Table). These projections are subject to risks. On the upside: i) persistence of core inflation at high levels; ii) external inflationary pressures associated with the pandemic; iii) greater pressures on agricultural and livestock product prices and on energy prices due to the ongoing geopolitical conflict; iv) exchange rate depreciation; and v) 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. Although some shocks show signs of subsiding, the balance of risks that might have an incidence on the trajectory of inflation within the forecast horizon remains biased to the upside.

The Governing Board evaluated the magnitude and diversity of the shocks that have affected inflation and its determinants, along with the evolution of medium- and long-term inflation expectations and the price formation process. It also considered the increasing challenges for monetary policy stemming from the ongoing tightening of global financial conditions, the environment of significant uncertainty, the inflationary pressures accumulated as a result of the pandemic and the geopolitical conflict, the possibility of greater effects on inflation, and the monetary policy stance already attained in this hiking cycle. Based on these considerations, the Board decided by majority to raise the target for the overnight interbank interest rate by 75 basis points to 10.00%. 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. This, 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. In its next meetings, the Board will assess the magnitude of the upward adjustments to the reference rate based on the prevailing conditions.

Voting in favor of the decision were Victoria Rodríguez, Galia Borja, Irene Espinosa, and Jonathan Heath. Gerardo Esquivel voted in favor of raising the target for the overnight interbank interest rate by 50 basis points to 9.75%.

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

	2021		2022				2023				2024		
	III	IV	I	II	III	IV	I	II	III	IV	I	II	III
<b>Headline (CPI)</b>													
Current (11/10/2022) <sup>1/</sup>	5.8	7.0	7.3	7.8	8.5	8.3	7.6	5.8	4.7	4.1	3.8	3.4	3.1
Previous (09/29/2022) <sup>2/</sup>	5.8	7.0	7.3	7.8	8.6	8.6	7.9	6.0	4.8	4.0	3.7	3.4	3.1
<b>Core</b>													
Current (11/10/2022) <sup>1/</sup>	4.8	5.6	6.5	7.3	8.0	8.3	7.5	6.4	5.2	4.1	3.6	3.2	3.0
Previous (09/29/2022) <sup>2/</sup>	4.8	5.6	6.5	7.3	8.0	8.2	7.3	6.2	5.0	4.1	3.6	3.2	3.0
<b>Memo</b>													
<b>Annualized seasonally adjusted quartely variation in percent<sup>3/</sup></b>													
Current - Headline <sup>1/</sup>	5.8	7.5	7.3	10.6	8.7	6.6	4.6	3.4	4.1	4.1	3.3	2.2	2.9
Current - Core <sup>1/</sup>	5.9	6.5	8.3	8.7	8.5	7.8	5.1	4.2	3.7	3.2	3.2	2.9	2.6

1/ Forecast starting November 2022.

2/ Forecast starting September 2022. See monetary policy statement of September 29, 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.