

Quarterly Report October - December 2022

March 1, 2023



BANCO DE MÉXICO®

During Q4-2022 and the first months of 2023, Banco de México continued facing a complex and uncertain environment for monetary policy implementation.

Externally

- Some inflationary shocks have exhibited **signs of mitigation**. However, **inflation** remained at **high levels, above** the central banks' **targets**.
- During Q4-2022, the **growth** rate of **world economic activity moderated**.
- The **growth outlook** indicates a **lower rate of expansion** of global economic activity during **2023** and a **gradual recovery** in **2024**.
- **Monetary and financial conditions** still remain tight and **uncertainty** is **high**.

Domestically

- In Q4-2022, **economic activity in Mexico continued growing**, although **at a slower rate**.
- **Headline inflation** has **decreased** in view of reductions in the **non-core component**. **Core inflation**, nevertheless, remains at **high levels**.
- The implemented **monetary policy actions** have contributed to **maintain inflation expectations anchored**.

Outline

1 External conditions

2 Current situation of the Mexican economy

3 Inflation

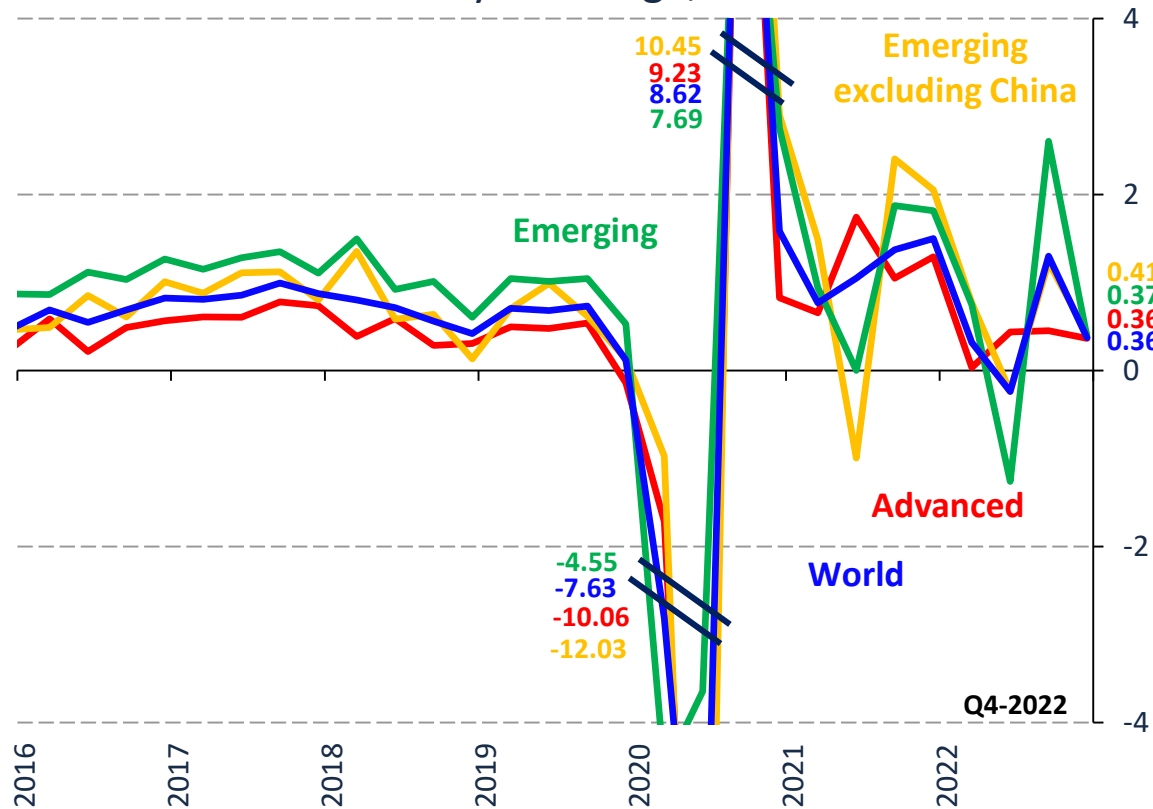
4 Monetary policy

5 Forecasts and final remarks

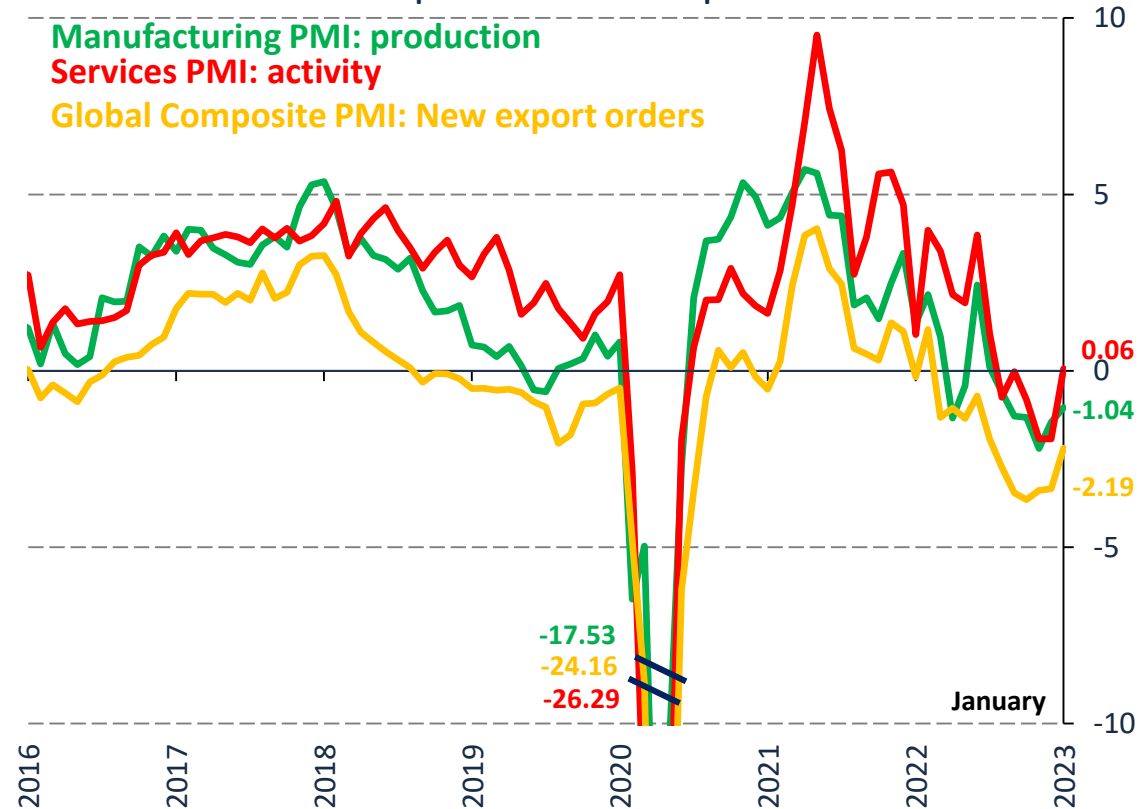
During Q4-2022, world economic activity growth moderated with respect to Q3-2022. Purchasing Managers' Indexes remained in the contraction zone, although their most recent readings indicate less deterioration and a certain stabilization in the services' sector.

World Economy

Real GDP Growth
Quarterly % change, s. a.



Purchasing Managers' Indexes
Deviation with respect to the 50-point threshold^{1/}



s. a. / Seasonally adjusted figures.

Note: The sample of countries used for the calculation represents 85.4% of world GDP adjusted for purchasing power parity. Forecasts are used for some countries in the sample for Q4-2022. Updated with information available as of February 22, 2023. The range of the graph was reduced to facilitate reading.

Source: Prepared by Banco de México with information from Haver Analytics and J.P. Morgan.

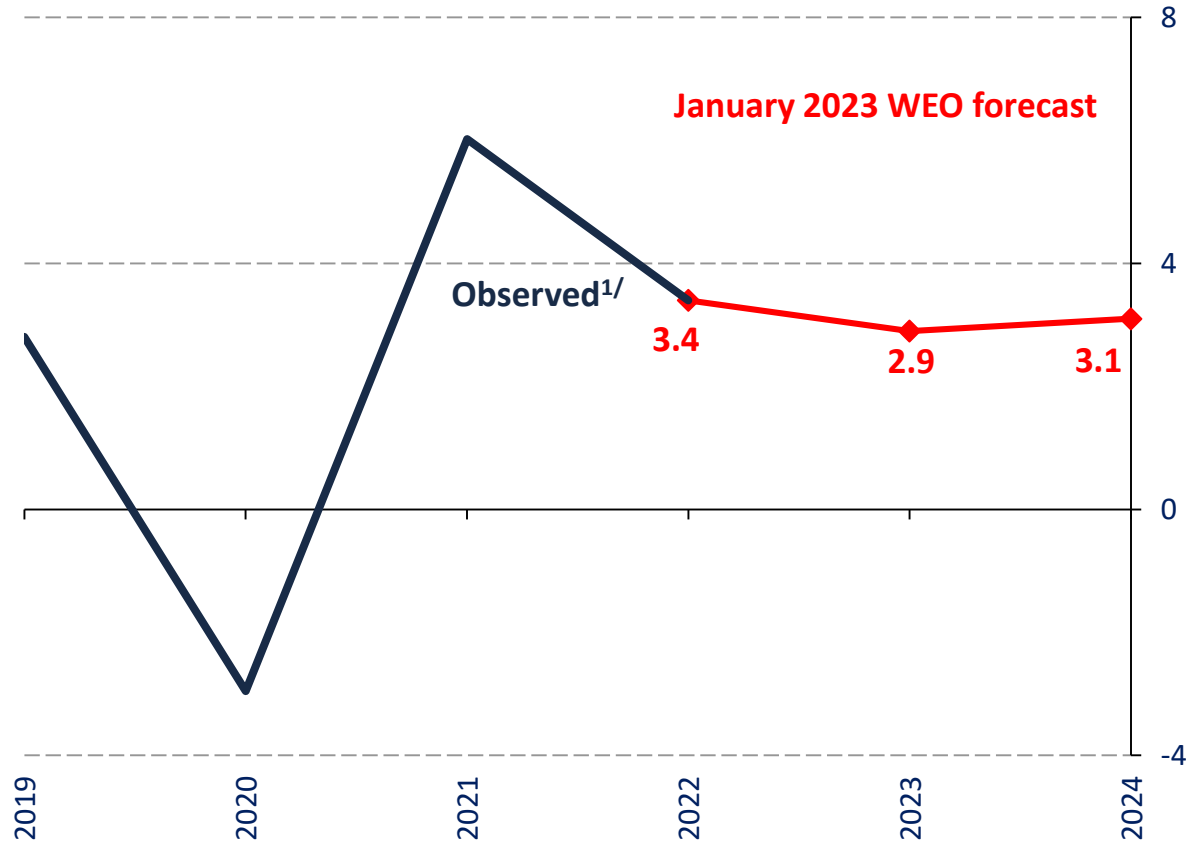
^{1/} The index varies between 0 and 100 points. An observation above the 50-point threshold is considered a general increase compared to the previous month and that below the 50-point threshold, a general decrease.

Note: PMIs at their original levels are seasonally adjusted. Figures shown correspond to the minimum level of the indicator that is not displayed in the graph.

Source: IHS Markit.

The growth outlook points to a reduction in the pace of expansion of world economic activity during 2023 and a gradual recovery for 2024.

World GDP Growth Forecast
Annual % change



^{1/} The data for 2022 correspond to the estimates from the International Monetary Fund published in the World Economic Outlook January 2023.
Source: International Monetary Fund (IMF), World Economic Outlook January 2023.

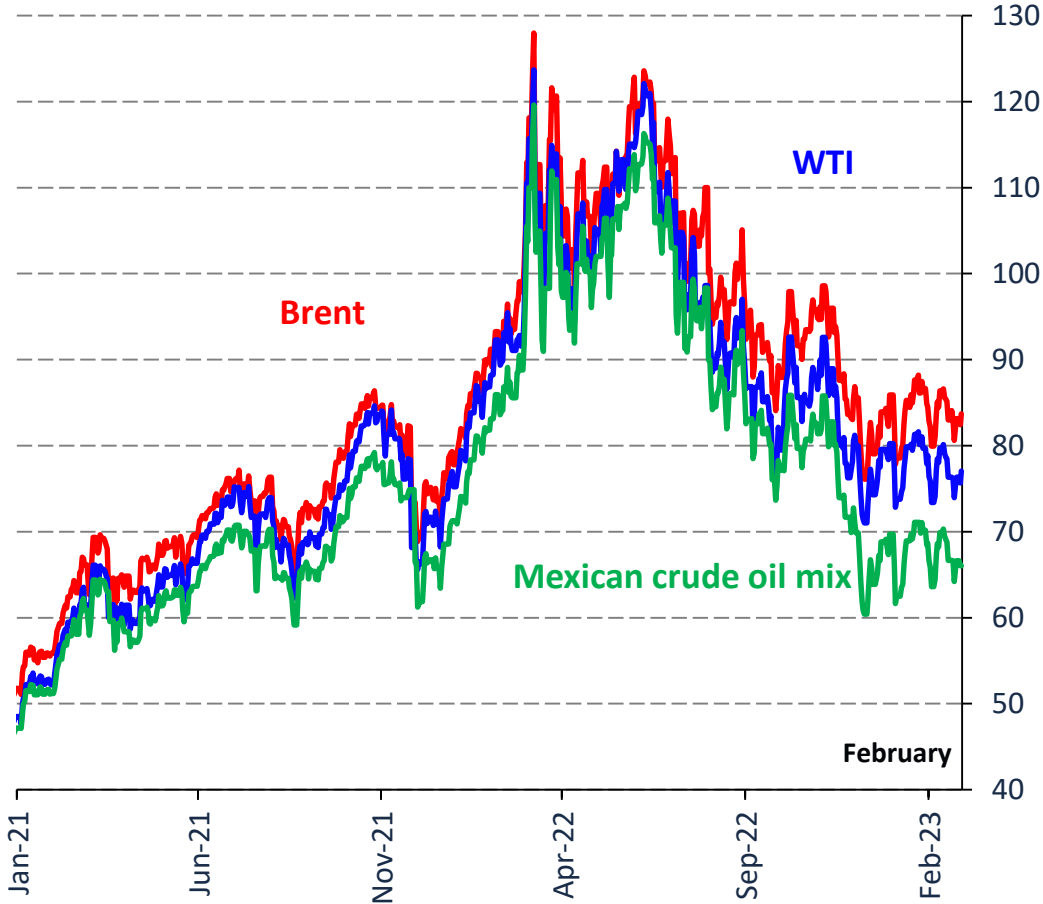
GDP Growth Forecast

	WEO January 2023 Annual % change			Change from WEO October 2022 Percentage Points		
	2022	2023	2024	2022	2023	2024
World	3.4	2.9	3.1	0.2	0.2	-0.1
Advanced	2.7	1.2	1.4	0.3	0.1	-0.2
United States	2.0	1.4	1.0	0.4	0.4	-0.2
Euro area	3.5	0.7	1.6	0.4	0.2	-0.2
Japan	1.4	1.8	0.9	-0.3	0.2	-0.4
United Kingdom	4.1	-0.6	0.9	0.5	-0.9	0.3
Emerging	3.9	4.0	4.2	0.2	0.3	-0.1
Excl. China	4.3	3.4	4.1	0.3	0.0	-0.1
Mexico	3.1	1.7	1.6	1.0	0.5	-0.2
China	3.0	5.2	4.5	-0.2	0.8	0.0
India	6.8	6.1	6.8	0.0	0.0	0.0
Brazil	3.1	1.2	1.5	0.3	0.2	-0.4

Source: Prepared by Banco de México with data from International Monetary Fund (IMF), World Economic Outlook October 2022 and January 2023.

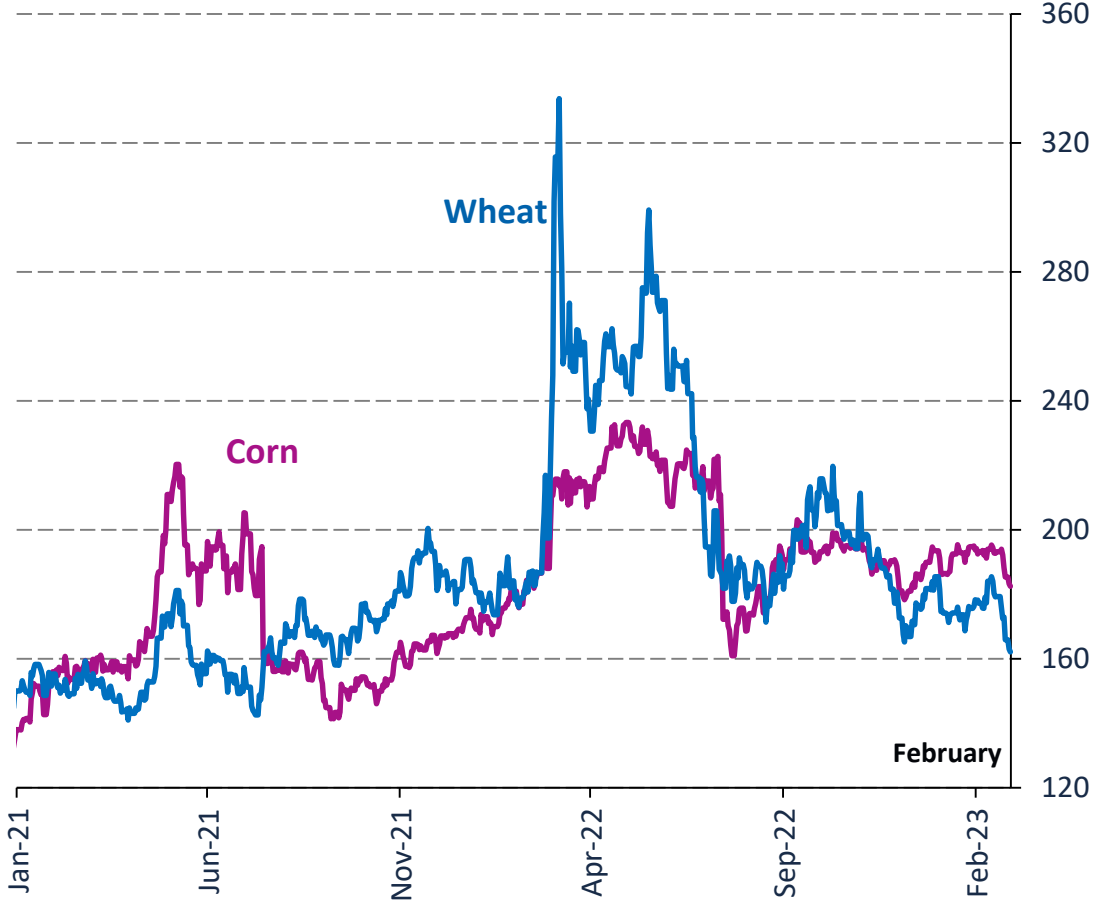
International commodity prices registered a mixed behavior, with episodes of volatility during the period covered by this report.

Crude Oil Prices
USD per barrel



Source: Bloomberg.

Grain Prices ^{1/}
Index 01-Jan-2018=100

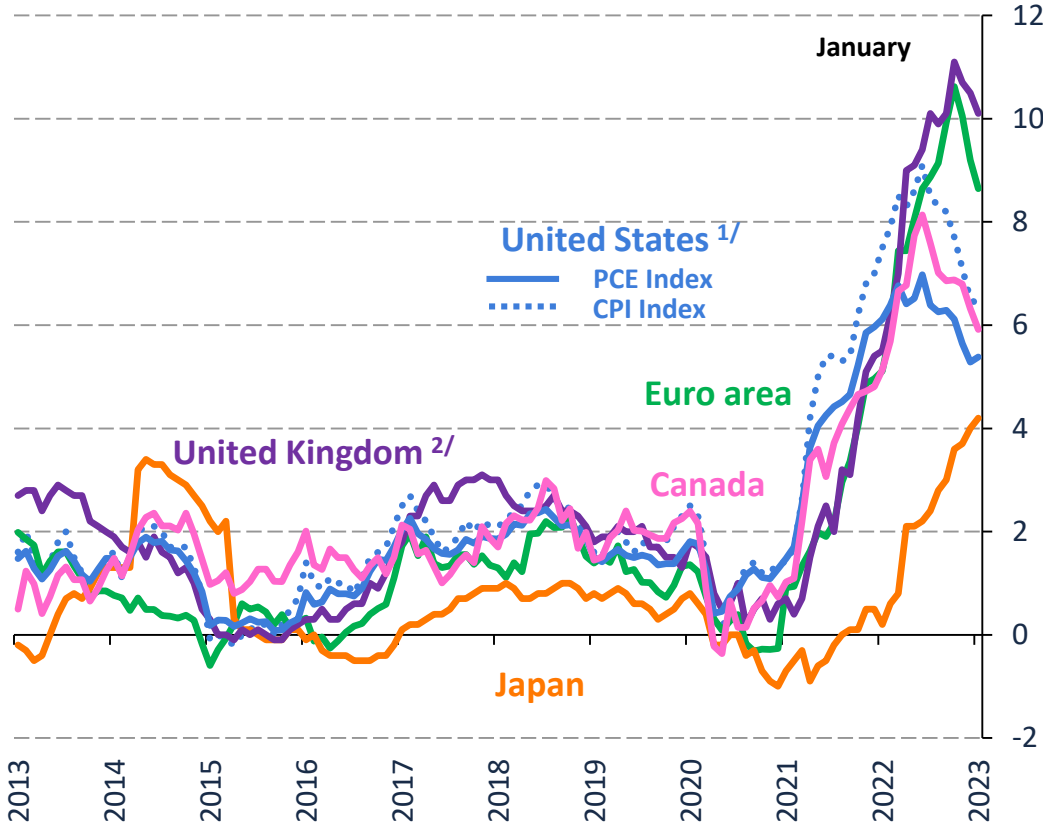


^{1/} Prices refer to the current grain futures contract.
Source: Bloomberg.

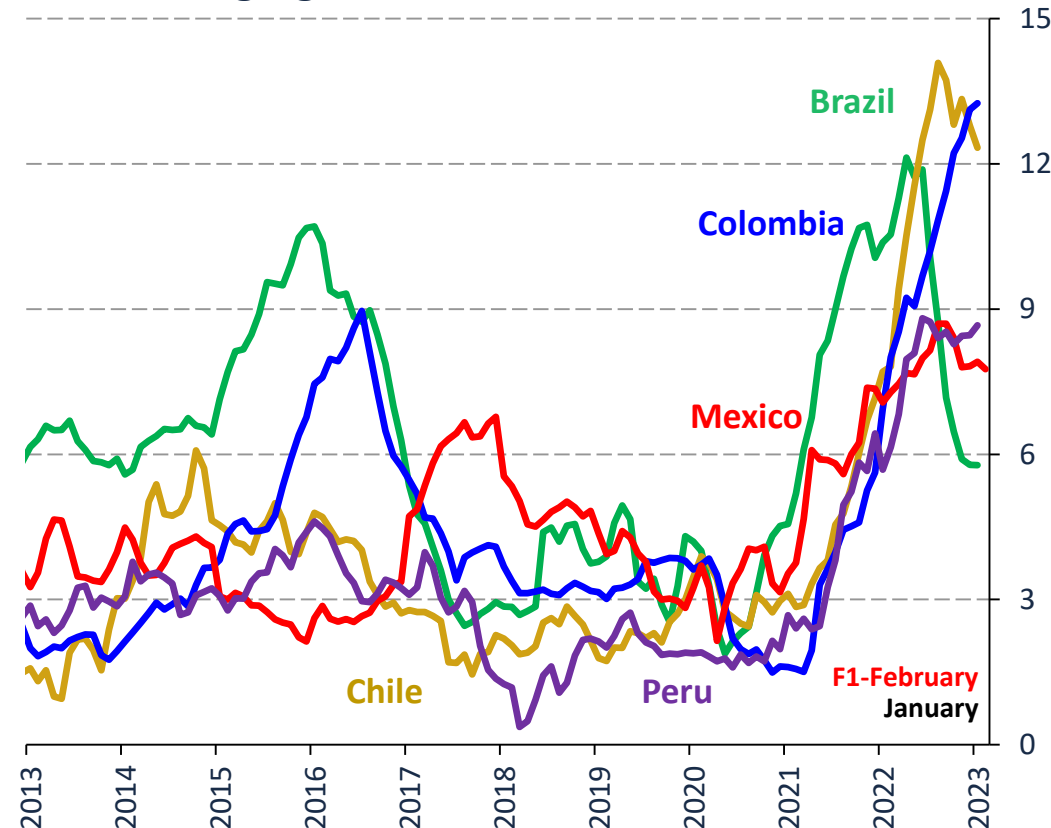
Headline inflation decreased in a large number of economies, both advanced and emerging, in the face of lower pressures on energy prices. However, in most economies, headline inflation remained at high levels, significantly above the central banks' targets.

Headline Price Index Annual % change

Advanced Economies



Emerging Economies in Latin America



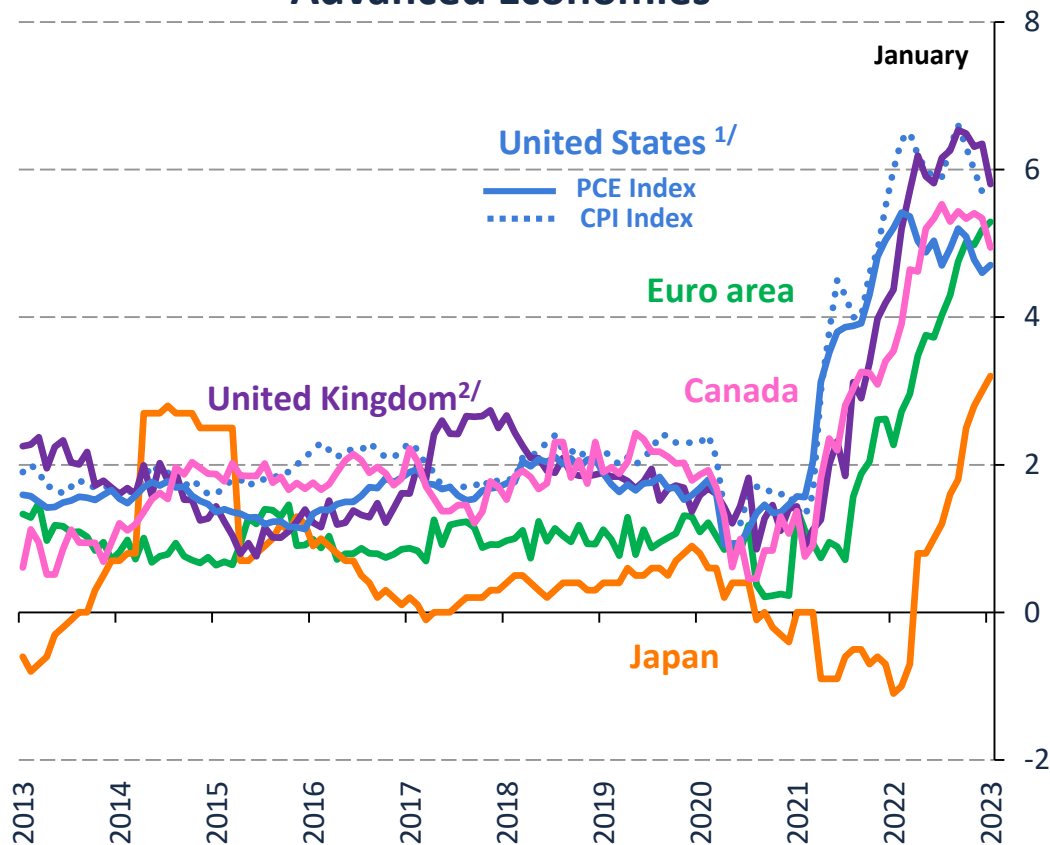
1/ The solid line refers to the Personal Consumption Expenditure Price Index (PCE) and the dotted line shows the Consumer Price Index (CPI). 2/ The harmonized index is used.
Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Eurostat, Bank of Japan, Office for National Statistics of the UK and Statistics Canada.

Source: INEGI and corresponding national statistics offices.

Some economies have already registered a slight stabilization or a decline in the core component. Nevertheless, in different economies, it is yet to show a downward inflection point.

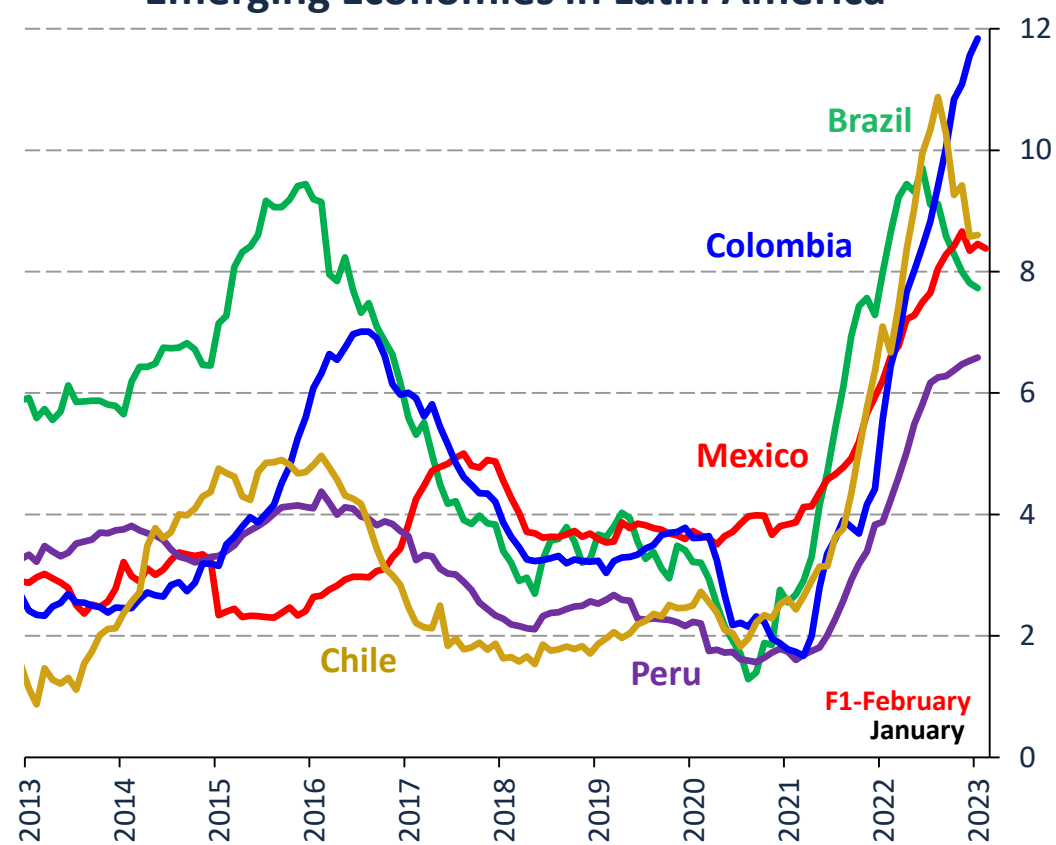
Core Price Index Annual % change

Advanced Economies



1/ The solid line refers to the Personal Consumption Expenditure Price Index (PCE) and the dotted line shows the Consumer Price Index (CPI). 2/ The harmonized index is used.
Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Eurostat, Bank of Japan, Office for National Statistics of the UK and Statistics Canada.

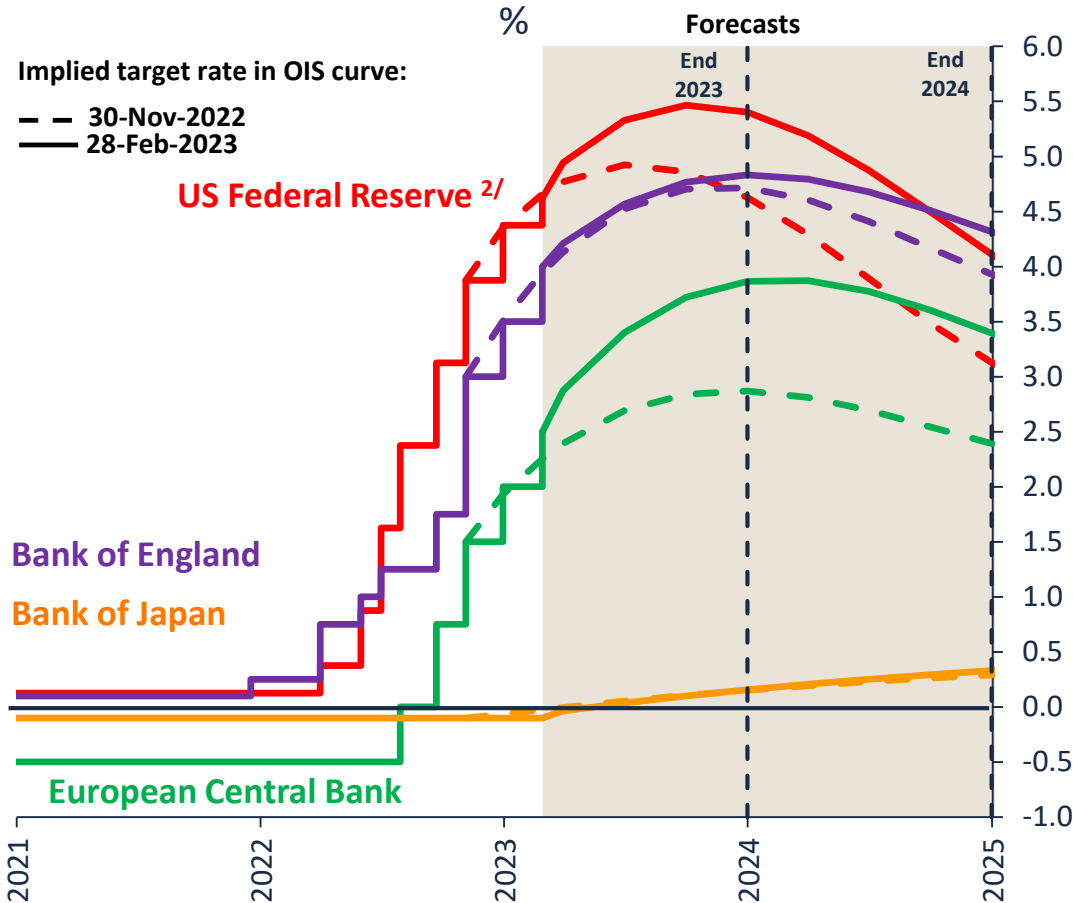
Emerging Economies in Latin America



Source: INEGI and corresponding national statistics offices.

A broad number of central banks continued tightening their monetary policy stances. However, given the signs of mitigation of some inflationary shocks, most central banks moderated their reference rate increases, while others left their reference rates unchanged. Reference rates are expected to remain high for a prolonged period.

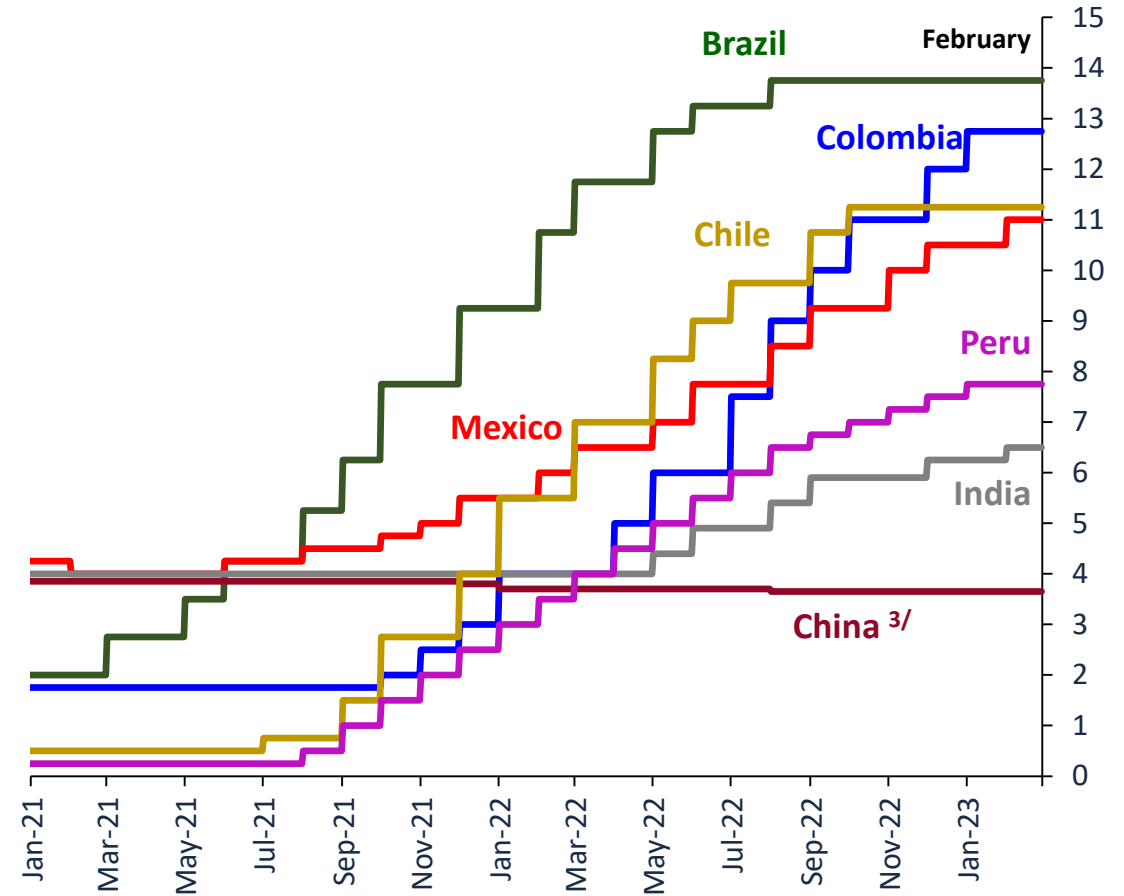
Reference Rates and Implied Trajectories in OIS Curves in Advanced Economies ^{1/}



^{1/} OIS: Fixed-for-floating swap where the fixed interest rate is the overnight effective reference rate. ^{2/} Data for the observed federal funds rate corresponds to the average between the lower and upper bounds of the target range.

Source: Prepared by Banco de México with data from Bloomberg.

Reference Rates in Emerging Economies

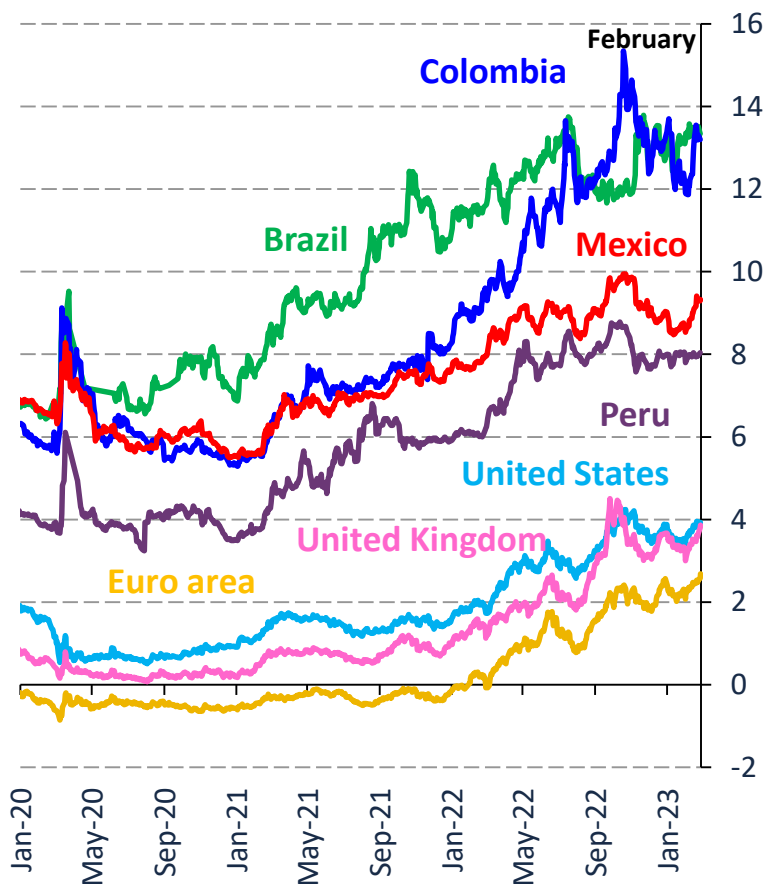


^{3/} For China, the 1-year Loan Prime Rate (LPR) is shown.

Source: Haver Analytics.

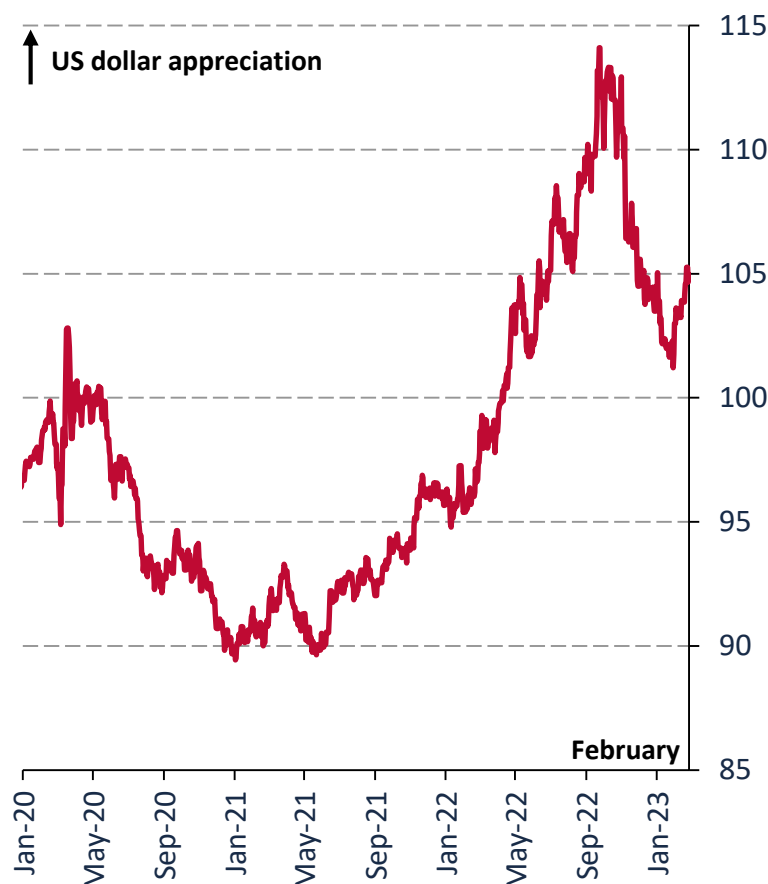
Long-term interest rates exhibited volatility and registered a mixed behavior. Although the US dollar weakened, it remains at more appreciated levels than at the beginning of 2021. Although financial conditions eased, they are still tight.

10-year Government Bond Nominal Interest Rates %



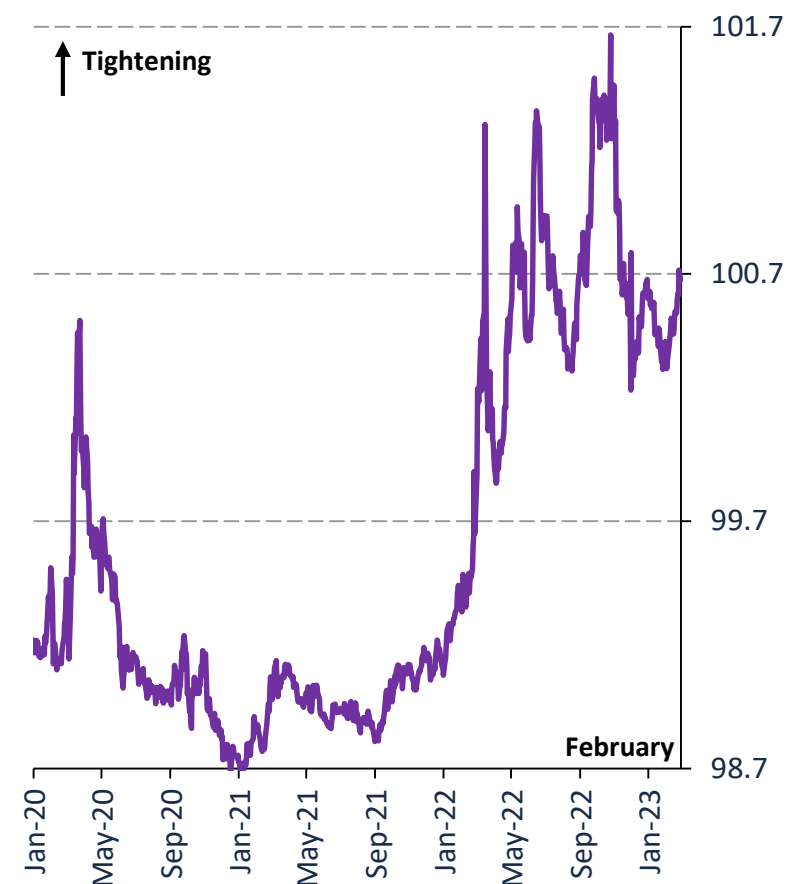
Source: Prepared by Banco de México with data from Bloomberg and Proveedor Integral de Precios (PIP).

US Dollar Index DXY ^{1/} Index



1/ DXY: Refers to the US dollar index calculated by the Intercontinental Exchange (ICE) as a weighted average of the nominal exchange rate of six currencies: euro, Japanese yen, British pound, Canadian dollar, Swedish krona, and Swiss franc. Source: Bloomberg.

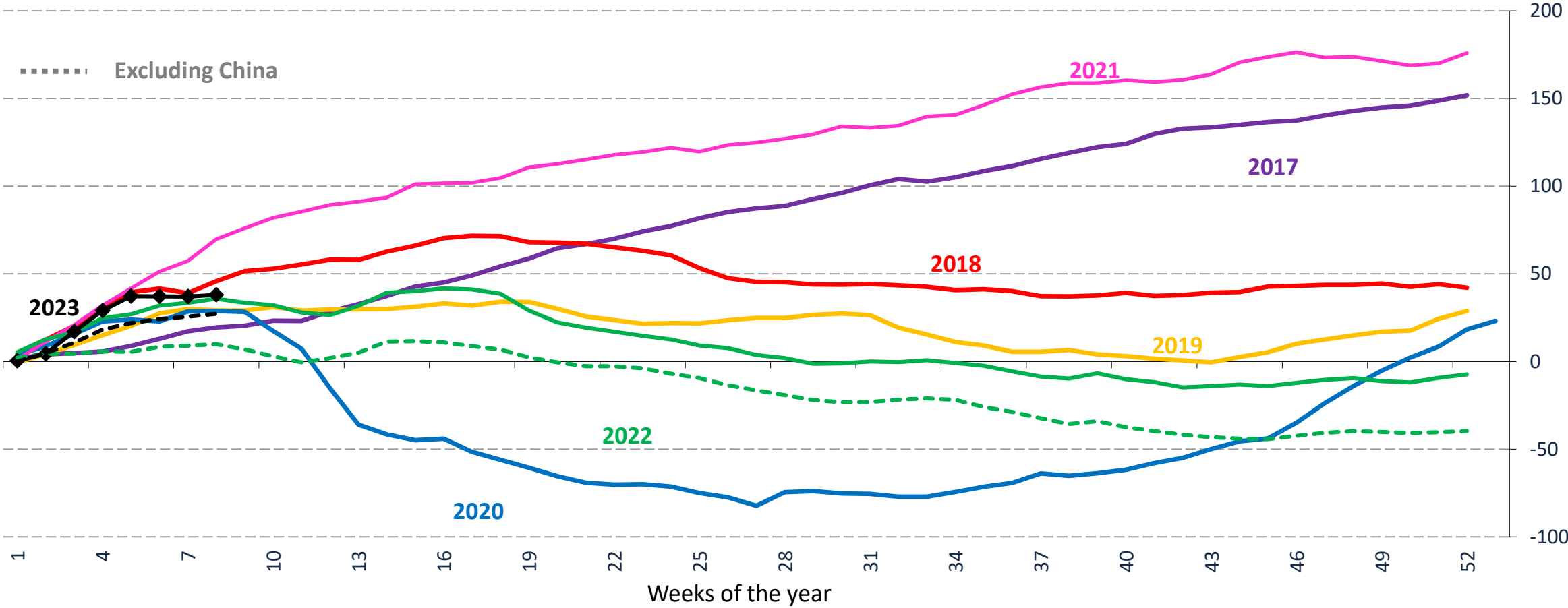
Global Financial Conditions Index



Source: Goldman Sachs.

At the beginning of Q4-2022, most emerging economies continued registering capital outflows from the fixed-income market. However, in various cases these outflows reversed course by the end of the year.

Accumulated Flows of Funds to Emerging Economies by Weeks of the Year ^{1/}
 Billion dollars



^{1/} The sample includes funds used to buy and sell stocks and bonds of emerging countries, registered in advanced countries. Flows exclude portfolio performance and exchange rate variations.
 Source: Emerging Portfolio Fund Research.

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3 Inflation

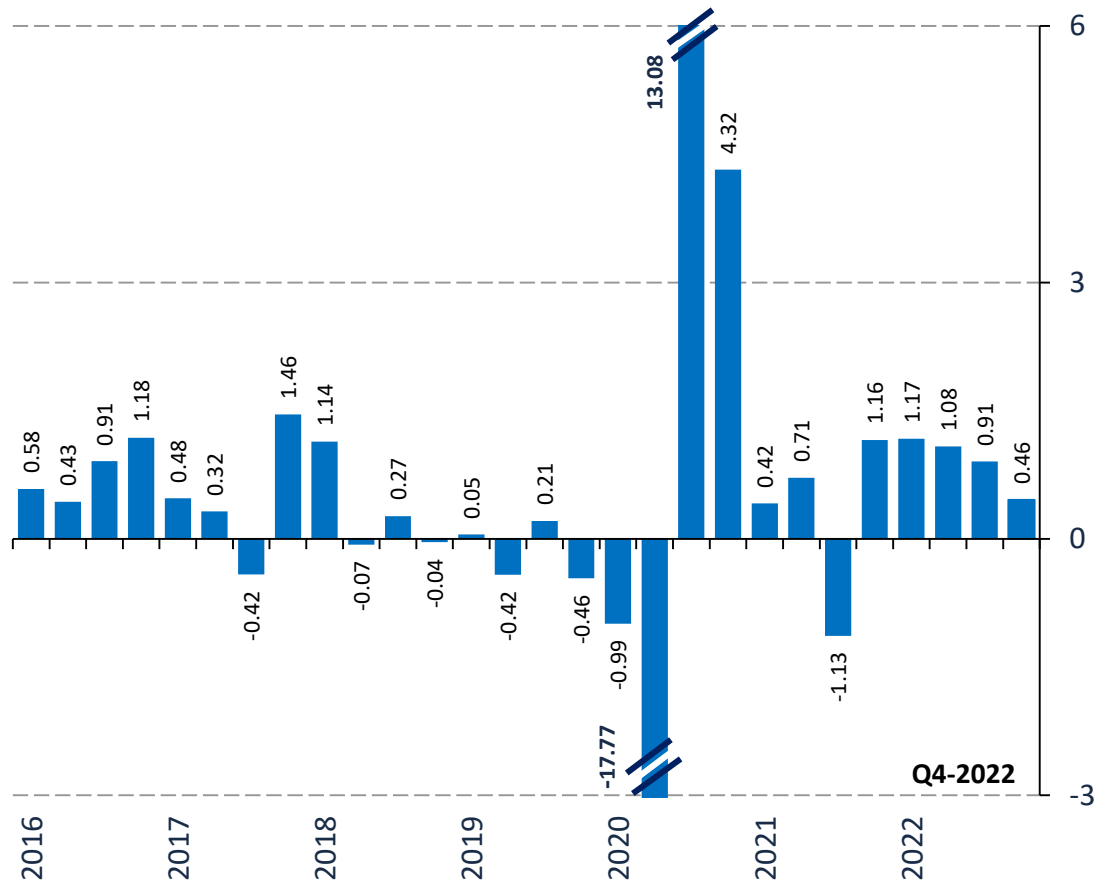
4 Monetary policy

5 Forecasts and final remarks

In Mexico, economic activity continued growing in Q4-2022. Nonetheless, there was a deceleration as compared to the dynamism observed over the first three quarters of the year.

Gross Domestic Product

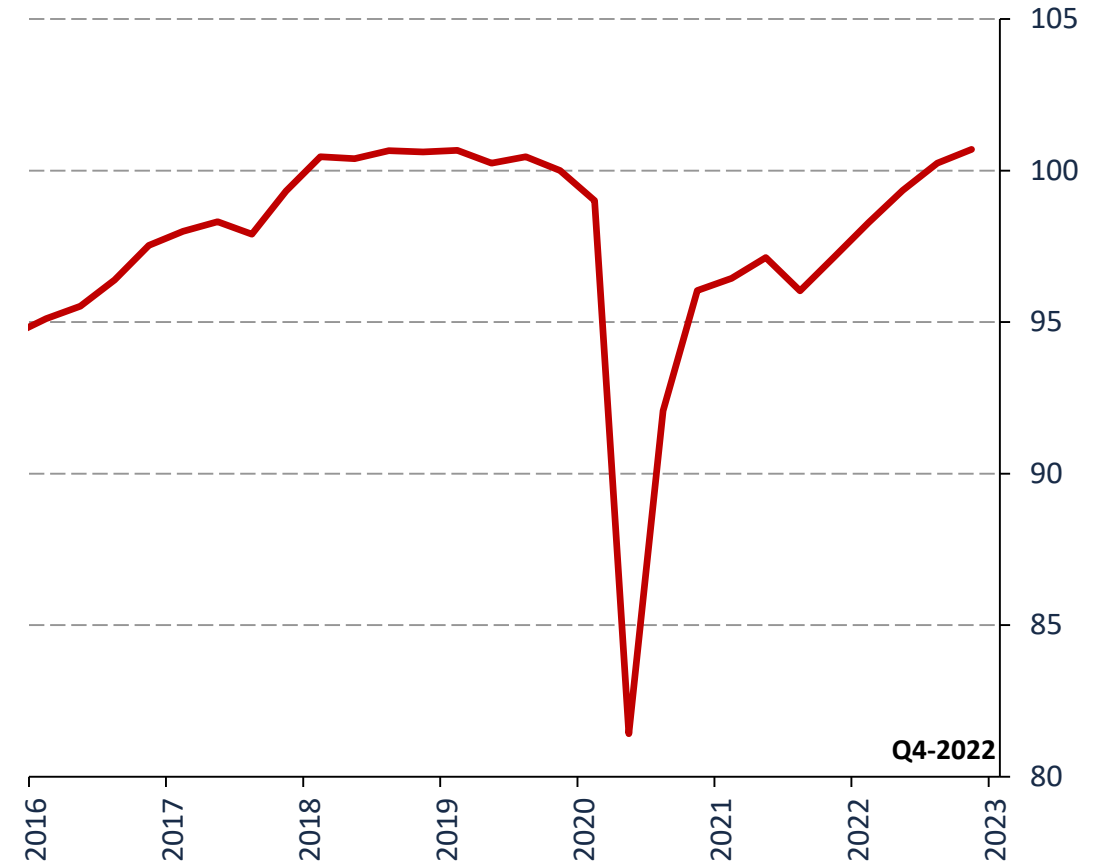
Quarterly % change, s. a. ^{1/}



s. a./ Seasonally adjusted figures.

^{1/} The range of the chart for the quarterly change in GDP has been narrowed to facilitate its reading.
Source: Mexico's National Accounts System (SCNM, for its acronym in Spanish), INEGI.

Index Q4-2019=100, s. a.



s. a./ Seasonally adjusted figures.

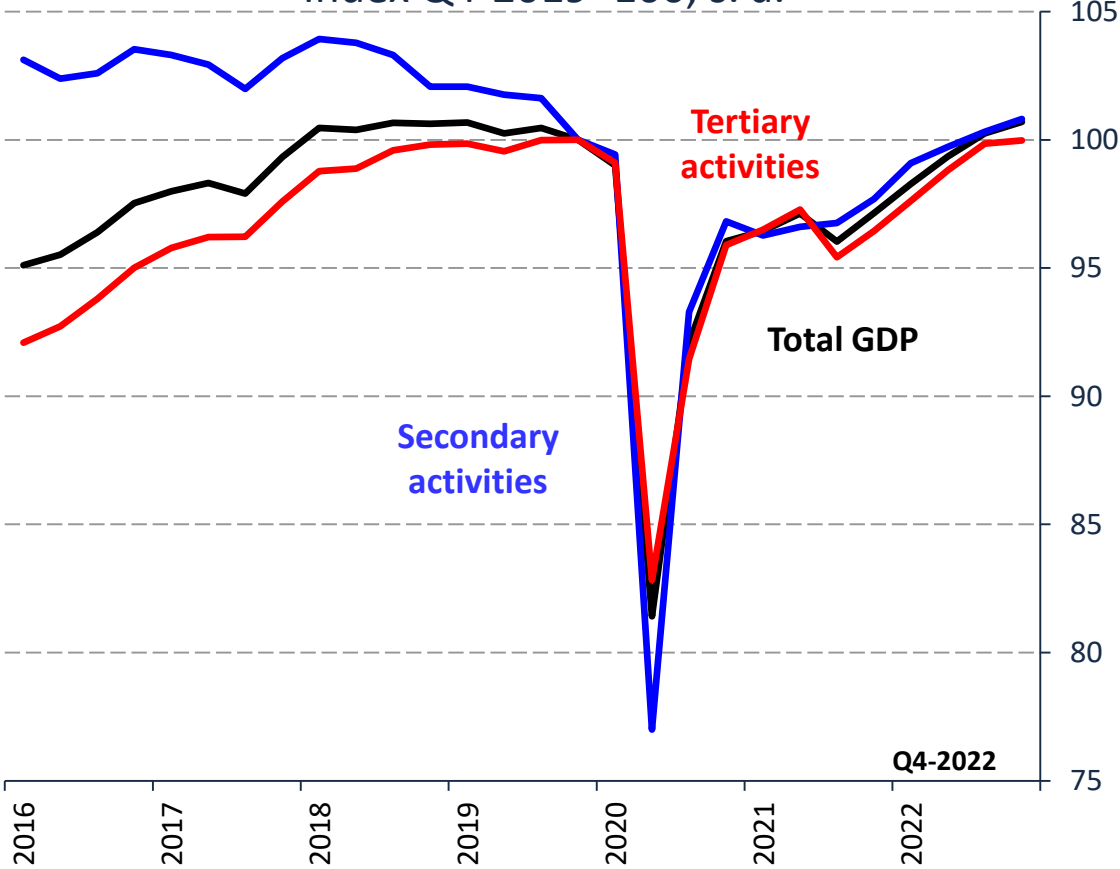
Source: Mexico's National Accounts System (SCNM, for its acronym in Spanish), INEGI.

Economic growth in Q4-2022 was supported by the three main sectors of economic activity. However, the industrial sector and, to a larger extent, the tertiary sector lost dynamism with respect to the previous quarters.

GDP by Economic Activity

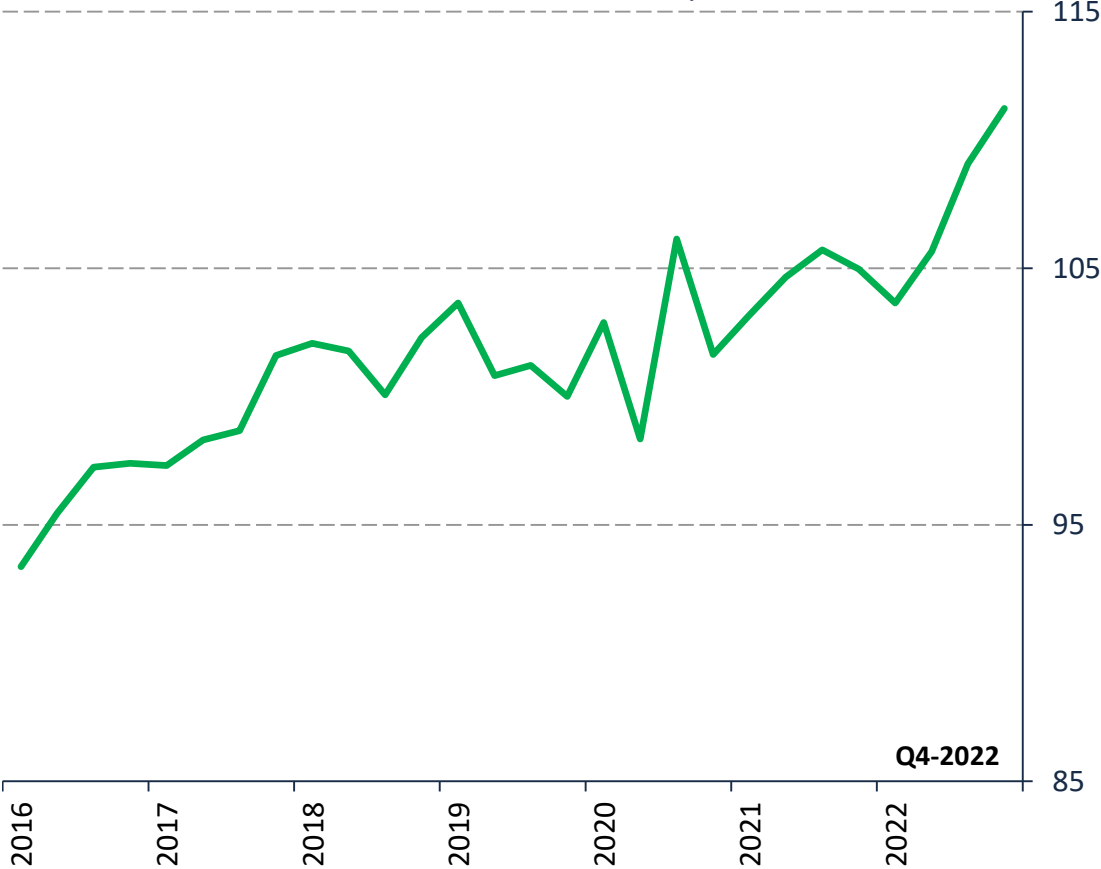
Total GDP, from Secondary and Tertiary Activities

Index Q4-2019=100, s. a.



GDP of Primary Activities

Index Q4-2019=100, s. a.

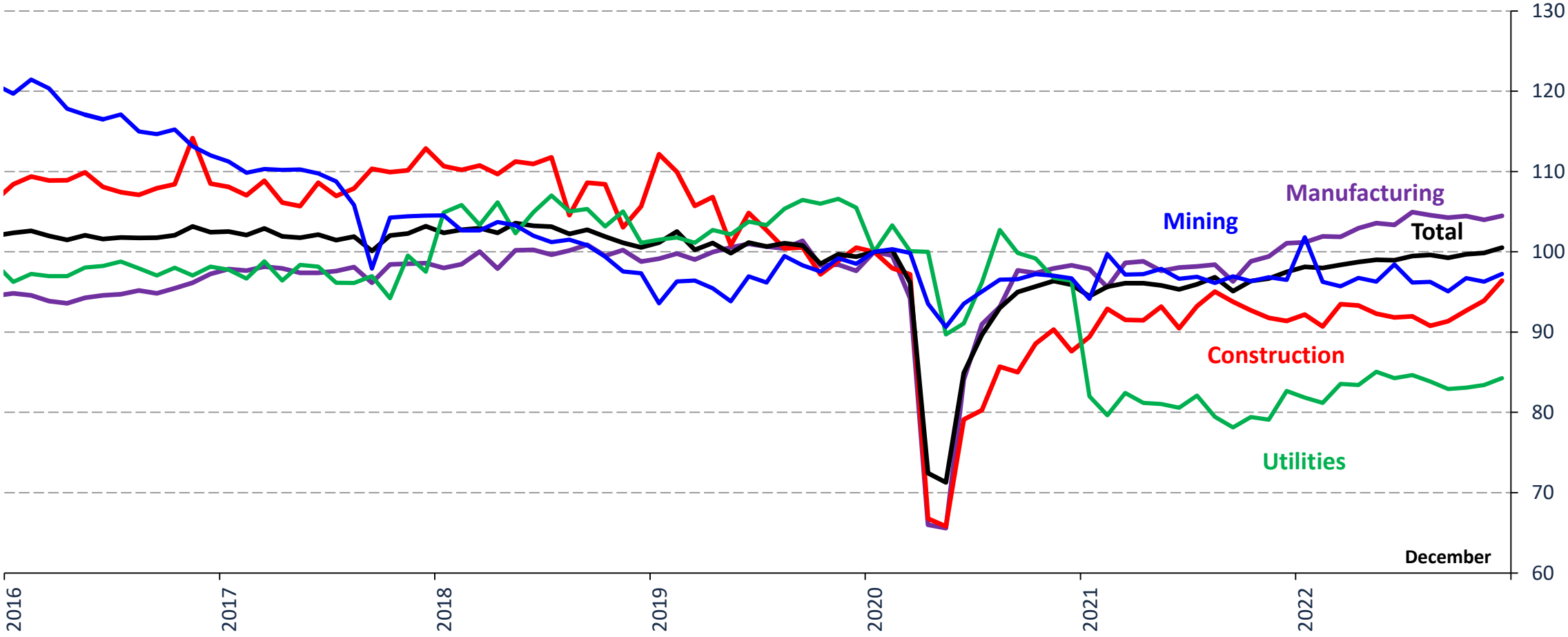


s. a. /Seasonally adjusted figures.
Source: Mexico's National Accounts System (SCNM, for its acronym in Spanish), INEGI.

s. a. /Seasonally adjusted figures.
Source: Mexico's National Accounts System (SCNM, for its acronym in Spanish), INEGI.

In Q4-2022, moderation of industrial activity reflected the deceleration of manufacturing. In contrast, there was a reactivation in construction, although it remained at low levels.

Industrial Activity Index Jan-2020=100, s. a.

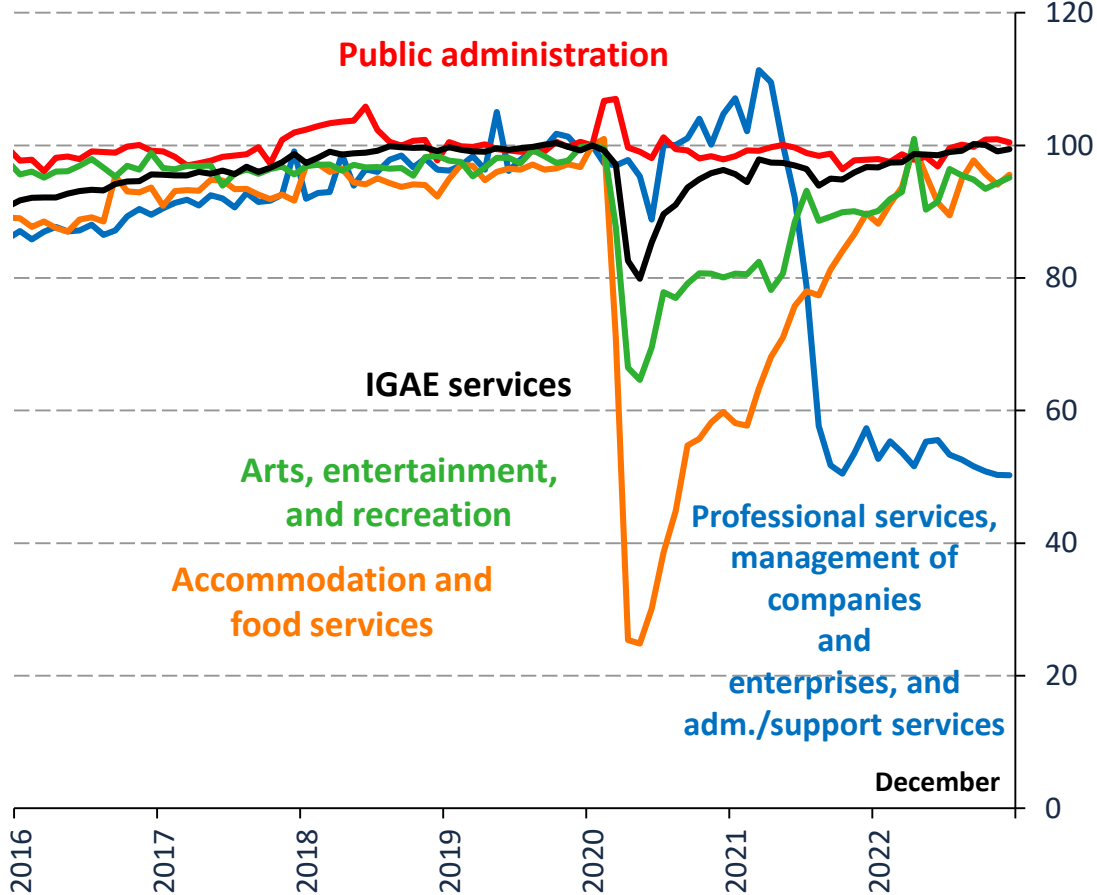
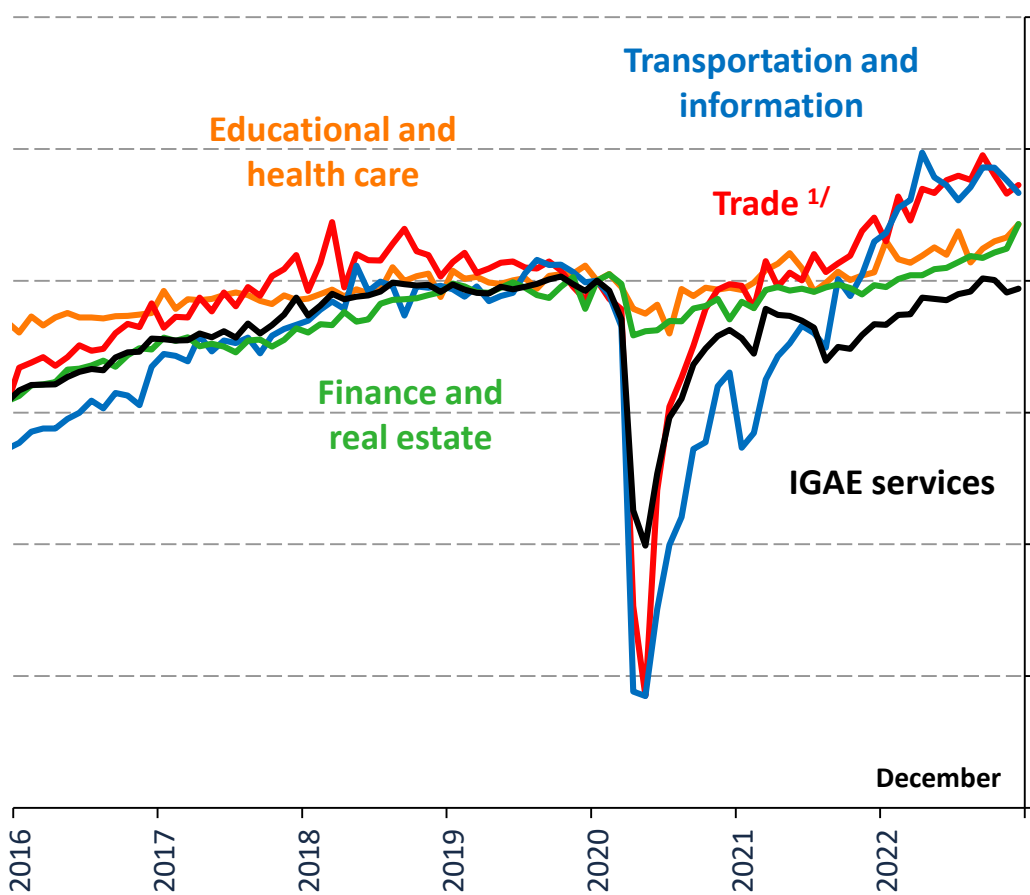


s. a. / Seasonally adjusted figures.
Source: Monthly Indicator of Industrial Activity, Mexico's National Accounts System (SCNM, for its acronym in Spanish), INEGI.

The loss of dynamism in the services' sector in Q4-2022 was largely associated with the weakness shown by trade activities.

IGAE Services

Index Jan-2020=100, s. a.

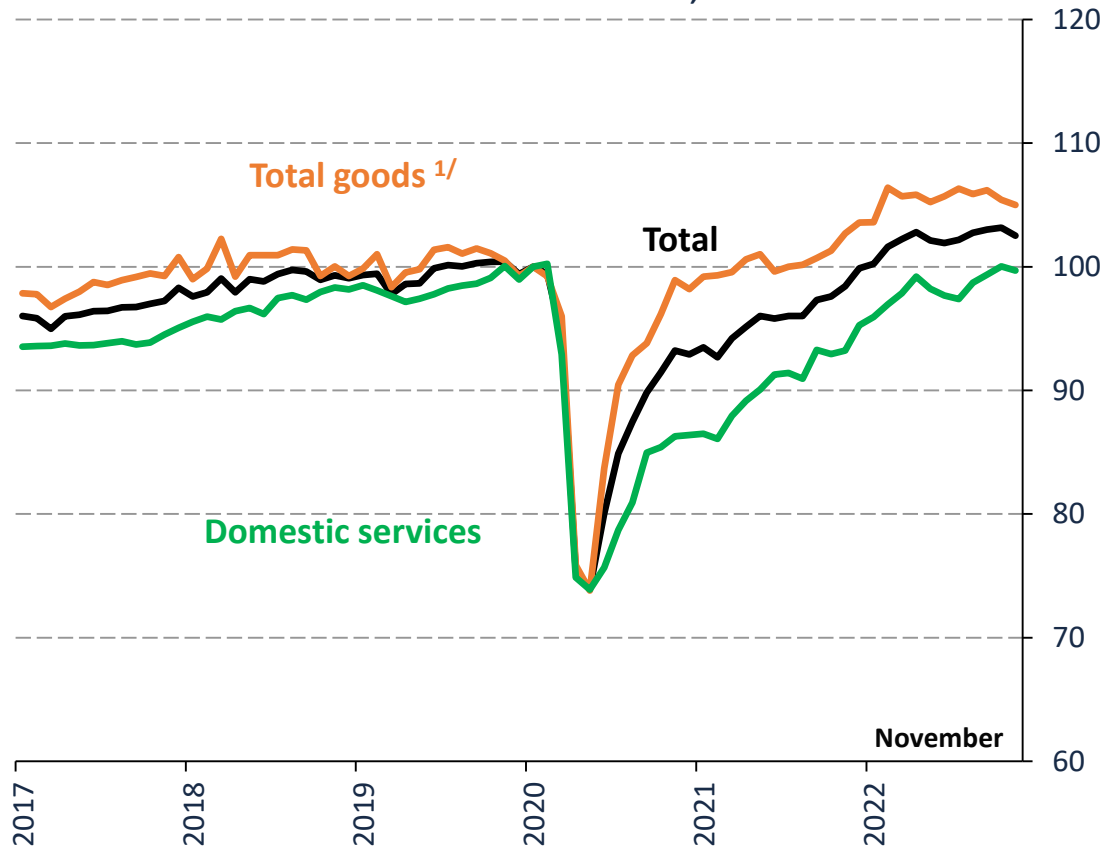


s. a. / Seasonally adjusted figures.
 1/Includes both wholesale and retail trade.
 Source: Mexico's National Accounts System (SCNM, for its acronym in Spanish), INEGI.

During the October – November period, private consumption continued growing, although at a more moderate rate with respect to the previous quarters. Gross fixed investment reversed the fall observed in September and continued improving moderately.

Total Private Consumption and its Components

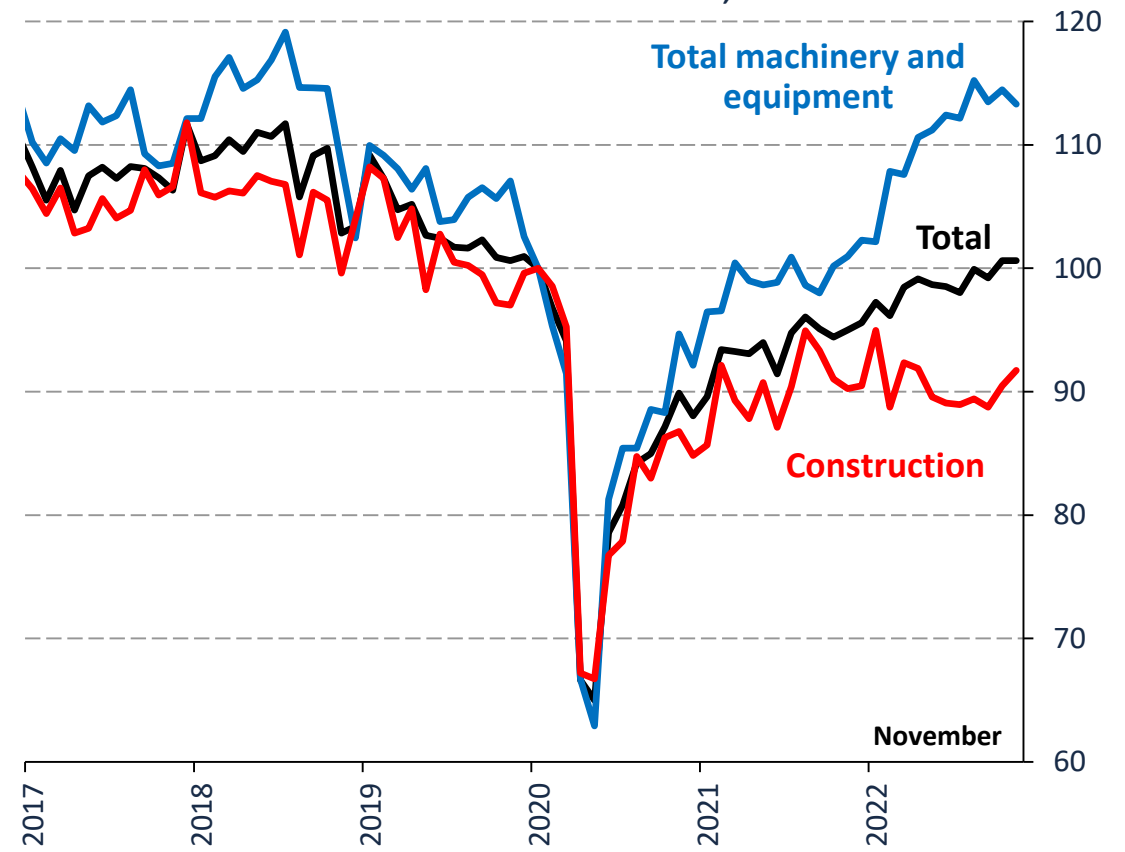
Index Jan 2020=100, s. a.



s. a. / Seasonally adjusted figures. 1/ Prepared and seasonally adjusted by Banco de México. Includes both national and imported goods. Source: Mexico's National Accounts System (SCNM, for its acronym in Spanish), INEGI.

Investment and its Components

Index Jan-2020=100, s. a.



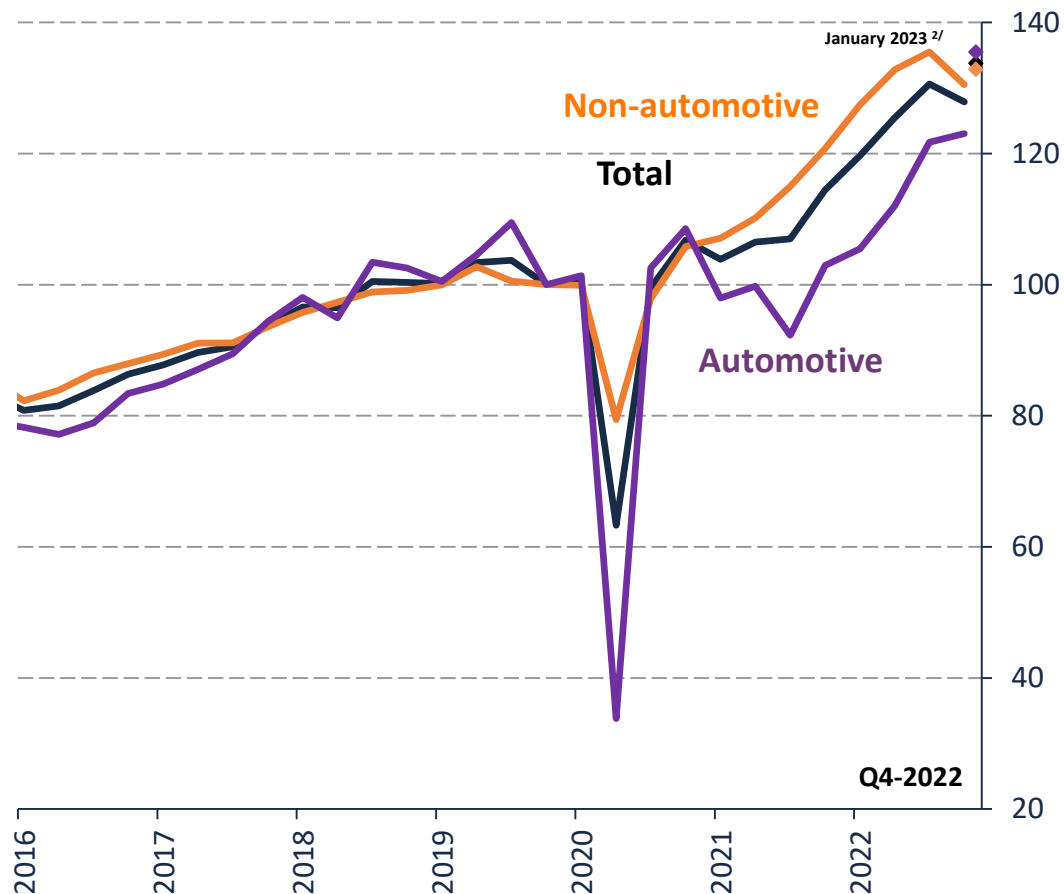
s. a. / Seasonally adjusted figures. Source: Mexico's National Accounts System (SCNM, for its acronym in Spanish), INEGI.

In Q4-2022, the value of manufacturing exports contracted as compared to Q3-2022. This reflected the fall in the non-automotive component. In contrast, automotive exports continued growing, although at a lower rate than that observed over the previous quarters.

Manufacturing Exports ^{1/}

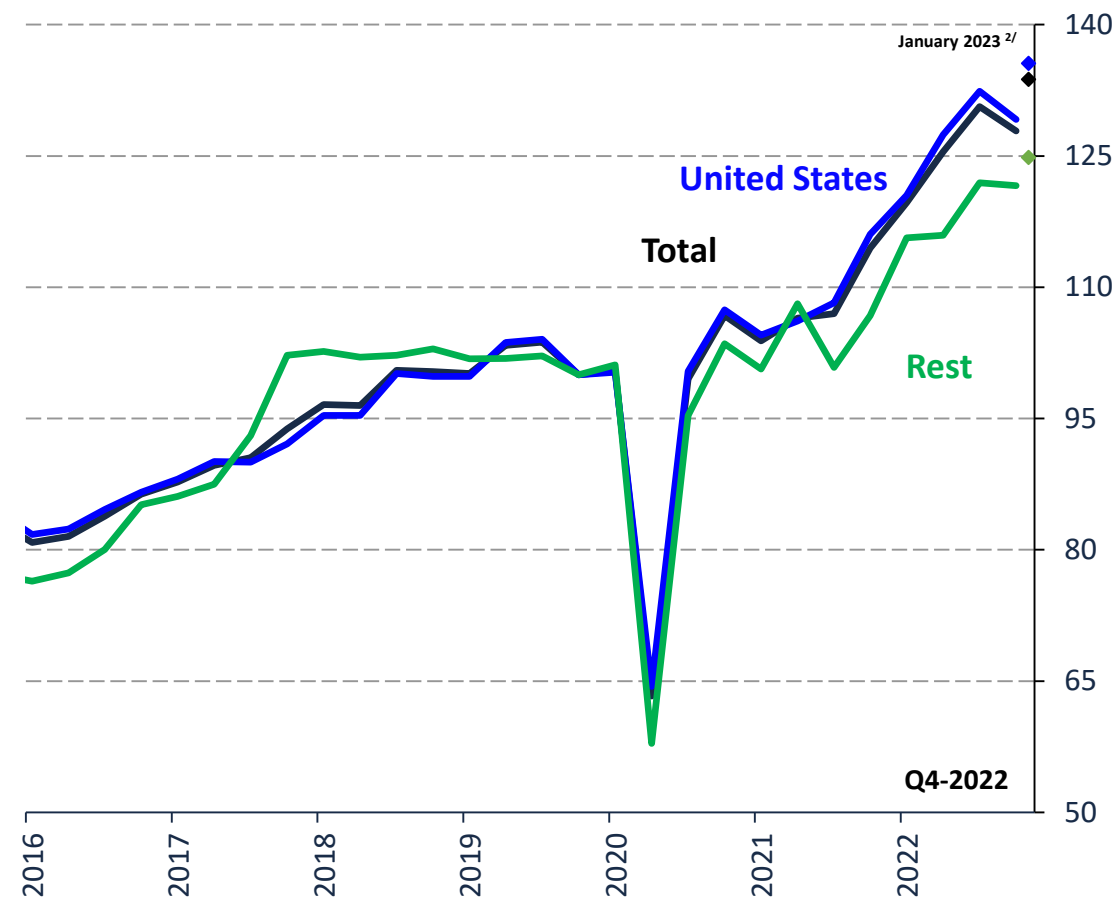
Automotive and Non-automotive Manufacturing Exports

Index Q4-2019=100, s. a.



By Destination

Index Q4-2019=100, s. a.

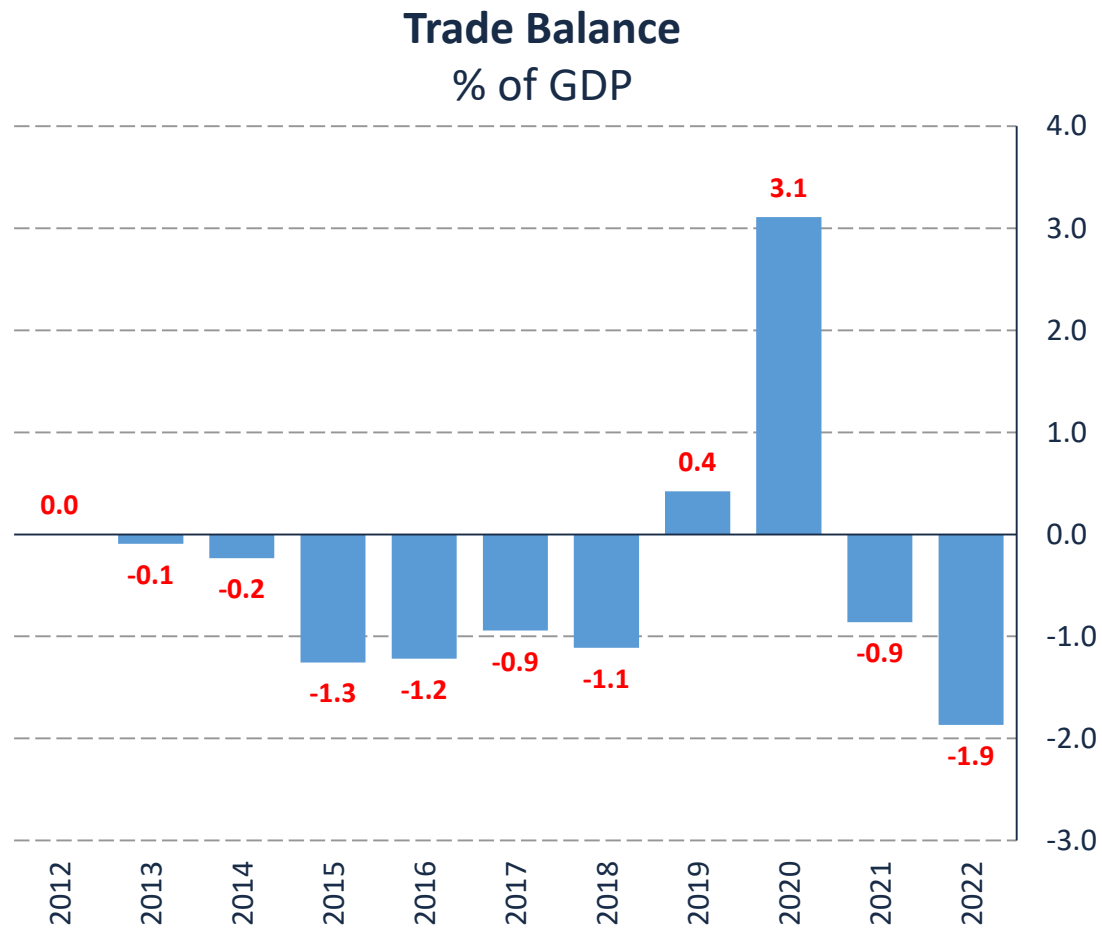


s. a. / Seasonally adjusted figures.

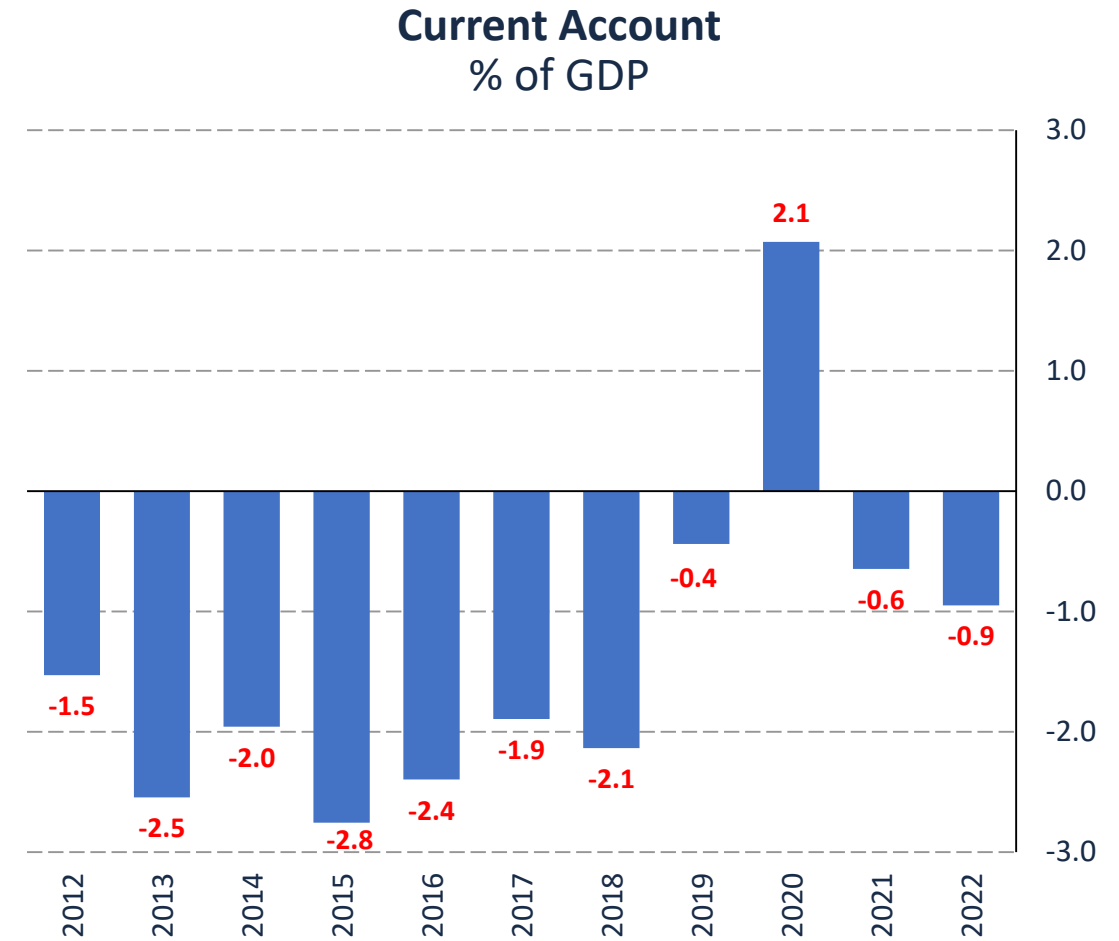
^{1/} Based on current US dollars. ^{2/} Corresponds to the monthly data for January 2023.

Source: Prepared by Banco de México with data from *PMI Comercio Internacional, S.A. de C.V.*, SAT, SE, Banco de México, INEGI. Commercial Balance of Goods of Mexico. SNIEG. Information of National Interest.

In 2022, the current account deficit amounted to 0.9% of GDP. The recovery in revenues from tourism and high income from remittances largely offset the greater trade deficit. Thus, the current account deficit, as a percentage of GDP, was slightly larger than in 2021.



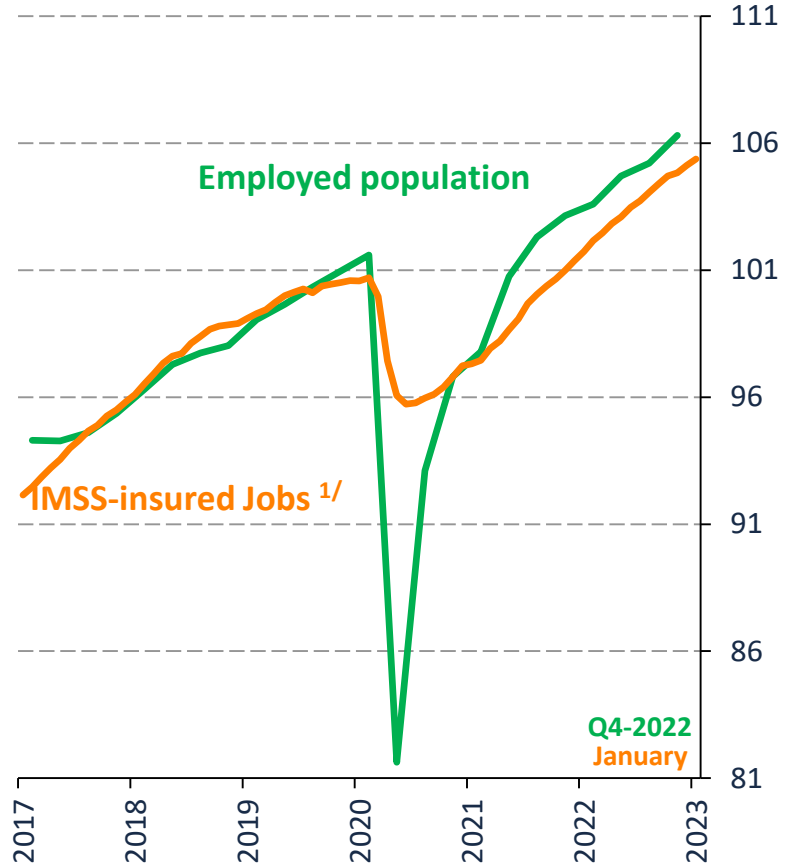
Source: SAT, SE, Banco de México, INEGI. Mexico's Merchandise Trade Balance. SNIEG. Information of national interest.



Source: Banco de México and INEGI.

Throughout 2022, the labor market in Mexico continued recovering from the effects from the pandemic and during Q4-2022 it performed favorably.

IMSS-insured Jobs and Employed Population
Index 2019=100, s. a.



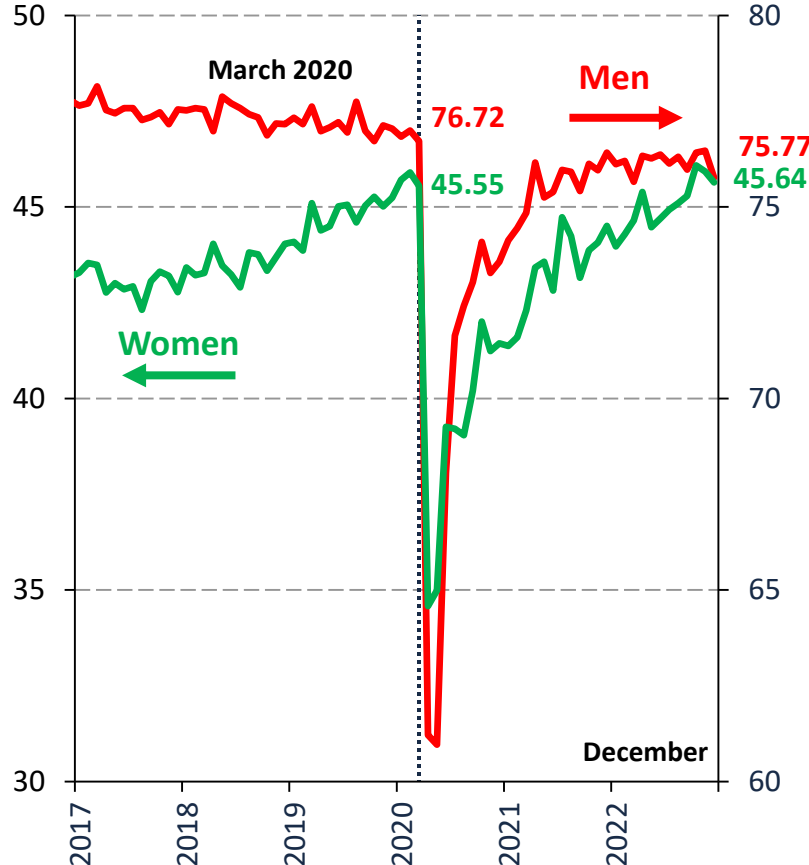
s. a./ Seasonally adjusted figures. 1/Refers to permanent and temporary urban workers. Seasonal adjustment by Banco de México. Source: Prepared by Banco de México with data from IMSS and INEGI (ENOE, ETOE and ENOE^N).

National Unemployment Rate
%, s. a.



s. a. / Seasonally adjusted figures. Source: Prepared by Banco de México with data from INEGI (ENOE, ETOE and ENOE^N).

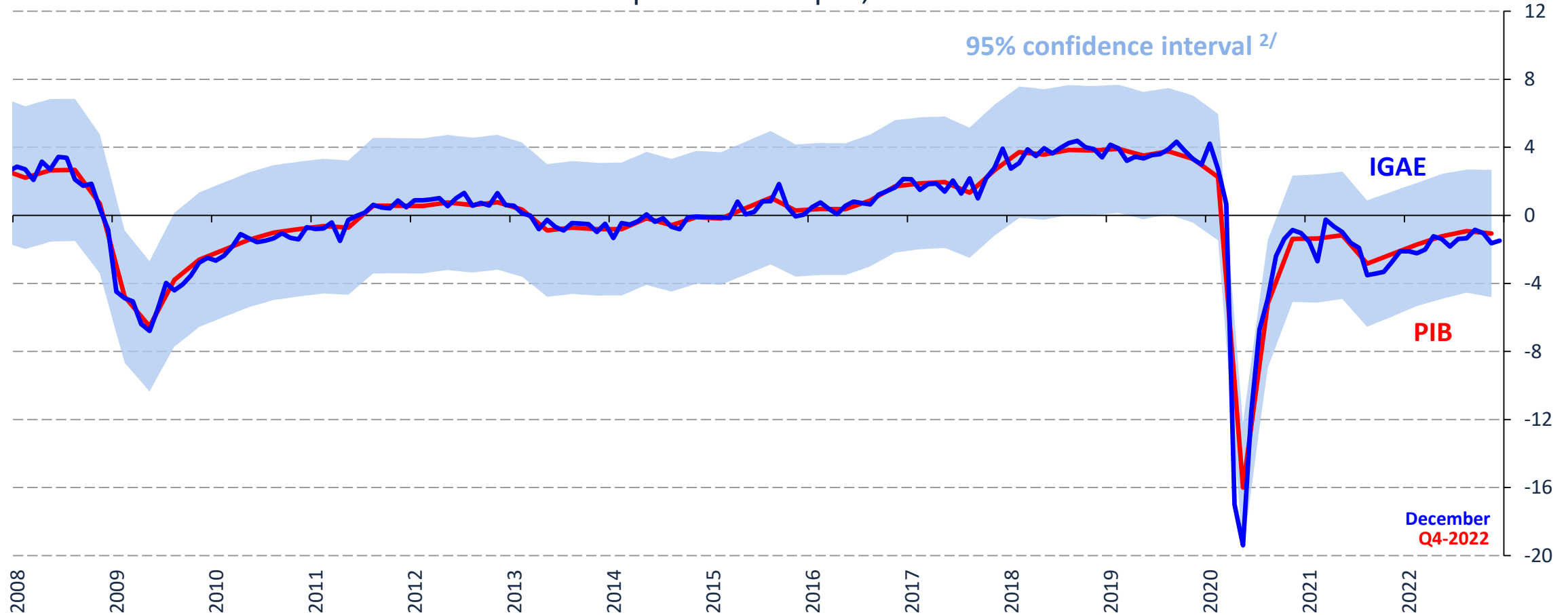
National Labor Participation Rates ^{2/}
%, s. a.



s. a. / Seasonally adjusted figures. 2/ Percentage of the economically active population (EAP) related to that of 15 years and older. Source: Prepared by Banco de México with data from INEGI (ENOE, ETOE and ENOE^N).

With regards to the cyclical position of the economy, the output gap estimate points to lesser slack conditions than in earlier stages of the pandemic. The pointwise estimation indicates that said gap remained at a level similar to that of Q3-2022.

Output Gap Estimate of the Gross Domestic Product ^{1/} % of potential output, s. a.



s. a. / Seasonally adjusted data.

1/Output gap estimated with a tail-corrected Hodrick-Prescott filter; see "Inflation Report April – June 2009", Banco de México, p.74.

2/Output gap confidence interval calculated with a method of unobserved components.

Source: Prepared by Banco de México with data from INEGI and Banco de México.

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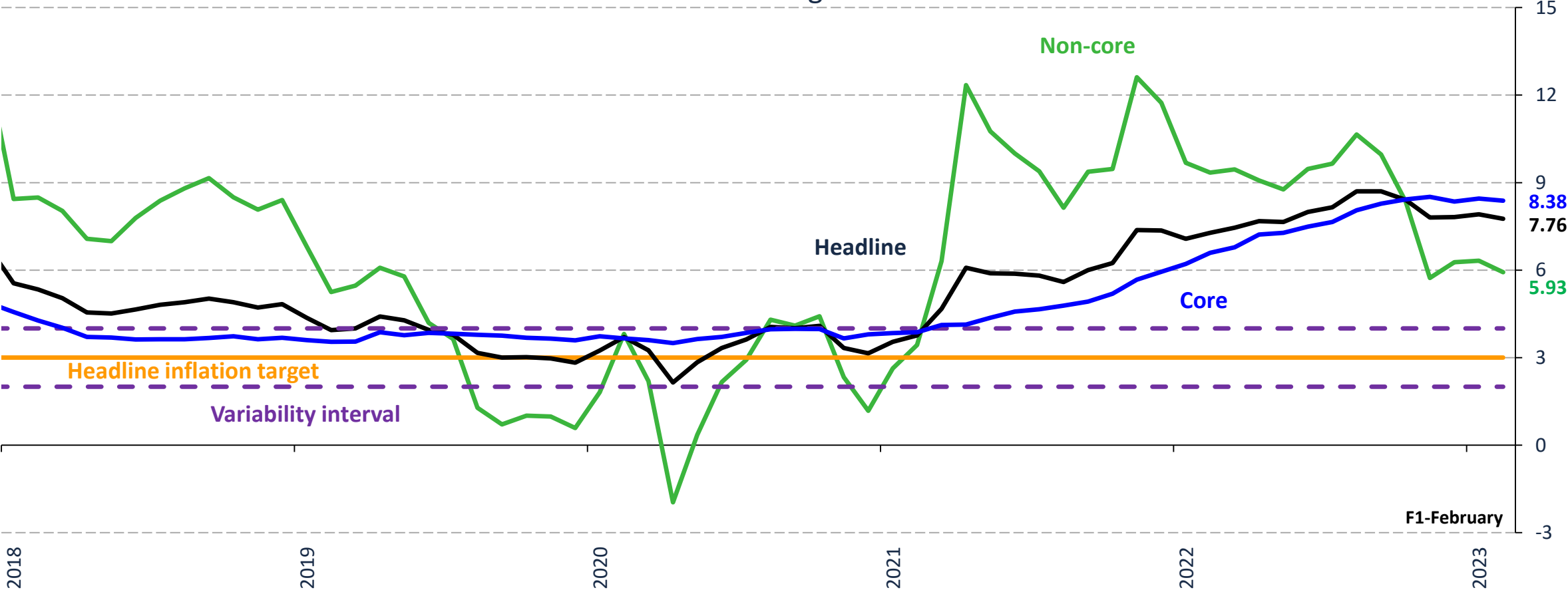
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Between Q3 and Q4-2022, annual headline inflation in Mexico decreased from 8.52 to 8.01%, due to the reduction in non-core inflation, while core inflation continued facing upward pressures. During F1-February 2023, annual headline inflation reached 7.76%, reflecting further declines in non-core inflation and some reduction in the core component, which nevertheless remained at high levels.

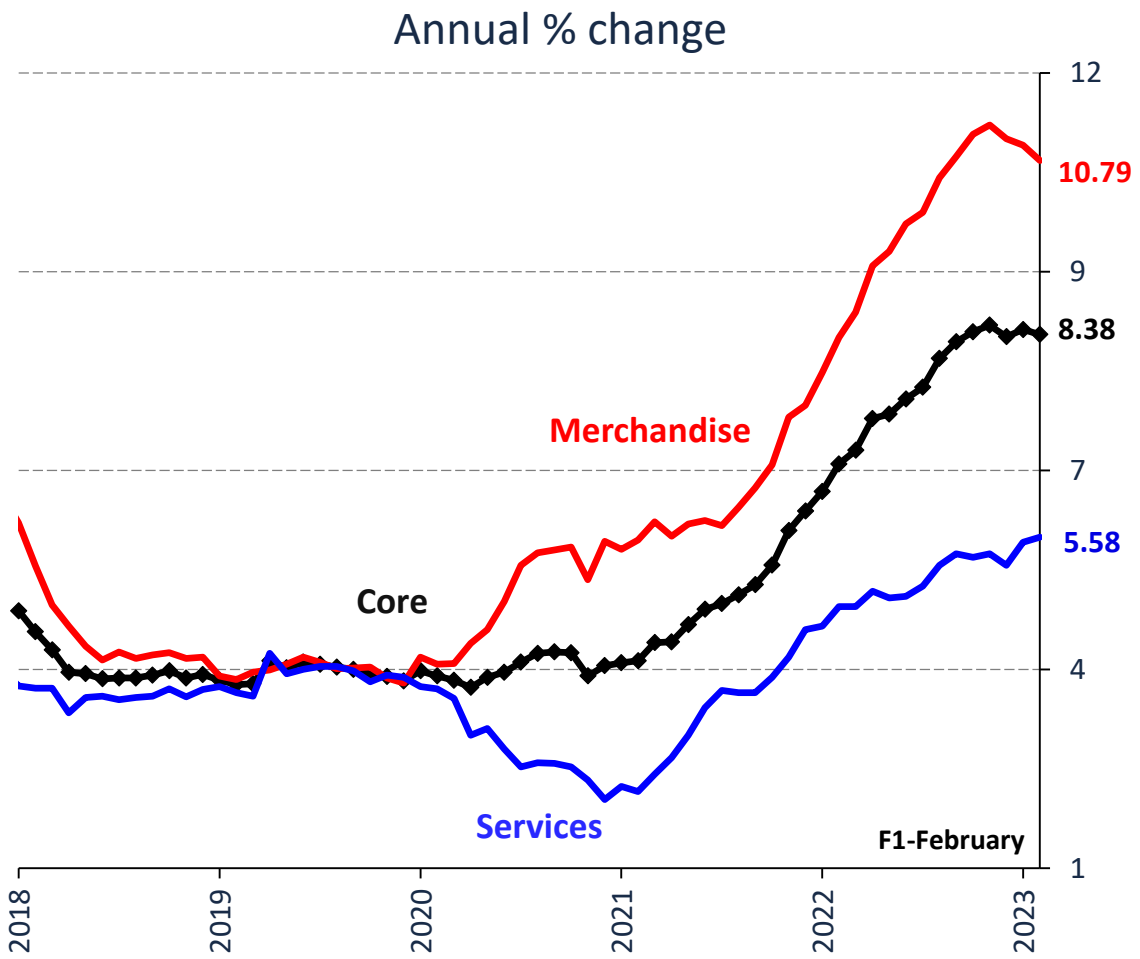
National Consumer Price Index
Annual % change



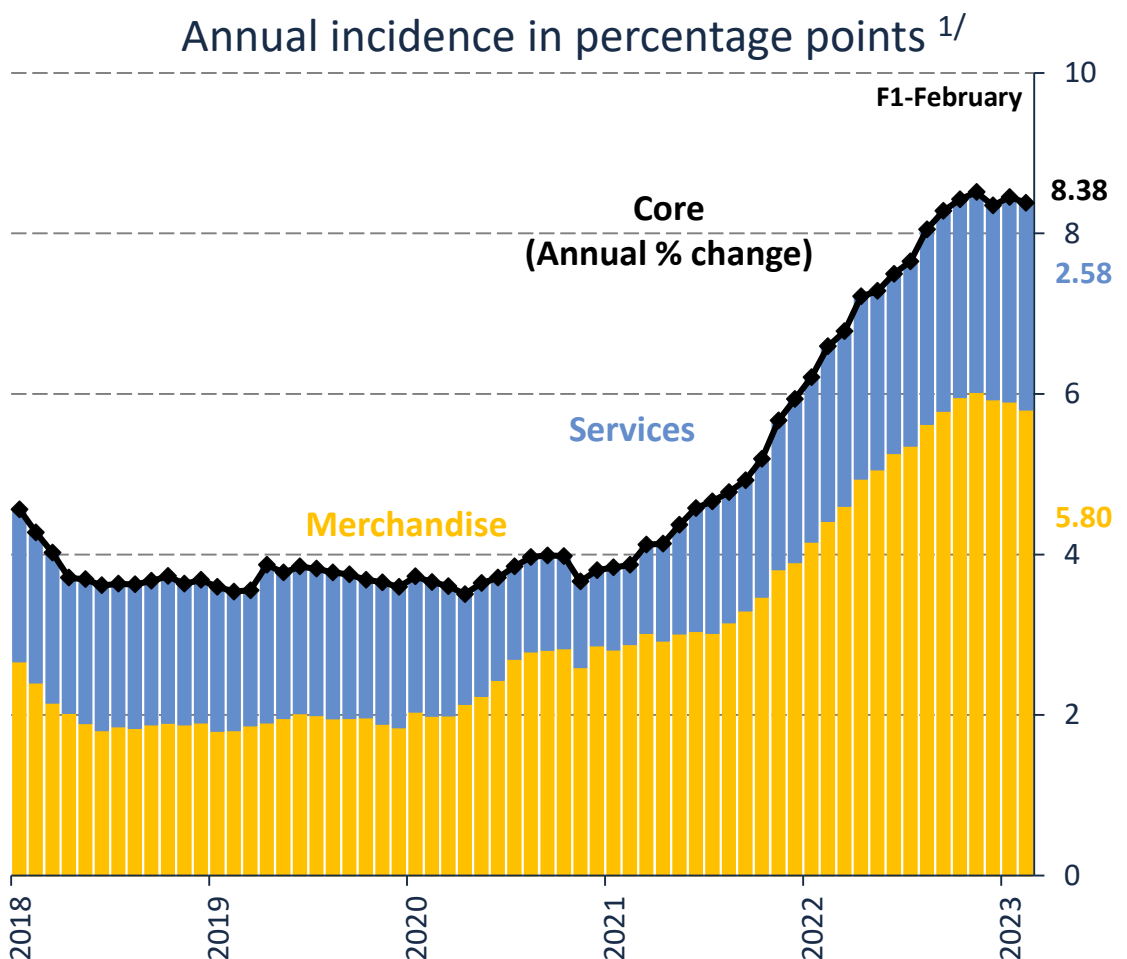
Source: INEGI.

Between Q3 and Q4-2022, annual core inflation rose from 7.99 to 8.43%. In December 2022, it decreased to 8.35%, after having followed an upward trajectory for 24 consecutive months. During F1-February 2023, it was 8.38%. Thus, it is yet to show a downward inflection point.

Core Price Sub-index



Source: INEGI.

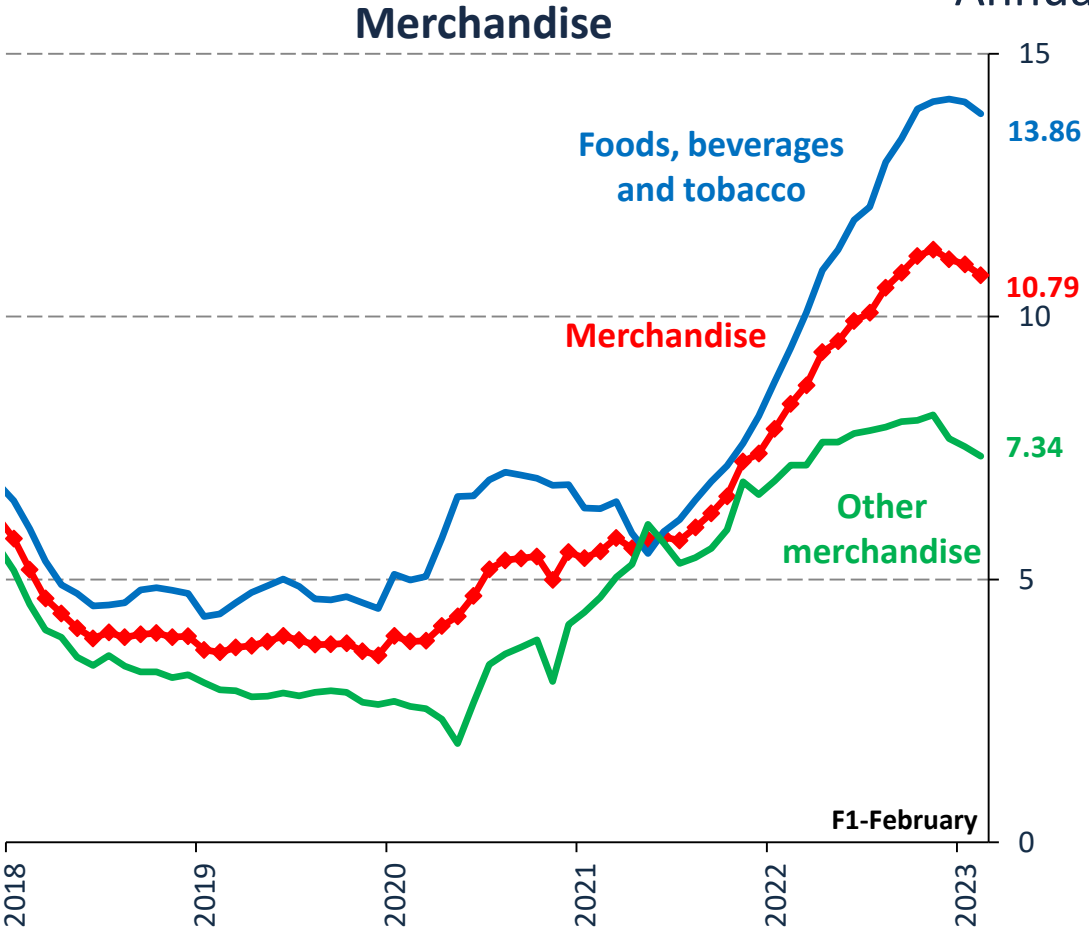


1/ In some cases, the sum of the respective components may have some discrepancy due to rounding effects.

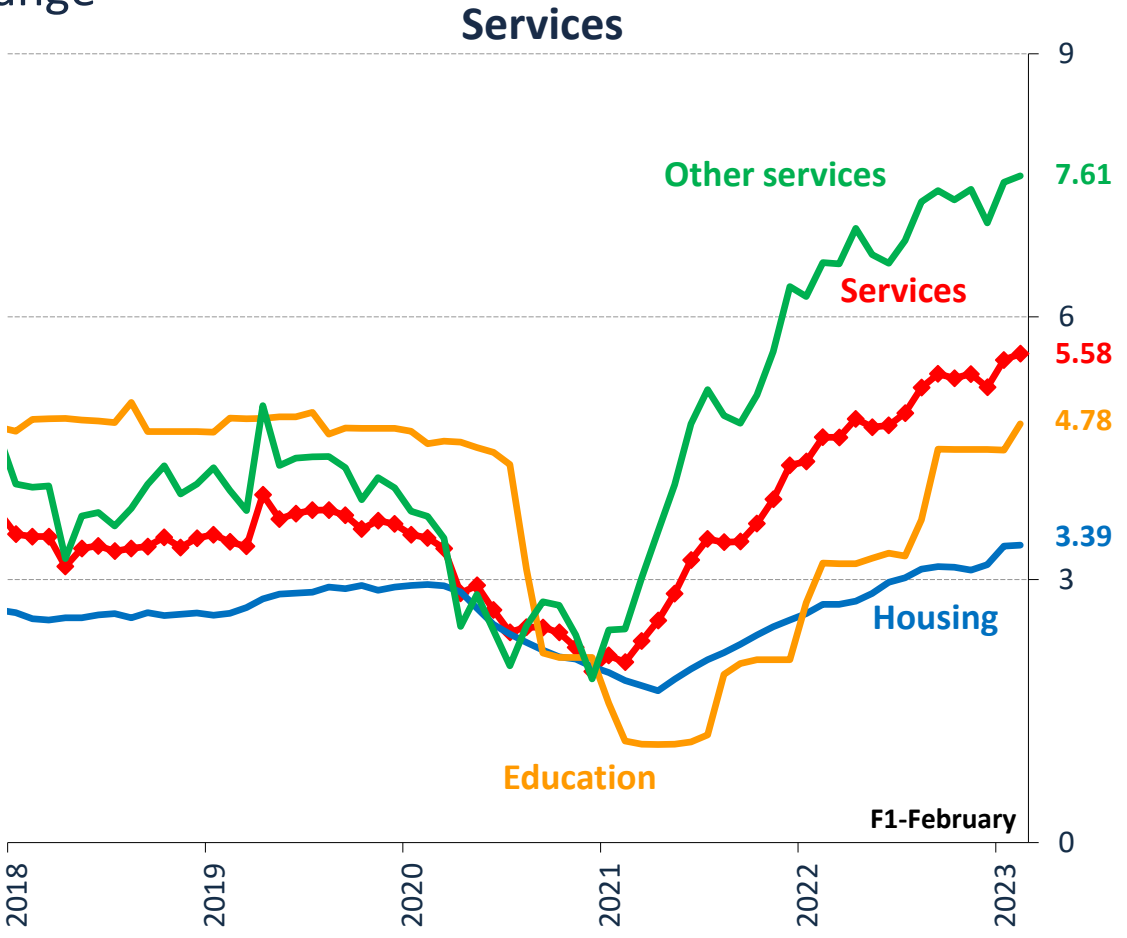
Source: INEGI.

Food merchandise inflation has declined more slowly than expected and continues registering high levels. Meanwhile, that of services has been higher than expected due to the variety of shocks that these are still facing.

Core Price Sub-index Annual % change



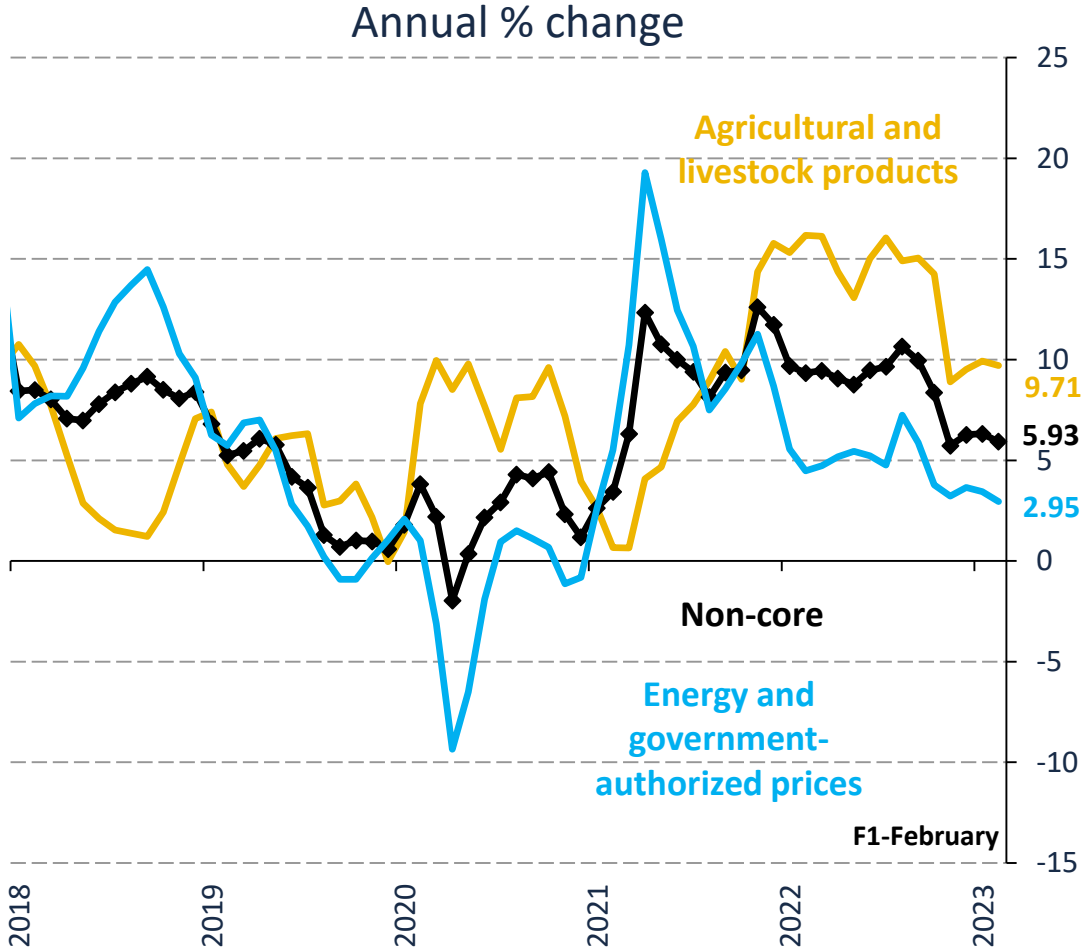
Source: INEGI.



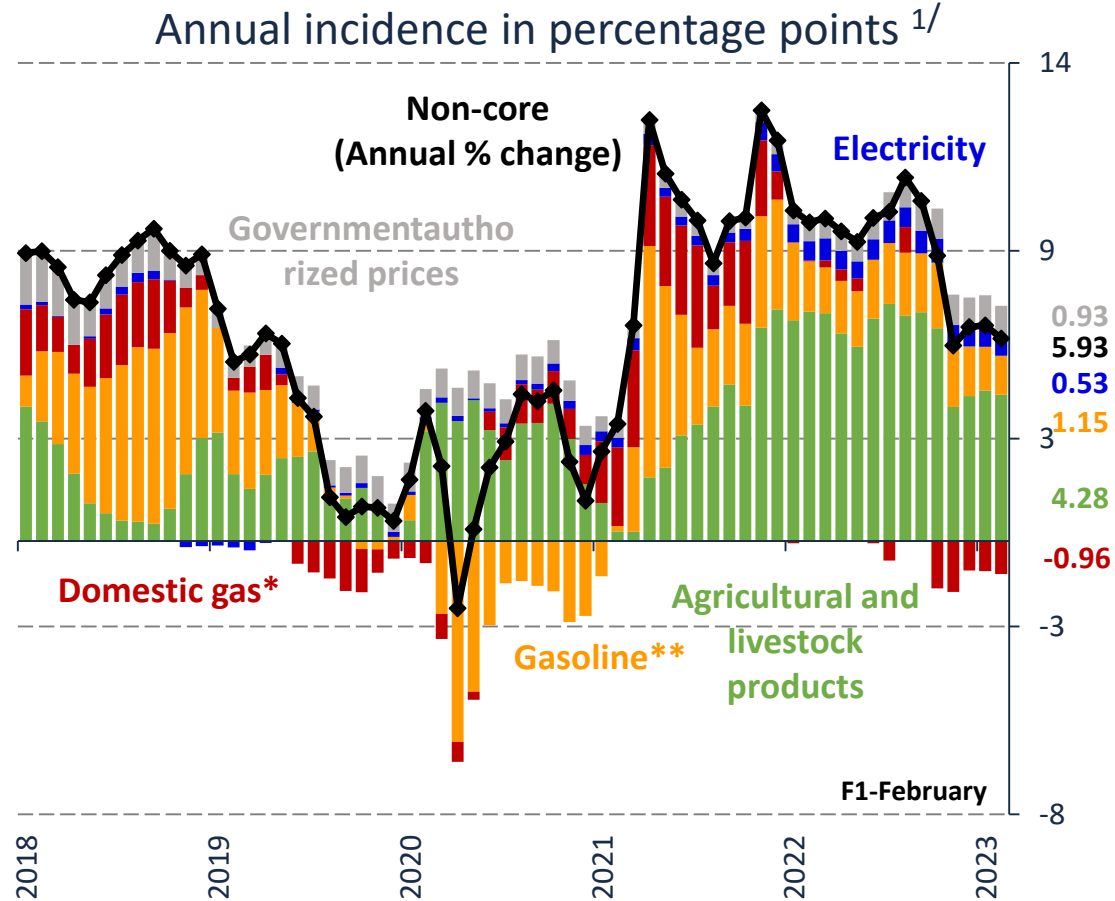
Source: INEGI.

Annual non-core inflation decreased from 10.08 to 6.77% between Q3 and Q4-2022, reaching 5.93% in F1-February 2023. This reduction is explained by lower annual variation rates in the prices of both agricultural and livestock products and energy goods.

Non-Core Price Sub-index



Source: INEGI.



^{1/} In some cases, the sum of the respective components may have some discrepancy due to rounding effects.

* Includes LPG gas and domestic natural gas. ** Includes high- and low-octane gasoline.

Source: INEGI.

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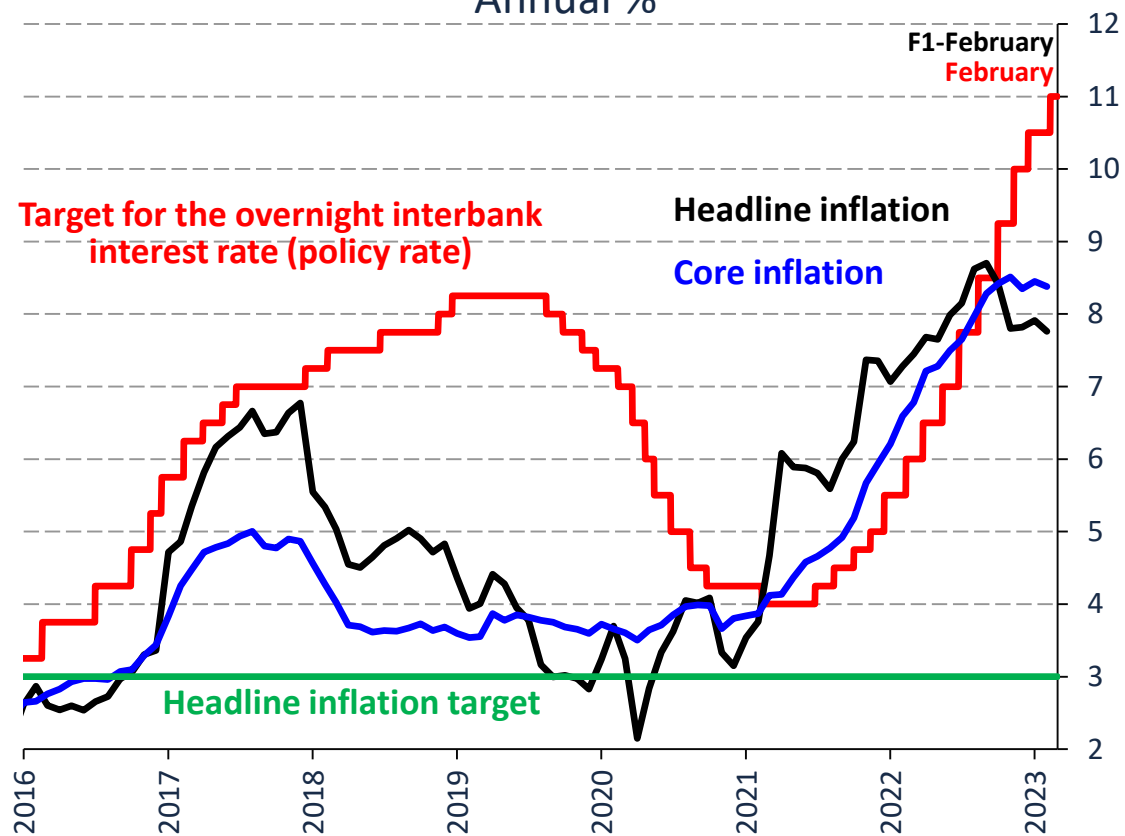
3 Inflation

4 Monetary policy

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After raising the reference rate by 75 basis points at its November 2022 meeting, Banco de México increased it by 50 basis points at its December meeting. At the February 2023 meeting, it faced a more complicated inflationary outlook than anticipated and decided to increase it again by 50 basis points to a level of 11%.

Target for the Overnight Interbank Interest Rate and Headline Inflation
Annual %



Source: Banco de México with INEGI data.

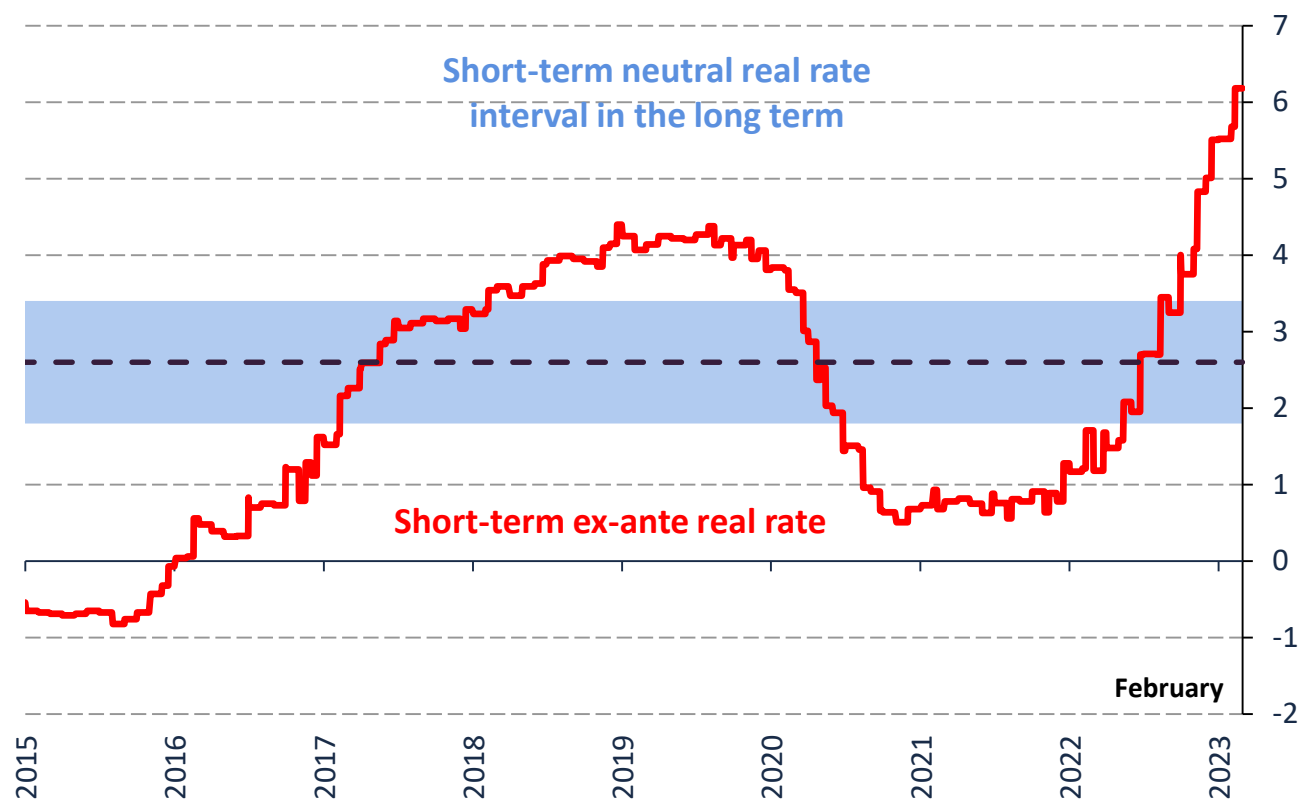
Recent Evolution of Banco de México's Monetary Policy Decisions

	Changes in the policy rate (bp)	Interest rate (%)
Feb-21	-25	4.00
Mar-21	0	4.00
May-21	0	4.00
Jun-21	+25	4.25
Aug-21	+25	4.50
Sep-21	+25	4.75
Nov-21	+25	5.00
Dec-21	+50	5.50
Feb-22	+50	6.00
Mar-22	+50	6.50
May-22	+50	7.00
Jun-22	+75	7.75
Aug-22	+75	8.50
Sep-22	+75	9.25
Nov-22	+75	10.00
Dec-22	+50	10.50
Feb-23	+50	11.00

Source: Banco de México.

Considering the increases in the reference rate and inflation expectations, the ex-ante real interest rate is currently in restrictive territory, as required by the inflationary outlook.

Short-term Ex-Ante Real Rate and Estimated Interval for the Short-term Neutral Real Rate in the Long Term ^{1/}
Annual %



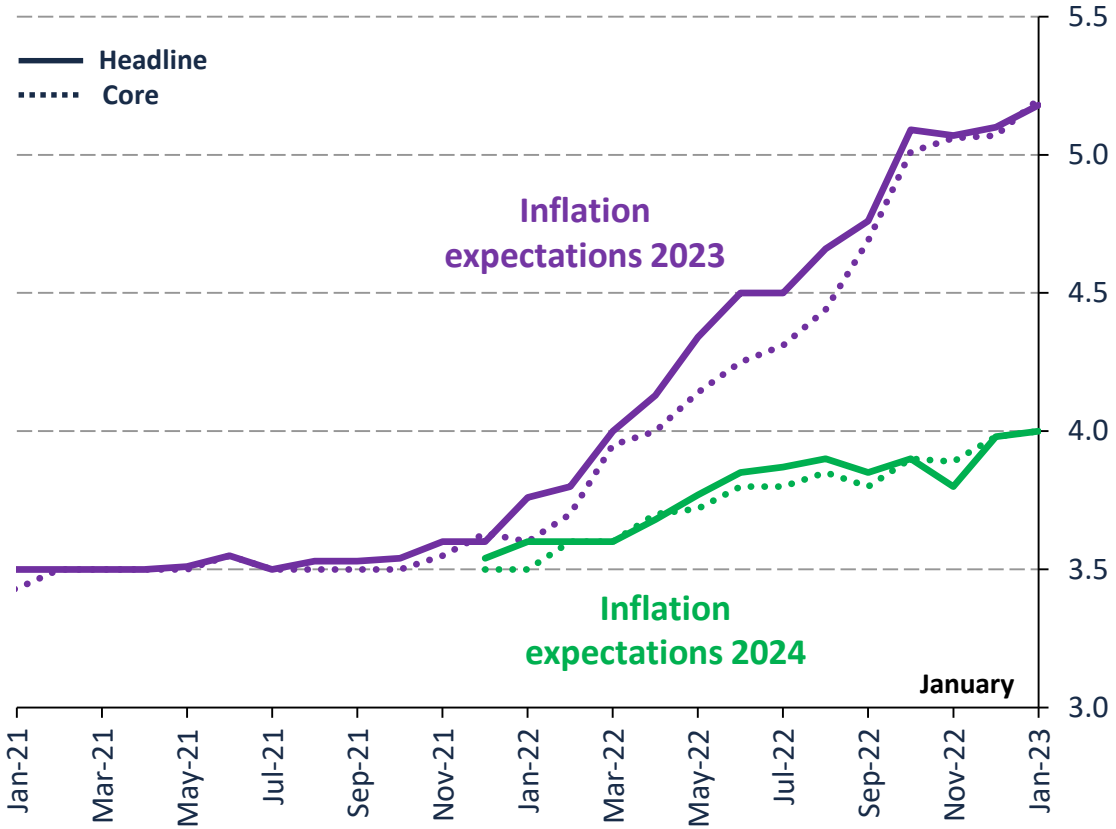
^{1/} The short-term ex ante real rate is constructed using the target for the overnight Interbank interest rate and the mean of 12-month inflation expectations drawn from Banco de México's Survey of Private Sector Forecasters. The dotted line corresponds to the midpoint of the interval for the short-term neutral real rate in the long term, which is now between 1.8 and 3.4%. Source: Banco de México.

In its last monetary policy statement, the **Governing Board** expressed that it 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**.

Short-term inflation expectations have increased in light of the complex inflationary environment, while medium-term ones have experienced moderate adjustments.

Median of Headline and Core Inflation Expectations at the End of 2023 and 2024

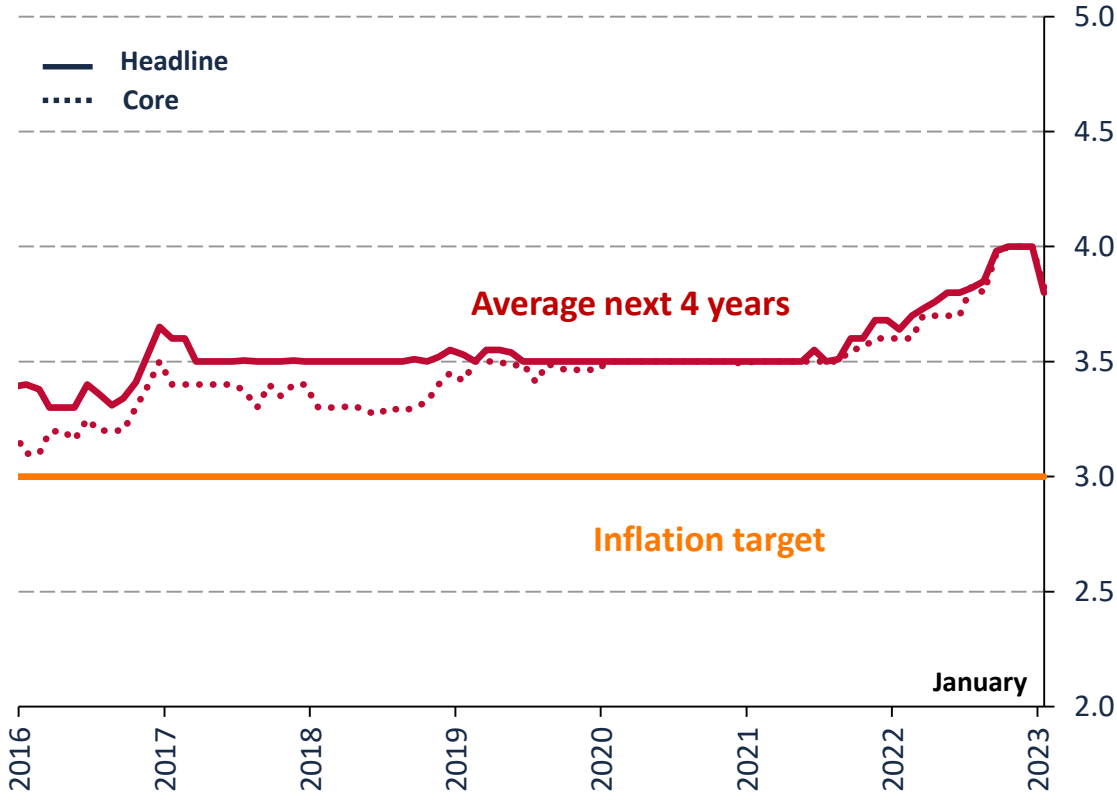
%



Source: Banco de México's Survey of Private Sector Forecasters.

Median of Headline and Core Inflation Expectations for the Next 1 to 4 Years

%

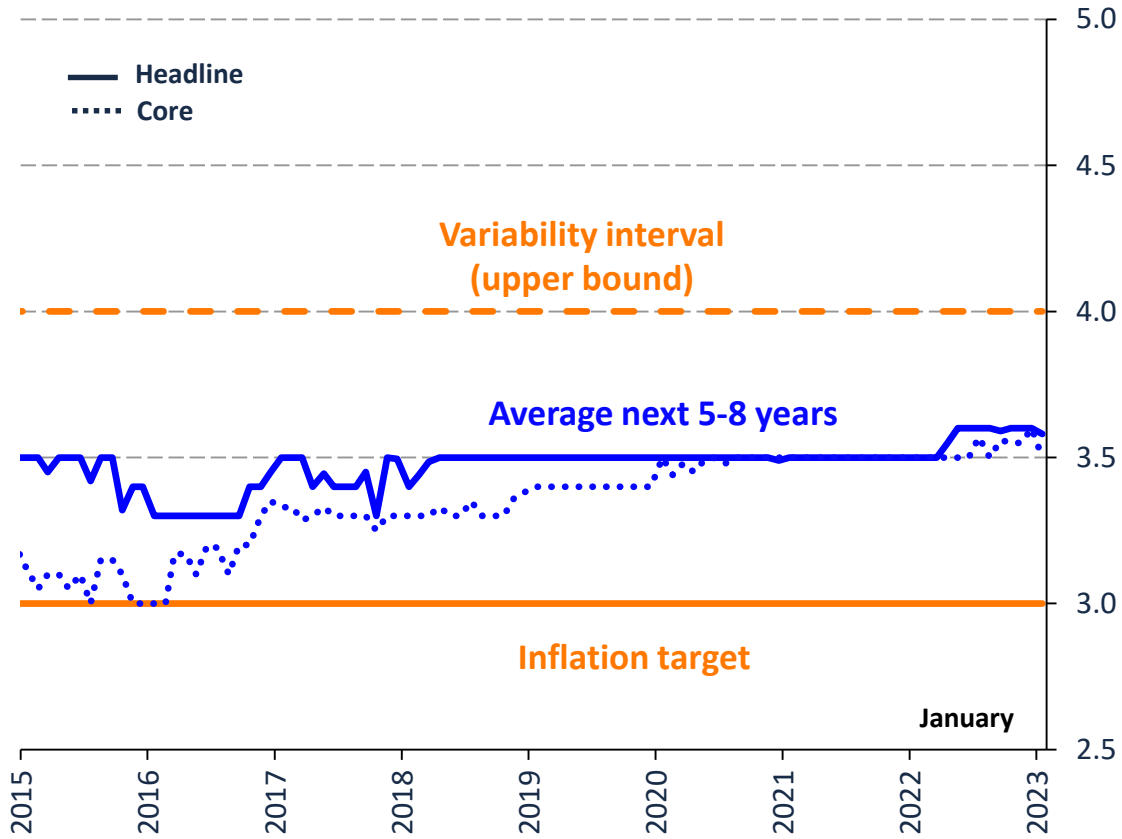


Source: Banco de México's Survey of Private Sector Forecasters.

Long-term inflation expectations remain anchored.

Median of Long-term Inflation Expectations

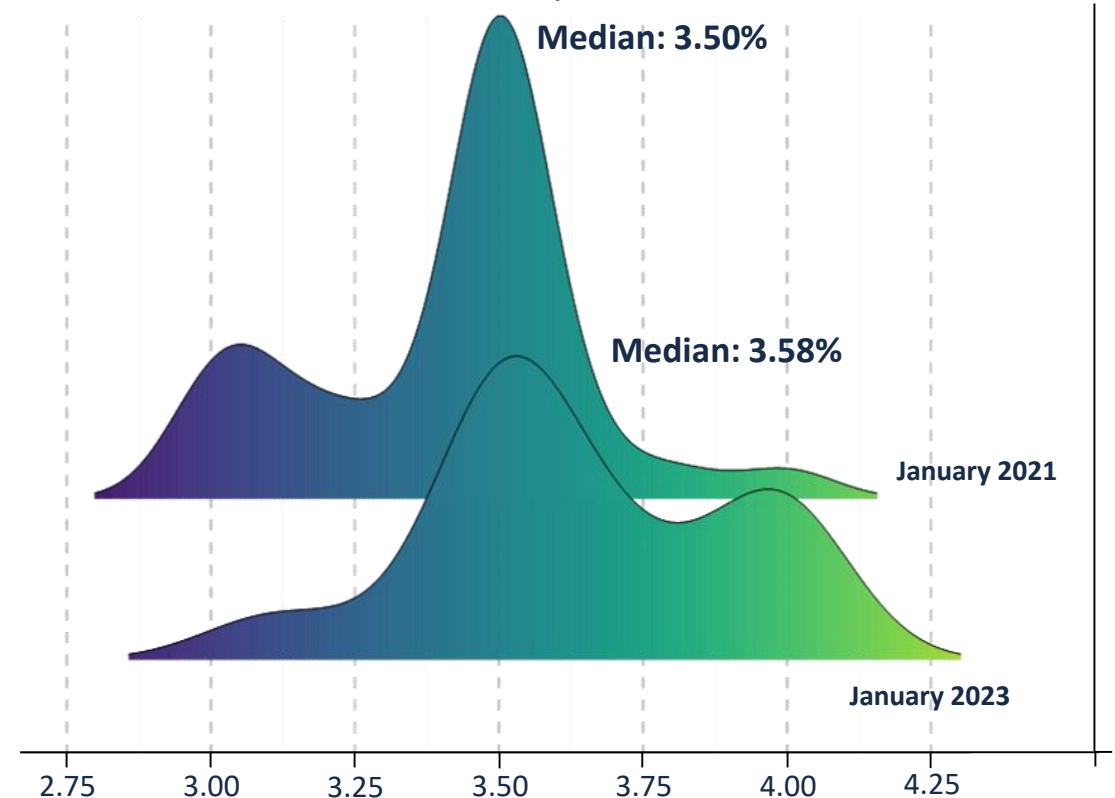
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Source: Banco de México's Survey of Private Sector Forecasters.

Distribution of Average Headline Inflation Expectations for the Next 5-8 Years

%

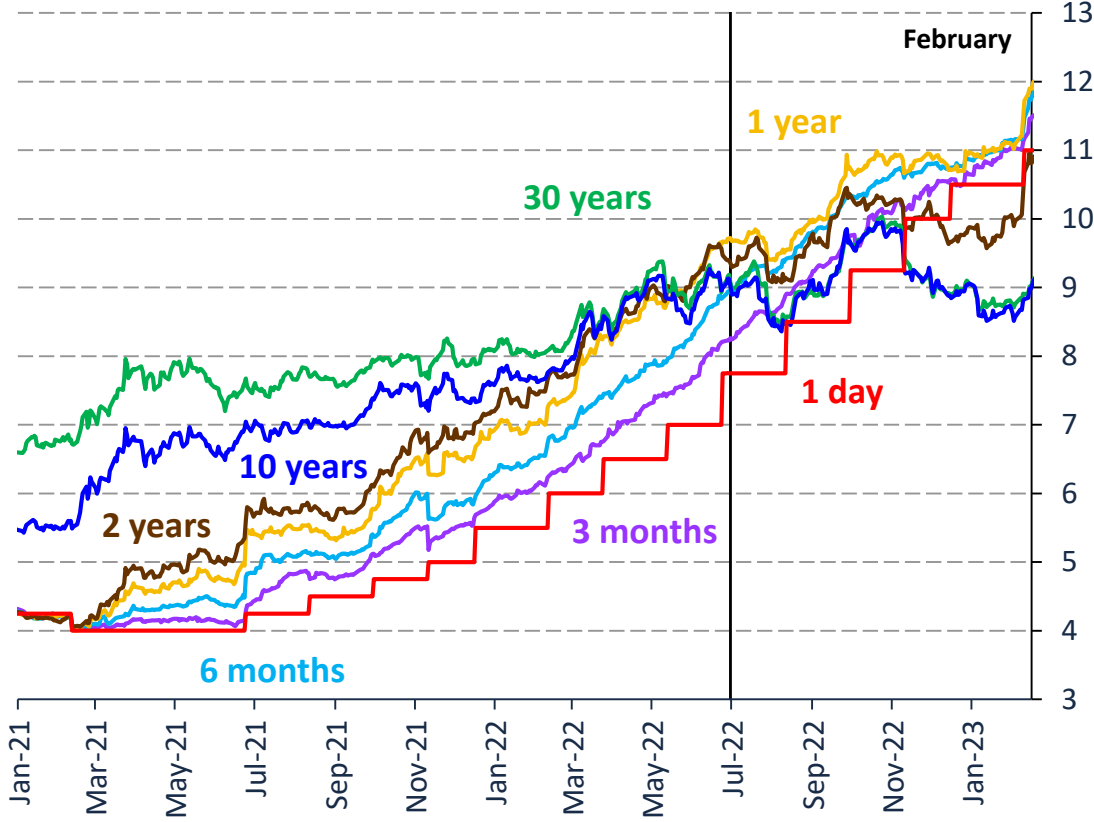


Source: Banco de México's Survey of Private Sector Forecasters. The reported figures correspond to the surveys published on February 2, 2021 and February 1, 2023.

During the period covered by this report, short-term interest rates continued rising due to the increases in the reference rate. Meanwhile, those for medium and long terms declined.

Target for the Overnight Interbank Interest Rate and Government Bond Yields

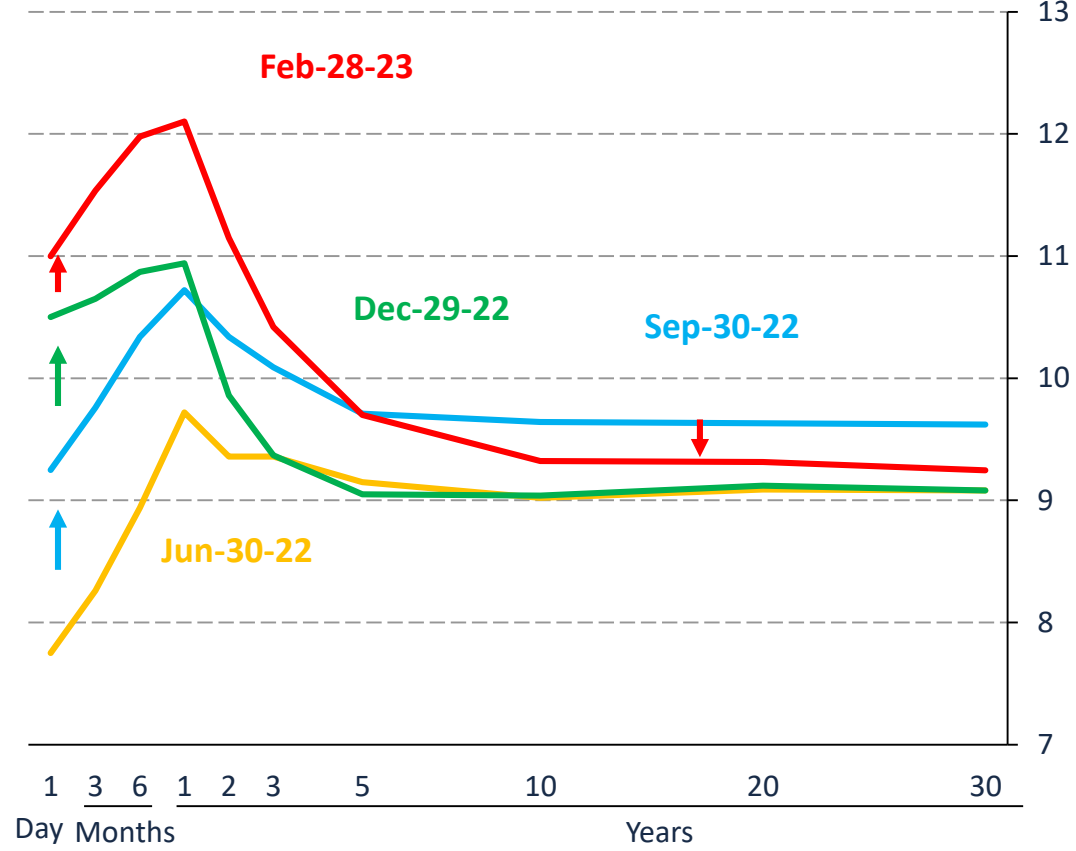
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Note: The vertical line corresponds to September 30, 2022.
Source: Proveedor Integral de Precios (PiP).

Yield Curve of Mexico

%

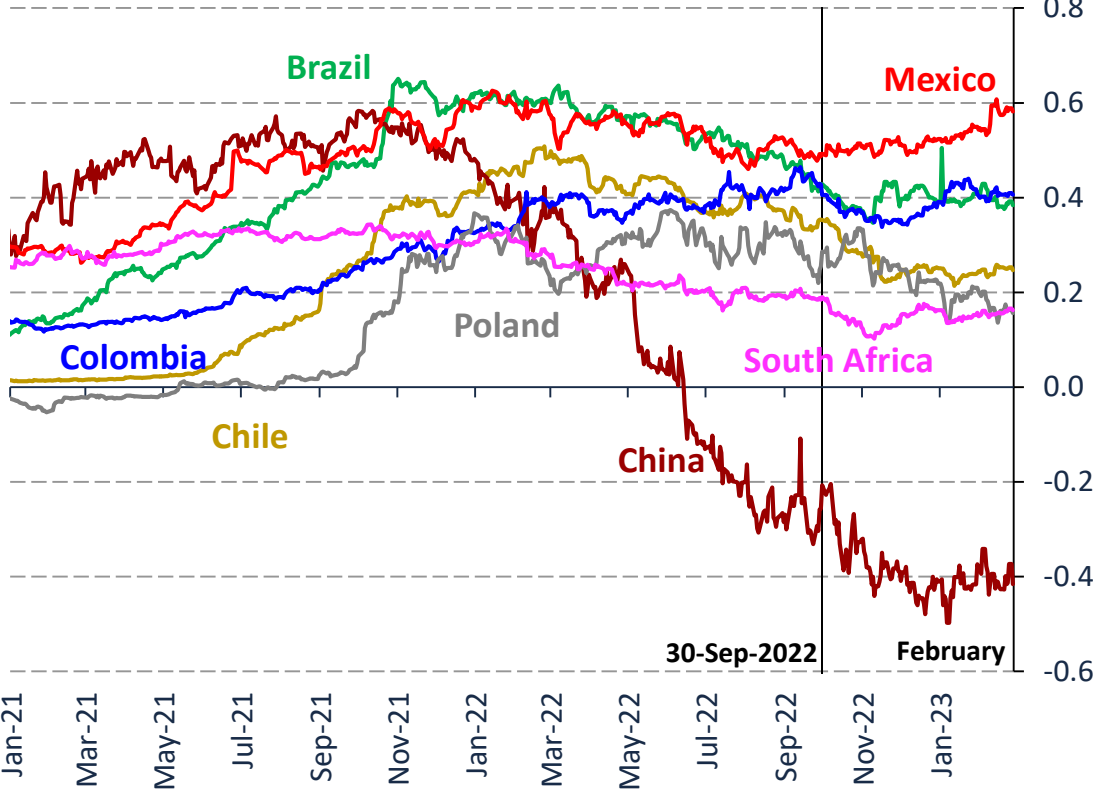


Source: Proveedor Integral de Precios (PiP).

Banco de México's actions led to a high volatility-adjusted one-year interest rate spread between Mexico and the United States. In this context, and considering the country's macroeconomic fundamentals, the Mexican peso appreciated.

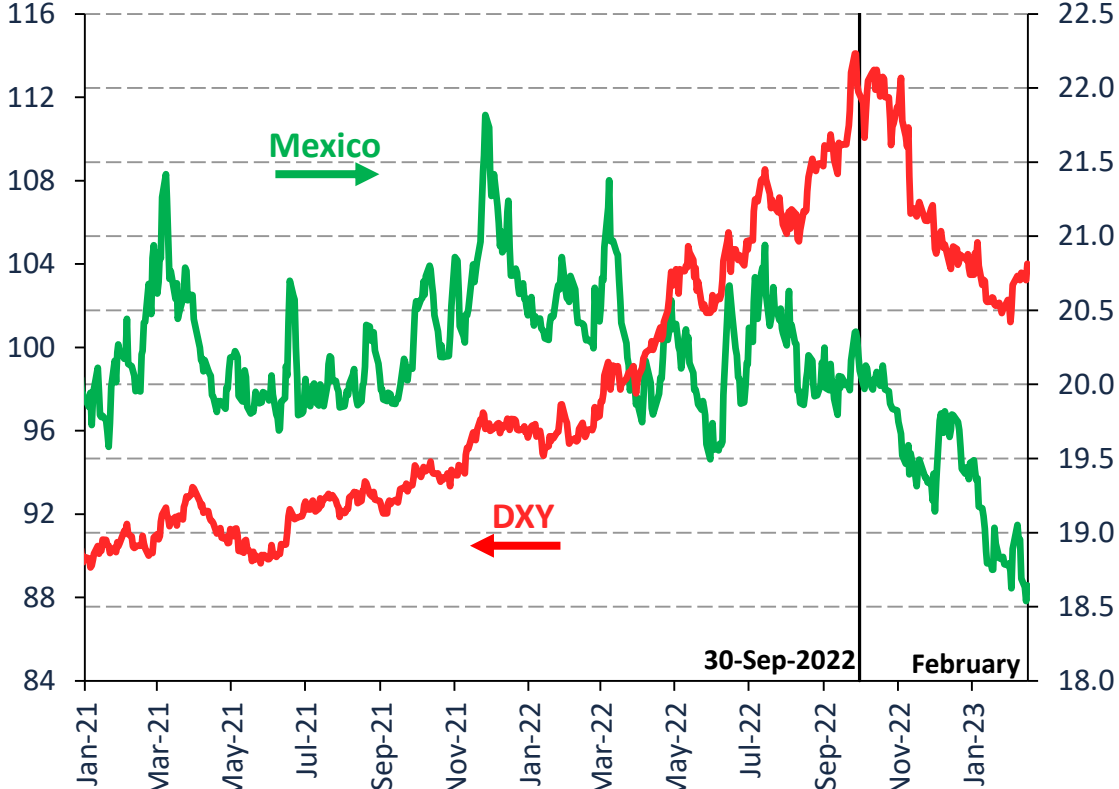
Volatility-adjusted Spreads between US 1-year Interest Rates and those of Emerging Markets ^{1/}

No units



^{1/} The spreads are calculated with the implied spread in 1-year foreign exchange forwards, adjusted by implied volatility of the same time span. Source: Banco de México with Bloomberg data.

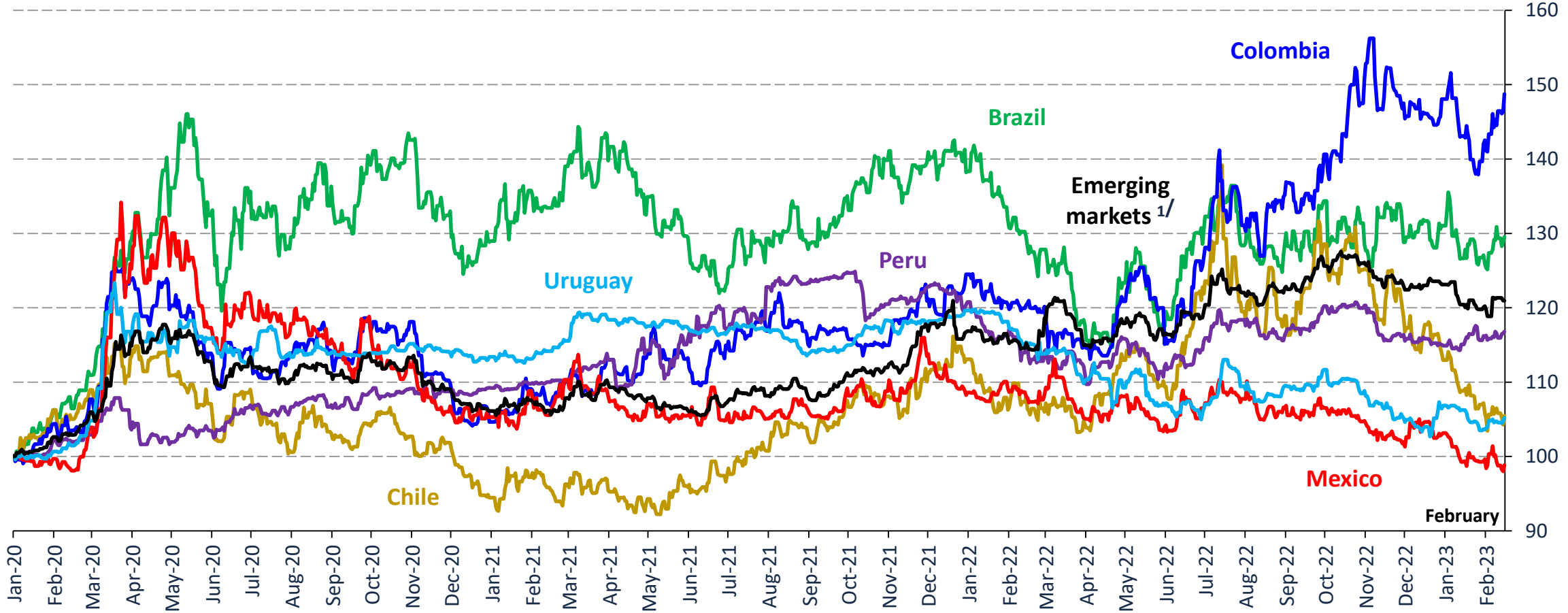
Nominal Exchange Rate and DXY ^{2/}
Pesos per US dollar, No units



^{1/} The observed rate is the daily FIX exchange rate. For the DXY Index, an increase represents an appreciation of the US dollar. Source: Banco de México and Bloomberg.

Compared to other emerging economies' currencies, the Mexican peso continued showing a more resilient performance.

Exchange Rate against the US Dollar
Index Jun-30-2022=100



1/ Refers to the JP Morgan Emerging Market Currency Index (EMCI) Fixing.
Source: Bloomberg.

Outline

1 External conditions

2 Current situation of the Mexican economy

3 Inflation

4 Monetary policy

5 Forecasts and final remarks

Economic Activity Outlook

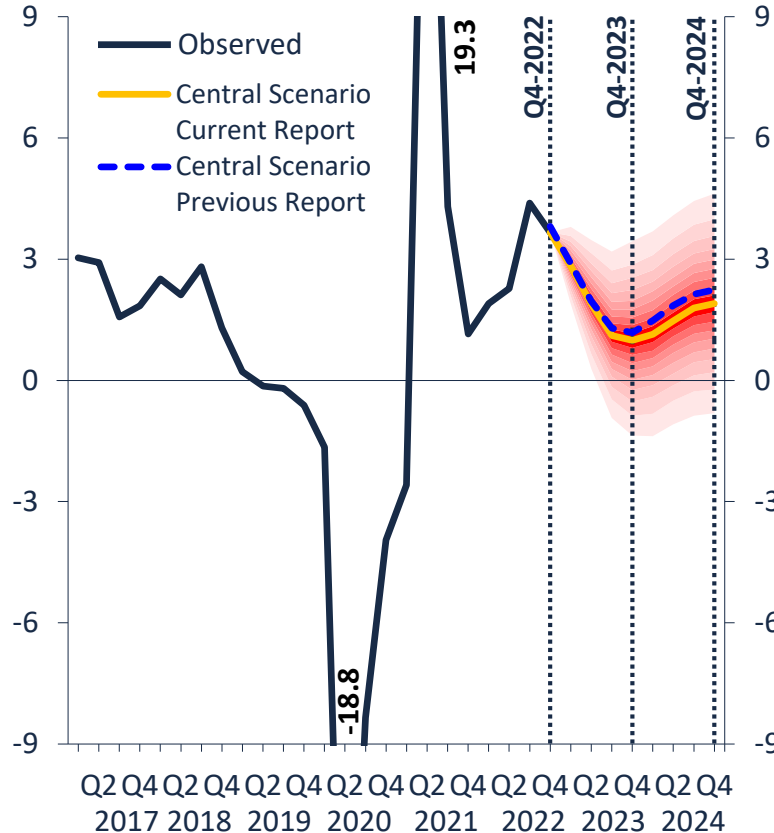
GDP Growth ^{1/} %

Year	Previous Report		Current Report	
	Point	Interval	Point	Interval
2023	1.8	1.0 to 2.6	1.6	0.8 to 2.4
2024	2.1	1.1 to 3.1	1.8	0.8 to 2.8

1/ Forecasts with figures without seasonal adjustment.

Fan Charts

GDP Annual %, s. a.

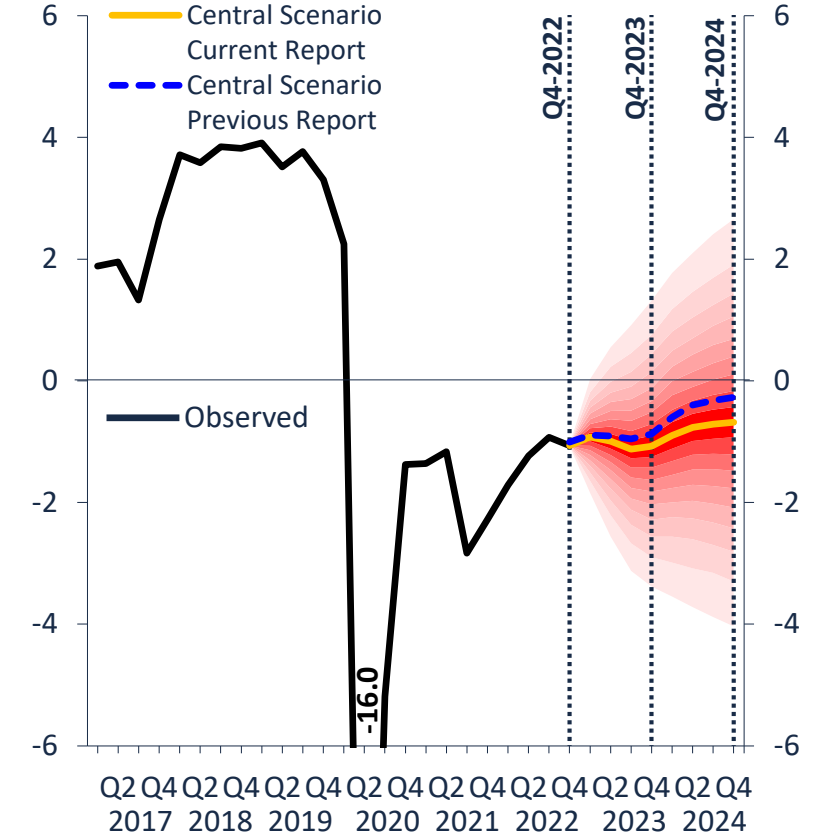


s. a. / Seasonally adjusted series.

In the central scenario of the current report, the forecast starts in 2023 Q1. In the central scenario of the previous report, the forecast starts in 2022 Q4.

Source: INEGI and Banco de México.

Output Gap Estimate % of potential output, s. a.



s. a. / Seasonally adjusted series.

In the central scenario of the current report, the forecast starts in 2023 Q1. In the central scenario of the previous report, the forecast starts in 2022 Q4.

Source: Banco de México.

Economic Activity Outlook

Increase in Number of IMSS-insured Jobs Thousands

Year	Previous Report	Current Report
2023	450 to 650	420 to 620
2024	600 to 800	540 to 740

Current Account % of GDP

Year	Previous Report	Current Report
2023	-0.7 to -0.1	-0.9 to -0.3
2024	-1.0 to -0.2	-1.2 to -0.4

Risks to Growth

The balance of risks to the economic outlook remains biased to the downside

ON THE DOWNSIDE

- ↓ A lower external demand
- ↓ Tighter financial conditions and/or episodes of volatility in financial markets
- ↓ That the impact on trade or the effects of bottlenecks continue or intensify
- ↓ That new waves of COVID-19 are registered
- ↓ That the recovery of expenditure on investment is lower than expected or insufficient to support the process of economic recovery and long-term growth
- ↓ That weather phenomena negatively affect the Mexican economy

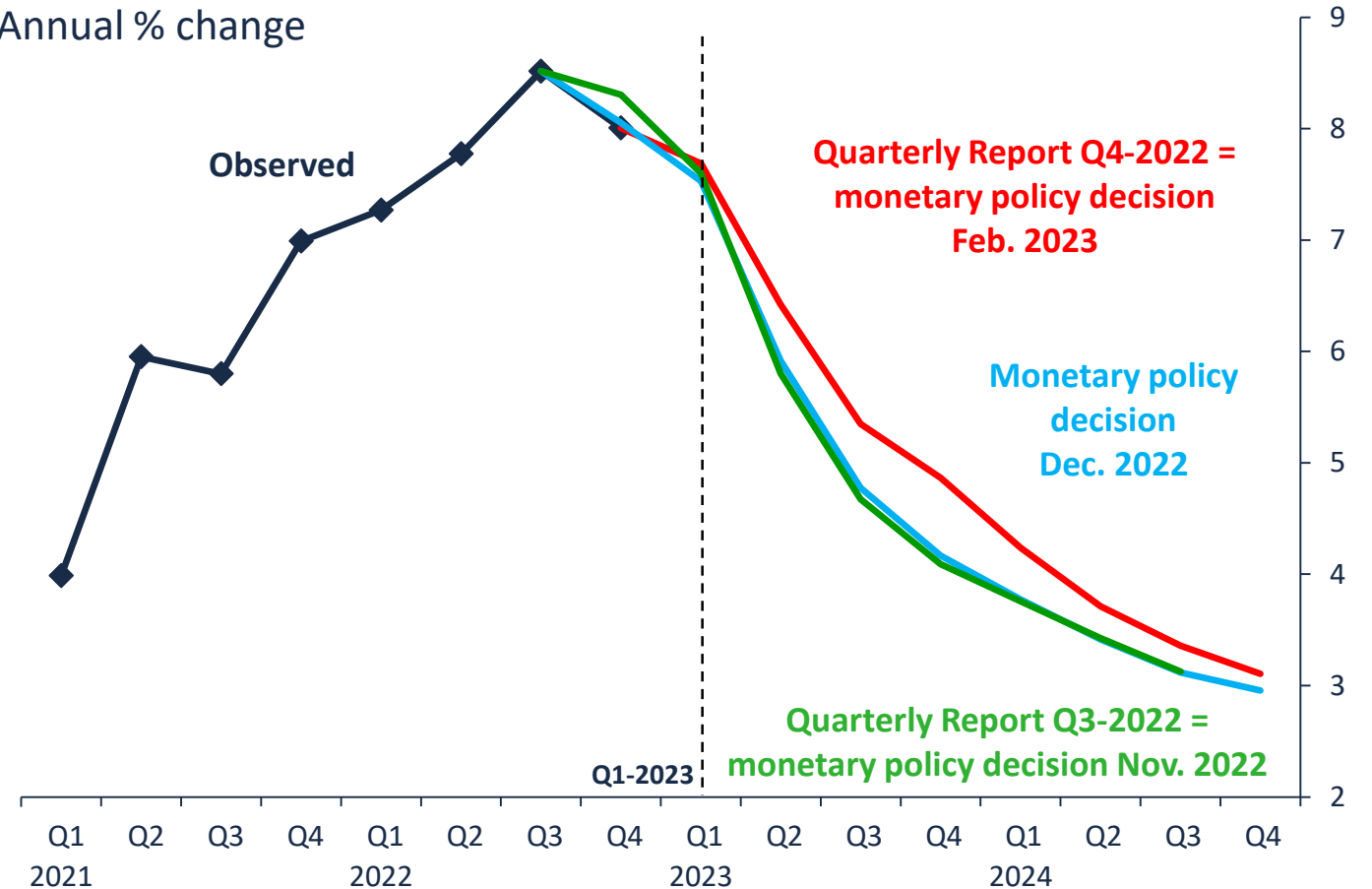
ON THE UPSIDE

- ↑ That, within the USMCA framework, Mexico becomes an attractive investment destination
- ↑ That the Mexican economy shows greater resilience than expected in light of the difficult international environment and the anticipated weakness of global economic growth

The inflation forecast of this Quarterly Report maintains the outlook of the Monetary Policy Statement of February 9, 2023. Regarding the previous Quarterly Report, an upward revision was made to the entire forecast horizon. Headline inflation is expected to be at levels close to its target by Q4-2024.

Headline Inflation Forecasts
Annual % change

		Quarterly Report	
		Previous ^{1/}	Current ^{2/}
2022	Q3	8.5	8.5
	Q4	8.3	8.0
2023	Q1	7.6	7.7
	Q2	5.8	6.4
	Q3	4.7	5.3
	Q4	4.1	4.9
2024	Q1	3.8	4.2
	Q2	3.4	3.7
	Q3	3.1	3.4
	Q4		3.1



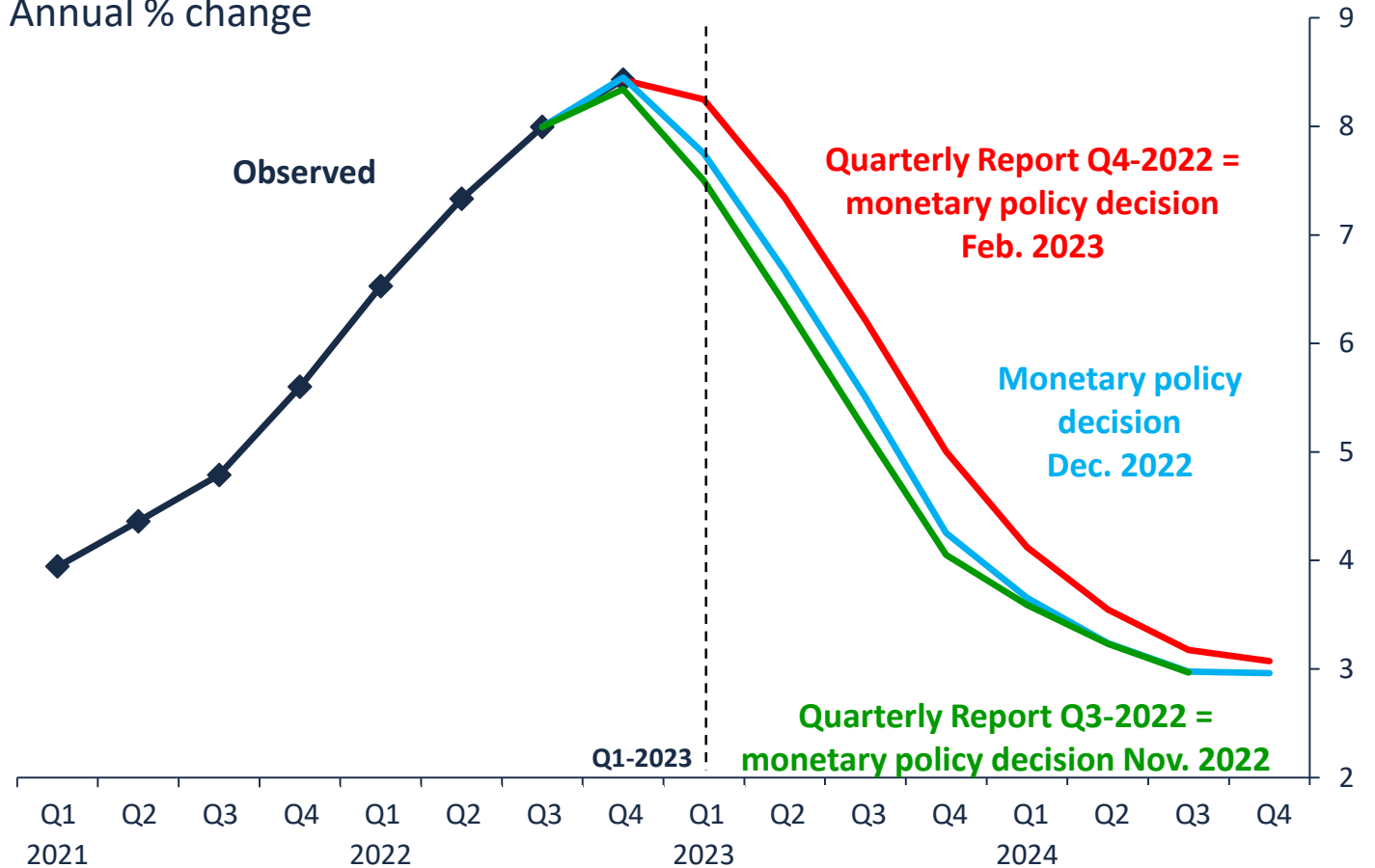
1/ Forecast since November 2022. It also corresponds to the forecast published in the Monetary Policy Statement of November 10, 2022. 2/ Forecast since February 2023. It also corresponds to the forecast published in the Monetary Policy Statement of February 9, 2023.

Source: Banco de México and INEGI.

The upward revision in the trajectory of headline inflation is mainly attributed to core inflation not showing a favorable dynamic. Food merchandise prices may fail to respond downwards with the same sensitivity as when they were subject to upward pressures. Meanwhile, the rates of change in services prices have been higher than expected due to the diversity of the shocks they have been facing.

Core Inflation Forecasts
Annual % change

Quarterly Report			
		Previous ^{1/}	Current ^{2/}
2022	Q3	8.0	8.0
	Q4	8.3	8.4
2023	Q1	7.5	8.2
	Q2	6.4	7.3
	Q3	5.2	6.2
	Q4	4.1	5.0
2024	Q1	3.6	4.1
	Q2	3.2	3.5
	Q3	3.0	3.2
	Q4		3.1



1/ Forecast since November 2022. It also corresponds to the forecast published in the Monetary Policy Statement of November 10, 2022. 2/ Forecast since February 2023. It also corresponds to the forecast published in the Monetary Policy Statement of February 9, 2023.

Source: Banco de México and INEGI.

Risks to Inflation Outlook within the Forecast Horizon

The balance of risks for the expected trajectory of inflation over the forecast horizon remains biased to the upside

ON THE UPSIDE

- ↑ Persistence of core inflation at high levels
- ↑ New upward pressures on the prices of certain international food and energy references
- ↑ External inflationary pressures associated with the evolution of the pandemic or the reopening of the Chinese economy
- ↑ Episodes of exchange rate depreciation
- ↑ Pressures due to higher labor costs that could be passed on to consumer prices

ON THE DOWNSIDE

- ↓ A greater-than-anticipated deceleration of world economic activity and that of Mexico
- ↓ A reduction in the intensity of the military conflict between Russia and Ukraine
- ↓ That production and distribution chains return to efficient operation levels
- ↓ That the pass-through of cost-related pressures onto prices is limited
- ↓ That the measures implemented by the Federal Government to mitigate price increases have a greater-than-anticipated effect

Final Remarks

- The year 2023 is expected to be a complex year for the global economy. In this challenging external environment, it is imperative to maintain the strength of macroeconomic fundamentals, including **fiscal discipline**, a **sound and resilient financial system**, and a **monetary policy** focused on achieving **price stability**.
- Banco de México's Governing Board will continue setting monetary policy with the strong commitment to fostering an orderly adjustment of relative prices, of financial markets and of the economy as a whole, in order to lead **inflation to its 3% target** and ensure the **anchoring of inflation expectations**.
- It is also necessary to adopt measures that support **domestic growth** and foster an **environment conducive to generating greater investment** and an adequate **allocation of resources** in order to enable higher levels of **productivity** in the country.

Annex – Boxes

1 Importance of the Formation of Inflation Expectations in a Wage Growth Model for the US

2 Recent Evolution of the Agri-business Trade Balance

3 Business Opinion Regarding Factors that Have Affected Wage Revisions

4 Description of the Evolution of Merchandise and Service Prices Using Trend Measures and Item Groups

5 Behavior of Long-term Inflation Expectations in the Context of Inflationary Pressures



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