

February 6, 2025

## Press Release

**Monetary Policy Statement**

*This document is provided for the reader's convenience only. The translation from the official Spanish version was made by Banco de México's staff. Discrepancies may possibly arise between the original document in Spanish and its English translation. For this reason, the original Monetary Policy Statement in Spanish remains the only official document.*

**Banco de México's Governing Board decided to lower the target for the overnight interbank interest rate by 50 basis points to 9.50%, effective February 7, 2025.**

World economic activity is expected to have grown in the fourth quarter of 2024 at a rate slightly lower than that registered throughout the year. The resilience of the US economy continued standing out. Disinflation advanced worldwide in 2024. In its latest monetary policy decision, the US Federal Reserve left its reference rate unchanged. Government interest rates increased and the US dollar appreciated in an environment of high uncertainty. The United States announced the imposition of tariffs on its imports from China, Mexico and Canada, but agreed to pause the implementation of those from the latter two countries. Given the escalating trade tensions, global risks have increased. Among these are the possible implementation 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 government interest rates decreased in all terms. The Mexican peso traded in a wide range, without a clear trend and maintaining an orderly behavior. After the announcement on the imposition of tariffs, it showed a significant depreciation that reverted once the agreement to pause the tariffs was negotiated. The weakness of the Mexican economy intensified in the fourth quarter of 2024, as it registered a contraction. As for the labor market, employment has slowed down. The balance of risks to growth of economic activity is biased to the downside.

Headline inflation decreased to 3.69% in the first fortnight of January 2025, a level unseen since the beginning of 2021. Core inflation reached 3.72% during the same period, close to its average level between 2003 -when the 3% permanent target was set- and 2019. Inflation expectations for the medium and longer terms remained relatively stable at levels above target.

Inflation forecasts are similar to those of the previous meeting. Headline inflation is expected to converge to the target in the third quarter of 2026 (see table). Announcements of possible changes in economic policy by the new US administration have added uncertainty to the projections. Their materialization could imply pressures on inflation on both sides of the balance. Moreover, forecasts are subject to the following risks. On the upside: i) persistence of core inflation; ii) greater foreign exchange depreciation; iii) disruptions due to geopolitical conflicts or foreign trade policies; iv) greater cost-related pressures; and v) climate-related impacts. 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 inflationary episode stemming from the effects of the pandemic and the onset of the war in Ukraine is being resolved.

The Governing Board assessed the significant progress in resolving the inflationary episode derived from the global shocks. It determined 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. Taking into account the current inflationary outlook and the prevailing level of monetary restriction, the Board deemed appropriate to implement a larger reduction of the reference rate. Thus, with the presence of all its members, the Board decided by majority to lower the target for the overnight interbank interest rate by 50 basis points to 9.50%.

The Board estimates that looking forward 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 with its primary mandate and the need to continue its efforts to consolidate an environment of low and stable inflation.

Voting in favor of the decision were Victoria Rodríguez, Galia Borja, José Gabriel Cuadra, and Omar Mejía. Jonathan Heath voted in favor of lowering the target for the overnight interbank interest rate by 25 basis points to 9.75%.

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

	2024				2025				2026			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
<b>Headline (CPI)</b>												
Current (02/06/2025) <sup>1/</sup>	4.6	4.8	5.0	4.5	3.7	3.5	3.4	3.3	3.2	3.1	3.0	3.0
Previous (12/19/2024) <sup>2/</sup>	4.6	4.8	5.0	4.6	3.8	3.5	3.4	3.3	3.2	3.1	3.0	3.0
<b>Core</b>												
Current (02/06/2025) <sup>1/</sup>	4.7	4.2	4.0	3.7	3.6	3.5	3.4	3.3	3.2	3.0	3.0	3.0
Previous (12/19/2024) <sup>2/</sup>	4.7	4.2	4.0	3.6	3.5	3.5	3.4	3.3	3.2	3.0	3.0	3.0
<b>Memo</b>												
<b>Annualized seasonally adjusted quarterly variation in percent<sup>3/</sup></b>												
Current - Headline <sup>1/</sup>	5.5	4.1	5.2	3.2	2.8	3.6	4.0	3.0	2.4	3.1	3.5	2.9
Current - Core <sup>1/</sup>	4.3	3.6	3.6	3.4	3.8	3.2	3.2	3.0	3.1	2.8	3.0	3.0

1/ Forecast starting January 2025.

2/ Forecast starting December 2024. See monetary policy statement of December 19, 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.