

# BBVA Research Flash

Mexico

## Banxico's Minutes: Meeting of October 14<sup>th</sup>, 2011

- Most members of the Board considered that the inflation balance of risks has improved slightly, whereas the rest of the members maintained the opposite position. This last position is a result of a depreciation of the exchange rate that could end making the energetic subsidy unsustainable and could increase inflation and its expectations.
- According to the majority of the members, the economic activity balance of risks has impaired. However, a member states that this impairment has been only marginal. This seems to be coherent with the most recent data on automobile production in Mexico and the third quarter US economic growth.
- It seems that Banxico wants to keep a symmetrical discussion concerning its monetary policy response to different inflation scenarios. In this line, this minute emphasizes the possibility of a rate cut in case of a further impairment in economic activity. But it also states that a more restrictive stance could be necessary if the exchange rate depreciation affects inflation and its expectations. This discussion supports our perspective of a rate cut in December as long as the exchange rate gives room to it.

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