

BBVA Research Flash

Mexico

Banxico. Maintains the dovish tone. No change in the fondeo rate given the impairment of the inflation balance of risk.

- Economic activity: Banxico reiterates the possible convenience of a rate cut depending on the global growth and its implication on the Mexican economy. In today's statement the central bank indicates that the risks on the US economic growth have increased. This contributes to a further possible impairment of the Mexican economy.
- Exchange rate: In face of the recent period of high volatility and depreciation of the exchange rate, the central bank has stressed that it will keep in particular the surveillance of this variable given that it as an indicator of possible pressure on prices.
- Inflation: Banxico keeps underlying the favorable behavior of inflation, in spite of its recent slight hike. Although it considers that the inflation risks remain –exchange rate sudden depreciation and increase in agricultural prices- the inflation balance of risks has turned to neutral from improvement in the last four announcements.
- The BBVA Research scenario, after the Mexican Exchange rate Commission announcement, had anticipated no change in the fondeo rate in this meeting, as it happened. However, the dovish tone is maintained given the further impairment in the global economic outlook. This strengthens our perspective of a 25 basis points rate cut in the next months as long as no exchange rate pass-through to prices is observed. Banxico has emphasized that the last, up to this moment, has not occurred.

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