

# Banxico Flash

Mexico

## Banxico. Monetary pause scenario confirmed

- Banxico keeps a balanced message concerning the monetary policy stance in face of uncertainty in economic activity and a neutral inflation balance of risks
- This assessment coincides with BBVA Research's and supports a monetary pause scenario at least in the coming months
- Inflation. It is stressed that the December spike in inflation is transitory and explained by the non-core component. Therefore, it is expected that general and core inflation will behave according with Banxico's forecast
- Exchange rate. There has been a relative increase in the prices of merchandise as a result of the exchange rate pass-through. However, there are not second order effects. This reduces the possibility of a rate cut as it was pointed out in our December 2nd Flash
- Economic Activity. In comparison with the last Announcement, it is underlined that domestic demand shows signs of deceleration. Slack remains in the market of productive factors. Banxico considers that the economic activity balance of risks has impaired

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