

# Banxico Flash

Mexico

## Banxico, no changes: Fondeo rate at 4.5%. Neutral stance stays

- Banxico stresses its balanced stance, arising from a weakening of inflationary risks and a reduction of the probability of a catastrophic event that could impair economic activity.
- Inflation balance of risks improves, as prices growth stays near 4 percent at present. The improvement comes from a reduction in the possibility of a financial shock and an abatement of the areas affected by drought.
- Balance of risks of economic activity improves too, given better than expected data in the US. However, central bank underlines that there are some economic indicators that still point to a moderate deceleration. In addition it underlines that economic slack remains.
- In light of this communiqué, BBVA Research keeps its perspective of a monetary pause in the next months. With regards to inflation, although it could exceed 4 percent during the year, it will be around 3.5 percent in December. Concerning economic activity, recent data support a slight upward bias to our 2012 GDP forecast, 3.3 percent, in line with a monetary pause.
- Under the most probable scenario, we state that next fondeo rate movement will be to the upside in 2013.

Arnoldo López Marmolejo  
[arnoldo.lopez@bbva.com](mailto:arnoldo.lopez@bbva.com)

Iván Martínez Urquijo  
[ivan.martinez.2@bbva.com](mailto:ivan.martinez.2@bbva.com)

Av. Universidad 1200, Col. Xoco, México 03339 D.F. | [researchmexico@bbva.bancomer.com](mailto:researchmexico@bbva.bancomer.com) | [www.bbva.com](http://www.bbva.com) | [www.bbva.com](http://www.bbva.com) | [www.bbva.com](http://www.bbva.com) | Follow us on Twitter

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