

Banxico Flash

Mexico

The debate about a rate cut remains

- Most members of the Board recognize that the **recent decline in inflation could be unsustainable, given its non-core nature**
- As in the March minute, the **debate about the convenience of a rate cut remains**. The relative loss of competitiveness and the risks in terms of credibility of not meeting the 3% target were cited among the members against the rate cut
- On the contrary, the supporters of the rate cut continued arguing about the efficiency of monetary policy and stressed that, once again, the **volatility of financial markets made them defer the decision**
- Domestic activity keeps its resilience, although some indicators signal a slight moderation
- Taking into account the current minute, **we maintain our perspective of a monetary pause until summer of 2013**. However, we underline a rate cut bias in case of a deterioration of economic activity

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