

# Mexico Banxico Flash

No change in fondeo rate. An increase in uncertainty leads to a more neutral tone.

- Banxico exhibits a more neutral tone in the policy paragraph of its announcement. It substitutes the reference to the possible convenience of a rate cut, as it did since October 2011, for a point out that its stance could be more or less restrictive as a result of the future developments.
- The inflation balance of risks stays unchanged, although it shows more uncertainty. The exchange rate depreciation increases the upward risks, while a greater probability of a weakening of external and domestic demand weigh on the downward risks.
- The balance of risks of domestic activity impairs due to the increase of downward risks for the world economy.
- The tone regarding the external front is negative as a result of the worsening of the European financial crisis, and its effects on the financial markets, and the recent lower than expected US labor data.
- In light of this communiqué, BBVA Research keeps its perspective of a monetary pause in the next months. However, even as the tone of the current announcement is more neutral, we still consider that there is a greater possibility of a rate cut in the short term given that the downward risks on economic activity prevail.

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