

## Latam Daily: Banxico Quarterly Inflation Report Raised Growth and Inflation Forecasts

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### MEXICO: BANXICO RAISED GROWTH AND INFLATION FORECASTS IN MARCH QUARTERLY INFLATION REPORT, PROVIDED ANALYSIS ON CURRENT POLICY REFORMS

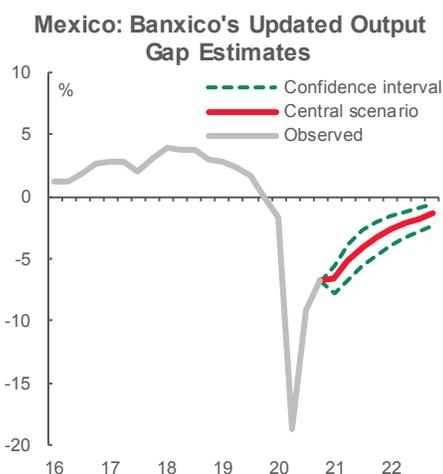
Banxico released on Wednesday, March 3, its Q1-2021 [Quarterly Inflation Report \(QIR\)](#), where it raised slightly its growth and short-term inflation forecasts, as well as providing some analysis on current policy issues.

Banxico's staff now expects economic slack to remain until at least the end of 2022 (chart 1), but inflation is expected to converge downward to its 3% target by the end of 2021 (chart 2). In terms of growth, Banxico updated its growth forecast for 2021 to 4.8% y/y in its baseline scenario, from 3.3% y/y in the Q4-2020 [Quarterly Inflation Report](#). The assessment of the balance of risks to growth seem to be skewed to the downside, with several of concerns potentially feeding off each other in an adverse scenario—including those stemming from new bouts of pandemic-induced economic restrictions. In contrast, Banxico's staff view inflation risks as more evenly balanced.

Banxico's updated forecasts imply some reassurance about our call for two additional -25 bps cuts in Q3-2021, but there are still substantial uncertainties around this call. Base effects should drive headline annual inflation up over the next three to four months and could stay the Board's hand on further easing. Additionally, rising global rates could also narrow the space for more accommodative monetary policy in Mexico.

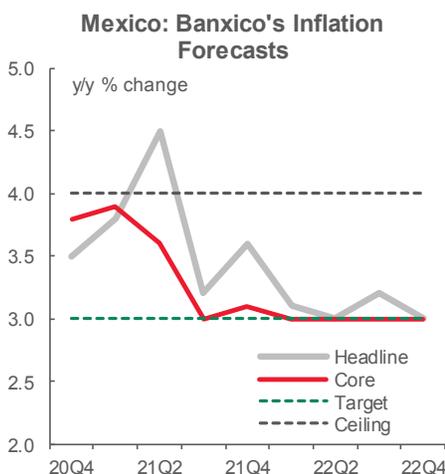
Banxico's staff also provided its analysis of some key policy debates happening in Mexico.

Chart 1



Sources: Scotiabank Economics, Banxico.

Chart 2



Sources: Scotiabank Economics, Banxico.

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