

LATAM Market Update

- **Mexico: Banxico holds rates steady at 8.25% and maintains a hawkish stance**

On Thursday, Banxico's Board of Governors decided, in a unanimous decision, to hold the overnight interbank rate at 8.25%, in line with market expectations. According to Banco de México's press release, Mexican output weakened further in the first quarter of 2019, due to internal and external factors, some of them of transitory nature. Furthermore, the institution noted that inflation accelerated from 4.00% to 4.41% between March and April, due to increases in both of its components, but mostly because of the rise in core inflation. "Although there has been an intensification of certain downside risk factors, like the greater slack in the economy", there are still factors that maintain the balance of risks for inflation skewed to the upside, such as potential exchange rate pressures; energy and agricultural price increases; trade tensions; cost pressures in some sectors of the economy with a negative impact in the labour market (due to the latest minimum wage increase); among others. The Central Bank will "maintain a prudent monetary position" and keep a close eye on the potential exchange rate pass-through to prices; the relative monetary position between Mexico and the United States; the future evolution of economic tightening; and on cost pressures in the economy. The minutes from yesterday's monetary policy decision will be released on May 30th, and the next decision is scheduled for June 27th.

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