

## Banxico makes significant improvements to its communication strategy

May 2, 2018

[www.banorte.com](http://www.banorte.com)  
[@analisis\\_fundam](https://twitter.com/analisis_fundam)
**Gabriel Casillas**

 Chief Economist and Head of Research  
[gabriel.casillas@banorte.com](mailto:gabriel.casillas@banorte.com)
**Delia Paredes**

 Executive Director of Economic Analysis  
[delia.paredes@banorte.com](mailto:delia.paredes@banorte.com)

- Banco de México announced modifications to its monetary policy communication strategy
- Changes announced include:
  - (1) The minutes of the monetary policy decisions will identify the direction of the vote of each member of the board;
  - (2) The complete transcripts of monetary policy meetings will be released three years after said meeting;
  - (3) The monetary policy communiqué along with the minutes of each meeting will be published both in Spanish and English simultaneously; and
  - (4) Public speeches and presentations from members of the board will be available at the central bank's webpage
- We highlight that Banxico continues to make efforts in order to improve communication with the public, such as the publication of the minutes of the monetary policy meetings back in 2011, as well as the release of speeches and presentations by members of the board
- Moreover, the central bank recently made some improvements to the monetary policy communiqué as well as to the *Quarterly Report (QIR)*

**Modifications to Banxico's communication strategy.** The monetary authority recently announced changes to its monetary policy communication strategy, which is an essential part of the success of an inflation targeting regime, such as the one adopted by the Mexican monetary authority since 2011 (see summary table). These modifications adopt the best international practices and join the changes made recently in both the *Quarterly Report* and in the monetary policy statement.

Document for distribution among public

### Modifications to Banxico's communications strategy

Change	First release
Include the direction of the vote of each member of the board in the meeting minutes	May 17, 2018
Release of complete transcripts of monetary policy meetings three years after the committee in question	May 2021
Monetary policy communiqué and minutes both in Spanish and English	May 17, 2018
Availability of members of the board speeches and presentations	April 30, 2018

Source: Banxico

- (1) Identification of the direction of each vote in the minutes of each meeting.** In the event of a dissent, an explanation of the reasons for this vote will be added. We believe that this is one of most important modifications made by Banxico, given that it will allow analysts to evaluate the balance that exists among the members of the board to better read the message that the central bank is trying to convey. Moreover, it contributes to greater accountability of board members. For its implementation, an additional section will be added in the minutes of the meeting in question. This change will take effect from the minutes of the monetary policy decision of May 17, 2018. It is worth mentioning that the Fed in the United States carries out this practice.
- (2) The full transcripts of monetary policy meetings will be released after three years after said meeting.** Given that these transcripts will be published on Banxico's website with three-year lag, the first transcript available will be the one from this month's meeting (May 17, 2018), which will be published on May 2021.
- (3) Release of monetary policy communiqué and minutes both in Spanish and English simultaneously.** This seeks to broaden the scope of the messages contained in these documents to a non-Spanish-speaking audience in order to facilitate its interpretation. The release of the English versions of these communications will be done simultaneously with the Spanish version on the central bank's website. This change will take effect as of the monetary policy announcement of next May 17, 2018.
- (4) Availability of public speeches and presentations.** In addition to the current release of selected public speeches and presentations, the materials associated with these participations will be made available to the public on the webpage, no later than two days after the event in question.

**Ongoing effort to improve communication.** A central bank fundamentally derives its legitimacy from its ability to fulfill its targets and from its accountability, *i.e.* its exposure to external scrutiny-, which in this case could be measured by the market reaction to the messages of the monetary authority. It is worth mentioning that Banxico is continuously making efforts to improve communication with the public, as it was the case of the decision to publish the minutes of the monetary policy meetings back in 2011, as well as speeches and presentations by members of the board of governors.

#### Changes in Banxico's communication strategy

Change	First release
Central bank is granted autonomy	April 1994
Adoption of cumulative balance approach as preferred monetary policy instrument	September 1995
Release of monetary policy communiqués	January 2000
Adoption of inflation targeting	2001
Adoption of a 3% +/-1% inflation target	July 2002
Monthly monetary policy meetings	January 2006
Adoption of the reference rate as preferred monetary policy instrument	February 2008
Release of monetary policy meeting minutes	February 2011
Introduction of the general direction of the vote in the communiqué (whether it was unanimous or there were dissenters)	March 2017

Source: Banxico

**Recent improvements to the monetary policy communiqué as well as to the *Quarterly Report (QR)*.** In the first case, in the last monetary policy announcement (April 12) we perceived an effort to improve communication by reducing the size of the text (1,317 words in the last communication vs. 1,714 on average in the previous 5 releases). In addition, we believe that the central bank's communication was enhanced considerably when comparing the trajectory of inflation with the specific estimates published in the last QR. Regarding the changes in the QR, improvements refer to the publication, for the first time, of point quarterly estimates of average inflation for 2018 and 2019, not just ranges, as it was the case before (see table and charts below). Moreover, they also published a series of indicators of slack in the Mexican economy -in addition to the output gap- to improve the monitoring of inflationary pressures.

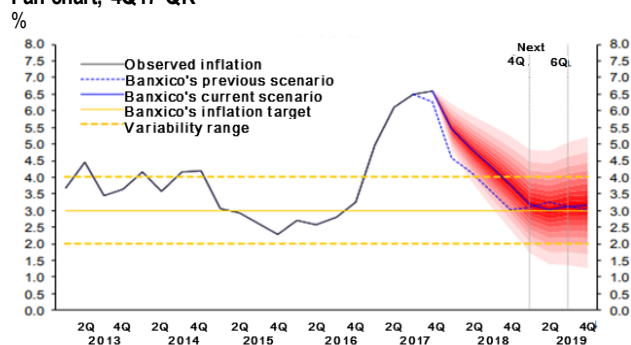
#### CPI forecasts

% y.o.y on the quarterly average

	2018				2019			
	I	II	III	IV	I	II	III	IV
<b>CPI</b>								
Current forecast	5.5	4.8	4.3	3.8	3.2	3.0	3.1	3.2
Previous forecast	4.6	4.1	3.6	3.0	3.1	3.3	3.1	3.0
<b>Core</b>								
Current forecast	4.4	4.0	3.8	3.6	3.3	3.2	3.1	3.0
Previous forecast	4.2	3.9	3.6	3.5	3.3	3.2	3.1	3.1

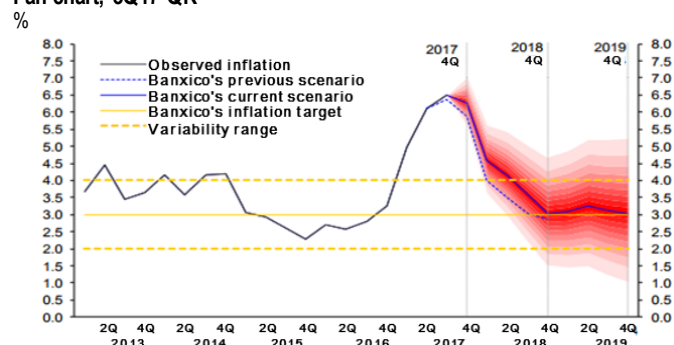
Source: Banco de México, 4Q17 QJR

Fan chart, 4Q17 QR



Source: Banxico, QIR 4Q17

Fan chart, 3Q17 QR



Source: Banxico, QIR 3Q17

**Rotation of the Governing Board, another important pillar for the autonomy of the central bank.** In addition to a transparent and effective communication, another of important pillar for the autonomy of a central bank is the procedure to appoint and remove the collegiate body that makes the decisions, in this case, the Governing Board. Article 28 of the Constitution establishes that: “... *The members in charge of the central bank will be made by Presidential appointment with the ratification of the Senate or the Permanent Commission, if it necessary; they will be in office enough time to assure autonomy in their functions; and will only be removed in case of serious offense...*”. Moreover, officials in question will be appointed for relatively long periods (6 years in the case of the governor and 8 years for deputy governors). The rotation of board members is organized such that their renewal is gradual. They can be reappointed while they are not 65 or older on the date of the beginning of their term. According to current board members’ terms, in the next six years all 5 seats of the board must be reappointed. From the current five members, three -including the Governor-, can be ratified for an additional period, while the next administration will have the opportunity to nominate two new board members, as shown in the following table.

**Banxico’s Board Members**

	Start of period	End of period	Possibility of reelection
<b>Alejandro Díaz de León Carrillo</b> Governor	December 1, 2017	December 31, 2021	Yes
<b>Roberto Del Cueto Legaspi</b> Deputy governor	January 1, 2014	December 31, 2022	No
<b>Irene Espinosa Cantellano</b> Deputy governor	January 24, 2018	December 31, 2024	Yes
<b>Javier Guzmán Calafell</b> Deputy governor	February 14, 2013	December 31, 2020	No
<b>Manuel Ramos Francia</b> Deputy governor	April 26, 2011	December 31, 2018	Yes

Source: Banxico

**Disclaimer**

The information contained in this document is illustrative and informative so it should not be considered as an advice and/or recommendation of any kind. BANORTE is not part of any party or political trend.

**GRUPO FINANCIERO BANORTE S.A.B. de C.V.**
**Research and Strategy**

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

**Economic Analysis**

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Alejandro Cervantes Llamas	Senior Economist, Mexico	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Katía Celina Goya Ostos	Senior, Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional & Sectorial	miguel.calvo@banorte.com	(55) 1670 - 2220
Francisco José Flores Serrano	Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

**Fixed income and FX Strategy**

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Juan Carlos Alderete Macal, CFA	FX Senior Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Strategist Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

**Equity Strategy**

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Technical Analysis	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Equity Research – Conglomerates / Financials/ Mining / Petrochemicals	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research – Airlines / Airports / Cement / Infrastructure / REITs	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

**Corporate Debt**

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

**Wholesale Banking**

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvlazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454