

Key leadership changes at Banxico and the Ministry of Finance

- **Today, President Andrés Manuel López-Obrador said he will nominate Arturo Herrera to become the next Banxico Governor when the term of Alejandro Díaz de León ends on December 31st, 2021**
- **His nomination must be ratified by the Senate for a full period of 6 years, with the possibility of one additional term**
- **At the same time, Rogelio Ramírez de la O will become the next Minister of Finance, who has been a key economic advisor for the President for a long time**
- **With these announcements, uncertainty of who could succeed Banxico's Governor and be at the helm of the MoF in case the latter was Herrera, has ended**
- **We consider these changes will not result in a meaningful modification in Mexico's economic policies, expecting the macro framework to remain stable and market participants to recognize this as well**

Leadership changes in Banxico and the MoF. Today, President Andrés Manuel López-Obrador announced relevant changes at the helm of the main institutions in charge of economic policies in the country. In line with expectations, Finance Minister Arturo Herrera, will be nominated by the President to become the next Banxico Governor when Alejandro Díaz de León's term ends on the last day of this year. At the same time, Rogelio Ramírez de la O will become the next Minister of Finance. With these announcements uncertainty of who could succeed Banxico's Governor and be at the helm of the MoF, in case the latter was Herrera, has ended. Broadly speaking, we believe these changes will not result in a meaningful modification in Mexico's economic policies, expecting the macro framework to remain stable and market participants to recognize this as well.

Banxico's institutional strength and autonomy will continue with Herrera at the helm. The nomination of Arturo Herrera as successor of Alejandro Díaz de León is an announcement that was already expected by market participants. It is important to recall that, by law, the President should nominate someone he considers appropriate for the job and that fulfills the requirements to become the central bank's Governor. Afterwards, the Senate –or Congress' Permanent Commission– must approve it. In our view, there will be no significant hurdles for Arturo Herrera to become the next Governor, beginning on January 1st, 2022. According to Banxico's Law, the Governor's term spans 6 years (until December 31st, 2027). It is our take that the full respect of the central bank's autonomy will be held under his watch. This is based on the firm commitment that President López-Obrador has stated about this issue. Also relevant, in 2019 Herrera said that, in his opinion, the central bank needs even more institutional strength and to maintain the independence of monetary policy without a dual mandate –such as in the case of the Federal Reserve in the US– to successfully watch for both inflation and growth.

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On the other hand, considering the current composition of the Board and his most recent comments, we believe the central bank's skew may turn more slightly dovish. This could also mean that he could give more weight to an accommodative stance during the economic recovery expected for 2022, despite current challenges to the inflation outlook, as well as those [foreseen by the monetary authority in coming quarters](#).

Nevertheless, it is our take that markets will remain calm as the central bank's framework should remain unchanged. In this sense, Banxico will still be one of the most respected monetary authorities in the world. Investors recognize the prudent fiscal management under Herrera's lead at the MoF, as suggested by his appointment as president of the Board of Governors for the IMF and World Bank for 2021. We think it is likely that market participants maintain their favorable opinions.

Rogelio Ramírez de la O, new Minister of Finance. He is an undergraduate from *Universidad Nacional Autónoma de México* and a PhD in Economics from the University of Cambridge. He has been one of the key economic advisors of President Andrés Manuel López Obrador for several years. He has an ample knowledge of the Mexican economy and is widely known by investors, the public and private sector. During his tenure, he is expected to maintain the fiscal policies undertaken by the current administration.

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We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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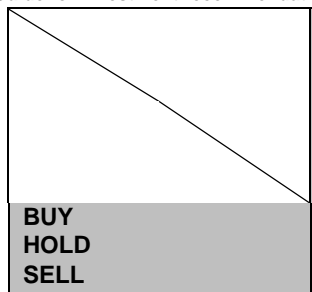
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