



Mexico: Economic Outlook, Inflation, and Monetary Policy

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Royal Bank of Canada

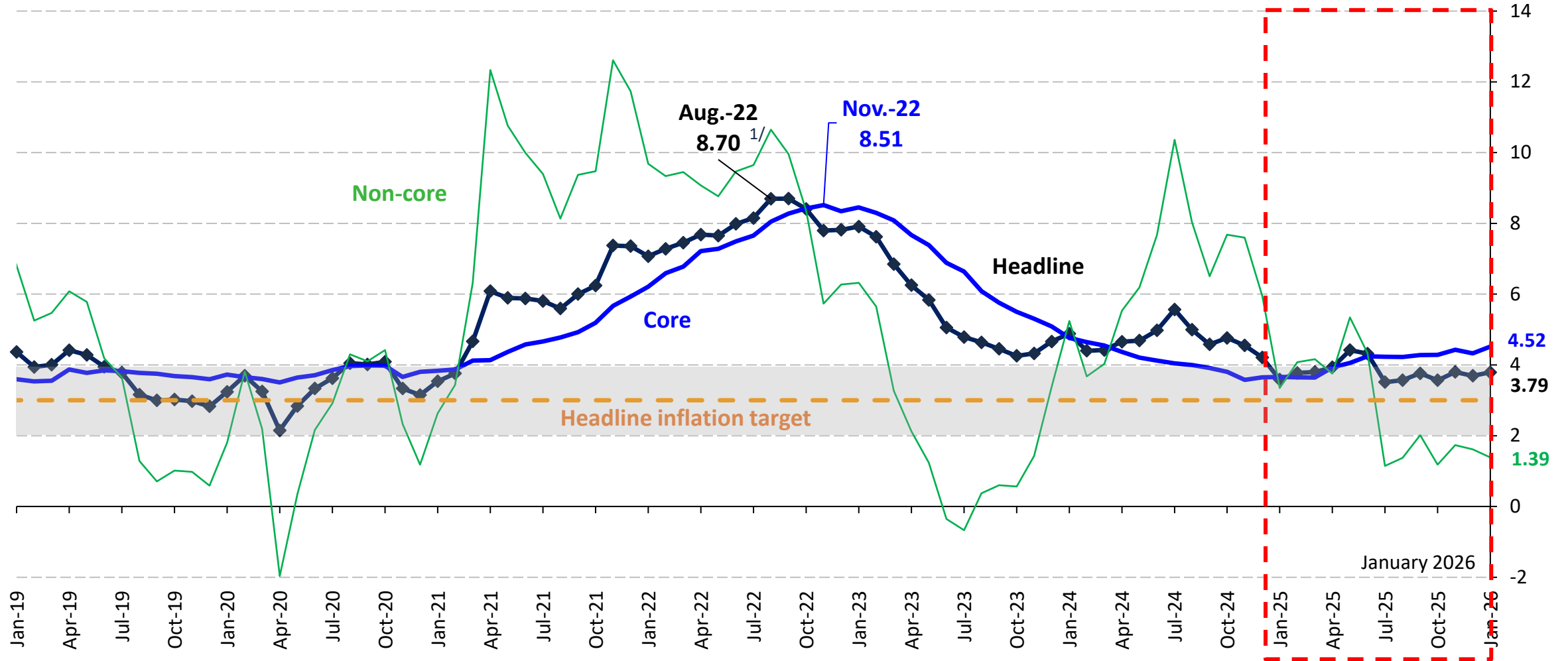
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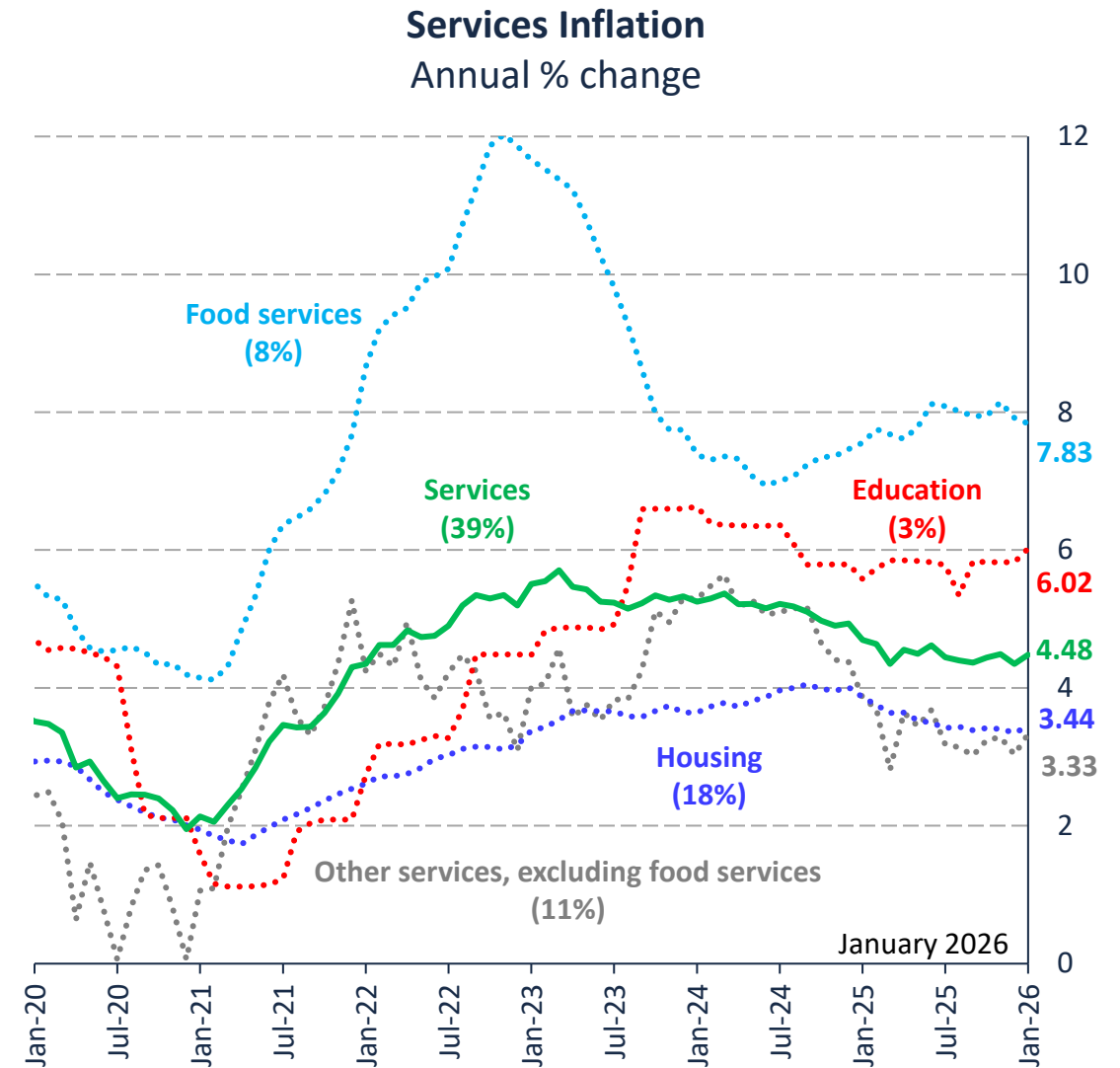
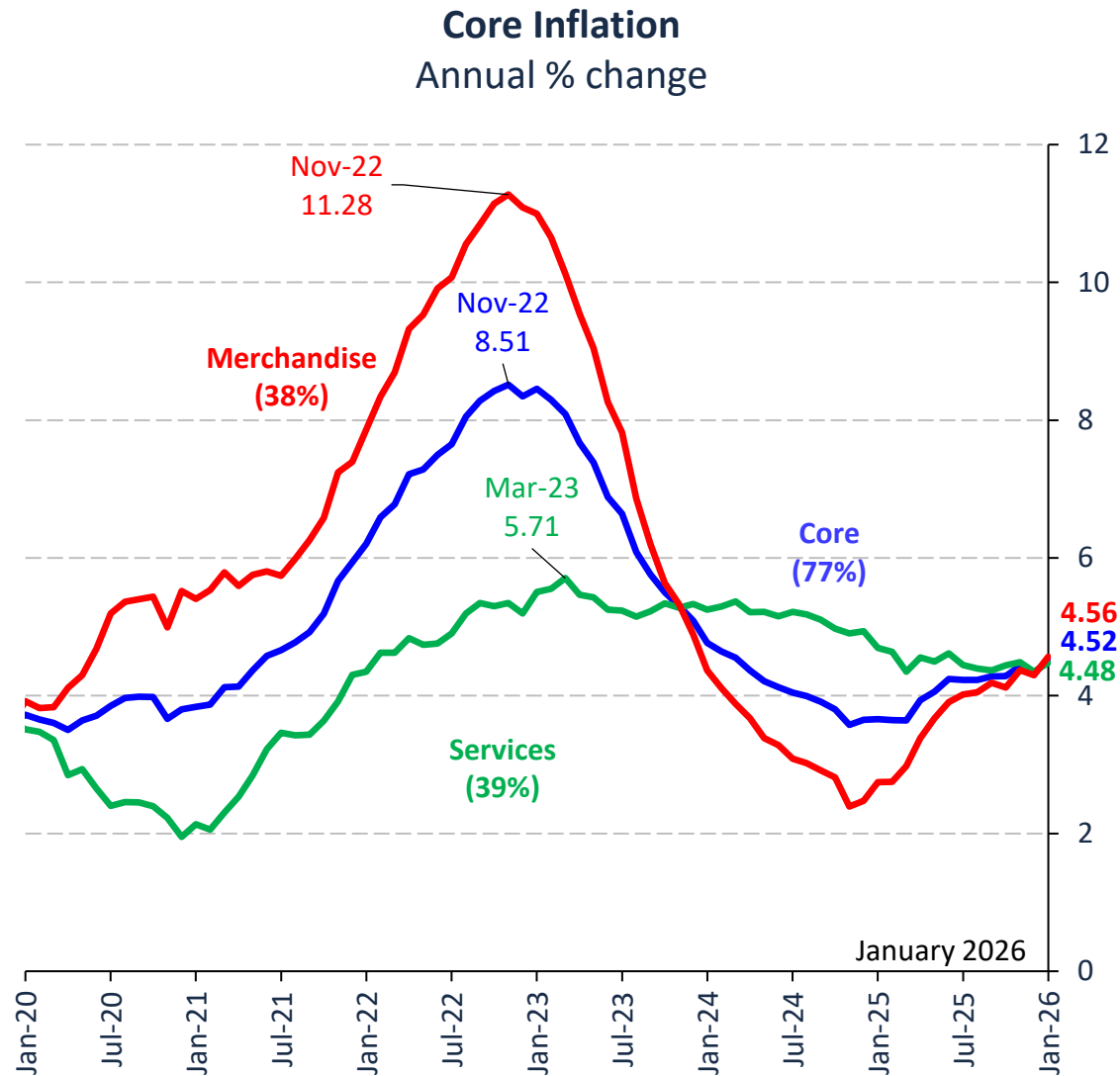
Inflation

National Consumer Price Index
Annual % change



1/ Headline inflation was 8.70% in August and September 2022.
Source: Prepared by Banco de México with information from INEGI.

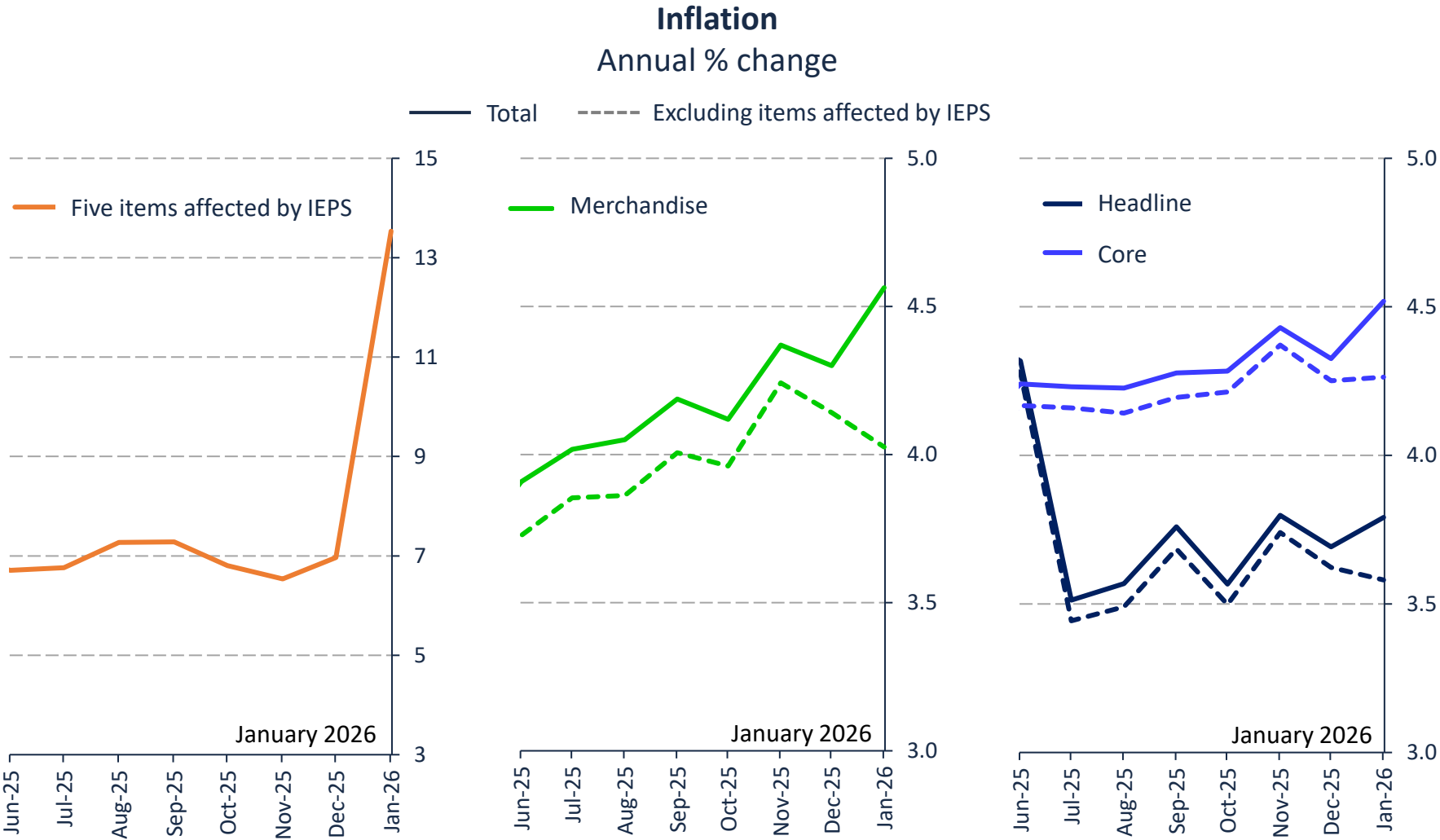
Inflation



Note: The weight in the NCPI is indicated in parentheses.

Source: Prepared by Banco de México with information from INEGI.

Risks to inflation

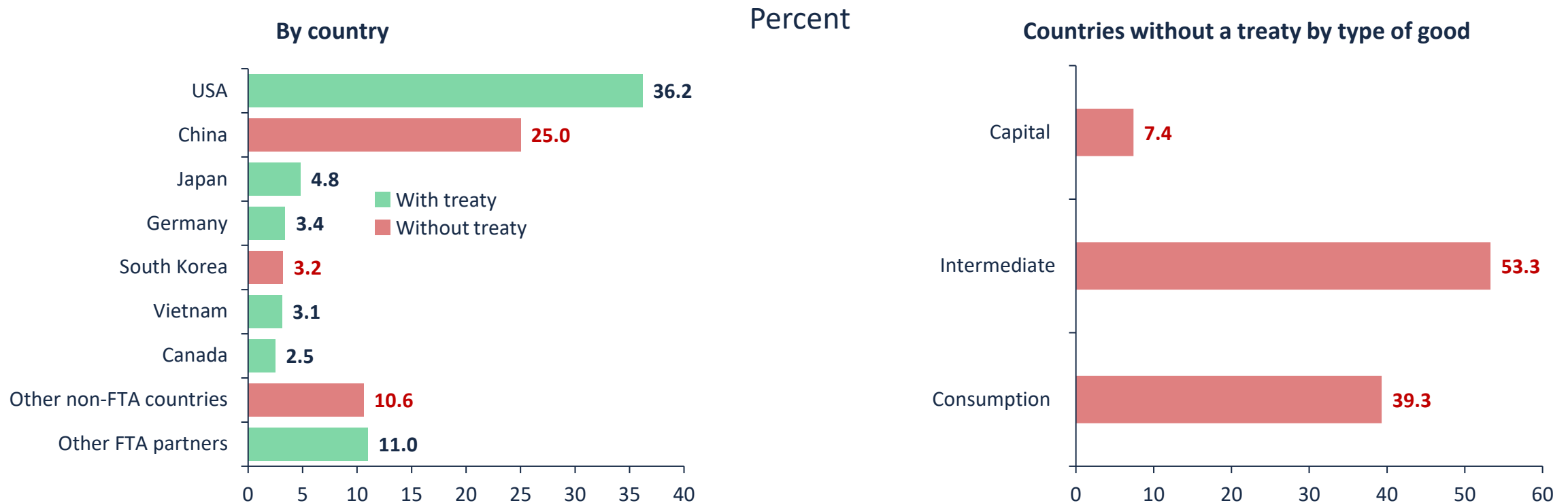


1/ The items affected by IEPS are: energy drinks (0.02), soft drink concentrates (0.02), packaged juices or nectars (0.17), packaged sodas (1.23), and cigarettes (0.62).
2/ The contribution consistent with the biweekly historical average percentage change (2015–2025) for January for the five items affected by IEPS.
3/ The contribution consistent with the difference between the biweekly percentage change of the five items affected by IEPS in January 2026 and their historical average (2015–2025).
Source: Prepared by Banco de México with information from INEGI.

Risks to inflation

- ✓ On December 10, 2025, the measure modifying the tariff for 1,463 tariff lines was approved.
- ✓ In 2025, the products included in the ruling accounted for 16.0% of Mexico's total imports. Of this total, 9.7 percentage points were imported from countries with which Mexico does have a trade agreement and are therefore not directly affected by the measure

Structure of imports in Mexico of products included in the tariff modification in 2025



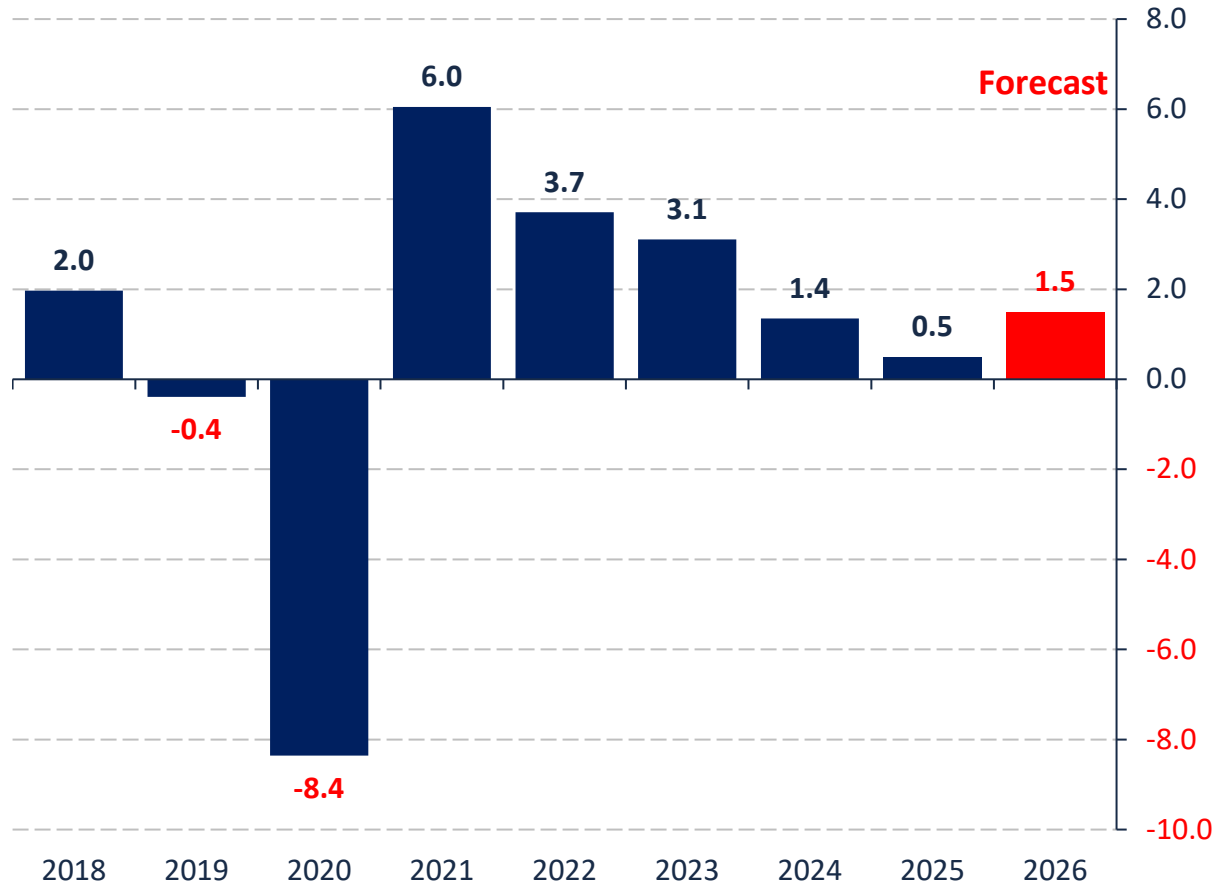
Note: FTA stands for "free trade agreement".

Source: prepared by Banco de México.

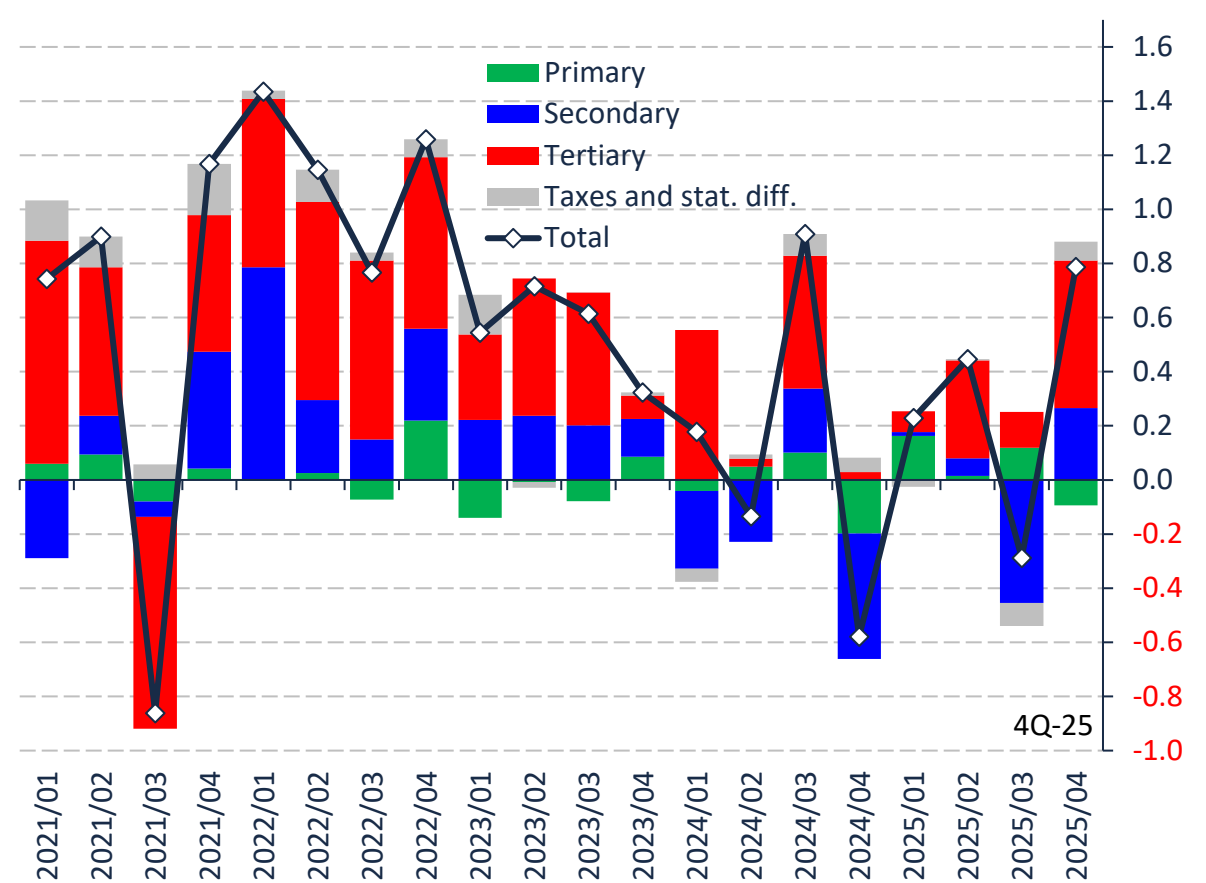
Inflation Determinants

Gross Domestic Product (GDP)^{1/}

Annual % change; n.s.a.



Contributions to the quarterly % change; s.a.



n.s.a./ Not seasonally adjusted series. s.a./ Seasonally adjusted series.

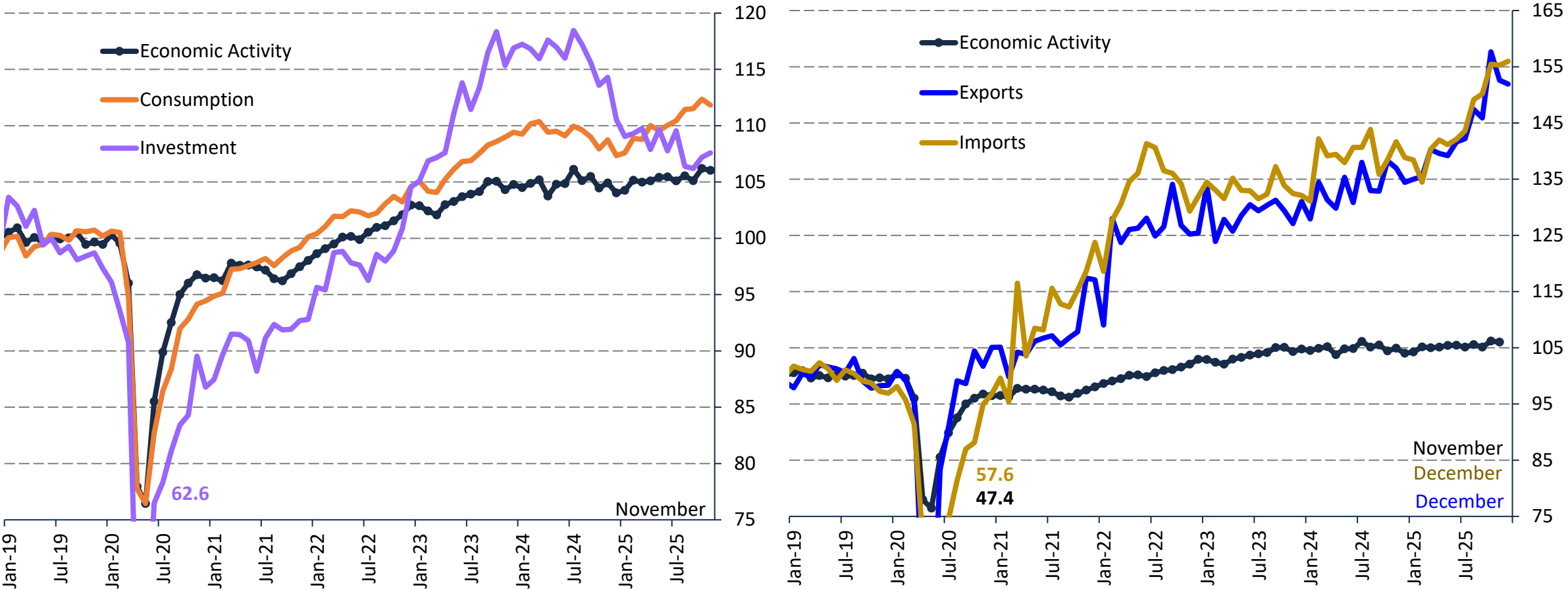
1/ Information for Q4-25 and 2025 corresponds to the Flash GDP according to INEGI.

Source: Prepared by Banco de México with information from INEGI.

Inflation Determinants

Aggregate Demand Indicators

2019=100; s.a.

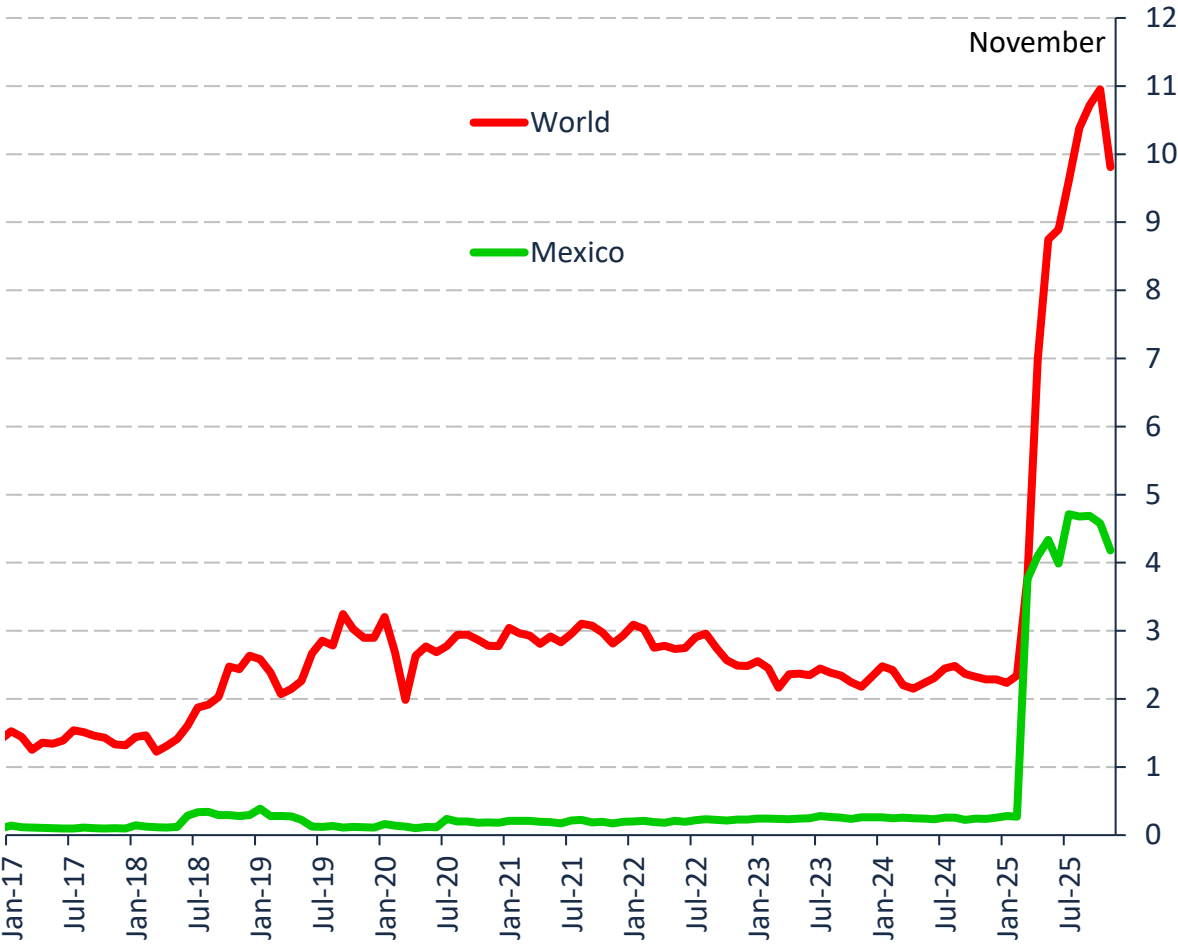


s.a./ Seasonally adjusted series.

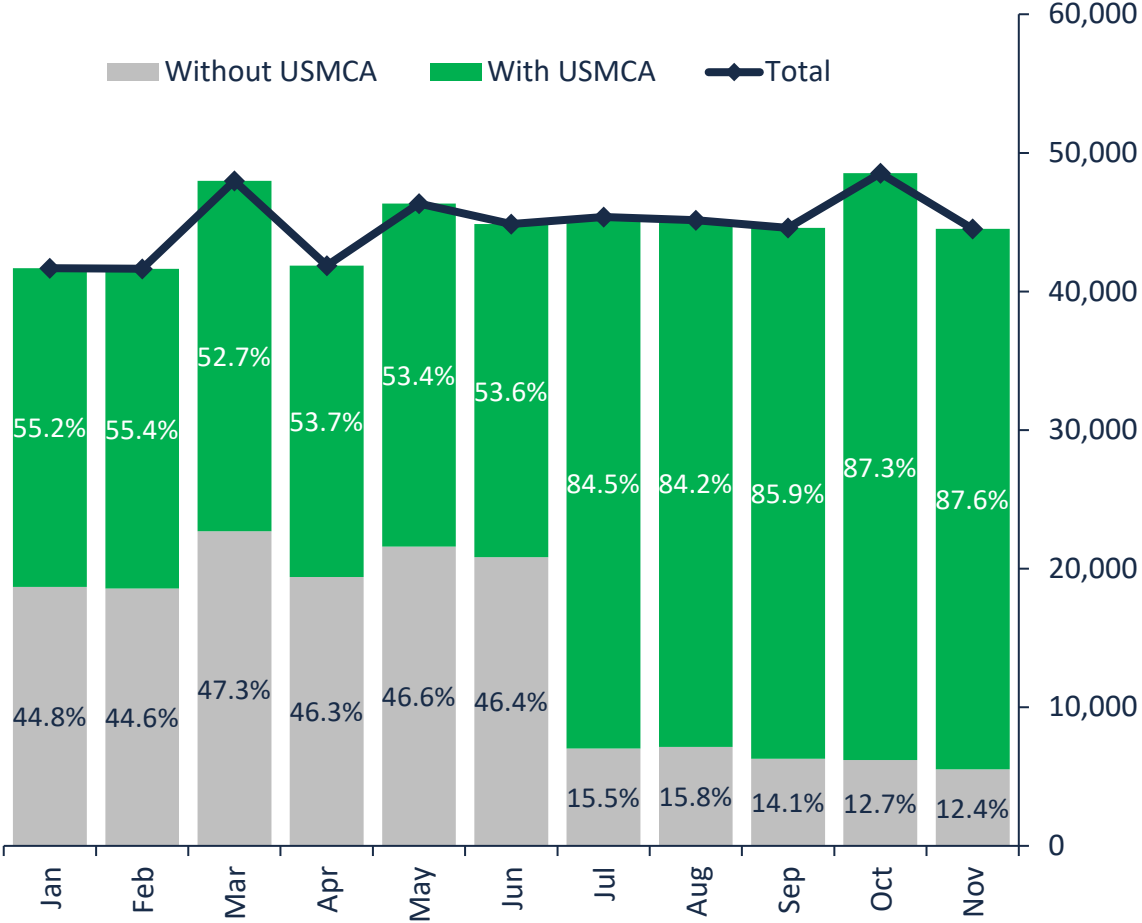
Source: Prepared by Banco de México with information from INEGI.

USMCA

Effective Tariff Rates
%



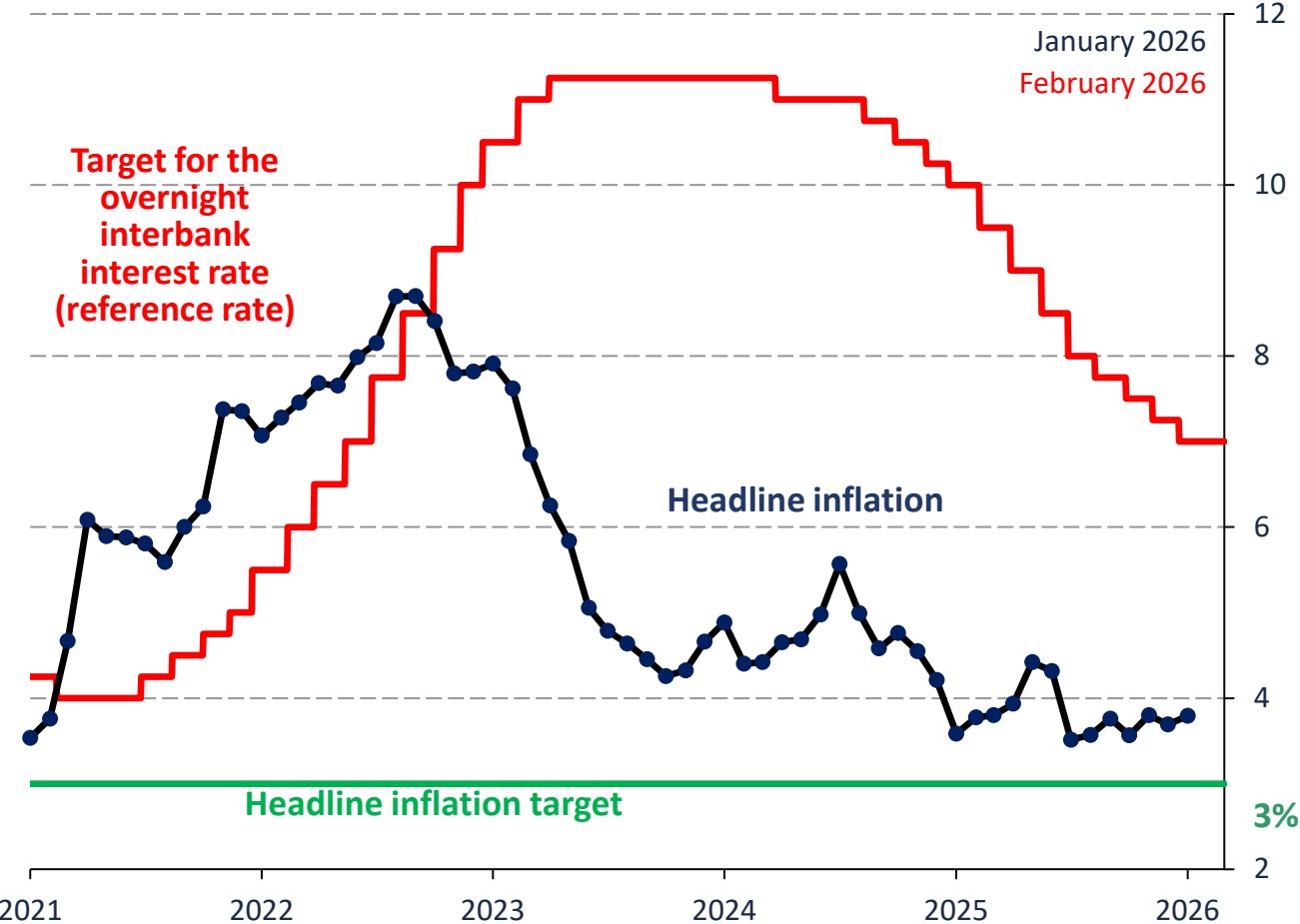
Composition of US Imports from Mexico
USD million



Source: Prepared by Banco de México with information from The Census Bureau.

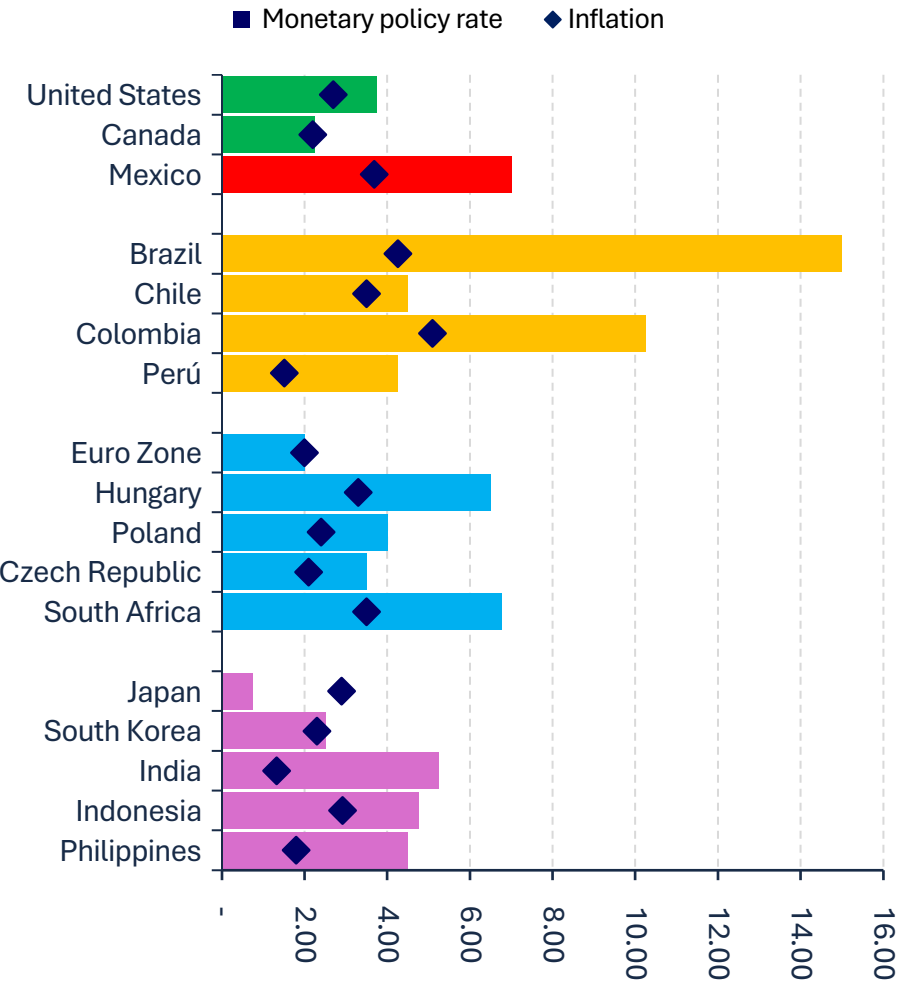
Monetary Policy

Target for the overnight interbank interest rate and headline inflation
Annual %



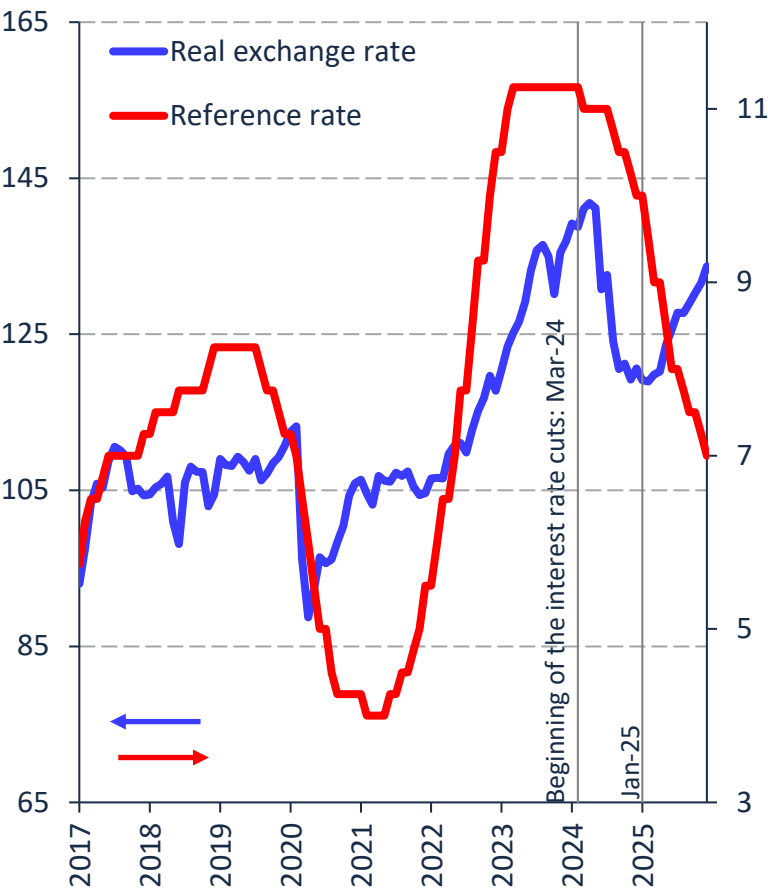
Source: Prepared by Banco de México.

Monetary Policy Rate and Annual Inflation for Selected economies
Percentage



Monetary Policy Transmission Channels

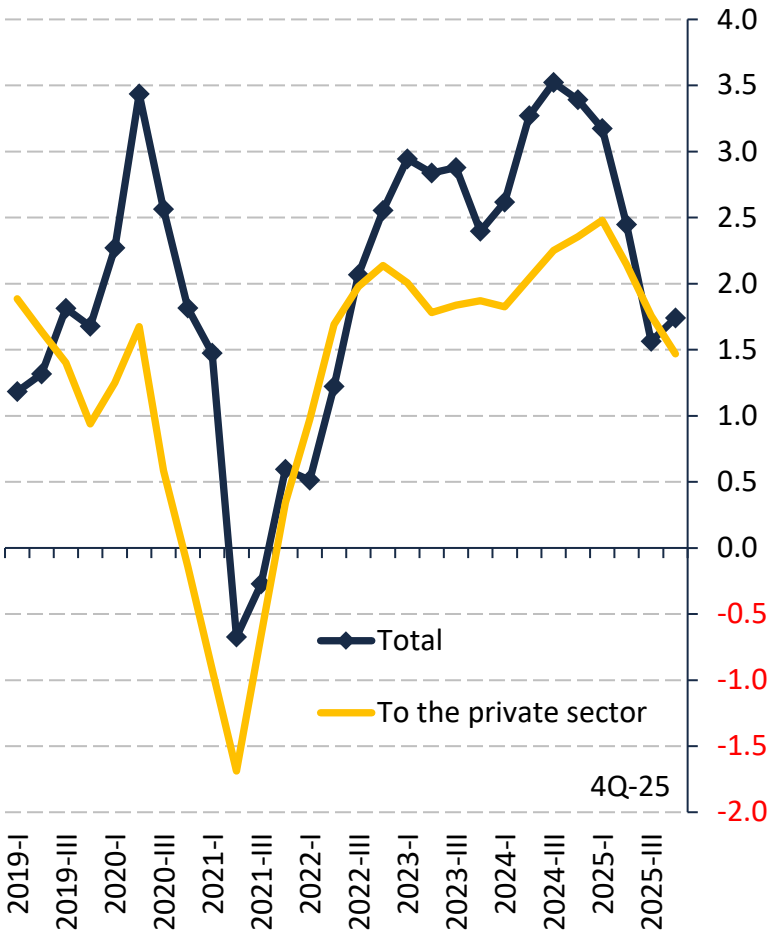
Real exchange rate and the target for the overnight interbank interest rate
Index/Annual %



Note: as a result of the U.S. federal government shutdown that began on October 1, 2025, the Bureau of Labor Statistics (BLS) announced that it was unable to collect the survey information for October 2025 and, therefore, will not publish the Consumer Price Index (CPI) for that month. In this context, the real exchange rate for that month corresponds to a linear interpolation.

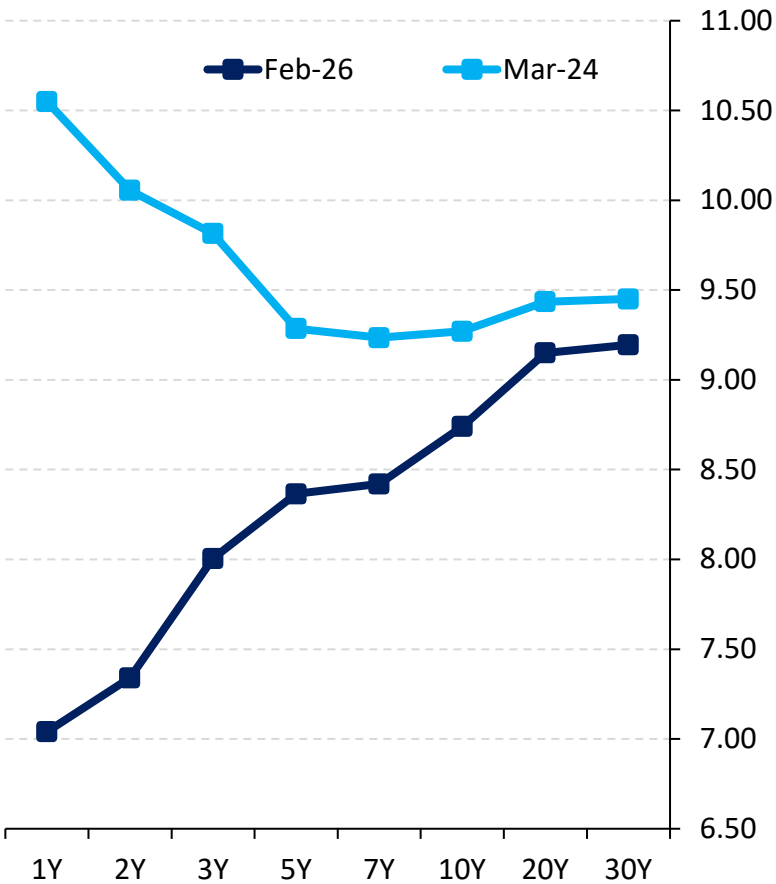
Source: Banco de México and BIS.

Financing provided by commercial banks
% GDP



Source: Prepared by the Banco de México.

Mexico: Nominal Yield Curve
%



Source: Prepared by the Banco de México with data from PIP.

Inflation in Mexico is stable, however during 2026 we are facing a change in relative prices. Monetary policy decisions require a more gradual approach than in 2025.

- It is necessary to monitor that relative price changes do not generate second-round effects or indirect costs that could lead to generalized inflationary pressures.
- The determinants of inflation are consistent with resuming its convergence process over the forecast horizon.
- It is important to monitor the transmission mechanism of the monetary policy stance. The channels are operating at a different pace.
- Mexico maintains **strong macroeconomic fundamentals**, which have been a solid pillar for its economic and social development.





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