

Mexico's Inflation and Monetary Policy Outlook

Jonathan Heath

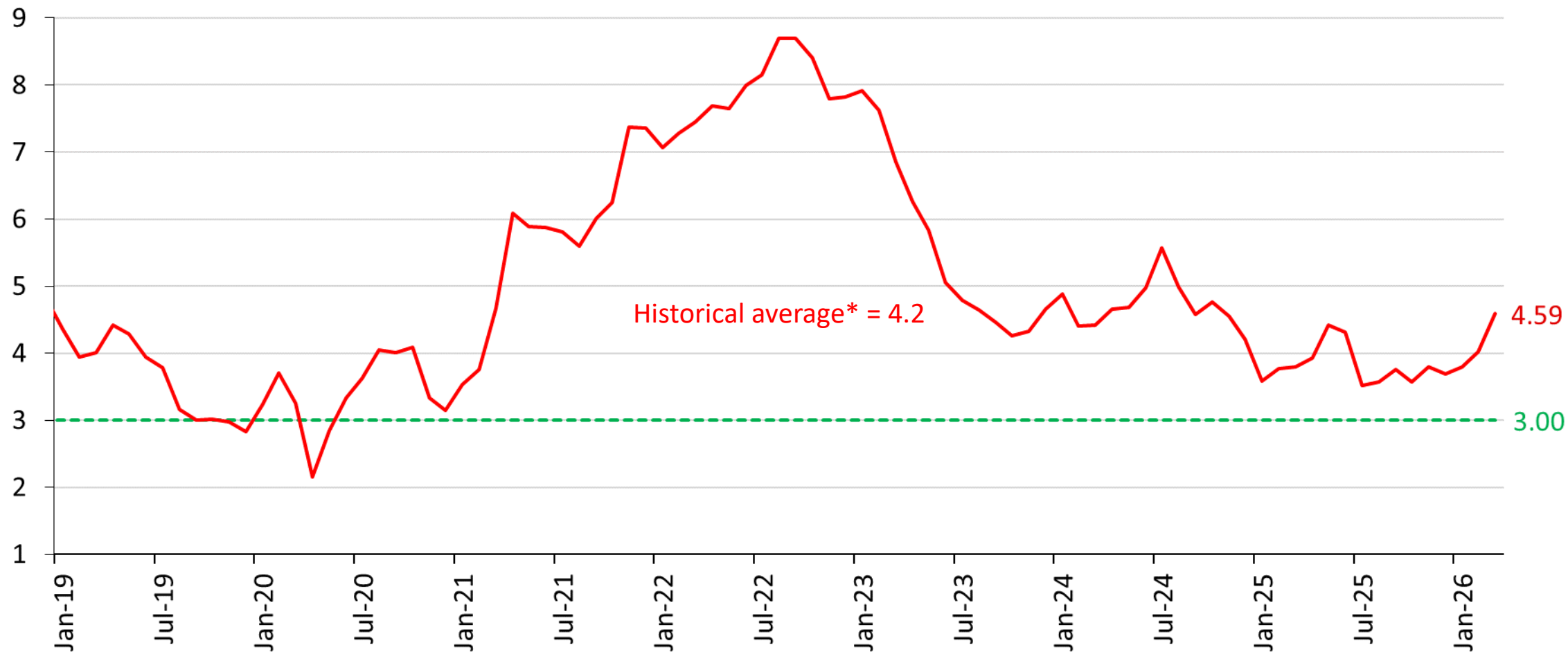
*2026 IMF-World Bank
Spring Meetings
April 13, 2026
Washington D.C.*



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Consumer price index

Annual percentage change



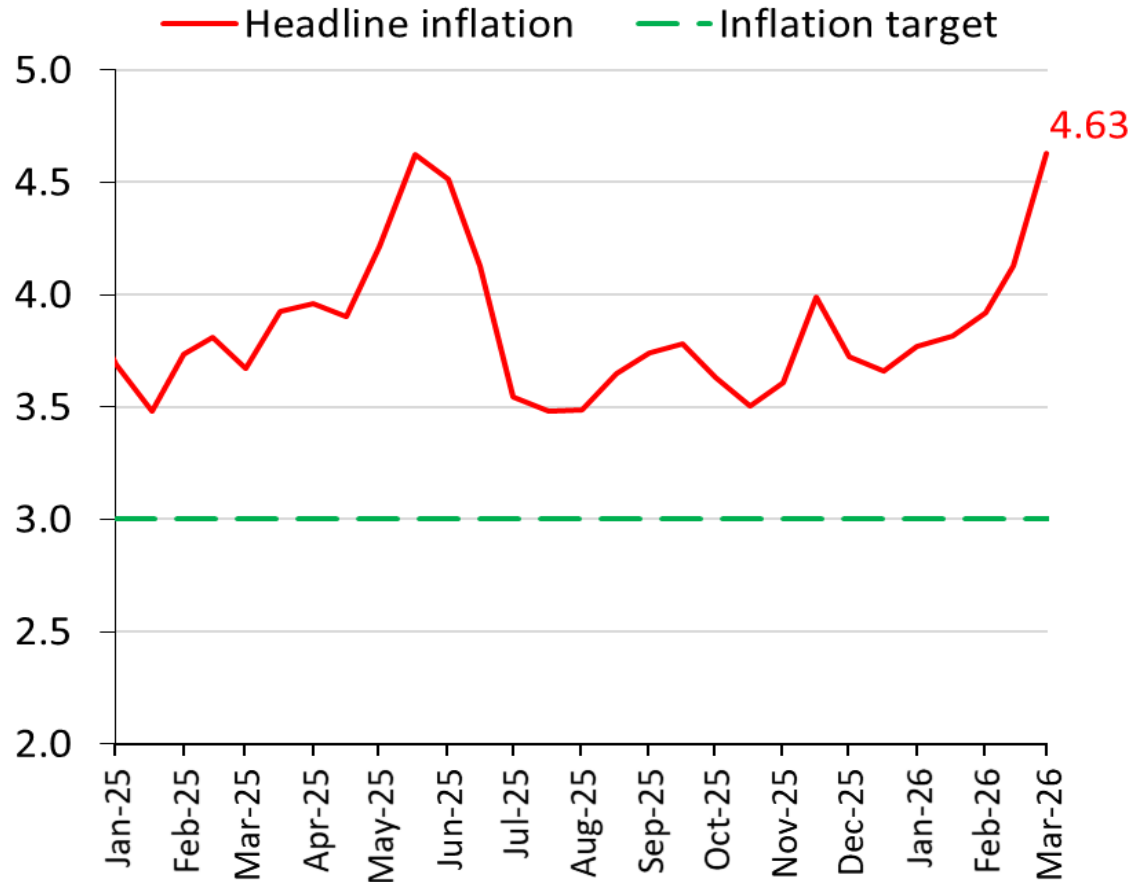
Source: INEGI and Banco de México. Data up to March 2026. Since 2003, a permanent target for inflation has been set at 3%, with a variability range of +/- 1%.

*Corresponds to the historical average of general inflation from 2003 to 2019.

2025: Lack of progress

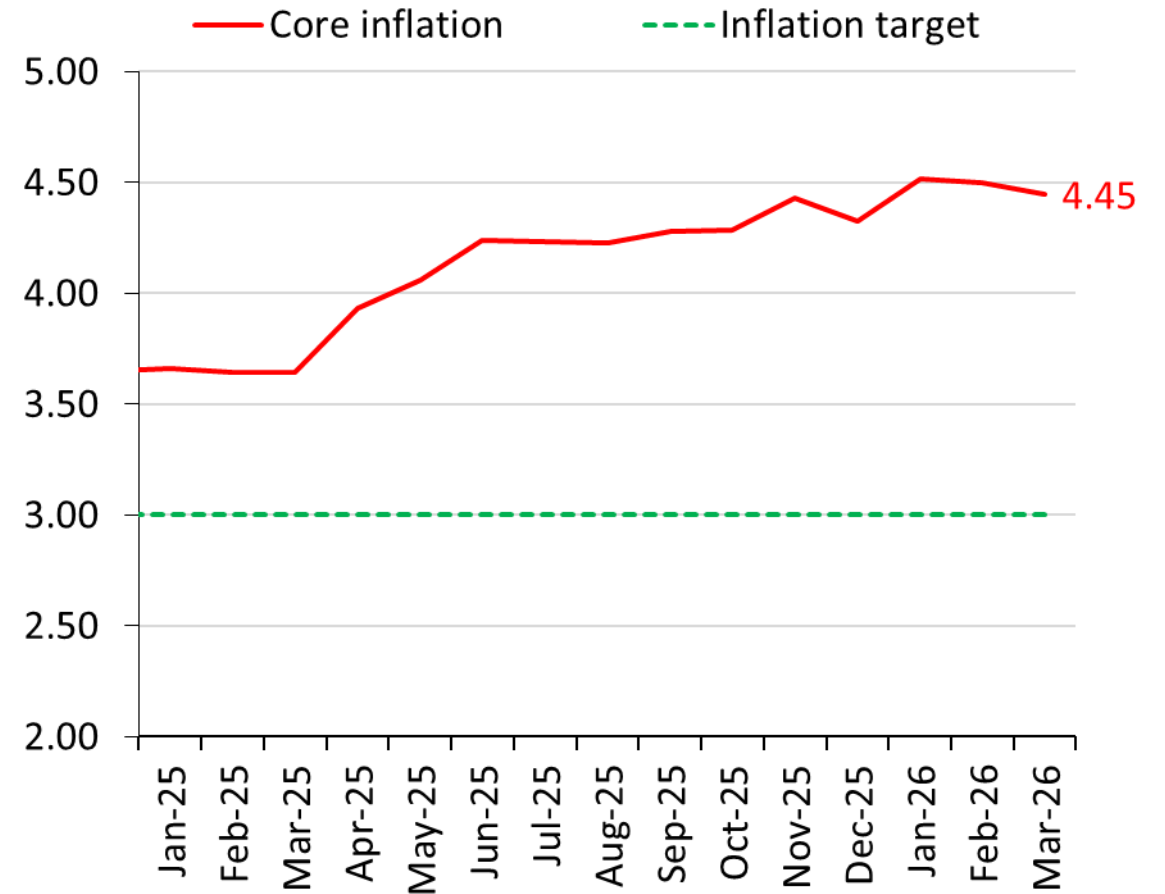
Headline inflation

Annual percentage change



Core inflation

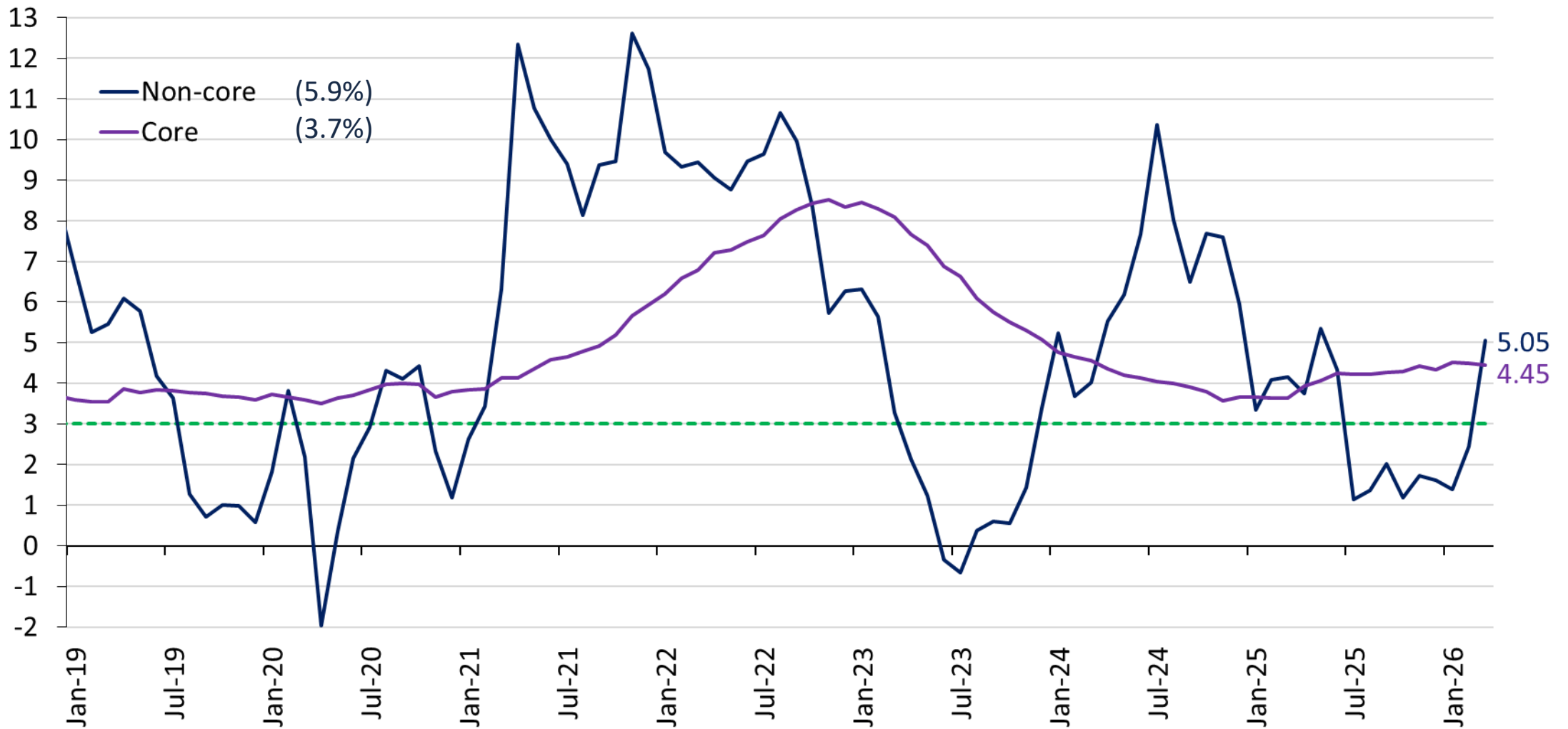
Annual percentage change



Source: INEGI. Data up to March 2026. Since 2003, a fixed target of 3% general inflation has been established with a variability margin of +/- 1%.

Inflation: core and non-core

Annual percentage change

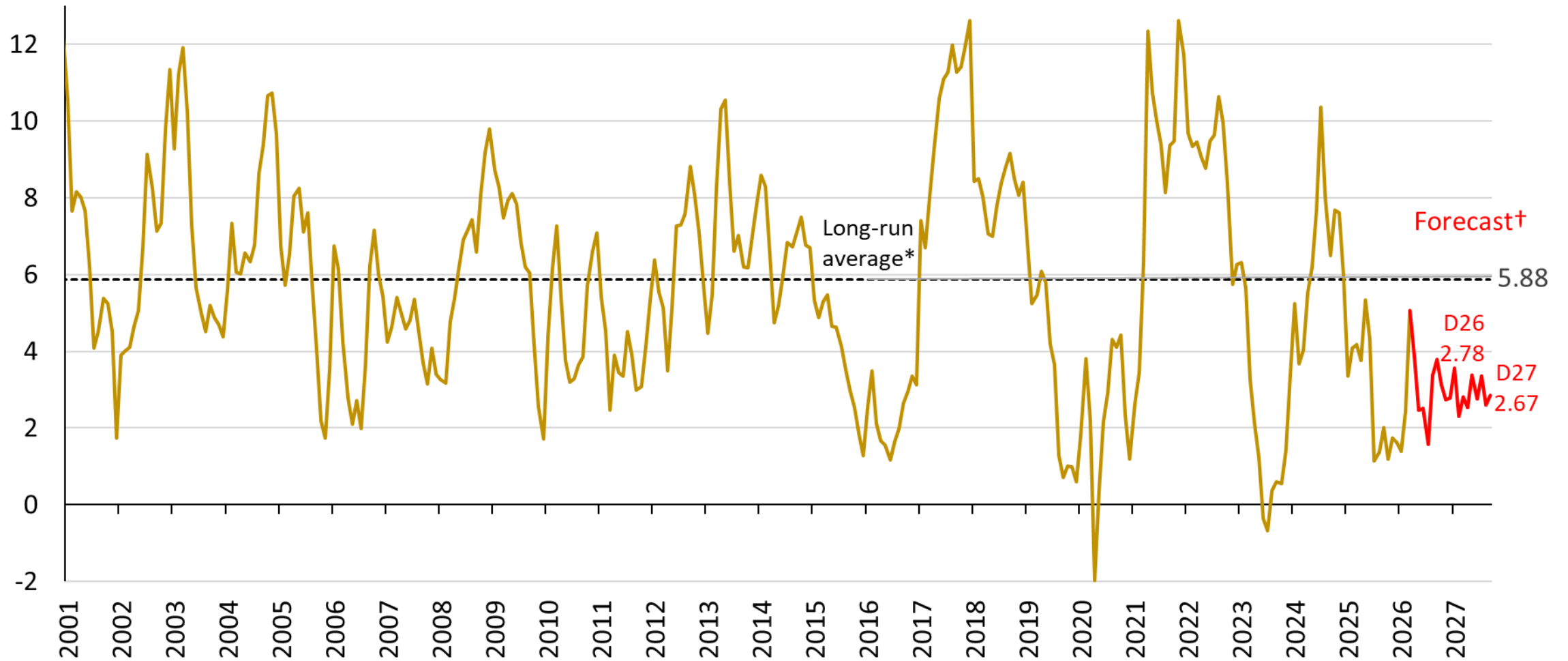


Source: INEGI and Banco de México. Data up to March 2026. Since 2003, a permanent target for inflation has been set at 3%, with a variability range of +/- 1%.

Note: Figures in parentheses correspond to the historical average of each indicator from 2003 to 2019.

Non – core inflation

Annual percentage change



Source: INEGI. Data up to March 2026. *Reflects the historical average for this indicator between 2003 and 2019. †Implicit estimate of the projection published by Banco de México as of March 26, 2026.

Services excluding housing and education: top 10*

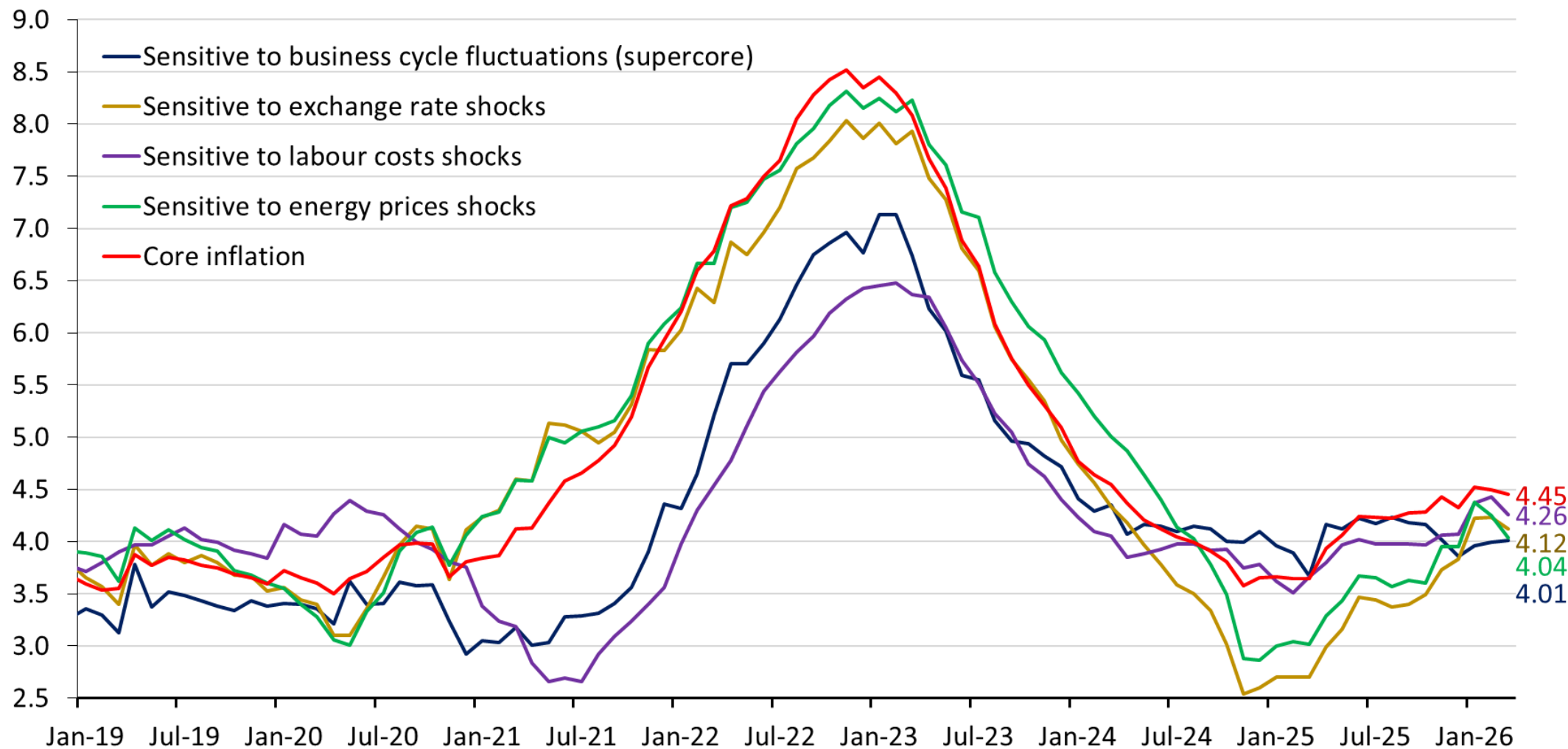
Annual inflation in percent

Item	Annual Inflation
Airline fares	10.74
Dry cleaning services	9.64
Car washing and greasing	8.71
Lunch counters, diners and taco stands	8.71
Museums and cultural sites	8.29
Haircut	7.19
Professional services	7.13
Laundry services	7.06
Auto repair services	6.84
Gym membership	6.81

Source: INEGI. Data up to 2026. *Figures for the top 10 generics with the highest annual inflation during the specified period are tabulated.

Inflation indicators linked to supply and demand factors

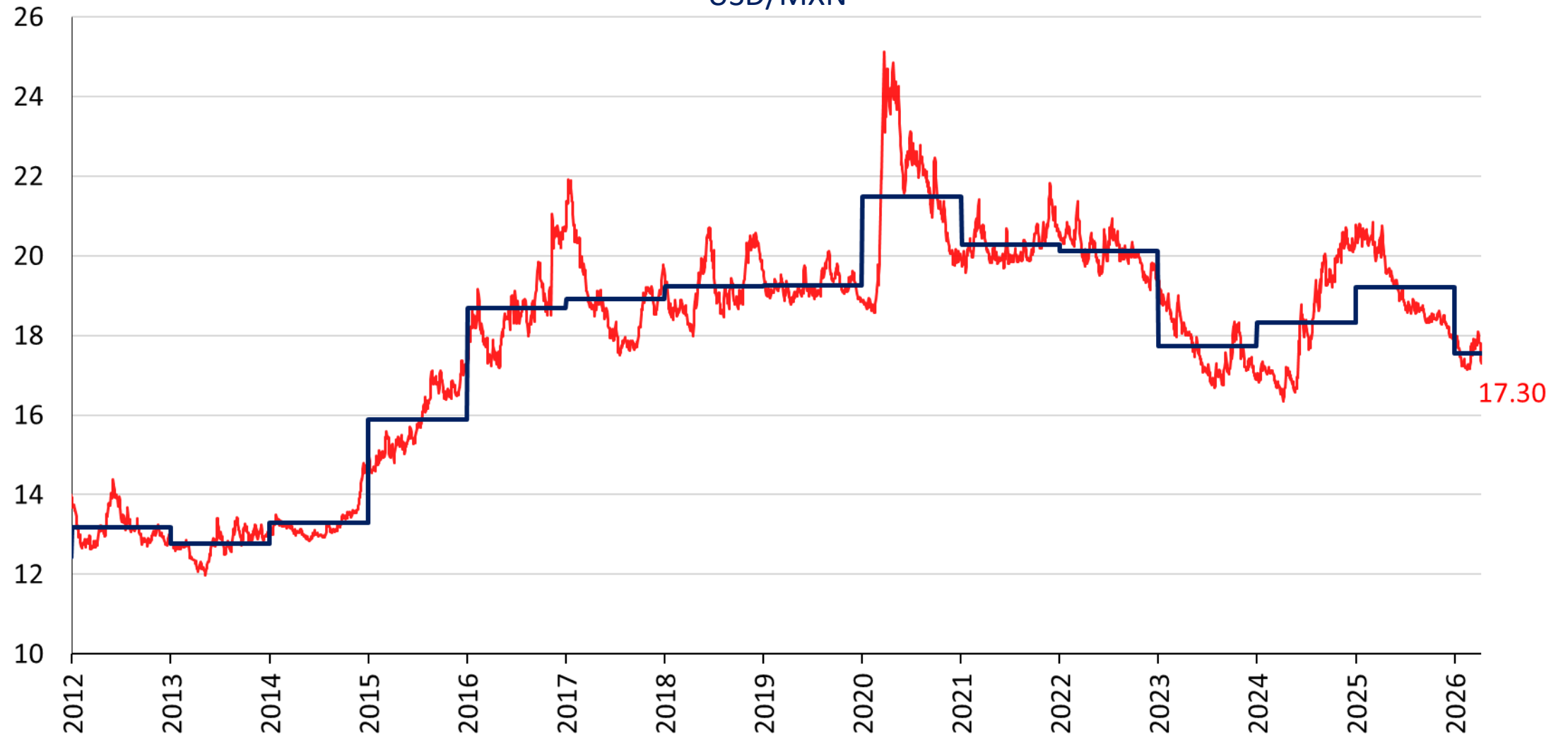
Annual inflation in percent



Source: INEGI and Banco de México. Data up to March 2026.

Exchange rate

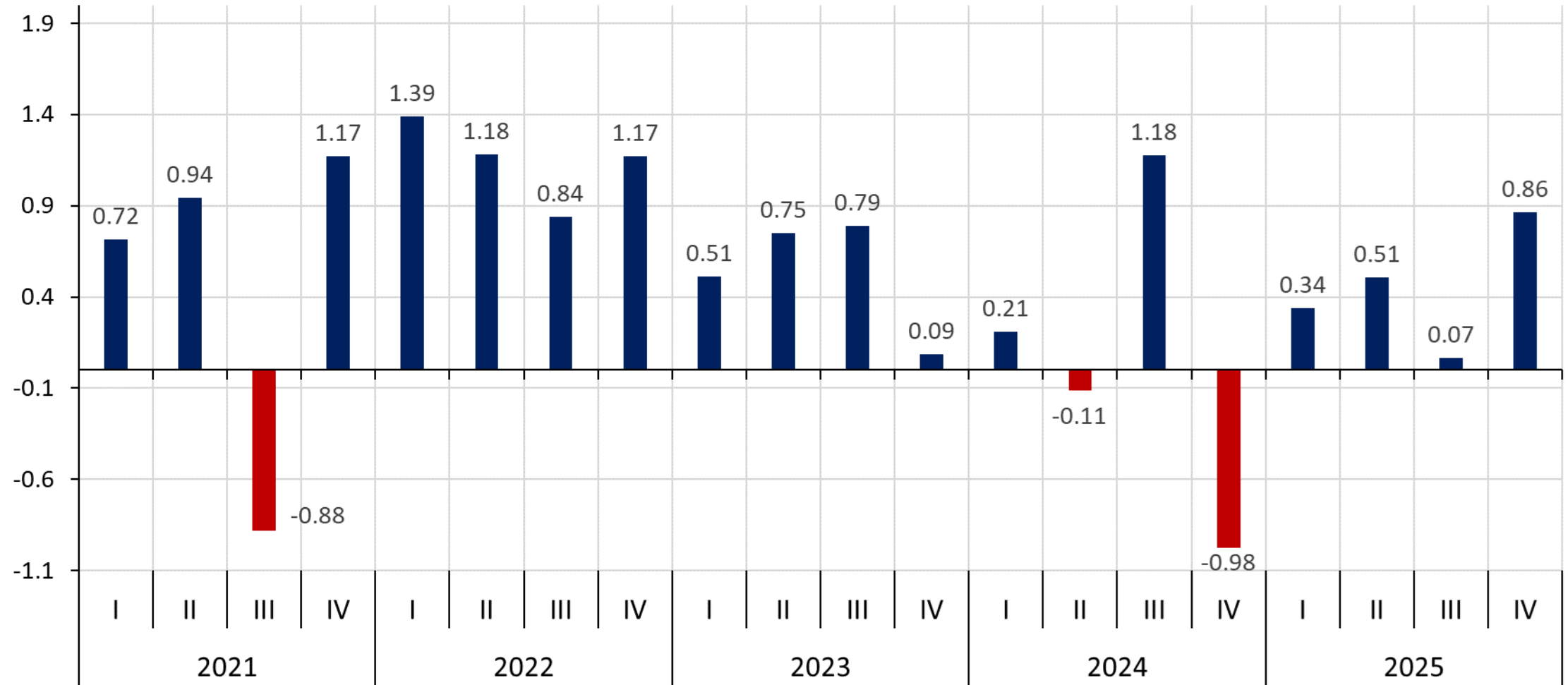
USD/MXN



Source: Banco de México. Data up to April 10, 2026.

Gross Domestic Product (GDP): Mexico

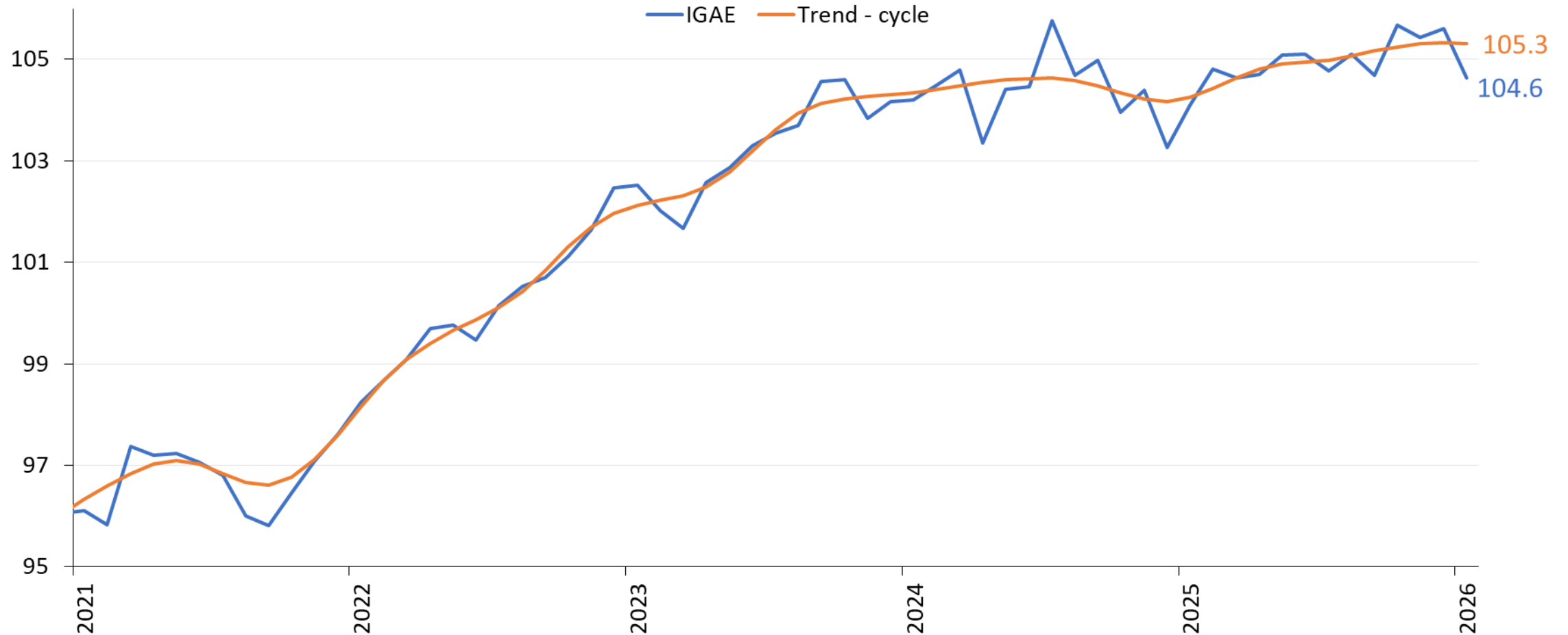
Seasonally adjusted quarterly growth rates



Source: INEGI. Seasonally adjusted data up to Q4 2025.

Global Indicator of Economic Activity (IGAE)

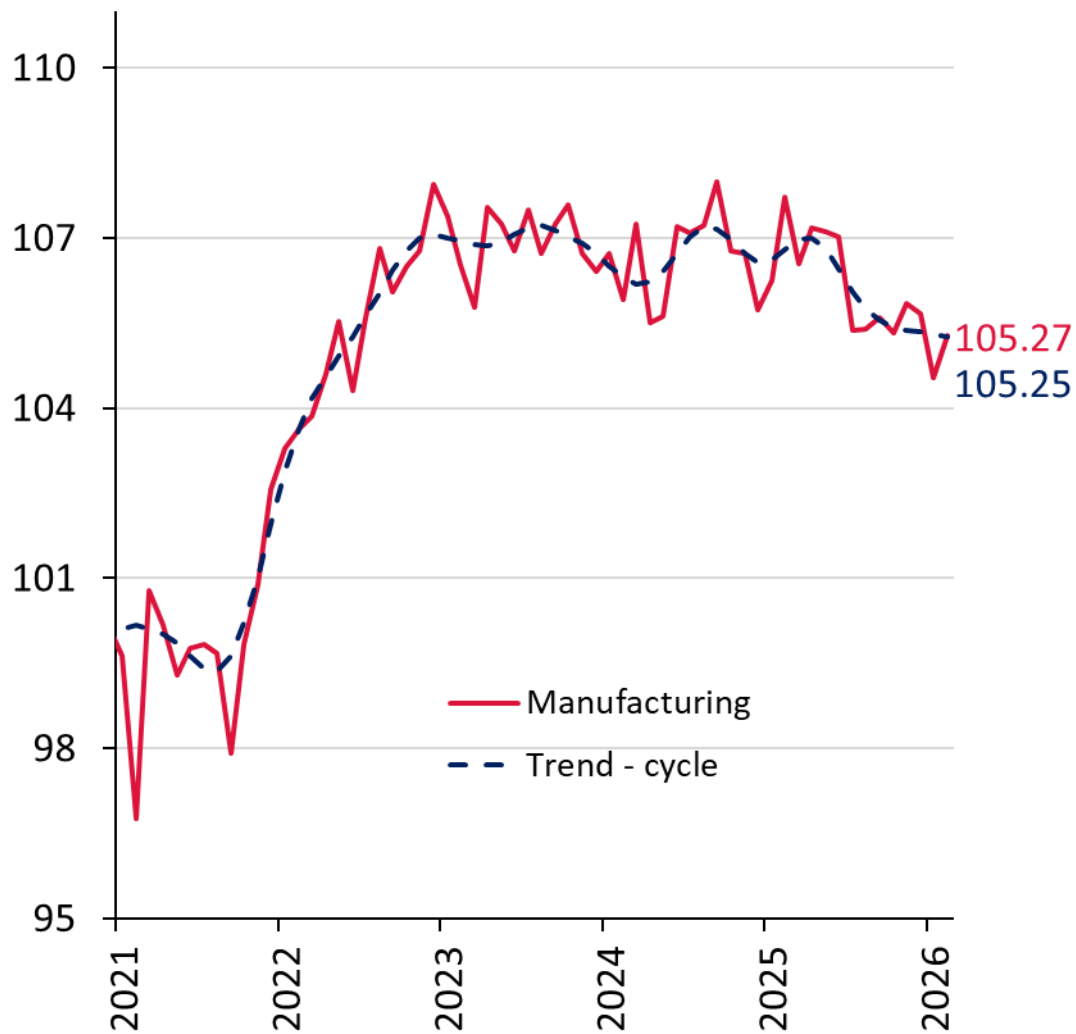
Index 2018 = 100



Source: INEGI. Seasonally adjusted data up to January 2026.

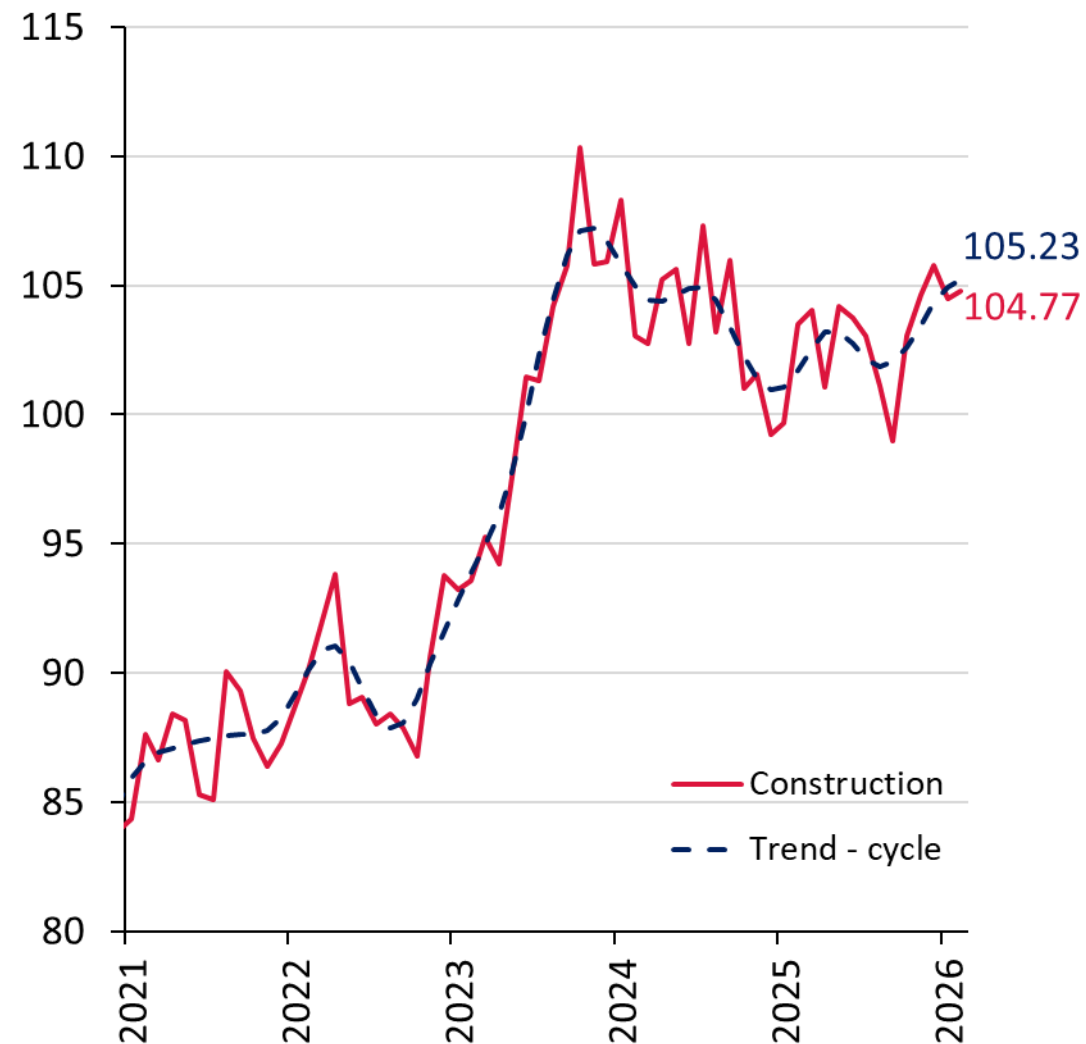
Manufacturing index

Index 2018 = 100



Construction index

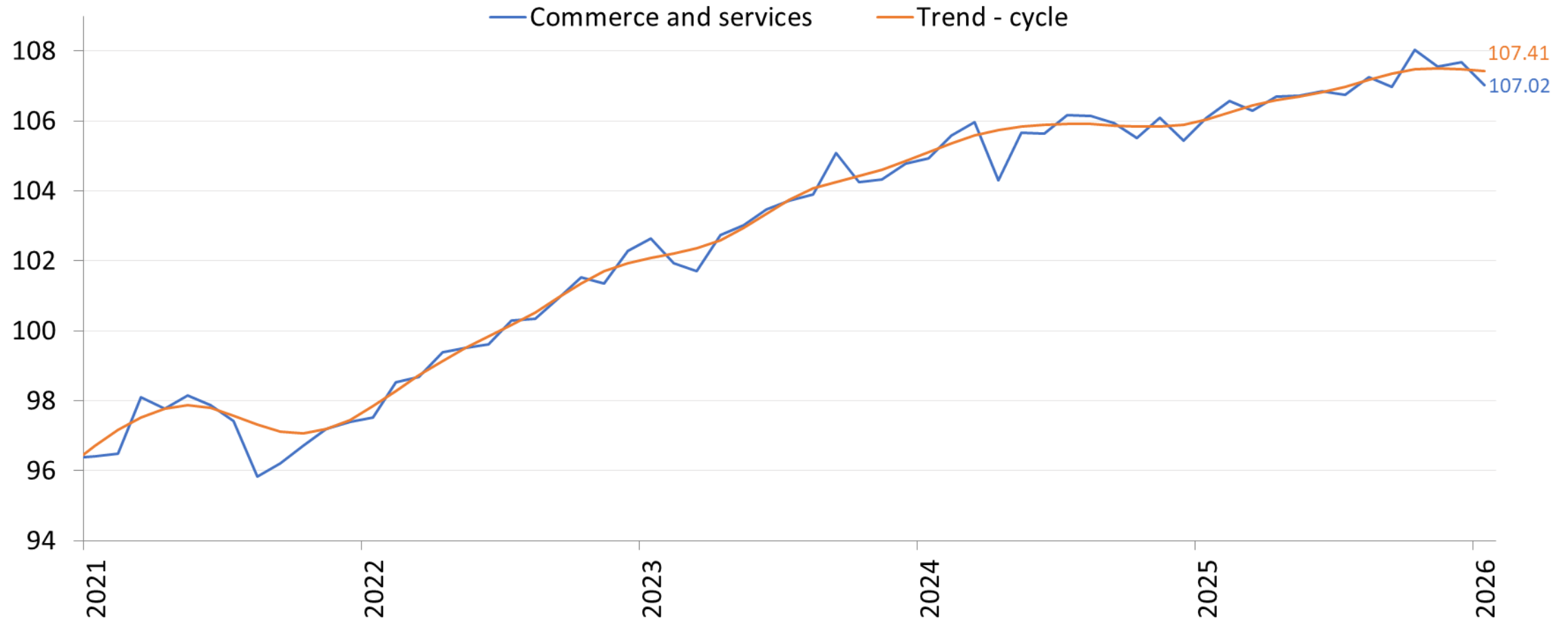
Index 2018 = 100



Source: INEGI. Seasonally adjusted data up to February 2026.

IGAE: Commerce and services

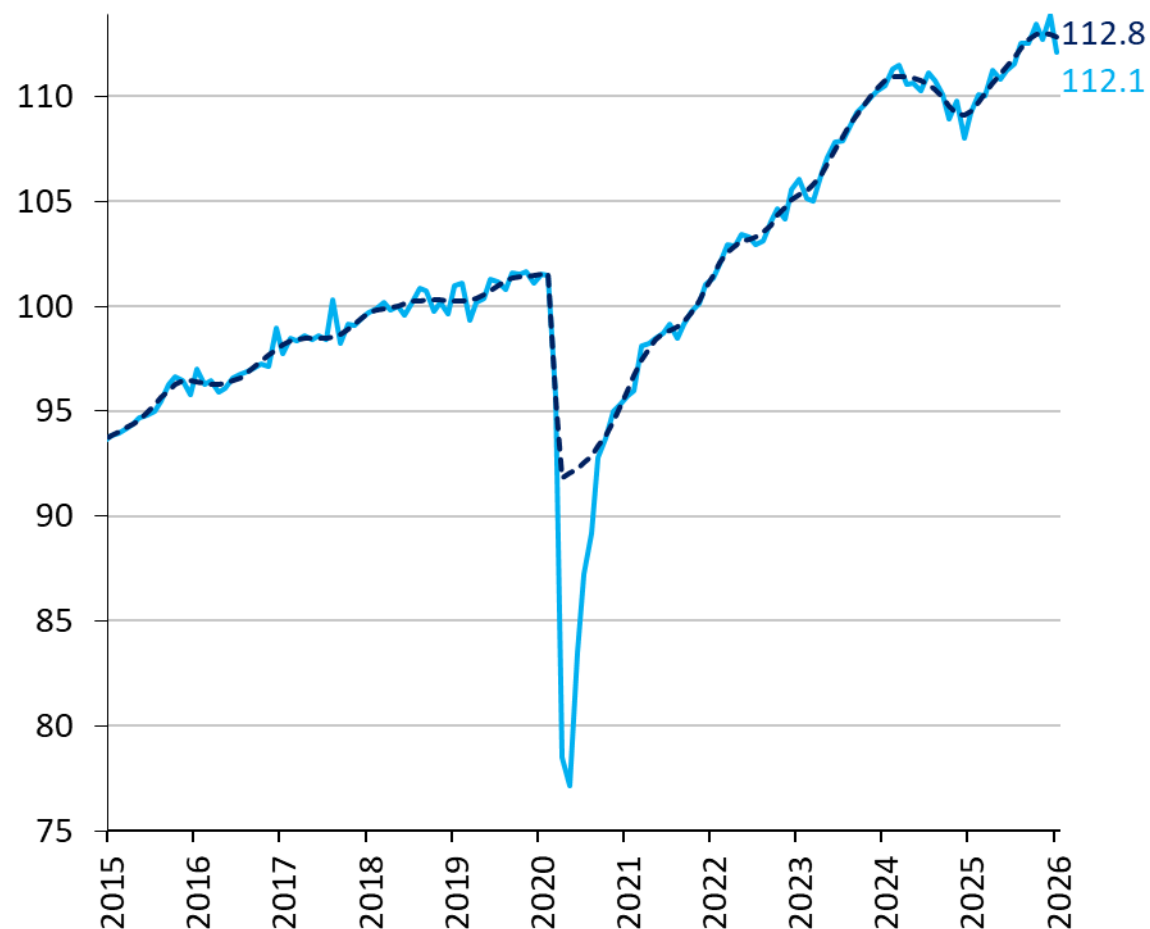
Index 2018 = 100



Source: INEGI. Seasonally adjusted data up to January 2026.

Household consumption in the domestic market*

Index 2018 = 100

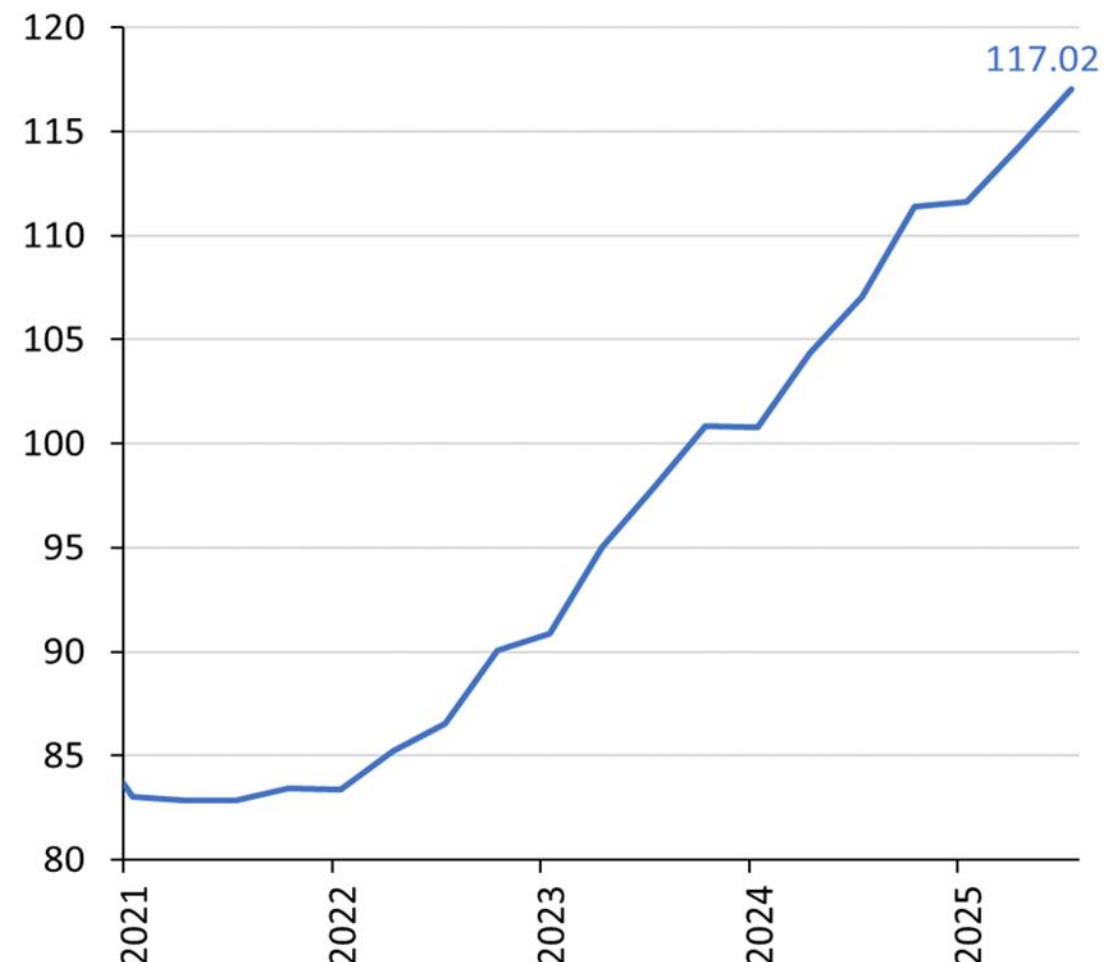


Source: INEGI. Seasonally adjusted data up to January 2026.

*The dashed line represents the trend-cycle series.

Consumer credit*

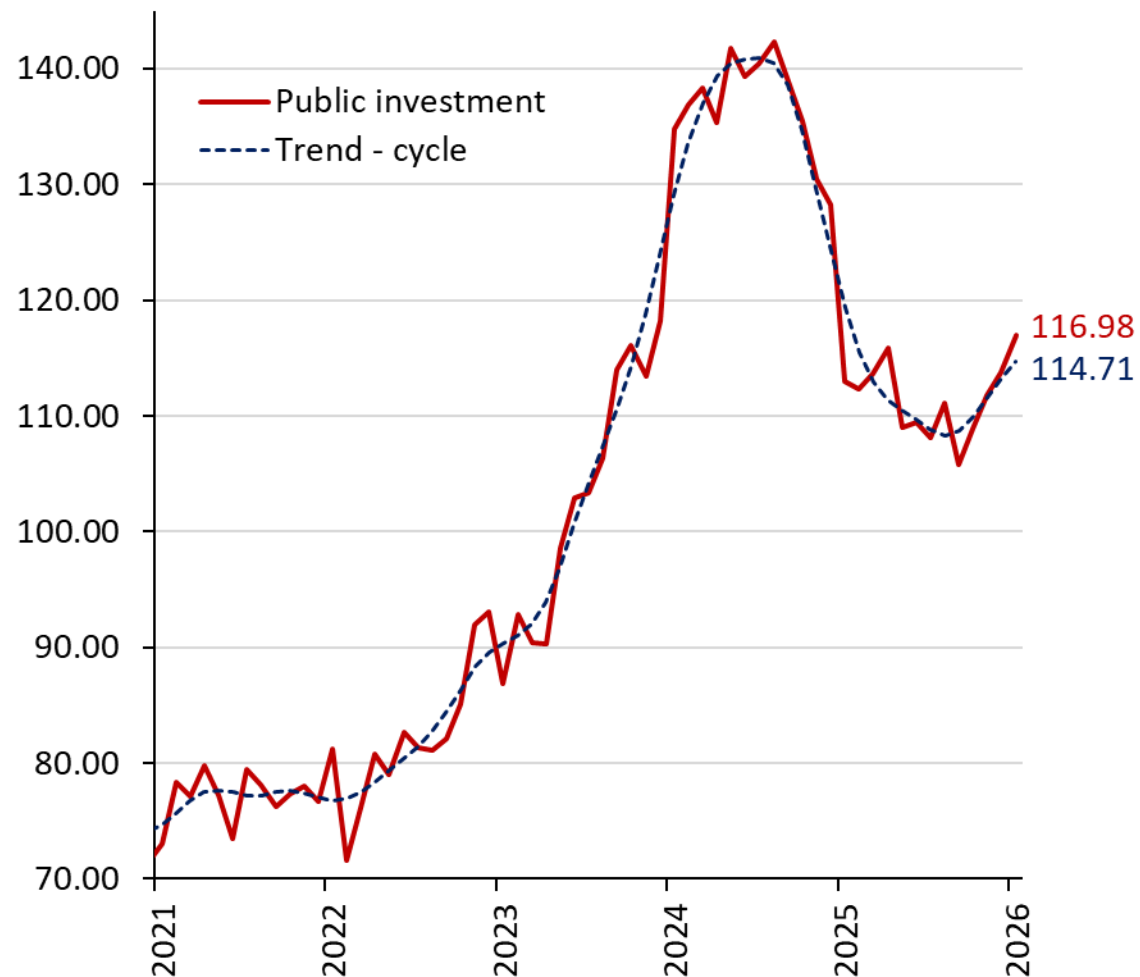
Index 2018 = 100



Source: Banco de México. Data up to Q3 2025. *Bank lending and other alternative lending sources of the domestic private sector. Real series.

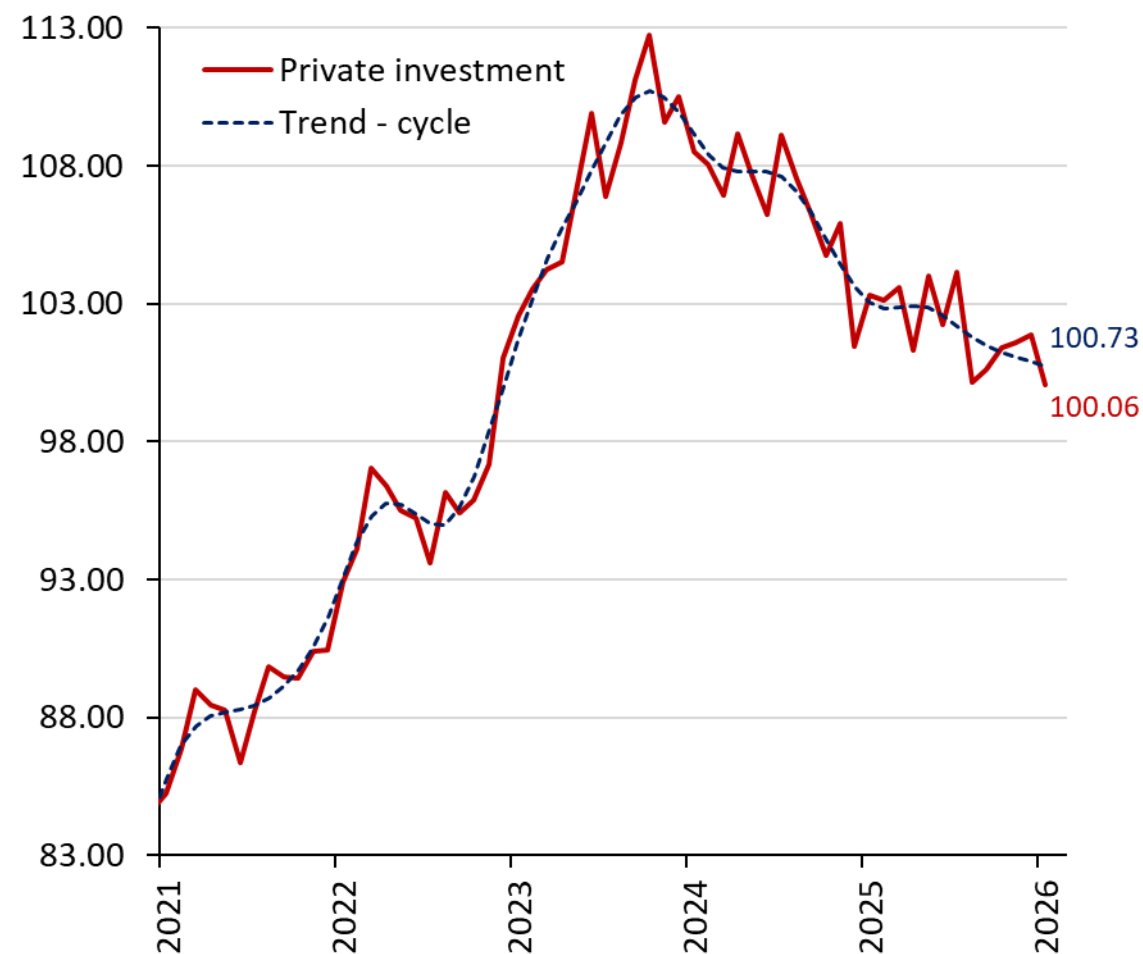
Public investment

Index 2018 = 100



Private investment

Index 2018 = 100



Source: INEGI. Seasonally adjusted data up to January 2026.

GDP: expenditure breakdown

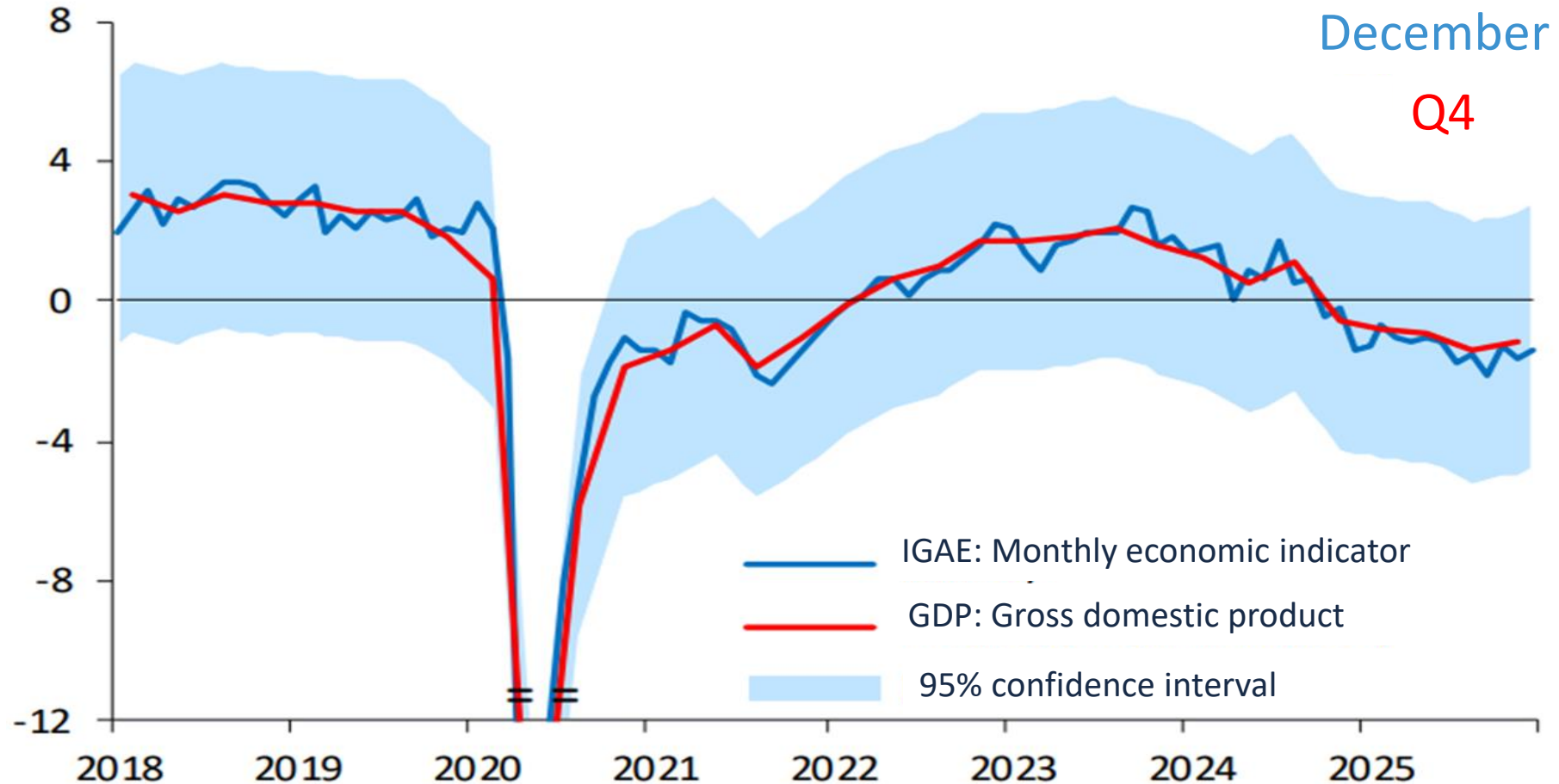
Seasonally adjusted growth rates

Date		GDP	Aggregate demand	Household consumption	Government expenditure	Private investment	Public investment	Exports	Imports
		Quarterly growth rates							
2024	I	0.2	1.2	0.9	1.2	-2.1	20.3	0.7	3.9
	II	-0.1	0.1	-0.3	1.2	-1.1	-1.2	1.8	0.5
	III	1.2	1.0	0.5	0.8	0.2	2.2	6.3	1.1
	IV	-1.0	-0.6	-1.4	-0.1	-2.5	-7.0	3.4	-0.3
2025	I	0.3	-0.6	0.1	0.2	-2.1	-13.5	1.0	-2.6
	II	0.5	1.4	1.5	0.4	0.3	-0.7	0.4	3.6
	III	0.1	1.0	1.3	0.1	-0.5	-3.3	-0.8	3.5
	IV	0.9	2.4	1.0	0.8	0.6	2.0	1.1	5.1
		Annual growth rates							
2021		6.3	9.1	8.6	-0.5	12.5	-3.9	7.3	16.2
2022		3.7	5.2	4.8	2.0	7.5	6.8	9.6	8.6
2023		3.1	3.3	4.2	2.4	12.4	24.9	-7.1	3.7
2024		1.1	1.6	2.4	3.7	-0.5	33.2	3.0	2.7
2025		0.8	1.6	1.3	1.3	-4.0	-18.9	7.3	3.5

Source: INEGI. Seasonally adjusted data up to Q4 2025.

Estimated output gap

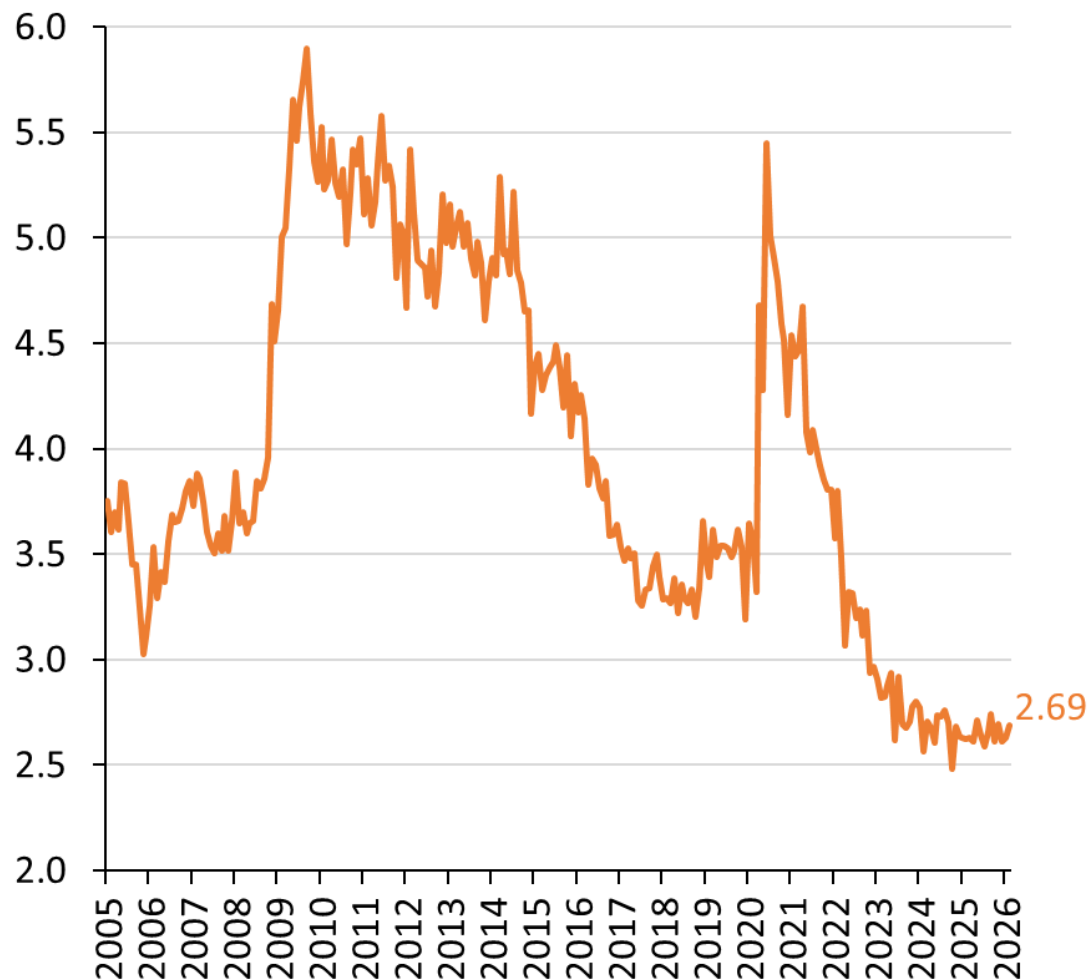
Percentage deviation from potential output



Source: INEGI and Banco de México calculations. Data includes GDP as of Q4 2025 and IGAE as of December 2025. Gaps were estimated using the Hodrick-Prescott filter. Confidence intervals are calculated using an unobserved components method. *Output excluding professional, corporate and support services.

Unemployment rate

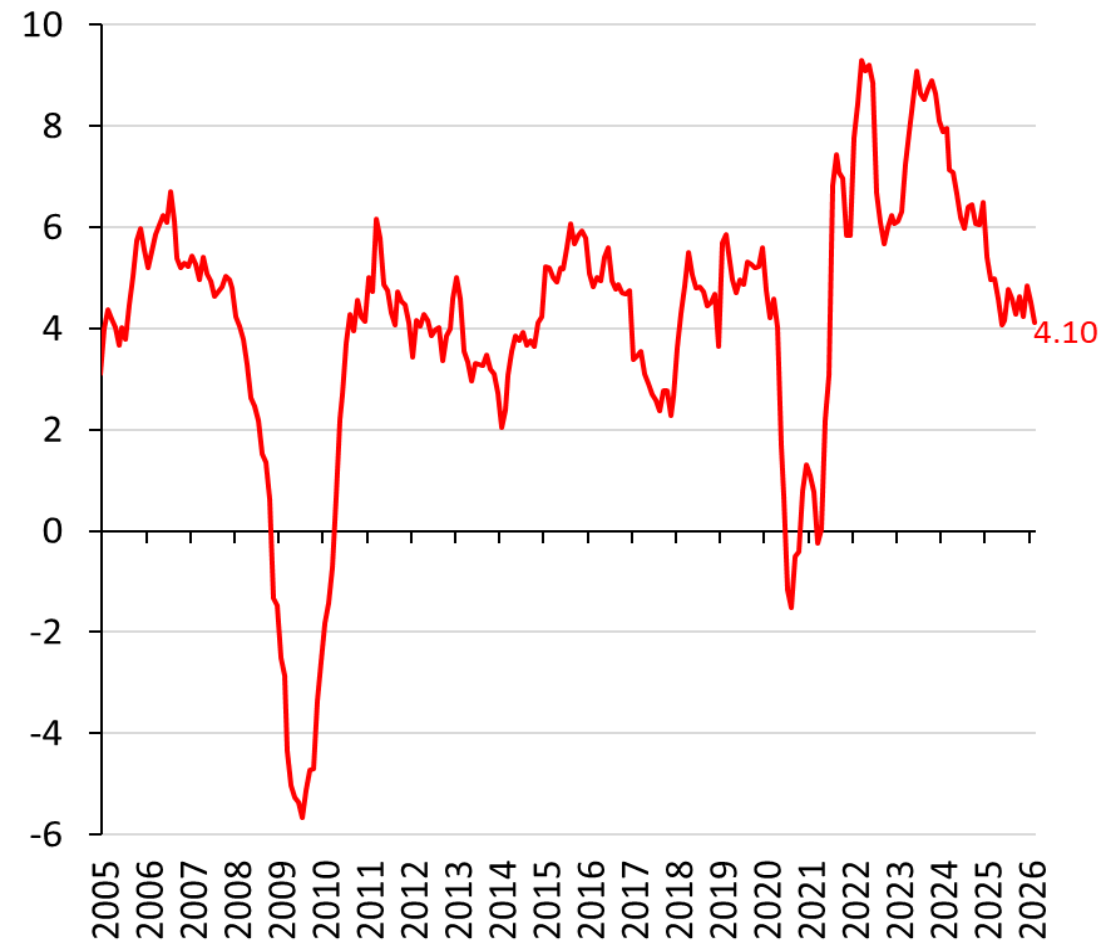
Percentage of economically active population



Source: INEGI. Data up to February 2026.

IMSS real wage bill*

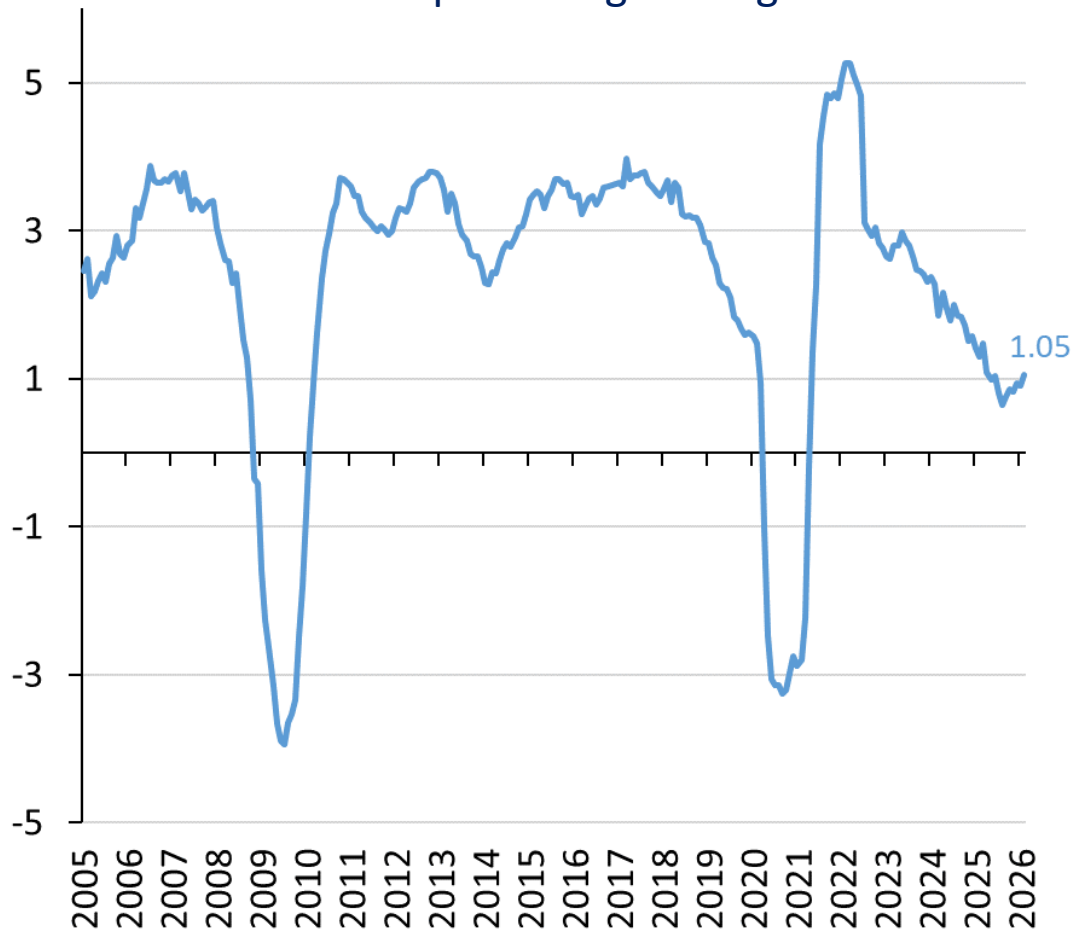
Annual percentage change



Source: Mexican Social Security Institute (IMSS). Data up to February 2026. *Real wage bill is the product of real wages and employment levels. From 2005 to the present, the average annual rate is 4.11%. Note: Only permanent employees are included. For December 2025, the value 0.88% (reported by the IMSS) is used as the monthly change in the associated daily wage.

Permanent formal employment registered with the IMSS

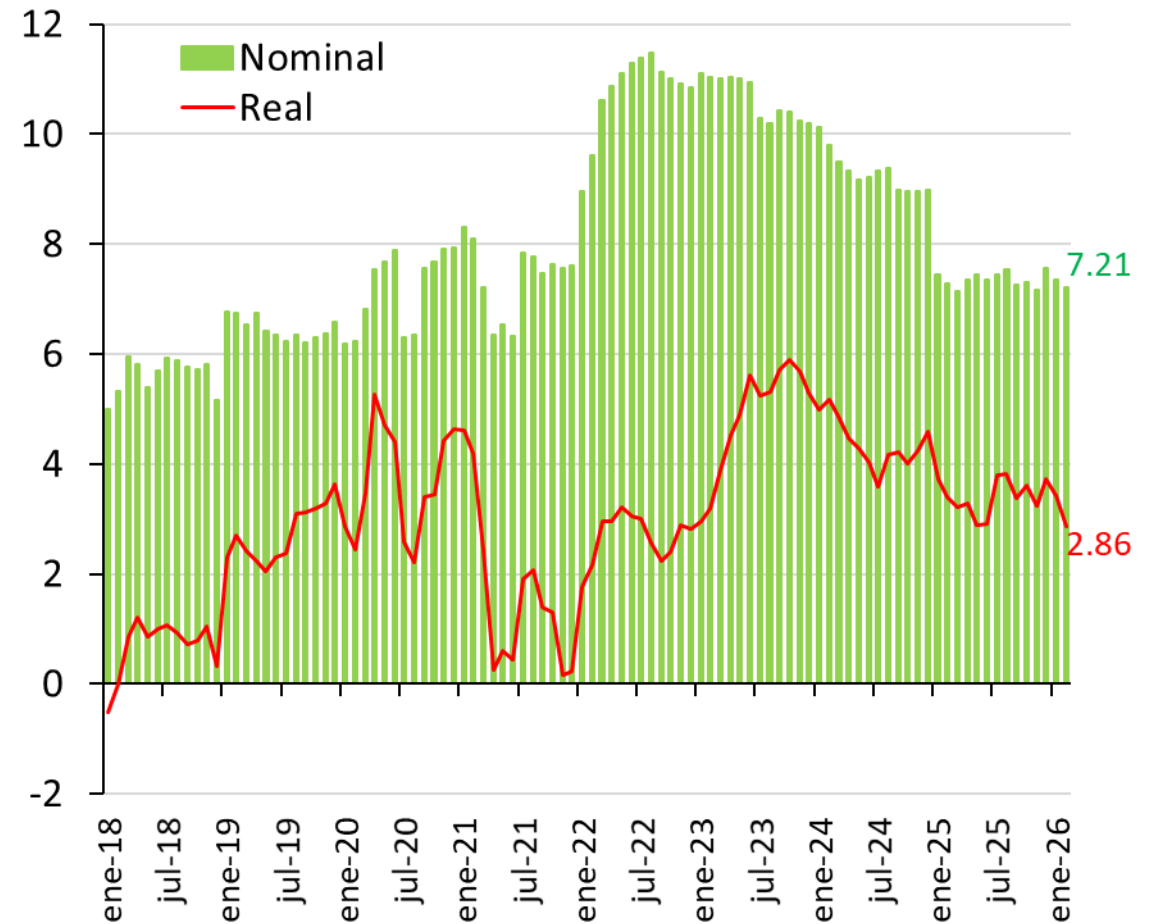
Annual percentage change



Source: Mexican Social Security Institute (IMSS).
Data up to February 2026.

Average wage of permanent workers (IMSS)

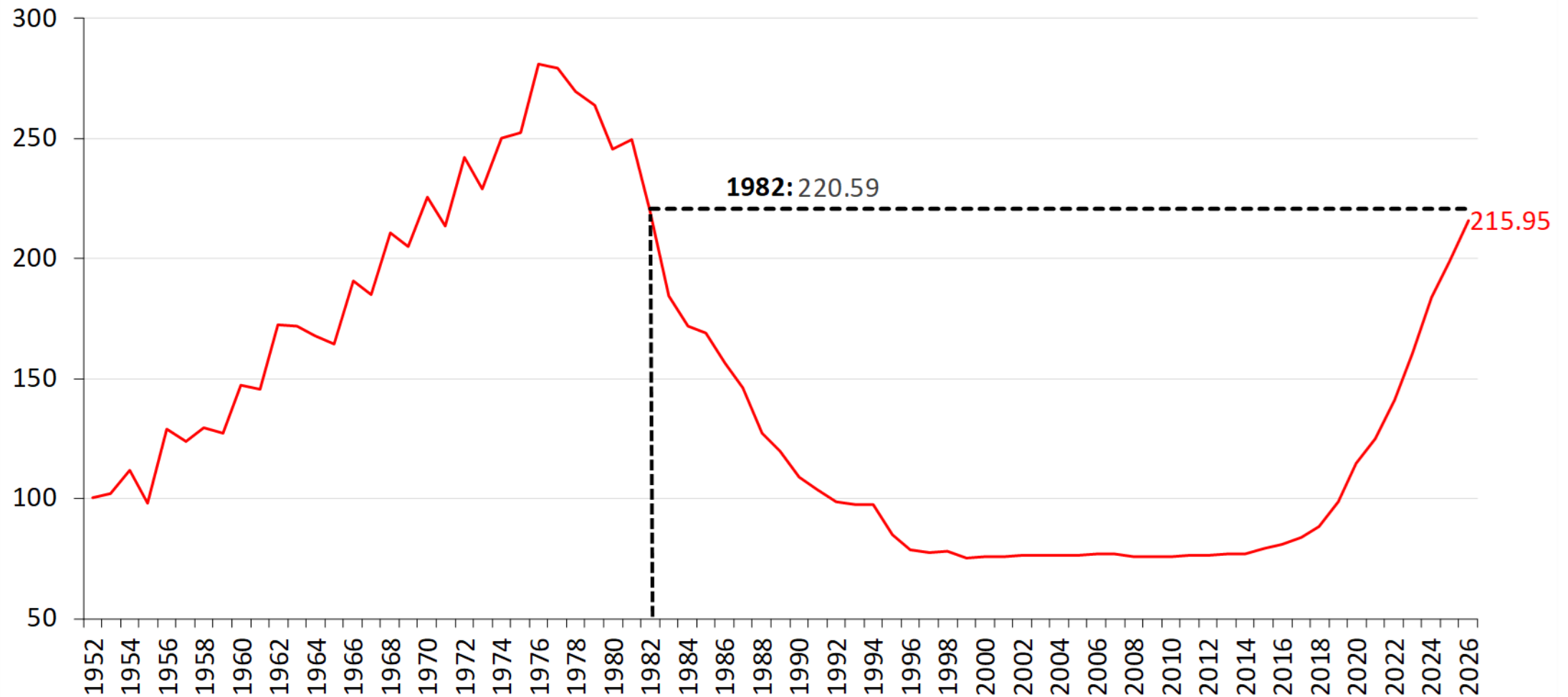
Annual percentage change



Source: Mexican Social Security Institute (IMSS). Data up to November 2025. For December 2025, the value of 0.88% (reported by the IMSS) is used as the monthly change in the associated daily wage.

Real minimum wage*

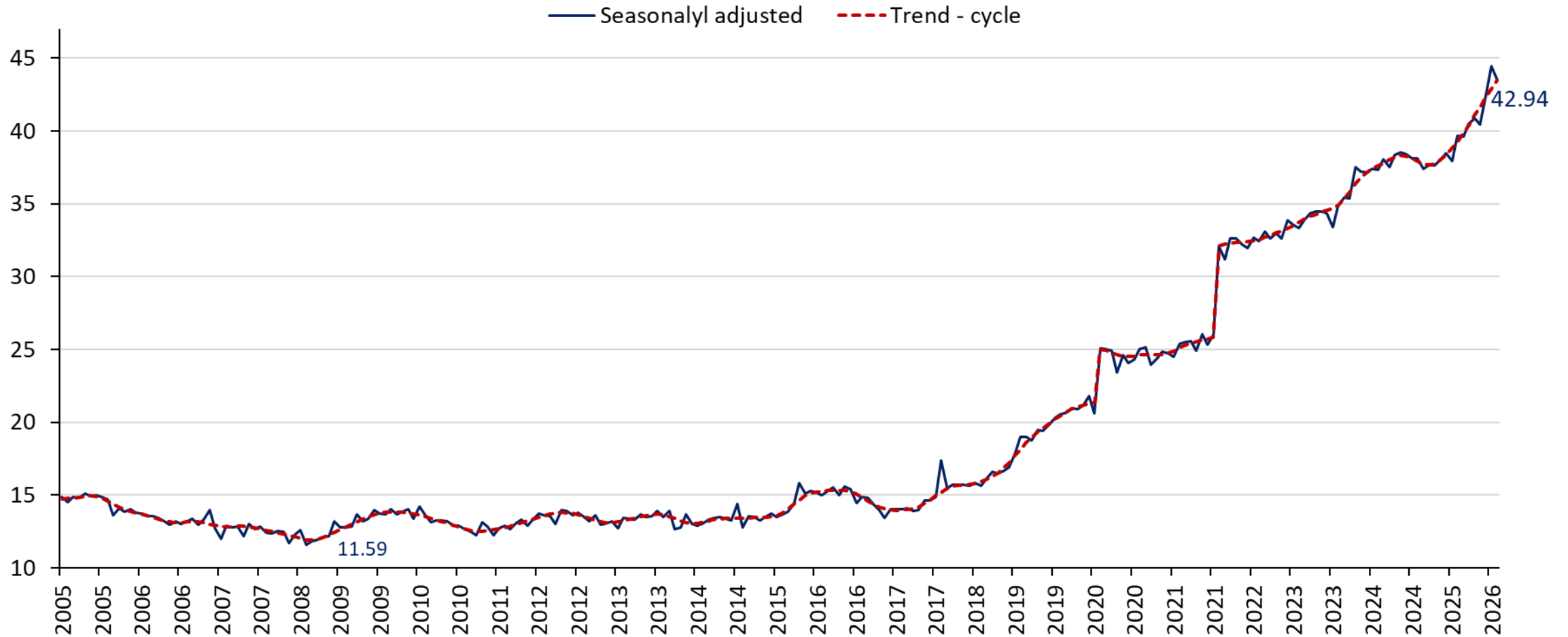
Real pesos 2H July 2018



Source: Own calculations based on data from INEGI and federal ministries. Data up to 2026. *Assumes an average inflation rate of 3.8% for 2026 which is consistent with our convergence inflation path.

Employed population with earnings less than or equal to one minimum wage*

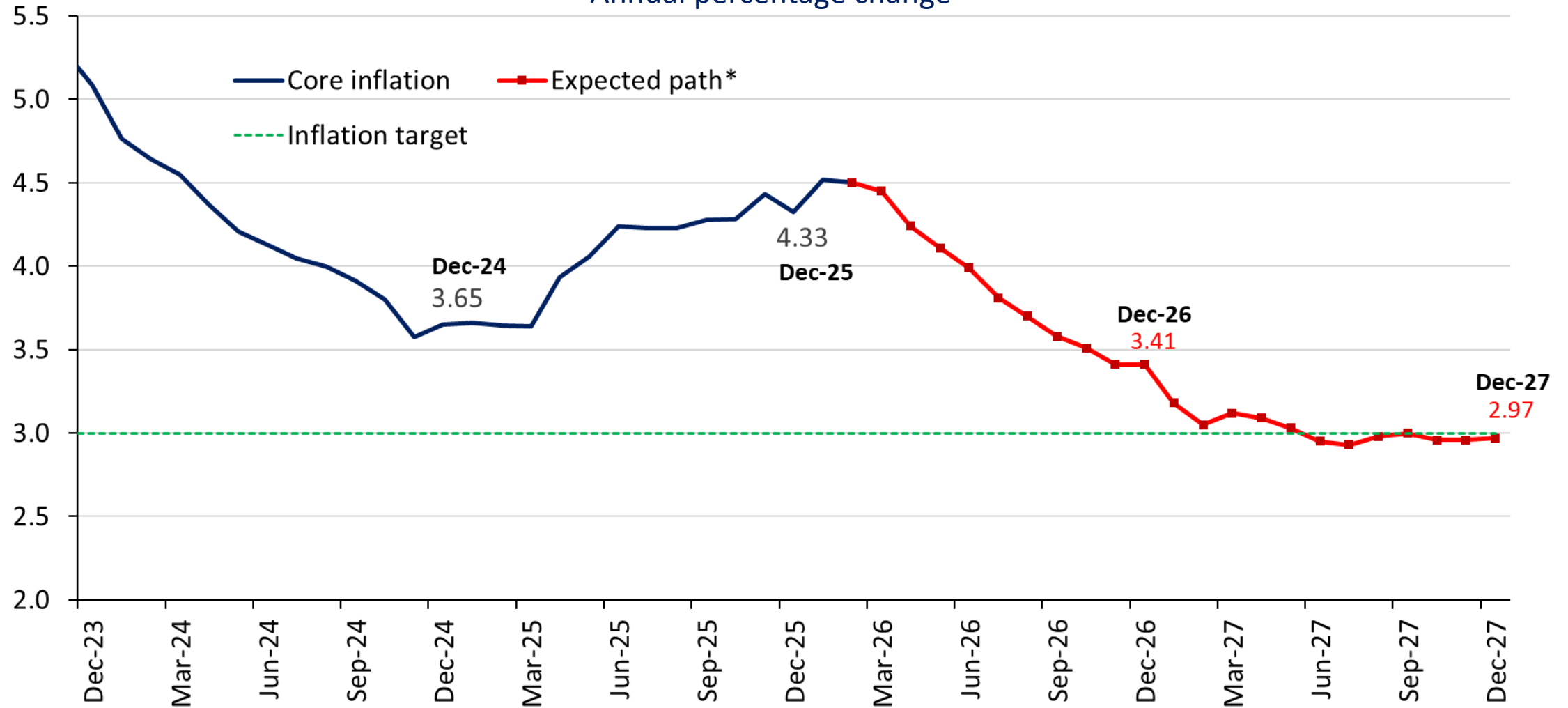
Percent of the employed population



Source: INEGI, Data up to February 2026. The minimum point corresponds to August 2008, at 11.59%..

Expected path of core inflation*

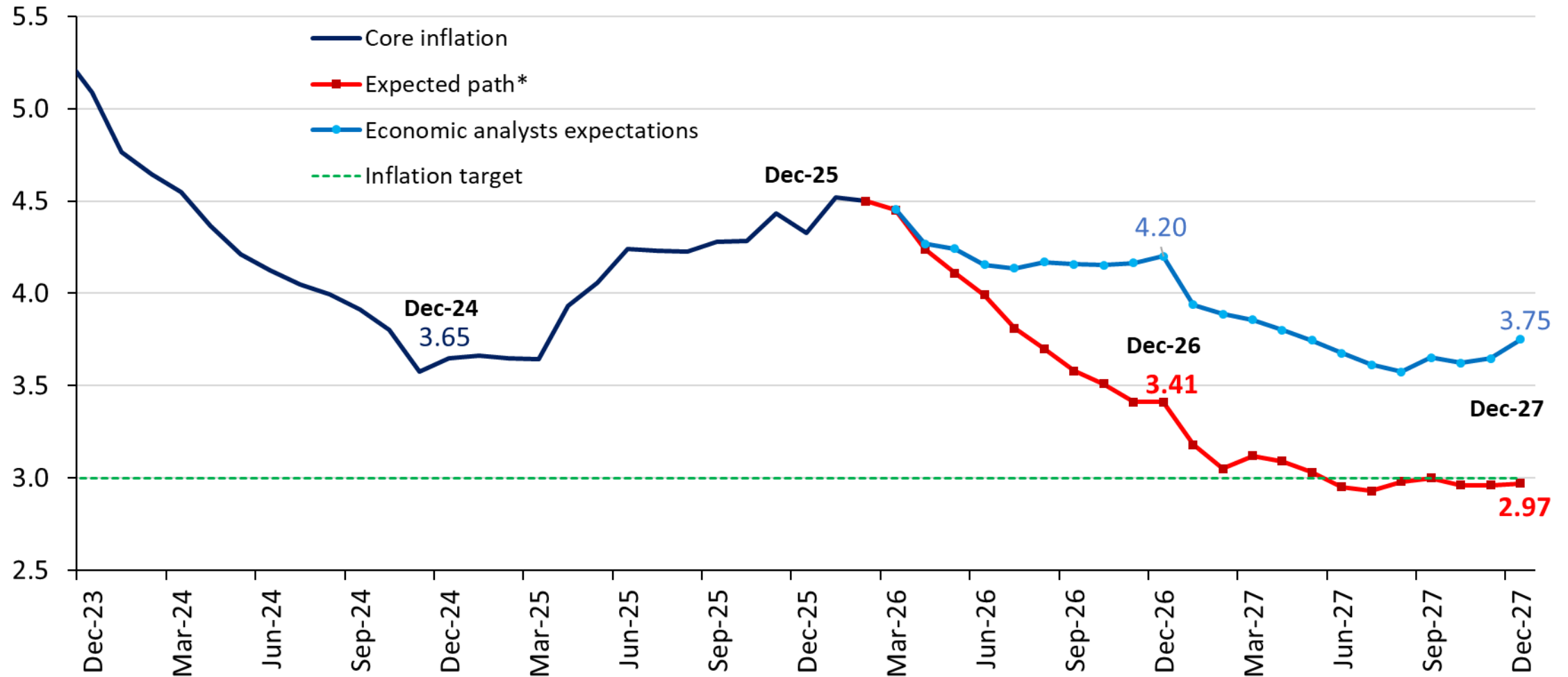
Annual percentage change



Source: Own estimates using INPC data. *Expected path as of March 26, 2026. Notes: Since 2003, a fixed target of 3% for headline inflation has been established with a variability range of +/- 1%.

Expected path of core inflation*

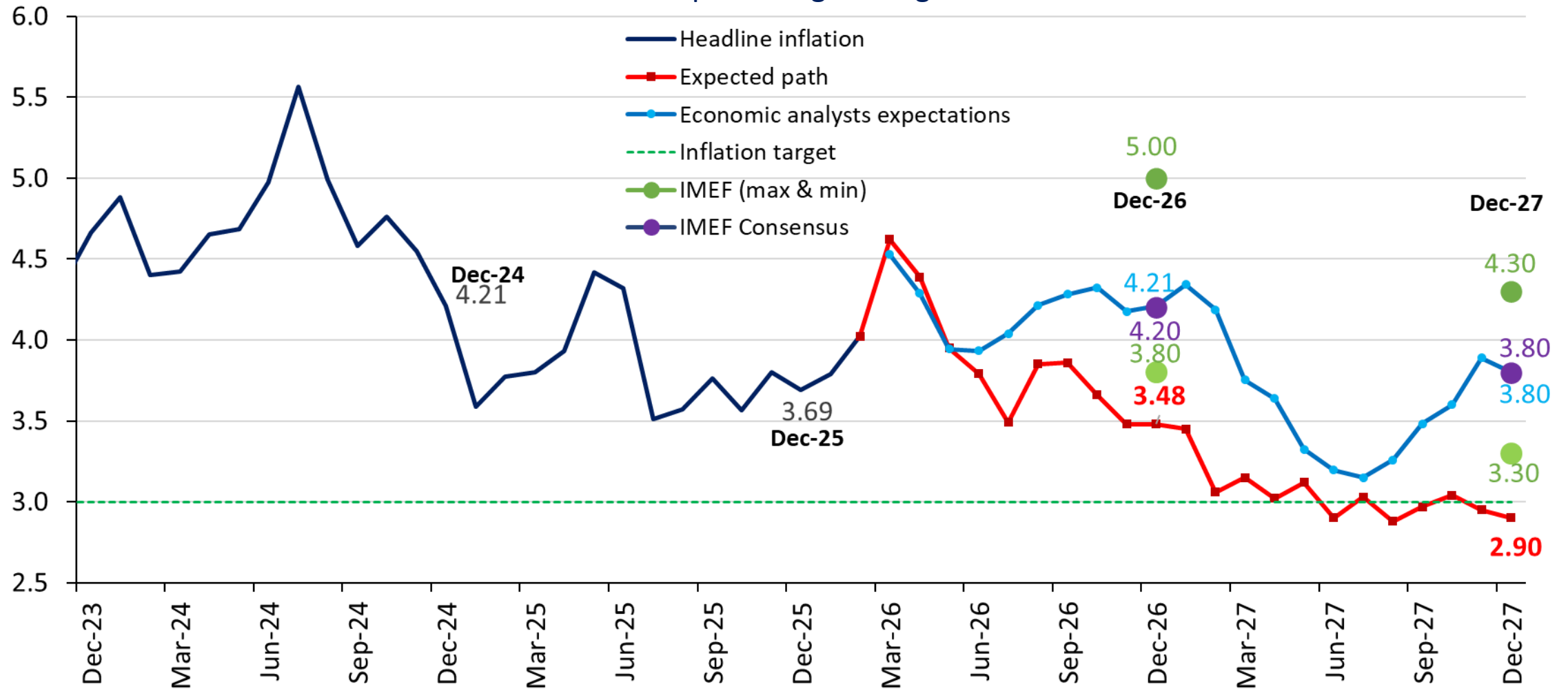
Annual percentage change



Source: Own estimates using INPC data and the Banco de México survey as of April 1, 2026. *Expected path as of March 26, 2026. Notes: Since 2003, a fixed target of 3% for headline inflation has been established with a variability range of +/- 1%.

Expected path of headline inflation*

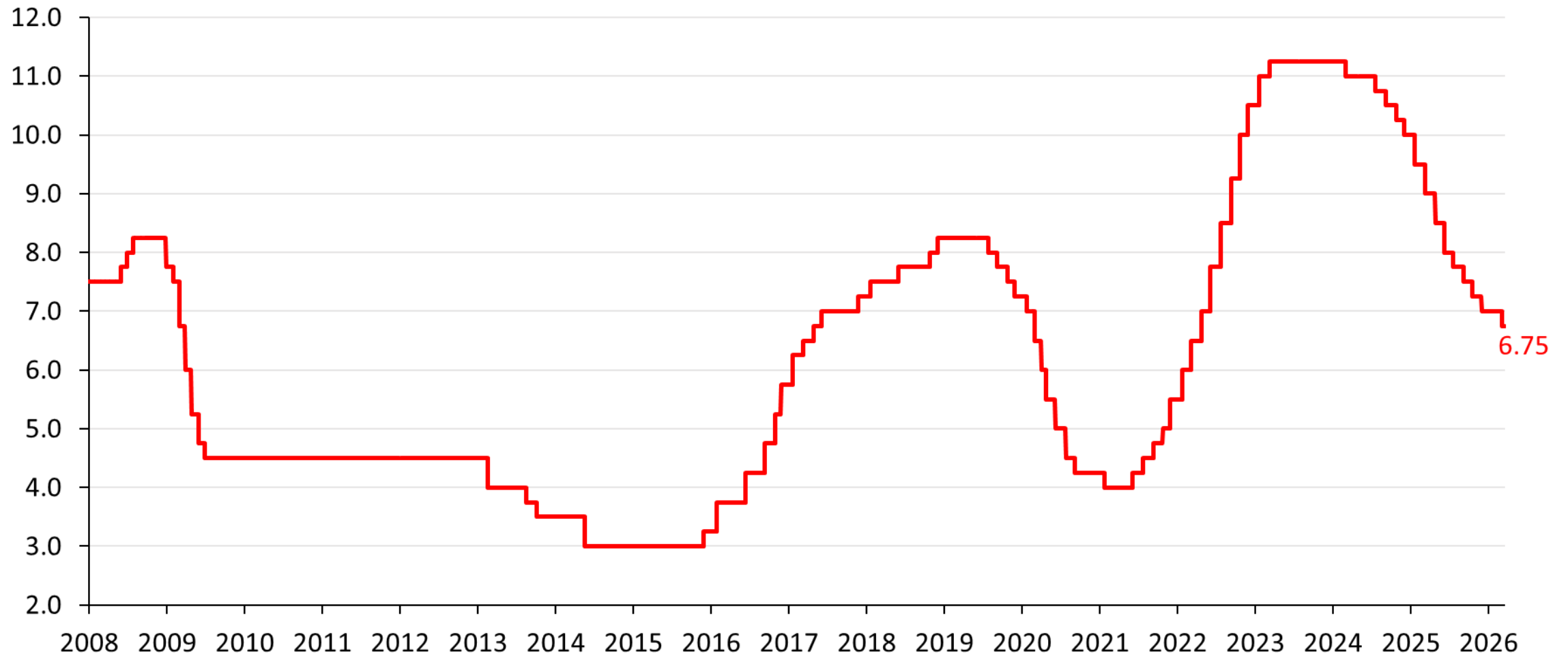
Annual percentage change



Source: Author's own estimates based on data from the INPC, the Bank of Mexico survey of April 1, 2026, and the IMEF expectations survey of April 2026. *Projected path as of March 26th, 2026. Starting in 2003, a permanent target of 3% was set for headline inflation, with a tolerance band of $\pm 1\%$.

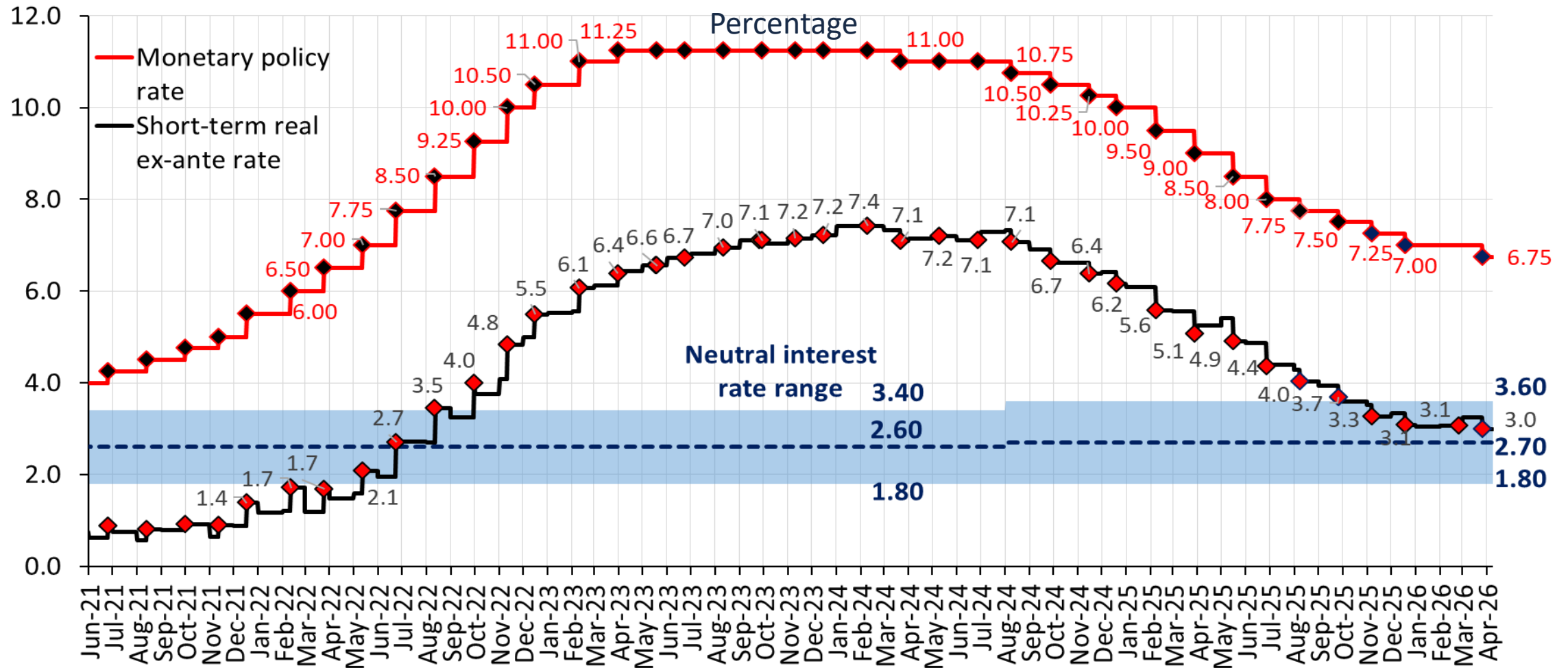
Monetary policy rate

Percentage



Fuente: Banco de México.

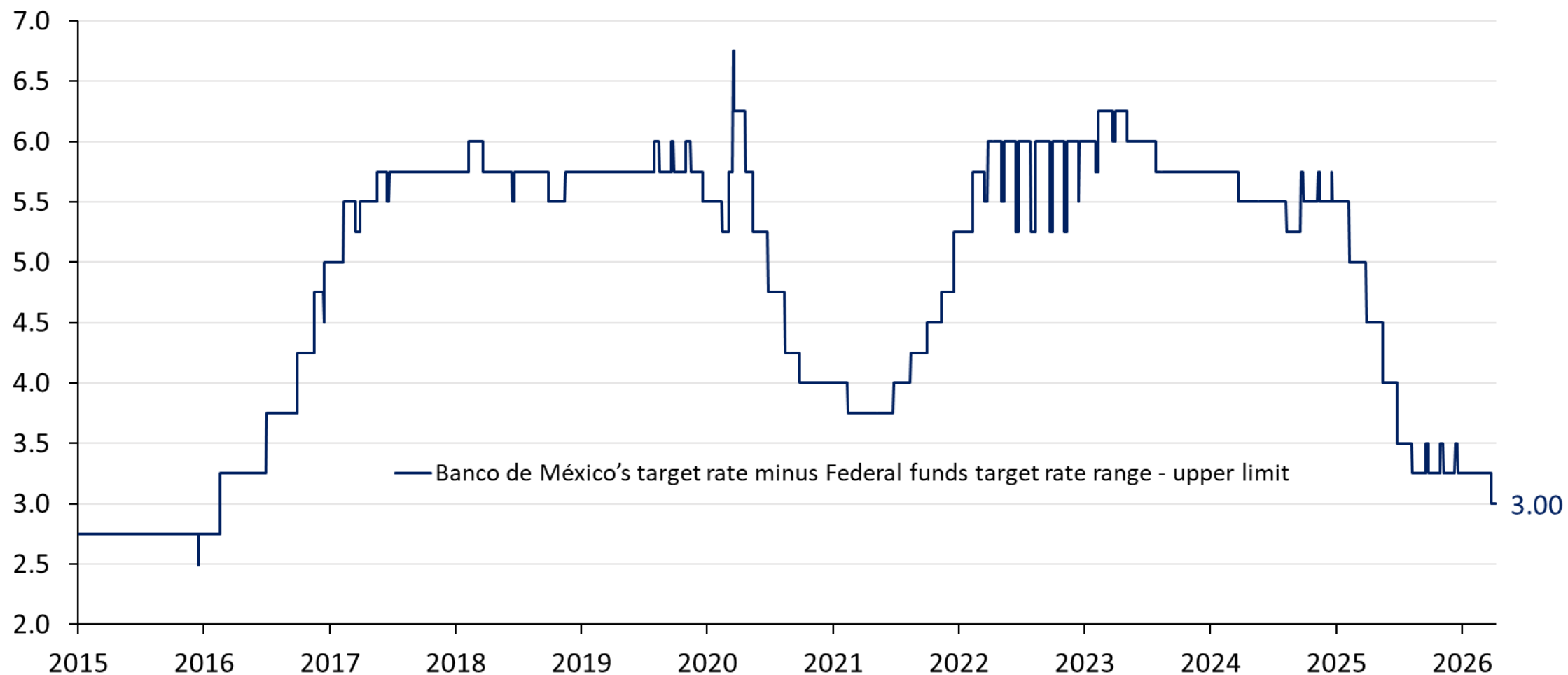
Monetary policy rate, short-term real ex-ante rate and neutral interest rate range*



Source: Banco de México. Data up to April 2026. *The short-term real ex-ante rate is calculated as the difference between the target interbank rate and the average 12-month inflation expectations derived from the Banco de México survey. The dashed line corresponds to the midpoint of the range for the neutral short-term real rate over the long term in real terms: (1) between August 2008 and May 2018, it is calculated between 1.70 and 3.30; (2) between August 2019 and July 2024, it is between 1.80 and 3.40; and (3) starting August 2024, it is updated to 1.80 and 3.60.

Monetary policy rate spread: Mexico and the U.S.

Percentage



Source: Banco de México. Data up to April 2026. The U.S. monetary policy rate is taken as the upper limit of the federal funds rate target range. The Federal Reserve began setting a target range for the federal funds rate in December 2008.



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