

December 18, 2025

Press release

## Monetary policy statement

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### **Banco de México's Governing Board decided to lower the target for the overnight interbank interest rate by 25 basis points to 7.00%, effective December 19, 2025.**

The rate of expansion of world economic activity is estimated to have continued declining in the fourth quarter of 2025 with respect to the previous quarter. Given the current trade tensions, the world economy as well as that of the United States are still anticipated to register lower economic growth this year and in 2026 with respect to 2024. In the major advanced economies, headline inflation has exhibited a differentiated behavior during the second half of the year, while core inflation has continued showing resistance to decline. The Federal Reserve lowered its reference rate by 25 basis points. Financial markets registered minor variations. The US dollar depreciated. US government interest rates decreased for most terms. Among the most relevant global risks are the escalating trade tensions along with the intensification of geopolitical turmoil and their possible impact on inflation, economic activity, and volatility in financial markets.

Since the previous monetary policy decision, Mexico's government interest rates increased for most terms. The Mexican peso appreciated. Economic activity is expected to have remained weak in the fourth quarter of 2025. The environment of uncertainty and trade tensions continues posing significant downward risks.

Between the first fortnight of October and the month of November, headline inflation increased from 3.63 to 3.80%, while core inflation, from 4.24 to 4.43%, mainly due to a rise in non-food merchandise inflation. Headline inflation expectations for the end of 2025 were revised slightly downwards, while those for longer terms continued relatively stable at levels above target.

Headline and core inflation forecasts were adjusted upwards for the fourth quarter of 2025 and subsequent two quarters. This adjustment responds mainly to a more gradual-than-expected reduction in services inflation, as the increase registered in merchandise inflation has a lesser impact on the forecast revision. Headline inflation is still expected to converge to the target in the third quarter of 2026 (see table). Forecasts are subject to the following risks. On the upside: i) depreciation of the Mexican peso; ii) persistence of core inflation; iii) cost-related pressures; iv) disruptions due to geopolitical conflicts or foreign trade policies, and v) climate-related impacts. On the downside: i) lower-than-anticipated economic activity; ii) a lower passthrough from increased costs, and iii) lower pressures stemming from the appreciation of the national currency. The fiscal adjustments are estimated to have a temporary effect, not necessarily proportional, on prices. Nevertheless, a comprehensive assessment of their impact will require incorporating additional information as it becomes available. In this regard, the Governing Board will evaluate updating the inflation forecast to reflect the effects associated with said measures more accurately. Although the balance of risks for the trajectory of inflation within the forecast horizon remains biased to the upside, said bias is less pronounced than that faced between 2021 and 2024. The

changes in economic policy by the US administration continue adding uncertainty to the forecasts. Their effects could imply inflationary pressures on both sides of the balance.

The Governing Board deemed appropriate to continue the rate-cutting cycle. This decision was consistent with the assessment of the current inflationary outlook. In particular, it took into account the behavior of the exchange rate, the weakness of economic activity, and the possible impact of changes in trade policies worldwide. It also considered the level of monetary restriction that has been implemented. Thus, with the presence of all its members, the Board decided by majority to lower the target for the overnight interbank interest rate by 25 basis points to 7.00%.

Looking ahead, the Board will evaluate the timing for additional reference rate adjustments. It will take into account the effects of all determinants of inflation. Actions will be implemented in such a way that the reference rate remains consistent at all times with the trajectory needed to enable an orderly and sustained convergence of headline inflation to the 3% target during the forecast period. The central bank reaffirms its commitment to its primary mandate and the need to continue its efforts to consolidate an environment of low and stable inflation.

Voting in favor of the decision were Victoria Rodríguez, Galia Borja, Gabriel Cuadra, and Omar Mejía. Jonathan Heath voted in favor of maintaining the target for the overnight interbank interest rate at 7.25%.

**Forecasts for Headline and Core Inflation**  
Annual percentage change of quarterly average indices

	2025				2026				2027			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
<b>Headline (CPI)</b>												
Current (12/18/2025) <sup>1/</sup>	3.7	4.2	3.6	3.7	3.7	3.3	3.0	3.0	3.0	3.0	3.0	3.0
Previous (11/06/2025) <sup>2/</sup>	3.7	4.2	3.6	3.5	3.5	3.2	3.0	3.0	3.0	3.0	3.0	3.0
<b>Core</b>												
Current (12/18/2025) <sup>1/</sup>	3.6	4.1	4.2	4.3	4.0	3.4	3.0	3.0	3.0	3.0	3.0	3.0
Previous (11/06/2025) <sup>2/</sup>	3.6	4.1	4.2	4.1	3.8	3.3	3.0	3.0	3.0	3.0	3.0	3.0
<b>Memo</b>												
<b>Annualized seasonally adjusted quarterly variation in percent<sup>3/</sup></b>												
Current - Headline <sup>1/</sup>	2.6	5.6	2.9	3.4	3.0	3.2	2.5	3.2	3.0	3.2	2.6	3.1
Current - Core <sup>1/</sup>	4.3	4.9	4.3	3.6	3.1	2.6	2.9	3.3	3.1	2.7	2.8	3.2

1/ Forecast starting in December 2025.

2/ Forecast starting in October 2025. See monetary policy statement of November 6, 2025. Forecast presented in the Quarterly Report July-September 2025.

3/ See [methodological note](#) on the seasonal adjustment process.

Source: INEGI for observed annual variation figures and Banco de México for seasonally adjusted figures and forecasts.

Note: Shaded areas correspond to observed figures.