



BANCO DE MÉXICO®

Minutes number 127

**Meeting of Banco de México's Governing Board on the occasion of
the monetary policy decision announced on September 24, 2026**

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FOREWARNING

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1. PLACE, DATE, AND PARTICIPANTS

1.1. Place: Meeting held by virtual means

1.2. Date of Governing Board meeting: September 23, 2026

1.3. Participants:

- Victoria Rodríguez, Governor
- Galia Borja, Deputy governor
- Gabriel Cuadra, Deputy governor
- Jonathan Heath, Deputy governor
- Omar Mejía, Deputy governor
- Edgar Amador, Secretary of Finance and Public Credit
- María Elena Méndez, Secretary of the Governing Board

Prior to this meeting, preliminary work by Banco de México's staff analyzing the economic and financial environment as well as the developments in inflation and the determinants and outlook for inflation was prepared and presented to the Governing Board (see Annex).

2. ANALYSIS AND RATIONALE BEHIND THE GOVERNING BOARD'S VOTING

International environment

Most members highlighted high geopolitical uncertainty that has prevailed in the global environment since the last monetary policy decision. Some members attributed said uncertainty primarily to the Middle East conflict. **One** member pointed out that concerns over the possible impacts of said tensions on global inflation and economic activity have resurfaced. **Another** member indicated that the repercussions of the conflict on the global economy are still not evident. However, he/she stated that they pose a risk that could materialize gradually, particularly in light of a prolonged duration of said conflict or its effects. He/she added that the above is exacerbated by uncertainty over the trade policy, which has

intensified at the margin, partly due to the escalation of tensions between the United States and Canada. In turn, **one** member sustained that the uncertainty stemming from the conflict has already affected the global economy to a certain degree. **Another** member specified that the balance of risks for global economic activity in 2026 remains biased to the downside. He/she emphasized that, while the oil market exhibited some capacity to adjust, given the growing importance of the United States, Latin America, and certain European regions as crude oil exporters, damage to infrastructure could delay the restoration of oil supply even in the event of a cessation of hostilities.

Most members commented that world economic activity is expected to have grown during the third quarter of 2026 at a slightly lower rate than that of the previous quarter. Some members observed that this likely reflected a slowdown in advanced economies' growth, while emerging economies are expected to have maintained a pace similar to that of the previous quarter. **One** member stated that Purchasing Managers' Indices suggest that the manufacturing sector has likely continued to expand globally, albeit with some moderation in advanced economies, while the services sector is estimated to have rebounded. **In the case of the United States, most members emphasized the dynamism of its economic activity, supported by non-residential investment. Among other factors, they associated this behavior with investment in the technology sector. One** member underlined that investment in equipment related to Artificial Intelligence (AI) development and the infrastructure needed for its implementation are estimated to have continued contributing favorably to the expansion of domestic demand. Nevertheless, he/she commented that a negative contribution from net exports is anticipated. He/she mentioned that, during the third quarter of 2026, economic activity is estimated to have moderated in the euro area and to have accelerated in China, in both cases compared to the previous quarter. **Some** members pointed out that the global economy is anticipated to grow in 2026 at a lower rate relative to 2025. **One** member indicated that US growth projections remain stable and its economy is anticipated to grow at a rate similar to that in 2025. He/she specified that said growth would be greater than in most of the other advanced economies. He/she mentioned that economic growth projections in the euro area were revised to the upside, although said region is expected to register a lower expansion than in 2025. He/she added that growth projections for the Chinese economy were

revised downwards and said economy is still expected to decelerate in 2026 compared to 2025.

Most members mentioned the impact of geopolitical conflicts on commodity prices. **One** member stated that the escalation of geopolitical tensions translated into generalized increases in these prices. **Another** member pointed out that oil prices were subject to pressures amid the escalation of the Middle East conflict, reflecting the decompression of the geopolitical risk premium. **One** member highlighted the impact on prices stemming from restrictions on maritime traffic and attacks on energy infrastructure in countries bordering the conflict zones. He/she added that the Brent crude oil price once again rose above 100 US dollars per barrel, while refining margins exceeded their 2022 levels. He/she indicated that prices of other oil-derived products, such as diesel, reached record highs, while sea freight costs and polyethylene and polypropylene prices remained close to their maximum levels since 2022. He/she mentioned that there were lesser buffers against price increases as a result of the decline in global energy reserves. **Another** member specified that, in light of a prolonged duration of the conflict, supply disruptions could worsen due to a limited size of inventories and strategic reserves. He/she detailed that the above is further aggravated by attacks on refineries in Russia, which have reduced global diesel production and exports. **Some** members added that pressures could intensify towards the end of the year due to the seasonal increase in energy demand. As an additional risk, **one** member noted the expansion of AI data centers, which are associated with high energy demand. He/she also pointed out that corn and wheat prices reached levels unseen since July 2023, in response to the escalation of the Russia-Ukraine military conflict.

Some members observed that in several major advanced economies headline inflation recently rebounded mainly due to the rise in energy prices, while core inflation exhibited persistence. They also indicated that in the major advanced economies headline inflation remained above the respective central banks' targets. **One** member stated that the effects of the energy-related shock remained contained, with no evidence of second-round effects on price formation. He/she commented that the previous declines in international benchmark energy prices were reflected in lower inflation readings. He/she argued that, given the above and since inflation expectations are anchored, the increase in inflation is still expected to be temporary. He/she highlighted that, while persistent, core inflation

declined in some economies from the levels observed at the end of the first quarter. **Another** member pointed out that, so far, the effects of the military conflict have been most clearly reflected in certain components of inflation, especially in the most exposed economies. He/she specified that said effect on emerging economies was overall limited. Regarding inflation in the United States, **some** members emphasized that it was at levels similar to its previous reading and below the maximum level registered in May. **One** member detailed that in August headline inflation, as measured by the Consumer Price Index (CPI), after having decreased since May, it remained at 3.4% due to a rise in energy inflation that was offset by declines in both food inflation and core inflation. He/she added that core inflation in the United States decreased slightly between July and August, associated with a more moderate rise in merchandise prices, while services inflation remained stable. He/she considered that tariff increases, rising energy prices, and short-term demand pressures associated with investment in the technology sector are shocks that US inflation has faced. **Some** members mentioned that in the euro area headline inflation increased at the margin, reflecting the higher levels of energy inflation. **One** member noted that said economy is more dependent on energy imports from the Middle East region. As for inflation in emerging economies, **some** members stated that headline inflation also increased in the latest readings of several economies, while core inflation continued showing some persistence overall. Nevertheless, **one** member indicated that said index has declined in some emerging economies. **Another** member pointed out that in both groups of economies the convergence of inflation to the target continues being delayed.

Most members noted that some of the main central banks in advanced economies as well as some of those of emerging economies increased their reference rates. **One** member specified that these central banks have adopted a more cautious tone. He/she noted that they have reiterated their commitment to achieving their inflation targets and stated that they stand ready to act if necessary. **Another** member indicated that they responded promptly to the impact of the global energy crisis, as well as to idiosyncratic factors. **One** member expressed that the heterogeneous impact of the conflict on the economies has led to differentiated monetary policy stances across the major central banks. He/she pointed out that the central banks of England, Canada, and Chile kept their reference rates unchanged, reflecting policy responses consistent with the conditions in each economy,

particularly the extent to which rising energy prices have passed onto inflation and their respective cyclical positions. He/she stated that it is relevant for monetary policy responses to continue being calibrated according to the developments in each economy.

All members underlined that the Federal Reserve raised its target range for the federal funds rate by 25 basis points, from 3.75 to 4.00%. One member sustained that said decision seeks to prevent second-round effects derived from the observed shocks. Another member mentioned that the above was due to a more persistent inflation and asserted that a more restrictive rhetoric has reinforced expectations of reference rate increases. Some members specified that, based on the Federal Open Market Committee's (FOMC) new projections, a further 25-basis-point increase is anticipated this year. One member added that the median of these projections suggests that the reference rate will remain unchanged in 2027, although eight of the eighteen members anticipate an additional rate increase. Most members emphasized that the Federal Reserve reiterated in its statement that economic activity is expanding at a solid pace. One member pointed out that the Committee underscored that said performance is supported by resilient domestic spending, strong productivity growth, and robust capital investment, along with a sound labor market. Some members asserted that the statement also warned about the persistently high inflation and the significant uncertainty associated with geopolitical developments. One member added that the chair of the Federal Reserve noted a lack of significant improvement in inflation and attributed part of the recent rise in market interest rates to stronger economic activity, greater competition for capital, and geopolitical factors. Another member mentioned that said chair reaffirmed the commitment to maintaining price stability and reiterated that his criterion is for core inflation to follow a clear downward trend, at an adequate pace, consistent with the target. He/she commented that the chair of the Federal Reserve stated that current financial conditions in the United States cannot be described as restrictive and that the purpose of the decision to slightly withdraw the monetary stimulus is for the evolution of financial conditions to be consistent with its dual mandate.

One member stated that international financial markets were highly sensitive to the escalation of

geopolitical tensions in the Middle East and in Eastern Europe, given the extended duration of said conflicts and their macroeconomic implications. **Another member pointed out that markets also responded to other factors, including expectations regarding monetary policy decisions and concerns about debt levels in various economies. The majority agreed that, since the previous monetary policy decision, the US dollar appreciated moderately. One member pointed out that the Japanese yen appreciated considerably following the authorities' joint intervention. Meanwhile, another member recalled that, from a lower-frequency perspective, the US dollar has exhibited structural weakness, reflecting the state of US public finances and the lack of confidence generated by the economic policies implemented by the current administration, particularly regarding international trade. The majority noted the widespread increases in the yield curves of government bonds in advanced economies. One member stated that said increases were partly due to rising energy prices and to a rebound in global inflation. He/she highlighted that, in several countries, long-term interest rates attained their highest levels in decades. Another member mentioned that, in the case of US bonds, their widespread rise could be driven primarily by investment in AI, which would lead to both higher competition for capital flows and an increase in the expected real interest rate. He/she added that stock market indices showed volatility, although they have continued to be driven by the dynamism of the technology sector.**

Economic activity in Mexico

Some members mentioned that economic activity rebounded in the second quarter of 2026. One member commented that GDP data for that quarter confirmed a seasonally adjusted quarterly increase of 1.42%, the highest growth rate recorded since the first quarter of 2022, although it was lower than the GDP flash estimate of 1.51%. Regarding Mexico's GDP flash estimate for the third quarter of 2026, some members mentioned that the Mexican economy is anticipated to have moderated its rate of expansion with respect to the previous quarter. One member added that the sharp disparity between secondary and tertiary sectors has shown signs of stabilizing. He/she highlighted the importance of assessing these trends to anticipate the potential effects on the labor market. Another member considered that the economic recovery has been heterogeneous, with growth concentrated in specific components of aggregate supply and demand.

One member mentioned that industrial activity continued to recover at the beginning of the third quarter of 2026. **Some** members agreed that it kept exhibiting heterogeneous dynamics across its components. They indicated that construction continued exhibiting dynamism, while manufacturing recovered moderately. In this regard, **one** member specified that improvement in the manufacturing sector was concentrated in specific sectors, such as computer equipment and oil-derived products. As for services, **another** member noted that they resumed their growth trajectory during the second quarter of 2026. **One** member pointed out that, based on the latest information, their growth continued to be driven primarily by an improvement in wholesale trade, while the rest of the services sector registered moderate and mixed adjustments. He/she specified that the performance of services associated with the World Cup, such as accommodation, food preparation, and recreation services, was in line with a limited impact of said event. **Another** member commented that during the second quarter of 2026 primary activities more than offset the decline observed in the first quarter, reaching high levels.

On the aggregate demand side, **one** member pointed out that private consumption, investment, and exports provided certain support during the first semester of the year. Meanwhile, **another** member considered that domestic spending components keep exhibiting sluggishness. **One** member mentioned that during the second quarter of 2026 private consumption reverted the fall observed during the first quarter. **Some** members pointed to the weakness of this component. **One** member noted that it grew 0.8% between January and June, which represented a deceleration relative to the previous semesters. He/she added that this behavior reflected a balance between a 1.8% rebound in domestic goods consumption, on the one hand, and near-zero growth in domestic services and imported goods, on the other. From a longer-term perspective, **another** member sustained that consumption of domestically produced goods and services has fluctuated without exhibiting a clear trend, remaining stagnant over the past year and a half. He/she attributed this performance to a weakness in the determinants of said consumption, noting that remittances in constant pesos have continued to decline. He/she pointed out that the purchasing power of remittances has declined by more than 20% over the past year and a half. He/she added that the prevailing uncertainty could be affecting consumption dynamics by inducing precautionary savings. In this respect, he/she mentioned that econometric analyses

suggest that durable goods consumption is affected by uncertainty-related shocks.

With respect to gross fixed investment, **some** members noted its recent dynamism. **One** member added that during the second quarter of 2026 it increased considerably, reaching its highest level since the first quarter of 2025. **Another** member reported a 5.5% growth in investment between January and June 2026, in part due to the favorable performance of the construction sector. Meanwhile, **one** member considered that gross fixed investment continues showing weakness in an environment where the overall Business Confidence Index has remained below the 50-point threshold for 18 months. He/she argued that, despite a rebound at the margin, it is coming from low levels and is far from offsetting the cumulative decline observed since August 2024. He/she indicated that the recent recovery has been driven primarily by non-residential construction and, when disaggregated by sector, by public investment. As for investment in machinery and equipment, **some** members emphasized that investment in domestically produced machinery and equipment has remained weak, while investment in imported machinery and equipment has increased. **One** member detailed that the latter has stabilized during 2026 and has increased at the margin. He/she clarified that investment in machinery and equipment is not necessarily intended to expand capacity utilization, but could rather be seeking to replace depreciated capital. He/she stated that the divergence between investment in imported machinery and equipment and that in domestic machinery and equipment may be attributed to the sharp appreciation of the currency. He/she added that, while investment in imported goods allows to replace capital goods that have worn out, it is an expense that does not generate demand among domestic manufacturers of capital goods. In other words, the spillover effect on the rest of the Mexican economy is limited.

Regarding external demand, most members highlighted the recent dynamism of exports. **One** member underlined that in July manufacturing exports were driven by non-automotive exports, which continued growing at high rates, while automotive exports showed signs of an incipient recovery. **Another** member pointed out that exports grew by 11.8% during the first half of the year, reflecting the preferential access to the US market through the USMCA and an increased demand for technological equipment. In turn, **one** member considered that, although exports have increased significantly, mainly in non-automotive

manufacturing and especially in electronics and computers, the impact on domestic economic activity has been moderate due to their low value added. He/she noted that, in this sector, Mexico is positioned at the final stage of the production chain, which consists of assembling imported components and exporting assembled goods to the US market, while Mexico's participation in the stages with higher value added, such as technology design and component manufacturing, is limited. He/she added that the main factor determining its performance is industrial production in the United States and, especially, non-residential investment in AI projects. He/she mentioned that currency appreciation has a limited impact on the computers and peripheral equipment industry because, while it makes final products more expensive, it also lowers the cost of imported inputs.

Some members indicated that growth expectations for 2026 have been revised upwards. **Some** members pointed out that economic activity is currently anticipated to expand at a rate of 1.5%. **One** member stated that, based on the recent developments in economic activity, growth forecasts for 2026 were revised from a previous level of 1.1%. **Another** member added that a moderate and gradual acceleration of quarterly growth rates is also expected for the remainder of the forecast trajectory. **One** member considered that, although growth in 2026 is expected to be greater than in 2025, the economy would continue exhibiting weakness. He/she recalled that, between 2000 and 2019, before the pandemic, average growth was close to 2% annually and noted that in 2026 the economy would accumulate three consecutive years growing below said rate. **Most members commented that economic slack is expected to persist.** **One** member expressed that the balance of risks for economic activity remains biased to the downside. **Another** member pointed out that risks associated with trade uncertainty and the Middle East conflict prevail. In this regard, he/she specified that a prolongation of said conflict could affect global economic activity and thus external demand.

Some members agreed that the labor market continues exhibiting weakness. They highlighted that the labor force participation rate kept decreasing, while the employment rate in the informal sector continued increasing. **One** member noted that, although the number of jobs registered with IMSS expanded somewhat, their most recent annual variation was at the 20th percentile of the pre-pandemic distribution. **Another** member emphasized that the employment-to-working age-population ratio has continued trending downwards.

Inflation in Mexico

All members mentioned that between the first fortnight of July and the first fortnight of September 2026, headline inflation rose from 3.10 to 3.42%. Most members pointed out that this was due to an increase in non-core inflation. **Some** members noted that, despite the referred increase, recent headline inflation readings are among the lowest since mid-2020. **One** member observed that in August headline inflation was lower than anticipated, as it was in the previous three months, and in its current reading it remains around the 3% target. **Most members underlined that headline inflation has been within the variability interval since May 2026.** **One** member added that, over the past year and a half, it has remained within said interval most of the time. He/she pointed out that in 2025 it fell within the interval in 10 out of 12 months of the year, and in 2026 so far it has done so in five of the eight months. **Some** members commented that headline inflation readings continue being driven by the unusually low levels of the non-core component.

Most members pointed out that between the first fortnight of July and the first fortnight of September core inflation decreased from 3.95 to 3.79%. They emphasized that it continued trending downwards. **Some** members recalled that core inflation reflects the headline inflation trend more accurately. **Some** members underscored that core inflation has continued declining since its recent peak of 4.52% attained in January 2026. **One** member indicated that this performance has also been observed in annualized monthly variations. He/she explained that, while these averaged 4.65% between January and March, over the last three months their mean was 3.16%. He/she added that the share of core inflation items with annualized monthly inflation rates of 3% or less has increased from 39.1% in January to 47.1% in August. **Another** member mentioned that during that month core inflation was lower than anticipated, just like in the previous three months. **One** member highlighted that core inflation readings have accumulated six fortnights within the variability interval and its subcomponents showed smaller fluctuations during that time. Meanwhile, **another** member considered that the recent decline in core inflation was moderate. **Most members noted that the decline in core inflation has been supported by the decrease in merchandise inflation. They expressed, in contrast, that services inflation continues exhibiting persistence.** **One** member noted that the three-month moving average of the annualized

seasonally adjusted monthly inflation rates of merchandise and services were at 2.50 and 3.83% in the first fortnight of September, respectively. He/she added that the above indicates that, once the arithmetic effect of the interannual comparison is eliminated, both components show lower inflation readings, which, in addition, have been following a downward trend.

Most members noted that the impact on inflation of the fiscal modifications adopted at the beginning of the year has been as expected.

Some members observed that the increase in the prices of the affected goods was one-off and did not generate second-round effects. **One** member mentioned, however, that the fiscal measures have affected the measurement of inflation considerably. He/she indicated that the counterfactual analysis suggests that, if those tax modifications had not been implemented, annual headline inflation would currently be at the 3% target and annual core inflation would be around its historical average of 3.65%.

Some members commented that food merchandise inflation continues being affected by a base effect associated with the tax modifications, which is anticipated to dissipate in early 2027. Regarding the tariffs that have been imposed on countries without trade treaties since the beginning of this year, they expressed that no impact of these measures on inflation has been observed yet.

Most members highlighted the decline in merchandise inflation since the beginning of the year, as it shifted from 4.56% in January to 3.22% in the first fortnight of September. One member indicated that this is due to the decline in food merchandise inflation and to lower levels of non-food merchandise inflation, in light of the resilience of the exchange rate. **Regarding merchandise components, most members highlighted the decline in food merchandise inflation during the same period, which shifted from 6.13% in January to 4.59% in the first fortnight of September. Some** members considered that said decline derives from the fading of supply-related shocks, which affected international food prices in 2025. **One** member indicated that among the CPI items that have contributed to this decline, animal-based products stand out. **Another** member noted that empirical evidence suggests that said shocks to international references are gradually passed on to processed foods inflation. **One** member pointed out that, although inflation of this segment has recently been below its pre-pandemic average of 5.4%, its components exhibit a heterogeneous behavior. He/she argued that over one-third of this subindex

registers inflation rates below 3%, although a comparable proportion is above 5%. **Another** member recalled that the price index of this component rose at the beginning of the year due to excise taxes on sweetened beverages and cigarettes, without generating second-round effects. He/she explained that counterfactual estimates suggest that this arithmetic effect accounts for about 100 basis points of the annual inflation rate of said component.

Most members emphasized the low levels of non-food merchandise inflation, which registered 2.03% in the first fortnight of September, after recording 3.22% in January. One member attributed this decline to the fading base effects resulting from front-loading US imports in the first quarter of 2025 in anticipation of tariff imposition, which exerted upward pressures on merchandise prices through higher international benchmarks. He/she added that, although the seasonally adjusted monthly variations had increased during the first half of 2025, they normalized in the second semester of that year, while its impact on the annual inflation measure remained. **Another** member pointed out that, in its recent reading, non-food merchandise inflation was below the 25th percentile of its historical distribution.

Most members pointed out the marginal decrease of services inflation, which stood at 4.33% in the first fortnight of September. Some members noted that it has declined 15 basis points since January. **Some** members highlighted that the persistence in this component is a global phenomenon. **One** member specified that this subindex remains above its pre-pandemic average in a number of economies. **Some** members agreed that this is due to gradual adjustments in relative prices. **One** member attributed part of these adjustments to shifts in consumption patterns that have driven the demand for certain services, such as food, entertainment, and healthcare upwards. He/she detailed that this does not reflect widespread demand-side pressures. He/she indicated that said changes can generate gradual relative price shocks, whose effects on inflation may continue for an unknown period of time. **Another** member noted that inflation of this component remains strictly above 4% and has not exhibited significant declines recently. **One** member considered that said persistence remains high. **Another** member pointed out that the weakening of economic activity has affected services with a certain lag. However, he/she stated that the graduality of its moderation suggests that other factors are limiting said effect. In this regard, **some**

members highlighted that prices dynamics in this component exhibit high heterogeneity. **One** member noted that the cost structure of various sectors affects the sensitivity of services inflation to the weakness of economic activity. He/she mentioned that food services inflation is associated with the cost dynamics of intermediate inputs, while inflation of other services is more associated with the performance of economic activity. He/she added that in accordance with the above, evidence from an econometric model suggests that food services inflation does not respond to decreases in the pace of economic activity, in contrast to the rest of services. He/she recalled that this is consistent with what has been observed since 2024, when the output gap entered into negative territory. He/she also mentioned that the heterogeneity in the frequency at which firms modify their prices is relevant, indicating that nearly 20% of the services basket corresponds to items that adjust their prices only once or twice a year. He/she stated that the low frequency in price adjustments can delay the response to economic conditions, generating greater persistence in the fading of shocks. He/she detailed that, after excluding food services and those services that adjust their prices with low frequency, inflation of the remaining items has decreased in line with economic activity and registered nearly 3%.

Regarding the services components, **some** members noted that housing remains above its 2025 levels. **One** member added that, given the above, it is not evident that disinflation of this component has resumed its course. He/she highlighted that this persistence is not specific to Mexico, but is also observed in various economies and could be explained by greater costs in construction inputs, as well as by the inertia related to the periodicity in the collection of information and the price-setting of rental property. **Another** member mentioned that as for the education services component, seasonal pressures associated with the school year cycle were observed. **One** member indicated that inflation in this component is at a similar level to that of September 2025. He/she argued that its dynamics could be reflecting structural changes in the education market associated with demographic change, including the decrease in the fertility rate observed in the last intercensal survey. He/she added that in elementary and high school education the student-to-teacher ratio and the number of students per class have both declined, exerting upward pressures on tuitions. He/she added that in higher education both the number of schools and students have increased considerably, while the teaching staff has remained stable, thus generating greater competition for

teachers in higher education and exerting upward pressures on tuitions. Regarding inflation of services other than housing and education, **some** members pointed out that it rebounded marginally. **One** member stated that it went from 4.83% in the first fortnight of July to 4.84% in its latest reading. However, he/she added that, considering the above, it accumulates six consecutive fortnights below 5%. He/she highlighted that, since its peak in May, its annual variation has decreased nearly 50 basis points. He/she indicated that food services inflation contributed with almost half of said decrease, resuming a downward trend after remaining at high levels in 2025. In contrast, **another** member commented that food services inflation remains high, despite the favorable contribution of food merchandise inflation. **One** member highlighted that food services account for two thirds of the deviation of the inflation of services other than housing and education relative to their historical average.

Most members stated that between the first fortnight of July and the first fortnight of September 2026 non-core inflation increased from 0.21 to 2.17%. One member mentioned that said component continued exhibiting its usual volatility. Most members pointed out that non-core inflation remains at levels lower than those of April partly due to the fading of some supply-related shocks. Some members highlighted the case of fruit and vegetables and one member mentioned that of livestock products. Regarding the former, he/she recalled the rise in tomato prices, which had a significant incidence in March and April and whose shock was associated with commercial and climate-related factors. He/she added that, as expected, its effects began to reverse as the supply of tomato normalized. Regarding the components of non-core inflation, most members noted that inflation of agricultural and livestock products increased to 0.35% in the first fortnight of September. One member indicated that the annual variation of fruit and vegetables prices rose from 1.55 to 7.91% between the first fortnight of July and the first fortnight of September 2026, while that of livestock products went from -6.86 to -4.64% during that period. Some members commented that the reading of fruit and vegetables inflation reversed its previous decreases and highlighted the price increases of tomatoes, onions and lemons. They expressed that the annual variations in livestock product prices remain in negative territory, although in lesser magnitude. One member highlighted the price increases of chicken meat and eggs. Another member observed that increases in fruit and vegetables prices during the referred period more

than offset the decline in livestock product prices. **Most members stated that energy inflation remained at low levels during the first fortnight of September. They expressed that this has been partly due to the policies implemented by the federal government.** One member noted the access to the US natural gas market as one of the factors. **Another** member warned that, despite the implemented policies, there is a significant increase in the prices of key inputs, such as high-octane gasoline. **One** member pointed out that the contribution of energy prices to headline inflation amounted to 10 basis points, a level lower than its historical average of 52 basis points, despite the significant shock that has affected international energy benchmarks. **Some** members mentioned the rise in government-authorized prices. **One** member stated that the variation in energy and government-authorized prices remained stable.

Most members indicated that headline inflation expectations for the end of 2026 decreased. One member mentioned that these have been highly sensitive to observed inflation and this year they attained a maximum level of 4.37%. **Another** member highlighted that they were within the variability interval for the first time since January 2025. He/she added that core inflation expectations had not exhibited said behavior since May 2025. He/she noted that expectations for the next 12 months and for the end of 2027 remained unchanged for headline inflation while they decreased for core inflation. He/she pointed out that core inflation expectations for the end of 2028 and for the four-year average remained constant. He/she argued that, although short-term expectations have exhibited a favorable evolution, those for the longer term require a close monitoring. **One** member warned that inflation expectations imply that the target will not be attained within the convergence horizon. He/she underlined that projections for 2027 and subsequent years are still closer to 4% than to the target. **Most members mentioned that long-term inflation expectations remained relatively stable.** One member added that both headline and core inflation expectations decreased to levels of 3.70 and 3.65%, respectively. He/she highlighted the importance for these expectations to continue decreasing. He/she observed that those relative to the four-year average remained stable, in the case of both headline and core inflation. Regarding breakeven inflation implicit in market instruments, he/she stated that they increased and remain at high percentiles, and particularly that the 10-year inflation risk premium increased.

One member pointed out that headline inflation forecasts were revised downwards for the third quarter of 2026 due to lower levels of non-core inflation anticipated for that period. **Another** member mentioned that said index is still expected to converge to the target in 2027. He/she added that core inflation forecasts were adjusted slightly upwards between the third and fourth quarter of 2026. **Some** members anticipated that inflation will decrease more sharply at the beginning of 2027, as the base effects associated with changes to the Special Tax on Production and Services (IEPS, for its acronym in Spanish) fade. **One** member argued that the persistence of services inflation and the constant shocks to non-core inflation are two premises in the forecast that pose multiple challenges. **Most members agreed that, looking ahead, inflation determinants are expected to continue being consistent with lower inflationary pressures. In this regard, they pointed out that slack conditions do not suggest that aggregate demand is exerting pressure on inflation. Some** members added that the latter is sustained despite the upward revisions to the growth forecast for 2026. However, **one** member considered that the effect of economic weakness on prices has not been observed. He/she stated that this is supported by recent figures, which do not point to a further slowdown in prices and show that the lower dynamism is concentrated in sectors not related to households' consumption. **Most members highlighted that the exchange rate appreciation continues to be consistent with lower inflationary pressures.** One member indicated that the monetary restriction implemented earlier continues exerting a disinflationary bias, given the lags with which it operates. **Another** member warned that the restrictive effect of the previous monetary policy stance is close to fading away since the average of the ex-ante real interest rate corresponding to the last eight quarters is close to the upper bound of the neutral range.

Most members considered that the balance of risks for the trajectory of inflation within the forecast horizon remains biased to the upside. All members highlighted the upward risks associated with geopolitical conflicts. Most members pointed out their negative effects on energy markets. One member considered that a potential increase in production and transportation costs due to global energy price increases could be passed on to prices in Mexico, given that it is a small, open economy. **Another** member argued that the reversal of global energy prices and its implications for domestic prices could be more gradual than

expected. **One** member commented that the relevance of these supply-side shocks will depend on their duration and, particularly, on their possible transmission to other prices or to inflation expectations. **Most members highlighted the uncertainty surrounding the forecasts stemming from changes in trade policies and the escalation of geopolitical conflicts.** **Some** members detailed that their effects could imply pressures on inflation on both sides of the balance.

Regarding other upward risks, **some** members identified those related with climate-related impacts. **One** member underlined the risk of an intensification of the *El Niño* phenomenon during the second half of the year. He/she warned that merchandise inflation could return to its historical averages once the average annualized monthly variation reaches the minimum levels observed in mid-2024. He/she added the risk of structural cost-related pressures associated with real wage growth exceeding its historical average. He/she considered that it is difficult to anticipate a significant slowdown in services inflation in the short term, and, given the limited room for further reductions in merchandise inflation, the outlook for core inflation reduction is becoming complex. **Another** member highlighted that services inflation remains one of the main challenges for headline inflation to reach a sustained convergence to the target. Regarding downside risks, **one** member expressed that the cyclical phase the Mexican economy is still undergoing could lead to lower-than-expected inflationary pressures.

Macrofinancial environment

Most members highlighted that during most of the period since the last monetary policy meeting the Mexican peso remained stable in an environment of low-volatility. **Some** members underlined that during such period the exchange rate reached its most appreciated level so far this year, trading below 17 pesos per US dollar. **Most members pointed out that towards the end of said period the Mexican peso depreciated.** **One** member associated the above with the announcement by the United States of its intention to limit diesel exports and with the strengthening of the US dollar. **Another** member considered that the depreciation was a consequence of the release of US inflation figures and the subsequent increase in the US reference rate. **One** member noted that, even after the recent correction, the Mexican peso remains appreciated compared to the levels of a year ago, and its trading conditions have remained orderly. **Most members agreed that the appreciation of**

the Mexican peso in 2026 derives partly from the fact that the volatility-adjusted interest rate spread is among the highest in emerging economies. **Some** members highlighted that the strength of the national currency is associated with the weakness of the US dollar. **One** member attributed part of this strengthening to idiosyncratic factors, such as Mexico's favorable trade position. **Another** member emphasized that the exchange rate appreciated despite the trade tensions and geopolitical factors in 2025 and amounted to 13% during that year, and that this trend has continued through 2026. Regarding Mexican peso derivative instruments, **one** member commented that the implied volatility of the peso in short-term options remained at low percentiles, although it has rebounded recently, while the implied distribution in those currency options increased its bias towards depreciation. He/she warned that a further rebound in global volatility could affect the Mexican peso, given its high sensitivity to such volatility.

As for the fixed-income market, most members highlighted that government interest rates rose across most of their nodes. They added that this trend is consistent with the international environment. **One** member stated that rate differentials between Mexican and US nominal bonds declined to minimum levels unseen in several years for short-term maturities, while those for bonds with maturities of 10 years or longer remained close to 430 basis points. He/she noted that the largest inflows from foreign investors throughout the year are concentrated in the latter maturities. **Some** members emphasized that risk premia decreased and remained at low levels. **One** member underscored that these levels are comparable to those observed prior to the pandemic.

Monetary Policy

The Governing Board evaluated the inflationary outlook. It assessed the behavior of the exchange rate, the differences in the stage of the economic cycle that the Mexican and US economies are undergoing, the absence of demand-side pressures in Mexico, and the level of monetary restriction implemented. With the presence of all its members, the Board decided unanimously to maintain the target for the overnight interbank interest rate at 6.50%.

Looking ahead, the Governing Board will make its decisions considering the ongoing disinflation process and the expected behavior of its determinants, including the exchange rate pass-through to consumer prices, the slack

conditions, and inflation expectations. Since macroeconomic conditions in Mexico are different from those in the United States, monetary policy would not have to react mechanically to the anticipated adjustments to the federal funds rate. 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.

One member commented that headline inflation is close to the target due to the fading of relative price shocks within the non-core component and to the fact that core inflation continues on its downward trend. Among the factors explaining these dynamics, he/she mentioned the fact that the global macroeconomic context of geopolitical and trade tensions still implies that economic activity growth in Mexico remains below potential, creating slack conditions. He/she asserted that this implies an absence of demand-side pressures and mitigates cost-related shocks to services inflation. He/she added that the Mexican peso exchange rate continues supporting the disinflationary process. He/she expressed that monetary policy operates with significant and variable lags, and that its effects depend on the cyclical phase the economy is undergoing. He/she recalled that the assessment of monetary conditions considers the effects of the dynamics of the ex-ante real interest rate and the real exchange rate on aggregate demand and inflation. He/she stated that, overall, monetary conditions in Mexico continue exerting a disinflationary bias. He/she expressed that the current monetary policy stance remains sound and allows for a margin given the adjustments to other central banks' reference rates. He/she noted that it is important to ponder the implications that a rise in longer-term interest rates abroad, specifically in the United States, could have on the Mexican economy. He/she pointed out that it is necessary to consider the compression of the rate differential between the United States and Mexico and how it would have a more limited effect on the exchange rate dynamics, considering the relative weakness of the US dollar in view of the persistence of uncertainty surrounding the economic policy in that country. He/she deemed appropriate to communicate that, since macroeconomic conditions in Mexico differ from those in the United States, monetary policy decisions would not necessarily have to react mechanically to adjustments to the federal funds rate. He/she estimated that, given the recent inflation trends, and, to the extent that the determinants of inflation continue supporting the disinflationary process, a one-off reduction to the reference rate could be considered in upcoming

decisions. He/she noted that, nevertheless, as always, Banco de México continually monitors the absolute and relative stance to ensure that it continues contributing to the convergence of inflation to the target.

Another member highlighted that, nearly seven months after the onset of the conflict in the Middle East, challenges for the global economy persist and the economic outlook remains subject to high uncertainty. He/she noted that the prices of oil and oil-derived products remain high in a context where various buffers, such as the strategic petroleum reserves have diminished. He/she pointed out that, the above is compounded by the proximity of winter in the Northern Hemisphere and the expansion of AI data centers, associated with high energy demand. He/she argued that this scenario calls for caution in monetary policy decisions. He/she underlined that in Mexico the impact of the current global energy shock on inflation has been of lesser magnitude than that observed during the 2022 episode. He/she mentioned that, nevertheless, representatives of manufacturing companies have recently begun to identify the rising prices of certain inputs as an obstacle to growth. He/she added that, unlike in 2022, traditional determinants of inflation, such as economic activity and the real exchange rate, could mitigate the risk of the global shock spreading to the domestic economy. He/she stated that headline inflation has remained within the variability interval since May and core inflation has declined gradually. He/she noted that, while certain metrics of inflation expectations have improved, there is still significant dispersion and asymmetry in the distribution of expectations among different analysts. He/she emphasized that, given the persistence of core inflation and an inflationary outlook influenced by various geopolitical conflicts, shifts in international trade policies and climate-related events, the balance of risks to inflation remains biased to the upside. He/she stated that global financial and monetary conditions have become more restrictive, affecting the relative monetary policy stance. He/she deemed appropriate to keep the reference rate unchanged, as he/she considered this necessary to address inflation risks. He/she expressed that, given the prevailing uncertainty, looking ahead it will be important to carefully assess all available information, maintain a cautious approach, and ensure that inflation expectations remain firmly anchored. He/she noted that this will help to prevent second-round effects and to continue fostering the convergence of inflation to the target over the forecast horizon.

One member pointed out that monetary policy decisions are made based on the inflation outlook, considering the evolution of inflation, the nature of the shocks, the behavior of inflation determinants, and the prevailing risks. Regarding the external environment, he/she highlighted that at its most recent meeting the Federal Reserve decided to raise the federal funds rate by 25 basis points and that, according to the projections of the Committee members, they expect to implement another rate increase of the same magnitude in the remainder of 2026. He/she emphasized that the combination of supply-related shocks and the dynamism of the economy creates an inflationary environment in the United States different from that prevailing in Mexico. He/she recalled that Mexico has faced supply shocks that, given their nature, imply temporary increases in inflation measurements. He/she argued that, looking ahead, as the base effects of these shocks fade, inflation will decline. He/she indicated that this decline would also be supported by the behavior of inflation determinants, such as the lack of dynamism of economic activity and the consequent absence of demand-side pressures on prices. He/she also added the exchange rate appreciation compared to the levels observed at the end of 2024. He/she stated that, nevertheless, it must be acknowledged that upside risks to inflation prevail. In this context, he/she deemed appropriate to maintain the reference rate at its current level. Looking ahead, he/she considered that decisions should be made on a meeting-by-meeting basis, taking into account the evolution of the inflation outlook and without committing to a predetermined path for the reference rate. He/she estimated that, since Mexico and the United States are undergoing different stages of the economic cycle, Banco de México would not have to react mechanically to anticipated adjustments to the federal funds rate. He/she also noted that the Governing Board could assess the possibility of a policy rate cut if conditions allow. He/she specified that, regarding macroeconomic conditions, it will be important for inflation to continue evolving favorably and for the behavior of its main determinants, such as economic activity, to be consistent with its decline. As for financial conditions, he/she added that it would be necessary to monitor whether financial markets evolve in an orderly manner.

Another member highlighted the recent rise in inflation. He/she pointed out that the services subcomponent remains stagnant and, given the limited possibilities of greater reductions in the merchandise subcomponent, that the outlook for a reduction in core inflation is complex. He/she stated that, as a result, expectations do not yet anticipate

convergence to the target within the forecast horizon. He/she considered that, nevertheless, the inflationary process is driven by supply-side and external shocks, and therefore the correction of the upward bias in the balance of risks for inflation is beyond the direct scope of monetary policy. He/she expressed that the transmission mechanisms via aggregate demand are limited in light of persistent supply-related shocks. He/she argued that wage growth above its historical average generates structural cost-related pressures. He/she stated that the latter is compounded by a more challenging environment given the Federal Reserve's policy shift towards higher interest rates. He/she expressed that currently the optimal monetary policy strategy calls for caution. He/she underlined that the monetary policy stance should remain at the current levels for an extended period. Regarding the ex-ante real interest rate, he/she pointed out that its level of neutrality has been appropriate so far. He/she emphasized that, nevertheless, the average of said rate over the last eight quarters already stands at 4.13%, very close to the upper bound of the neutral range. He/she argued that this has diluted the restrictive effect of the monetary policy stance previously attained, while inflation has not fully eased. Regarding the relative monetary policy stance, he/she warned that it faces a new outlook that requires close monitoring. He/she noted that, given the Federal Reserve's new stance, the interest rate differential between Mexico and the United States will tend to narrow gradually over time. He/she stated that, in this context, the exchange rate will need to be monitored carefully, given its importance for merchandise prices. He/she emphasized that the exchange rate has remained stable and has exhibited low volatility. However, he/she considered that the above largely depends on the expectation of a weak US dollar. He/she argued that the decoupling of the local monetary cycle from that of the Federal Reserve, as anticipated by markets, will be feasible to the extent that inflation in Mexico consistently approaches the 3% target. He/she warned that, otherwise, it might be necessary to start considering the possibility of synchronizing with the US rate-hiking cycle.

One member expressed that inflation has declined to levels similar to those observed in 2020, which suggests that the price formation process has been normalizing and is consistent with a low and stable inflation environment. He/she indicated that the above has occurred despite the persistence of services inflation. He/she underlined that core inflation has remained on a downward trend which is expected to continue, in line with its determinants

and as the relative price shocks dissipate. He/she affirmed that inflation expectations remain anchored. Regarding the relative monetary policy stance, he/she highlighted that the interest rate differential between Mexico and the United States is below its historical average. He/she argued that, among other factors, the above reflects differences in the respective macroeconomic conditions. He/she noted that the output gap in the United States is positive and stands at the 82nd percentile of its historical distribution, while in Mexico it stands at the 12th percentile. Similarly, he/she stated that the energy shock has affected US inflation more notably. He/she pointed out that, in contrast, the volatility-adjusted spread is one of the highest among emerging economies. He/she mentioned that, in addition to the above, there are factors that could be modifying the historical relationship between the interest rate spread and the exchange rate. He/she stated that even after the recent correction, the Mexican peso remains slightly appreciated compared to the levels of a year ago. He/she underscored that, under these conditions, reference rate hikes abroad would not necessarily require an automatic response of Mexico's monetary policy. He/she argued that the latter will depend on how said rates impact the domestic inflationary outlook. He/she underlined that the challenge over the last year has been to gradually adopt a stance that is consistent with the inflationary outlook affected by relative price shocks, rather than by demand-side pressures, while monetary restriction has been easing gradually. He/she noted that, given the macroeconomic conditions, the policy stance will continue to be restrictive. However, he/she warned that, if these conditions are disregarded in monetary policy decisions, it could imply a greater-than-required level of restriction. Thus, he/she considered that there are elements to discuss the appropriateness of making a fine-tuning downward adjustment to the reference rate. He/she specified that this does not constitute a premature decision, but rather a discussion that should remain

open. He/she added that its possible implementation will depend on whether inflation continues trending downwards and financial conditions remain orderly. He/she asserted that the monetary policy stance will remain consistent with the macroeconomic environment, the projected path for inflation, and the anchoring of inflation expectations.

3. MONETARY POLICY DECISION

The Governing Board evaluated the inflationary outlook. It assessed the behavior of the exchange rate, the differences in the stage of the economic cycle that the Mexican and US economies are undergoing, the absence of demand-side pressures in Mexico, and the level of monetary restriction implemented. With the presence of all its members, the Board decided unanimously to maintain the target for the overnight interbank interest rate at 6.50%.

Looking ahead, the Governing Board will make its decisions considering the ongoing disinflation process and the expected behavior of its determinants, including the exchange rate pass-through to consumer prices, the slack conditions, and inflation expectations. Since macroeconomic conditions in Mexico are different from those in the United States, monetary policy would not have to react mechanically to the anticipated adjustments to the federal funds rate. 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.

4. VOTING

Victoria Rodríguez, Galia Borja, Gabriel Cuadra, Jonathan Heath, and Omar Mejía voted in favor of maintaining the target for the overnight interbank interest rate at 6.50%.

ANNEX*

The information in this Annex was prepared for this meeting by the staff of Banco de México's Directorate General of Economic Research and Directorate General of Central Bank Operations. It does not necessarily reflect the considerations of the members of the Governing Board as to the monetary policy decision.

A.1. External conditions

A.1.1. World economic activity

World economic activity is expected to have grown during the third quarter of 2026 at a slightly lower rate to that of the previous quarter. This is expected to have resulted from a combination of moderated growth in the group of advanced economies and a similar performance in the group of emerging economies. August Purchasing Managers' Indices suggest that the manufacturing sector is expected to have continued expanding globally, albeit with some moderation in advanced economies (Chart 1). During the period between Banco de México's monetary policy decisions of August and September, uncertainty associated with the Middle East conflict and its repercussions persisted.

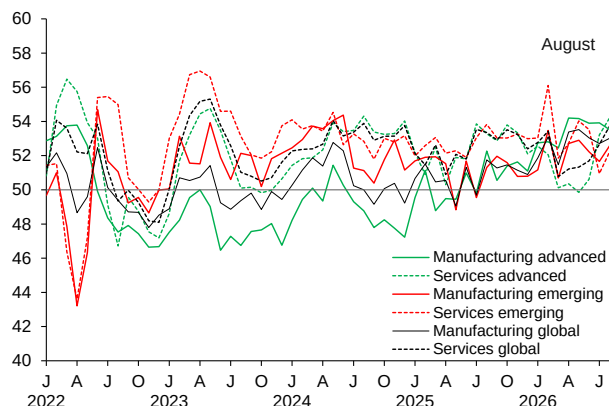
During the second quarter of 2026, available indicators suggest that global merchandise trade grew at a moderate pace. More recently, trade tensions between the United States and Canada escalated after trade negotiations broke off, leading to the mutual imposition of new tariffs on certain goods from both countries. Likewise, on national security grounds, the US administration expanded its tariff measures and replaced with other legal measures the IEEPA¹ tariffs that the Supreme Court had previously invalidated. In contrast, the European Union signed trade agreements with Mercosur and India.

In September, global growth forecasts for 2026 prepared by the Organization for Economic Cooperation and Development (OECD) were revised slightly upwards compared with those published in June. These forecasts continue projecting a slowdown this year compared to 2025, largely reflecting the negative effects associated with the Middle East conflict. However, the dynamism of sectors related to artificial intelligence is expected to

offset these effects to some extent this year and help economic activity to gain momentum throughout 2027, although in different ways across countries.

Chart 1
Purchasing Managers' Index: production component for advanced, emerging and global economies

Diffusion index, s. a.^{1/}



s. a. / Seasonally adjusted figures.

1/ The index varies between 0 and 100 points. A reading above 50 points indicates an expansion and below 50 suggests a contraction. A reading equal to 50 points indicates no change.

Source: S&P Global.

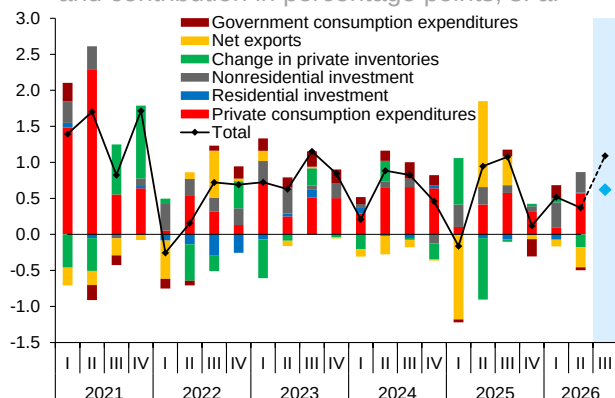
The US economy is anticipated to have expanded at a faster pace in the third quarter of 2026 than in the previous quarter, when it grew 0.4% at a seasonally adjusted quarterly rate (Chart 2).² Available indicators suggest that domestic demand is expected to have remained strong. Non-residential investment is expected to have continued contributing positively to economic growth, driven by the dynamism of some technology sectors. Real household expenditure is expected to have continued performing favorably. Meanwhile, net exports are projected to have contributed negatively, partly due to higher imports of capital goods at the beginning of the quarter.

* Note: In the electronic version of this document, the data used to generate all charts and tables can be accessed by clicking on them, except for those not prepared or compiled by Banco de México.

¹ International Emergency Economic Powers Act.

² Expressed as an annualized seasonally adjusted quarterly rate, US GDP grew 1.5% during the second quarter of 2026.

Chart 2
US: real GDP and components
Quarterly percentage change
and contribution in percentage points, s. a.



s. a. / Seasonally adjusted figures.

Note: The shaded area refers to the Atlanta Fed GDPNow forecasts for the third quarter of 2026 as of September 17, 2026, and the light blue diamond corresponds to Blue Chip's September forecast.

Source: Bureau of Economic Analysis (BEA), Federal Reserve Bank of Atlanta and Blue Chip.

US industrial production practically stagnated on a seasonally adjusted monthly basis in August, after increasing 0.2% in July. The manufacturing sector has continued showing signs of recovery throughout the year, despite having declined 0.3% in August. Meanwhile, the mining sector rose 0.1%, while the electricity and gas generation sector expanded 1.8%. Based on US Purchasing Managers' Indices, manufacturing production is estimated to have expanded in September.

Available indicators suggest that the US labor market has remained balanced overall. In August, non-farm payrolls grew by 162,000 new jobs, after increasing by 21,000 in July. Meanwhile, in August, the unemployment rate remained unchanged from the previous month at 4.1%. Initial claims for unemployment insurance have trended downwards since late 2025. During the week ending September 12, these stood at 196,000 new claims. In August, the annual growth rate of average wages remained unchanged from the previous month at 3.3%.³ The number of job vacancies increased slightly from 7.2 million in June to 7.3 million in July.

In the euro area, economic activity is anticipated to have moderated in the third quarter of 2026, after growing 0.6% on a seasonally adjusted quarterly

³ Average hourly earnings of private sector production and non-supervisory employees.

⁴ Expressed as an annualized seasonally adjusted quarterly rate, GDP growth in the euro area was 2.6% in the second quarter of 2026.

basis in the previous quarter.⁴ Based on Purchasing Managers' Indices, economic activity in the services sector is expected to have partially recovered. The manufacturing sector is anticipated to have grown at a moderate pace. As for the labor market, the unemployment rate remained at historically low levels, although job creation has been moderate. Geopolitical tensions and high energy prices derived from the region's strong exposure to the energy market in the Middle East continue posing significant risks to the region.

In the rest of the major advanced economies as a whole, economic activity is estimated to have grown at a slower pace during the third quarter of 2026 compared with the previous quarter. Labor market conditions in some of these economies remained relatively stable, with moderate levels of both job openings and unemployment rates.

Altogether, during the third quarter of 2026, economic activity in the main emerging economies is expected to have performed similarly to the previous quarter. In the case of the Chinese economy, it is projected to grow at a faster pace than in the second quarter, when it expanded at a seasonally adjusted quarterly rate of 0.9%.⁵ During the first two months of the third quarter, industrial production and exports in that country remained relatively strong, while the annual growth rate of retail sales moderated. So far this year, investment in fixed assets has contracted overall compared with the same period of last year.

Between Banco de México's monetary policy decisions of August and September, international commodity prices increased in general. Oil prices rose significantly compared to early August, driven by greater supply disruptions stemming from the conflict in the Middle East. In early September, prices rebounded sharply amid increased attacks against ships in the Strait of Hormuz, as well as attacks on energy infrastructure in Saudi Arabia. These upward pressures eased at the end of September in light of expectations that the damaged infrastructure could be repaired sooner than anticipated. However, said prices remained significantly higher than those observed in early August.

Natural gas prices rose during the reporting period. In Europe and Asia, prices remained above the levels registered prior to the conflict in the Middle

⁵ Expressed as an annualized seasonally adjusted quarterly rate, China's GDP grew 3.6% during the second quarter of 2026.

East. In Europe, prices faced additional upward pressures associated with low gas storage levels, which remained below those observed in previous years. In the United States, natural gas prices rose, mainly driven by a higher demand associated with high temperatures and an increase in gas exports.

International grain benchmark prices registered in their most recent readings levels higher than those observed at the beginning of August. Among the factors driving prices upwards the following stood out: the escalation of the geopolitical conflict in Eastern Europe; adverse weather conditions in some producing regions; and an increased demand for grains for biofuel production, mainly from China.

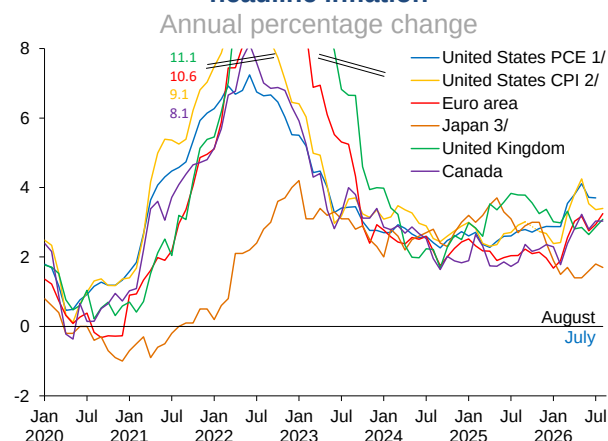
Overall, industrial metal prices stood above the levels registered at the beginning of August, although they fluctuated. In particular, the price of copper was subject to upward pressures during most of the period in light of disruptions in mining production in Chile, lower inventories in China, and an increased demand associated with investment in technology and front-loading purchases, given the possible imposition of a global tariff on refined copper by the United States. This caused the price of this metal to reach a historical high in the second week of September, which reversed towards mid-month, partly in light of expectations of tighter monetary conditions in the United States. Precious metal prices rose compared to early August, remaining highly sensitive to developments related to the conflict in the Middle East. Said prices rebounded following the US Treasury Department's announcement later that month regarding an increase in the repurchase of long-term government debt and in light of a weaker US dollar. However, recent readings show that this trend has partially reversed given expectations of higher monetary policy rates in some of the major advanced economies.

A.1.2. Monetary policy and international financial markets

Headline inflation recently rebounded in some of the major advanced economies. Said increase largely reflected the rise in energy prices. As a result, in most of these economies inflation remained above the targets of their respective central banks (Chart 3). As for core inflation, it remained persistent overall, although in some cases it stood below the levels observed at the end of the first quarter.

In the United States, annual headline inflation as measured by the Consumer Price Index (CPI) remained practically unchanged at 3.4% in August, after having declined in the two previous months. The behavior in August reflected a rise in energy inflation, which was offset by declines in both food inflation and core inflation. Core inflation declined from 2.5% in July to 2.4% in August as a result of a lower inflation of goods, while services inflation remained relatively stable. Meanwhile, headline inflation as measured by the Personal Consumption Expenditures (PCE) price index remained at 3.7% in July, reflecting a moderate increase in food inflation, which was offset by a decline in energy inflation. Core inflation remained at 3.3% in July given the slight decline in services inflation, which was offset by an increase in goods' inflation.

Chart 3
Selected advanced economies:
headline inflation



1/ The personal consumption expenditures price index (PCE) is used.

2/ The consumer price index (CPI) is used.

3/ Excludes fresh food.

Note: The series include data up until August 2026, except for the U.S. (PCE), for which the latest available data are from July. The chart's range was adjusted to facilitate its reading. Figures in the chart denote the respective maximum levels of each series. The CPI data for October 2025 was not released due to the US federal government shutdown.

Source: Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Eurostat, Bank of Japan, the UK Office for National Statistics, and Statistics Canada.

In the euro area, annual headline inflation rose from 2.9% in July to 3.2% in August. This acceleration reflected a rise in energy inflation, which was partially offset by a slight decline in food inflation and core inflation. Core inflation went from 2.5 to 2.4% during the same period as a result of a decline in services inflation, which was partly offset by a rise in goods' inflation.

The latest inflation forecasts for the end of 2026 prepared by analysts for the major advanced economies were revised upwards in several

countries. These forecasts anticipate a heterogeneous behavior of inflation across economies for the remainder of the year, followed by a widespread and significant decline to levels close to the respective central banks' targets in 2027.

Indicators of breakeven inflation and inflation risk for the major advanced economies drawn from financial instruments, particularly short-term ones, exhibited differentiated changes across countries. However, in several cases, they remain at levels higher than those registered prior to the escalation of the Middle East conflict in February.

In some emerging economies, headline inflation increased in its recent readings and remains at higher levels than those registered at the end of the first quarter. Meanwhile, core inflation continued showing some persistence across economies, although several of them, particularly in Latin America, declined during the same period. In China, inflation remained below the central bank's 2% target, although headline inflation rose from 0.5% in July to 0.8% in August, and core inflation increased from 0.9 to 1.0% over the same period.

In this context, monetary policy decisions by the central banks of major advanced and emerging economies varied in response to the evolution of inflation and country-specific economic conditions. Some central banks, including the US Federal Reserve, the European Central Bank, and the Bank of Japan, announced increases in their reference rates. In contrast, several others in advanced and emerging economies kept them unchanged. Some of the central banks in the major advanced economies continued to gradually reduce their securities' holdings. Regarding future policy actions, most central banks reiterated that adjustments to their reference rates will remain dependent on economic data and its implications for the inflation outlook. Several central banks continued to point out that a high uncertainty persists regarding the economic environment and inflation dynamics in view of geopolitical tensions.

In the case of the United States, at its September meeting, for the first time in more than three years, the US Federal Reserve unanimously raised the target range for the federal funds rate. The 25-basis-point increase set the range between 3.75 and 4.00%. The Federal Open Market Committee (FOMC) reiterated in its statement that it continues its policy of maintaining ample reserves in the banking system. Also, that economic activity is expanding at a solid pace and that, while uncertainty

remains elevated—owing in part to geopolitical developments—domestic spending has been resilient. The above is taking place in an environment of strong productivity growth and capital investment. It restated that job gains have kept pace with the growth of the workforce and that the unemployment rate has changed little. The Committee reiterated that inflation remains high and added that the decision adopted at that meeting will contribute to a timelier return to the 2% goal. It reaffirmed that it will deliver price stability.

At the press conference following the September decision, the Federal Reserve chairman noted that inflation is too high and has been for too long. He added that his standard for adjusting monetary policy is to be confident that core inflation is converging towards the target clearly and at a sufficient speed, and mentioned that the Committee pointed out that this standard has not been satisfied. He also stated that the decision took into account the resilience of economic activity and geopolitical developments. In this context, he mentioned that efforts will be made to prevent changes in relative prices from leading to more widespread inflationary pressures. Finally, he mentioned that a stance shared by the Committee is that it is difficult to describe the overall financial conditions as restrictive.

As for the Committee members' macroeconomic projections, between June and September 2026, the median projection for headline inflation as measured by the PCE rose slightly from 3.6 to 3.7% for the end of 2026, remained at 2.3% for 2027, and rose from 2.0 to 2.1% for 2028. The median projection for core inflation was revised upwards from 3.3 to 3.4% for the end of 2026, remained unchanged at 2.5% for 2027, and increased from 2.1 to 2.2% for 2028. Meanwhile, the median projection for GDP growth was revised from 2.2 to 2.3% for 2026, increased from 2.3 to 2.4% for 2027, and remained at 2.2% for 2028. The median projection for the unemployment rate declined from 4.3 to 4.1% for the end of both 2026 and 2027, and from 4.2 to 4.1% for 2028. The median projection for the federal funds rate rose from 3.8 to 4.1% for the end of 2026, from 3.6 to 4.1% for the end of 2027, and from 3.4 to 3.9% for the end of 2028. The median projection for the long-term interest rate rose from 3.1 to 3.2%. The chairman of that institution chose not to participate again in the projections.

Meanwhile, in its September decision, the European Central Bank (ECB) raised its reference rates by 25 basis points. Thus, the key deposit, refinancing, and key lending rates stood at 2.50, 2.65, and 2.90%,

respectively. The Governing Council commented that the conflict in the Middle East continues to generate inflation pressures and that inflation is set to remain well above target for an extended period. It noted that the outlook remains highly uncertain, with risks to the upside for inflation and to the downside for economic growth. It also stated that, with the decision taken at that meeting, it is well-positioned to navigate the uncertainty caused by the conflict. The Council reiterated that it will maintain an economic and financial data-dependent approach on a meeting-by-meeting basis to determine the appropriate monetary policy stance. It reaffirmed that it is not committed to any particular monetary policy path. It also reiterated that the size of the portfolios under its Asset Purchase Program (APP) and Pandemic Emergency Purchase Program (PEPP) is declining at a measured and predictable pace.

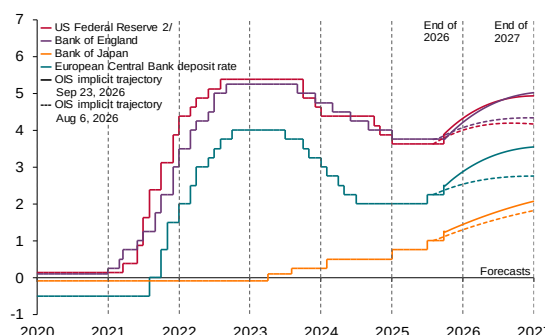
At the press conference following the September meeting, the president of said central bank commented that the decision was unanimous and that they have not debated any kind of future path. She added that, given the current level of uncertainty, they cannot anticipate their next decision, but they are ready to demonstrate the appropriate agility in whichever direction is needed. She mentioned that the indirect inflationary effects of the energy shock remain contained and that no second-round effects are observed. However, she added that they believe inflation will be more persistent than anticipated.

In the other advanced economies, various central banks kept their interest rates unchanged during the reported period, including those of Australia, Sweden, Canada, and the United Kingdom. In turn, other central banks, such as those of Japan, South Korea, and New Zealand, raised their policy rates once again in their recent decisions.⁶

In the context described above, monetary policy rate expectations for the end of 2026 implied by financial instruments in the major advanced economies exhibited generalized increases during the period. Thus, they continued anticipating increments for the end of 2026 relative to current levels (Chart 4). The forecast for the US federal funds rate for the end of 2026 was adjusted upwards from 4.0% as expected at the moment of Banco de México's August monetary policy decision to 4.3% in the most recent

projection. Similarly, the expected reference rate went up from 2.6 to 2.8% in the euro area, from 2.5 to 2.6% in Canada, from 4.0 to 4.1% in the United Kingdom, and from 1.3 to 1.4% in Japan.

Chart 4
Reference rates and trajectories
implied in OIS curves^{1/}
Percent



1/ OIS: Fixed-for-floating interest rate swap where the floating interest rate is associated with the effective overnight reference rate.

2/ For the observed reference rate of the U.S., the average interest rate of the target range of the federal funds rate is used.

Source: Bloomberg.

In the main emerging economies, several central banks continued keeping their reference rates unchanged in their most recent monetary policy decisions. In the case of China's central bank, it has maintained its one- and five-year loan prime rates (LPR) unchanged since May 2025. The central banks of Ukraine, the Philippines, and South Africa announced increases in their reference rates during the period. The central banks of Brazil, Israel, and Hungary continued their cycle of rate cuts during the reported period, although the latter left its rate unchanged in its most recent decision.

Throughout the reporting period, international financial markets registered volatility and a lower risk appetite, while global financial conditions remained at levels similar to those observed in early August (Chart 5). Uncertainty surrounding the Middle East conflict reignited fears of global inflationary pressures, government bond yields continued rising, and stock markets registered moderate declines following the gains observed in previous months. In this context, uncertainty associated with the conflict in the Middle East and its repercussions persists.

⁶ The Bank of Japan raised its policy rate by 25 basis points to 1.25% at its September 2026 monetary policy meeting. It also decided to raise the interest rates applicable to its supplementary deposit and lending facilities, setting them at 1.25 and 1.5%, respectively. Regarding the future course of monetary policy, said

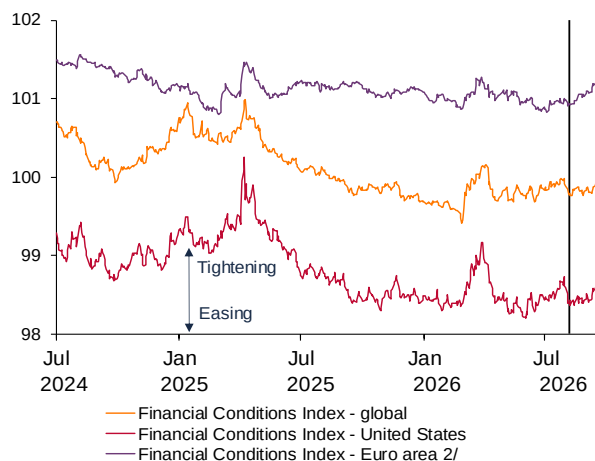
central bank noted that, as core inflation has approached 2% and financial conditions have been accommodative, it will continue raising its policy rate and adjusting the level of monetary stimulus in response to developments in economic activity, prices, and financial conditions.

In the fixed-income market, interest rates on both long-term (10-year) and medium-term (2-year) government bonds continued rising in advanced economies (Chart 6) and in some cases reached maximum levels unseen in several decades. These increases resulted from higher inflationary pressures, expectations of a more restrictive monetary policy, concerns about the sustainability of public debt in this group of economies, and a greater competition for capital amid growing financial needs associated with investment in technology sectors. In particular, US interest rates rose despite the US Department of the Treasury's announcement in the third week of August that it would repurchase long-term bonds. Meanwhile, the slope of the US yield curve (defined as the spread between 10-year and 2-year government bond yields) decreased. In most emerging economies, long- and medium-term interest rates also rose (Chart 7).

Stock markets in the major advanced economies registered moderate declines during the period. These downward movements were driven by expectations of higher oil prices and rising government bond yields. In addition, the indices exhibited sensitivity to the release of financial data by technology companies. In contrast, most stock markets in Latin America posted gains, while some stock markets in Asia and Emerging Europe registered losses.

As for foreign exchange markets, the US dollar appreciated against the currencies of major advanced economies. This behavior responded to the announcement by the US Department of the Treasury in August that it would repurchase long-term bonds and, subsequently, to the Federal Reserve's monetary policy decision in September. The Japanese yen appreciated against the US dollar given the expectations of further monetary policy tightening by the Bank of Japan. However, in recent weeks, said trend has reversed in anticipation of a possible new intervention in the yen foreign exchange market. Meanwhile, several currencies in Latin America and Emerging Europe depreciated, while some currencies in Asia appreciated. Lastly, capital flows to emerging economies channeled to equity assets registered outflows, while those to fixed-income instruments exhibited inflows.

Chart 5
Financial conditions index^{1/}
Index

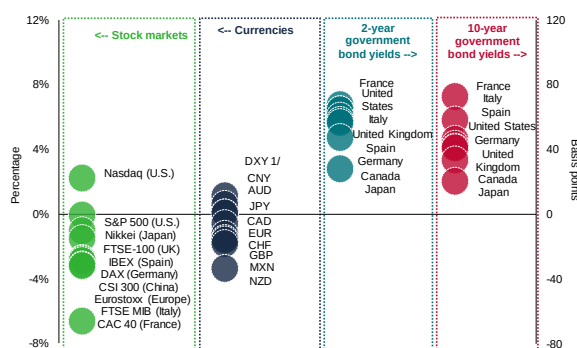


1/ The financial conditions index is constructed considering the effect of five variables on economic activity: the reference interest rate, the 10-year government bond, the spread of investment grade bonds over the government debt bond with equivalent maturity, the ratio of a stock index with 10-year average earnings per share, and the trade weighted exchange rate.

2/ In the case of the euro area, the spread between the sovereign bonds of France, Italy, Spain, the Netherlands, Belgium, Austria, Portugal, and Finland over the German 10-year bond is also considered. The vertical black line indicates the last calendarized monetary policy meeting of Banco de México.

Source: Bloomberg and Goldman Sachs.

Chart 6
Change in selected financial indicators from August 6 to September 23, 2026
Percent, basis points



1/ DXY: a weighted average estimated by the Intercontinental Exchange (ICE) of the nominal exchange rate of the six main currencies operated globally with the following weights: EUR: 57.6%, JPY: 13.6%, GBP: 11.9%, CAD: 9.1%, SEK: 4.2%, and CHF: 3.6%.

Source: Bloomberg.

Chart 7
Selected emerging economies:
financial assets performance from August 6 to
September 23, 2026
 Percent, basis points

Region	Country	Currencies	Equity markets	2-year interest rates	10-year interest rates	CDS
Latin America	Mexico	-1.86%	-3.19%	17	28	5
	Brazil	-1.23%	5.85%	-16	-37	-1
	Chile	-5.05%	1.55%	17	14	4
	Colombia	-3.95%	11.15%	12	88	17
	Peru	-0.11%	0.90%	63	40	4
Emerging Europe	Poland	-2.94%	3.49%	56	61	4
	Turkey	-2.50%	-3.96%	-118	27	14
	Czechia	-1.93%	-2.69%	32	55	3
	Hungary	-1.32%	3.71%	30	28	5
Asia	China	0.60%	0.93%	0	-3	-4
	Malaysia	0.24%	-3.50%	10	16	-1
	India	-0.55%	-5.23%	41	28	4
	Philippines	-2.96%	-7.69%	14	19	6
	Thailand	-0.59%	-0.24%	20	18	0
	Indonesia	0.66%	0.49%	-27	-17	-3
Africa	South Africa	0.02%	-3.25%	4	40	3

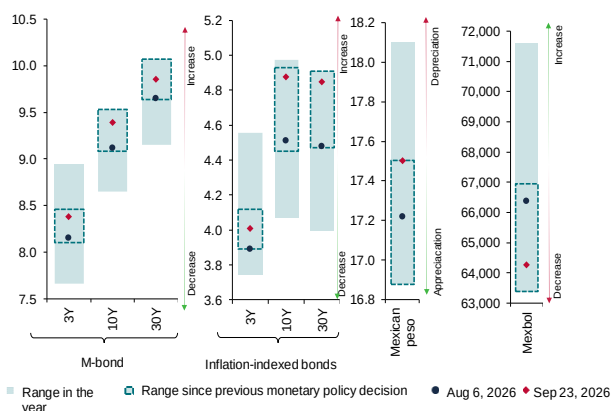
Note: An upward adjustment indicates currency appreciation. Interest rates correspond to swap rates at the specified terms, except for Hungary, where government securities with 3-year maturities were used as a reference.
 Source: Bloomberg.

A.2. Current situation of the Mexican economy

A.2.1. Mexican markets

Regarding domestic financial markets, in the period between Banco de México's monetary policy decisions of August and September, the Mexican peso depreciated against the US dollar, while interest rates increased across practically all maturities. The stock market ended the period with losses (Chart 8).

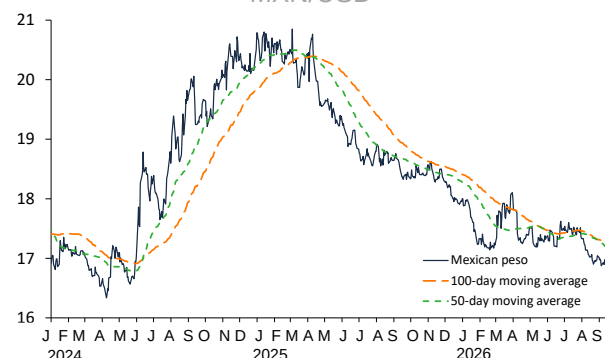
Chart 8
Mexican markets' performance
 Percent, MXN/USD and index



Source: Proveedor Integral de Precios (PIP), Banco de México (FIX), and Bloomberg.

The Mexican peso traded in a range of 75 cents, between 16.86 and 17.61 pesos per US dollar (Chart 9). The 1.86% depreciation observed during the period is explained by the escalation of the geopolitical conflict in the Middle East and expectations of tighter monetary conditions in the major economies. Despite the above, the trading conditions of the Mexican peso remained orderly and volatility continued at low levels, albeit with increases during the trading sessions leading up to the monetary policy decision.

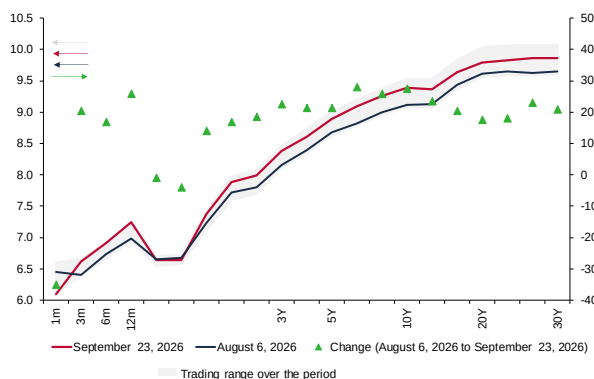
Chart 9
Mexican peso exchange rate
 MXN/USD



Source: Banco de México (FIX).

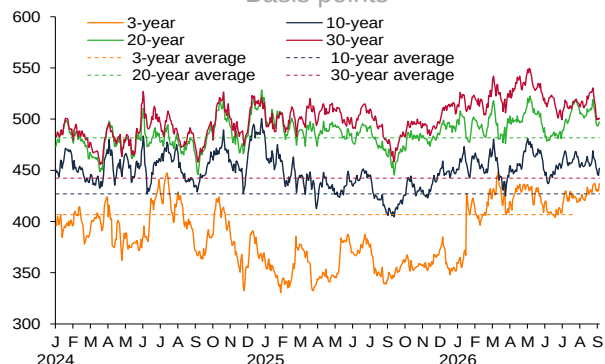
Government interest rates with maturities of over one year fluctuated between -4 and +28 basis points. The sharpest increases concentrated in the middle and long segments of the curve (with maturities of over three years), while the short segment (with maturities of one to two years) registered some declines, resulting in a slight steepening of the yield curve (Chart 10). During the period, interest rates in Mexico showed greater sensitivity to fluctuations in US interest rates. Meanwhile, the yield curve for real-rate instruments showed broad-based increases, except at the shorter-term nodes, where yields declined. In this context, breakeven inflation and inflation risk implicit in spreads between nominal and real rates of market instruments adjusted downwards in practically all maturities (Chart 11).

Chart 10
Nominal yield curve of government securities
Percent, basis points



Note: CETES are used for maturities ranging from one month to one year, while Bonos M are used for maturities longer than one year.
Source: Proveedor Integral de Precios (PIP).

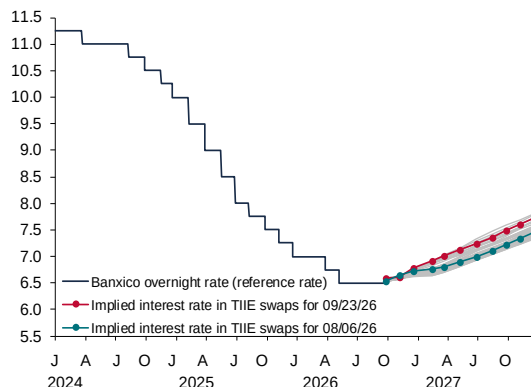
Chart 11
Breakeven inflation and inflation risk implied in government securities' yields
Basis points



Note: Horizontal lines refer to the respective averages observed from September 2008 to date.
Source: Proveedor Integral de Precios (PIP).

Regarding expectations for the path of the monetary policy reference rate, information implicit in the interest rate swap curve includes a pause in the September decision and contemplates a level of 6.77% for end of 2026 (Chart 12). Consistent with the above, the consensus of analysts of the Citi Mexico survey anticipates the reference rate to remain unchanged at the September meeting. The forecast of this group of analysts for the end of 2026 remained at 6.50%.

Chart 12
Interbank funding rate implied in F-TIE swaps
Percent

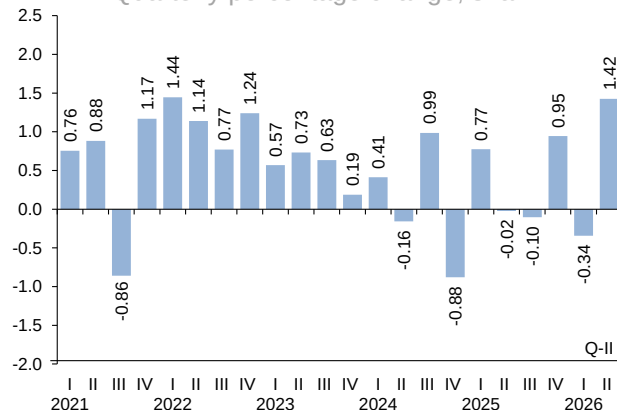


Note: Shaded areas represent the range since the last monetary policy decision.
Source: Proveedor Integral de Precios (PIP).

A.2.2. Economic activity in Mexico

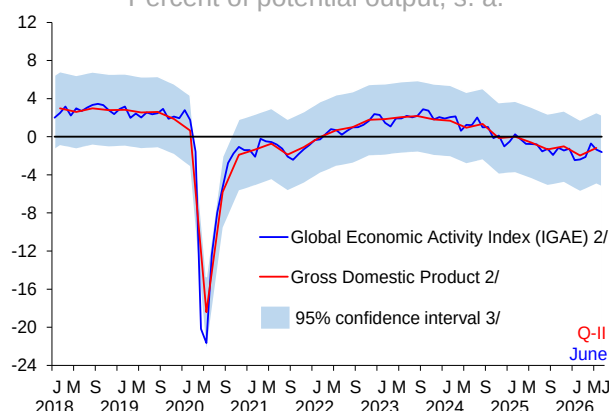
Following the decline in economic activity during the first quarter of 2026, the economy reactivated in the April-June period, expanding at a seasonally adjusted quarterly rate of 1.42% (Chart 13). Based on available information, the growth rate of economic activity during the third quarter of 2026 appears to have moderated compared to the previous quarter. In this context, the estimate of the output gap is expected to have remained in negative territory (Chart 14).

Chart 13
Gross Domestic Product
Quarterly percentage change, s. a.



s. a. / Seasonally adjusted figures.
Source: Mexico's System of National Accounts (SCNM, for its Spanish acronym), INEGI.

Chart 14
Output gap estimates^{1/}
Percent of potential output, s. a.



s. a. / Estimate based on seasonally adjusted figures.

1/ Estimated with a tail-corrected Hodrick-Prescott filter; see Banco de México (2009), "Inflation Report, April-June 2009", p.69.

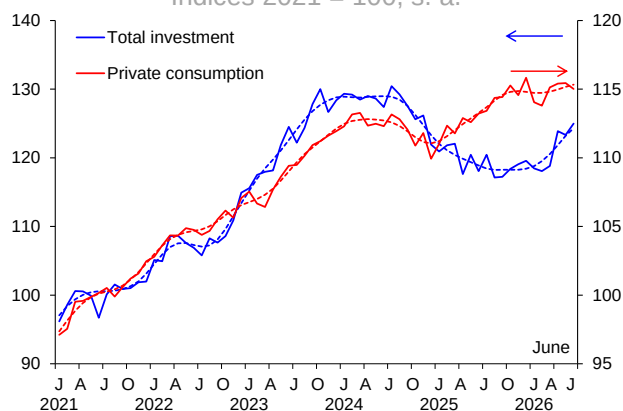
2/ GDP flash estimate up to Q2-2026 and implied IGAE up to June 2026, consistent with said timely figure.

3/ Output gap confidence interval calculated with a method of unobserved components.

Source: Prepared by Banco de México with INEGI data.

In terms of domestic demand, in the second quarter of 2026, private consumption increased, thus reversing the fall registered during the previous quarter (Chart 15). Regarding its components, consumption of domestically produced goods and services increased and remained at relatively high levels, while consumption of imported goods further weakened. Gross fixed investment rose, reaching levels higher than those observed in the first quarter of 2025. Investment in construction maintained a positive trajectory, while investment in machinery and equipment recovered from the declines observed in the previous two quarters (Chart 16).

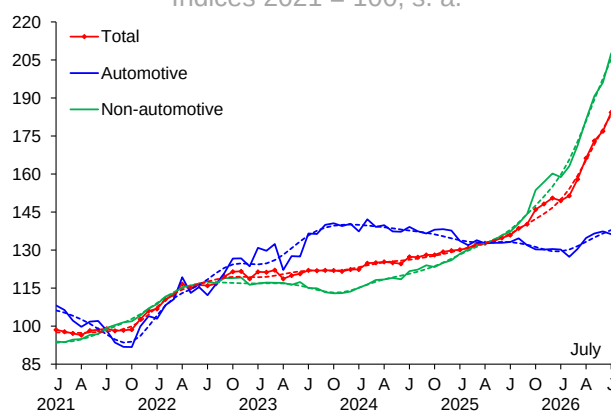
Chart 15
Total investment and private consumption
Indices 2021 = 100, s. a.



s. a. / Seasonally adjusted series and trend series. The former is represented by a solid line and the latter by a dotted line.

Source: Mexico's System of National Accounts (SCNM, for its Spanish acronym), INEGI.

Chart 16
Total manufacturing exports
Indices 2021 = 100, s. a.



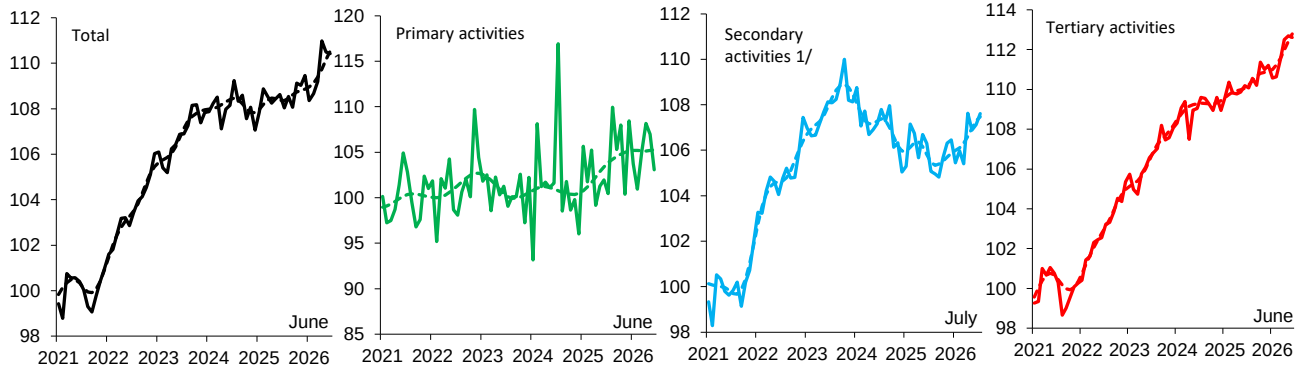
s. a. / Seasonally adjusted series and trend series based on data in nominal US dollars. The former is represented by a solid line and the latter by a dotted line. Three-month moving average.

Source: Prepared by Banco de México with data from the Tax Administration Service (SAT, for its Spanish acronym), the Ministry of the Economy (SE, for its Spanish acronym), Banco de México, the National Institute of Statistics and Geography (INEGI, for its Spanish acronym), Mexico's Merchandise Trade Balance. The National System of Statistical and Geographical Information (SNIEG, for its Spanish acronym). Information of national interest.

From a sectoral perspective, industrial activity continued recovering at the beginning of the third quarter of 2026 (Chart 17). Regarding its components, the construction sector maintained its dynamism and manufacturing activity recovered incipiently (Chart 18). In contrast, utilities continued exhibiting weakness, while the mining sector halted its upward trajectory. The services sector resumed its growing path in the second quarter, while primary activities more than offset the decrease observed in the first quarter and registered high levels.

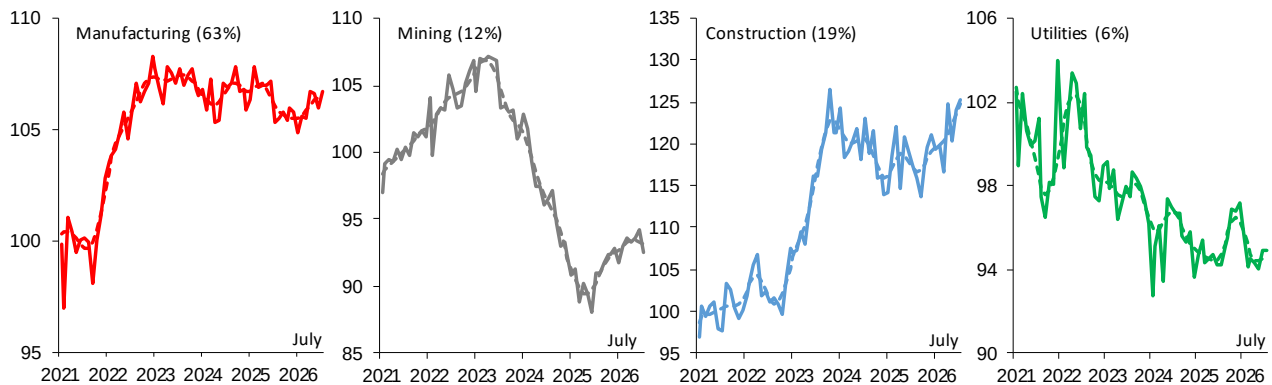
As for labor market indicators, both the national unemployment rate and the urban unemployment rate registered monthly reductions in July 2026 (Chart 19). In August, formal IMSS-insured employment remained sluggish. Lastly, in July, unit labor costs in the manufacturing sector accumulated two months growing at the margin, reaching their highest level since February 2026.

Chart 17
Global Indicator of Economic Activity
Indices 2021 = 100, s. a.



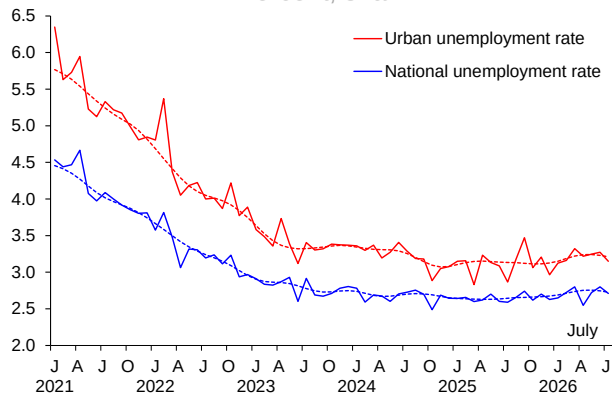
s. a. / Seasonally adjusted series and trend series. The former is represented by a solid line and the latter by a dotted line.
Source: Mexico's System of National Accounts, INEGI.

Chart 18
Industrial activity^{1/}
Indices 2021 = 100, s. a.



s. a. / Seasonally adjusted series and trend series. The former is represented by a solid line and the latter by a dotted line.
1/ Figures in brackets correspond to their share in the total in 2018.
Source: Mexico's System of National Accounts, INEGI.

Chart 19
National unemployment rate and urban unemployment rate
Percent, s. a.



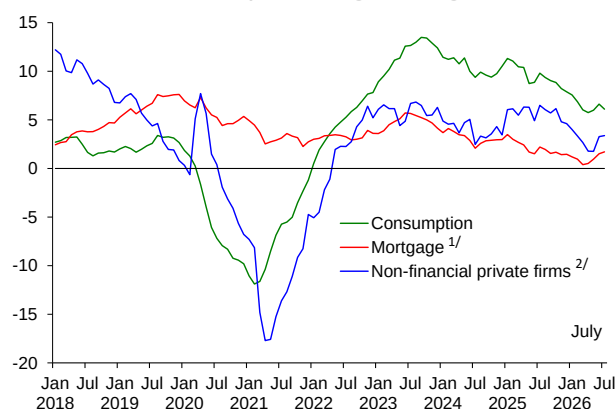
s. a. / Seasonally adjusted series and trend series. The former is represented by a solid line and the latter by a dotted line.
Source: Prepared by Banco de México with ENOE data, INEGI.

In July 2026, the annual real growth rate of domestic financing to the private sector was similar to that of the previous month. Thus, its growth rate remained below the level registered at the end of 2025. Regarding its components, commercial bank credit to firms exhibited a slightly higher annual growth rate in real terms than that observed in the previous period (Chart 20). Regarding bank lending to households, the annual real variation in mortgage lending continued recovering somewhat, although it still registered low levels compared to its historical trends. Meanwhile, consumer loans continued growing at a higher rate than the rest of credit portfolios, despite decreasing slightly compared to the previous month.

With regard to financing costs, interest rates on new bank loans to businesses did not change significantly with respect to the previous month. Their recent evolution has been reflecting the pass-through of the reference rate to bank interest rates in said segment. Meanwhile, interest rates on commercial bank mortgage loans decreased slightly from the previous month. Lastly, based on data as of February 2026, bank interest rates on the consumer loan portfolio declined across its segments.

Regarding the quality of commercial banks' loan portfolios, delinquency rates on corporate loans and on household loans did not change significantly during July 2026. Hence, said indicators remained at low levels. Meanwhile, delinquency rates on consumer loans increased somewhat compared to the previous month, while they remained at levels below their historical trends.

Chart 20
Performing credit from commercial banks to the non-financial private sector
Annual percentage change



1/ Adjusted to account for the withdrawal from and the incorporation of non-bank financial intermediaries to the credit statistics.

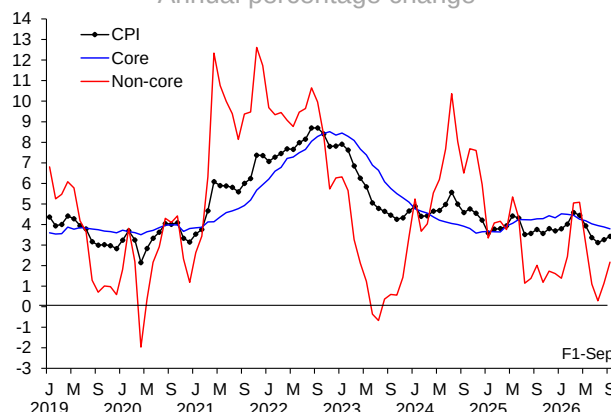
2/ Adjusted for valuation effects due to fluctuations in the exchange rate.

Source: Banco de México.

A.2.3. Development of inflation and inflation outlook

Between July and the first fortnight of September 2026, annual headline inflation rose from 3.12 to 3.42%. This behavior reflected the increase in the non-core index, while core inflation continued declining (Chart 21 and Table 1).

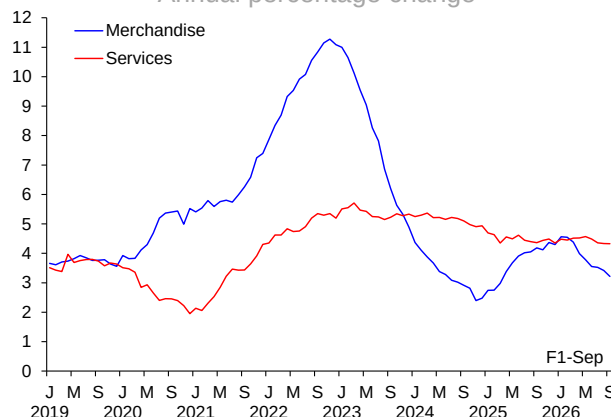
Chart 21
Consumer Price Index
Annual percentage change



Source: INEGI.

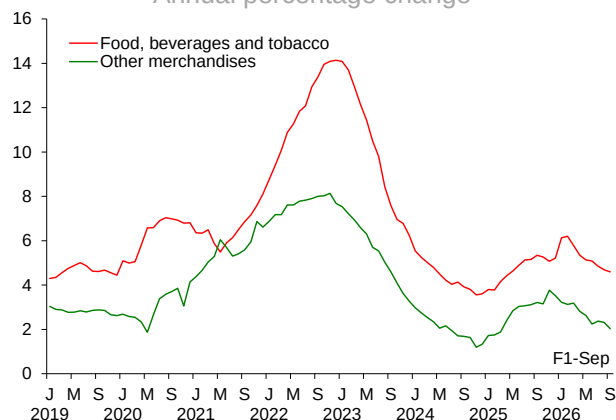
Annual core inflation decreased from 3.95 to 3.79% between July and the first fortnight of September. The annual variation in merchandise prices declined from 3.52 to 3.22% during the same period (Chart 22), influenced by the decline from 4.85 to 4.59% in food merchandise inflation and from 2.37 to 2.03% in non-food merchandise inflation (Chart 23). Annual services inflation shifted from 4.36 to 4.33% during the same period. Regarding its components, the annual change of housing prices declined from 3.62 to 3.57%, and the annual change of education services, from 5.93 to 5.84%, while inflation of services other than housing and education remained stable at 4.85 and 4.84% during the referred periods.

Chart 22
Merchandise and services core price subindex
Annual percentage change



Source: INEGI.

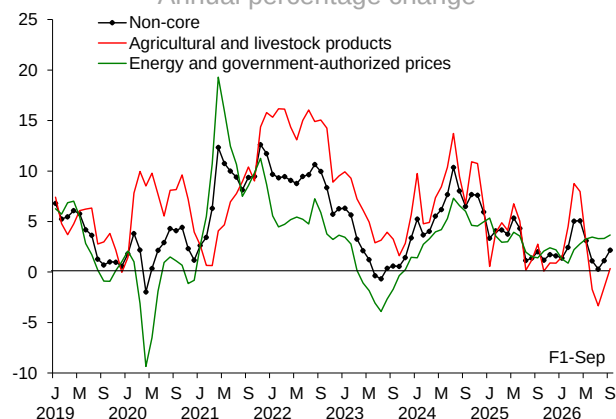
Chart 23
Merchandise core price subindex
Annual percentage change



Source: INEGI.

Annual non-core inflation increased from 0.29 to 2.17% between July and the first fortnight of September, influenced by the higher annual variation of agricultural and livestock product prices and of energy prices (Chart 24 and Table 1). Between the aforementioned dates, inflation of agricultural and livestock products increased from -3.34 to 0.35%, driven by the increase from 2.10 to 7.91% in the annual variation of fruit and vegetables prices and from -6.89 to -4.64% in livestock products' prices. The annual variation of energy prices increased from 1.16 to 1.28%, mainly attributed to the higher annual variation of LP gas prices.

Chart 24
Non-core price subindex
Annual percentage change



Source: INEGI.

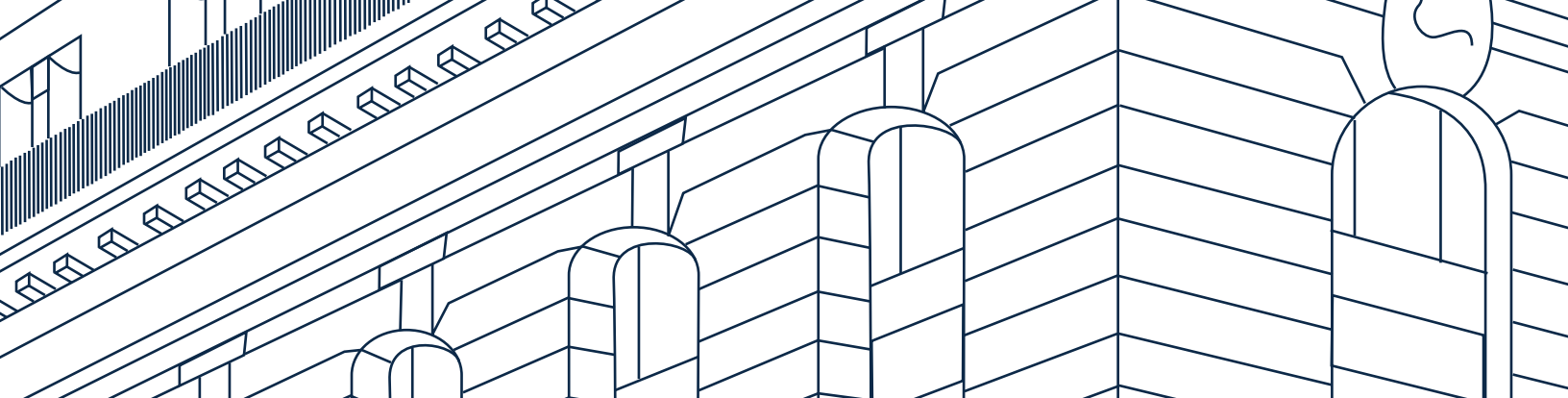
Regarding inflation expectations drawn from the survey conducted by Banco de México among private sector specialists, between June and August 2026, the medians for the end of 2026 declined. Thus, the median of headline inflation went from 4.20 to 3.90%, and that of core inflation from 4.18 to 3.99%. The medians of headline and core inflation expectations for the end of 2027 remained at 3.84 and 3.80%, respectively. For the next four years, the median of headline inflation remained at 3.80%, while that of core inflation continued at 3.75%. The medians of long-term inflation expectations (5 to 8 years) were adjusted downwards. Thus, the median of headline inflation shifted from 3.75 to 3.70%, while that of core inflation adjusted from 3.70 to 3.65%. Lastly, between August and September, inflation expectations implied by market instruments remained relatively stable.

Headline inflation forecasts were revised downwards for the third quarter of 2026 due to lower levels of non-core inflation anticipated for that period. Core inflation forecasts were adjusted slightly upwards between the third and fourth quarter of 2026. Headline inflation is still expected to converge to the target in the fourth quarter of 2027. The forecasts are subject to various risks. On the upside: i) persistence of core inflation; ii) disruptions due to foreign trade policies or to an inflationary impact from geopolitical conflicts; iii) climate-related impacts; iv) cost-related pressures, and v) a trend towards depreciation of the Mexican peso. On the downside: i) lower-than-anticipated economic activity in Mexico and/or the United States; ii) lower pass-through from increased costs, and iii) lower pressures stemming from the appreciation that the national currency has been registering since last year. The balance of risks for the trajectory of inflation within the forecast horizon remains biased to the upside. The changes in economic policy by the US administration and a possible extension of geopolitical conflicts continue adding uncertainty to the forecasts. Their effects could imply pressures on inflation on both sides of the balance.

Table 1
Consumer Price Index and components
Annual percentage change

Item	July 2026	August 2026	1st fortnight Sep. 2026
CPI	3.12	3.26	3.42
Core	3.95	3.88	3.79
Merchandise	3.52	3.41	3.22
Food, beverages and tobacco	4.85	4.68	4.59
Non-food merchandise	2.37	2.32	2.03
Services	4.36	4.33	4.33
Housing	3.62	3.57	3.57
Education (tuitions)	5.93	6.04	5.84
Other services	4.85	4.82	4.84
Non-core	0.29	1.13	2.17
Agricultural and livestock products	-3.34	-1.53	0.35
Fruits and vegetables	2.10	4.10	7.91
Livestock products	-6.89	-5.22	-4.64
Energy and government-authorized prices	3.31	3.33	3.67
Energy products	1.16	0.81	1.28
Government-authorized prices	6.98	7.62	7.75

Source: INEGI.



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