

Quarterly Report

July – September 2026

November 26, 2026

BANCO DE MÉXICO®

Overview

Externally

- During Q3-2026, **geopolitical uncertainty** mostly associated with the **conflict in the Middle East** prevailed.
- **World economic activity** expanded at a **slightly faster pace to that of the previous quarter**.
- **Headline inflation rebounded** in various advanced and emerging economies, largely **driven by energy prices**.

Domestically

- **Domestic economic activity continued expanding** in **Q3-2026**, although slack conditions prevail.
- **Headline inflation has risen** since August as a result of an **increase in the non-core component**, while the **core component continued declining**.

Monetary policy

- At its meetings of **August** and **September**, the Governing Board decided to **maintain the reference rate at 6.50%.** In **November,** it decided to make a **one-time adjustment by lowering** the reference rate by **25 basis points** to **6.25%.**
- It considered that **maintaining the reference rate at the attained level for an extended period** will support the **convergence of inflation to its target** and will be adequate to face the challenges posed by the external macroeconomic environment.

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1 External conditions

2 Current situation of the Mexican economy

3 Inflation

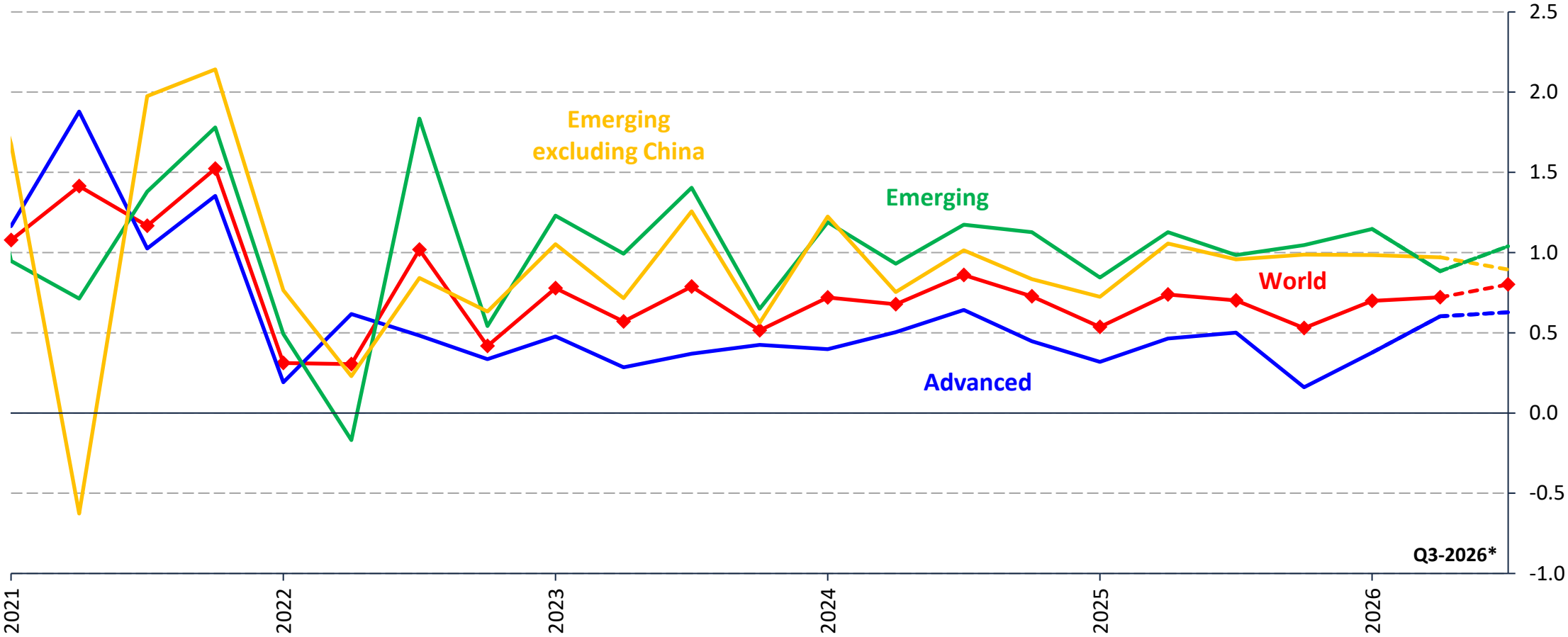
4 Monetary policy

5 Forecasts and final remarks

In Q3-2026, world economic activity expanded at a slightly higher rate than that of the previous quarter. The group of advanced economies grew similarly, while emerging economies as a whole grew at higher rates.

World GDP

Quarterly % change, s. a.

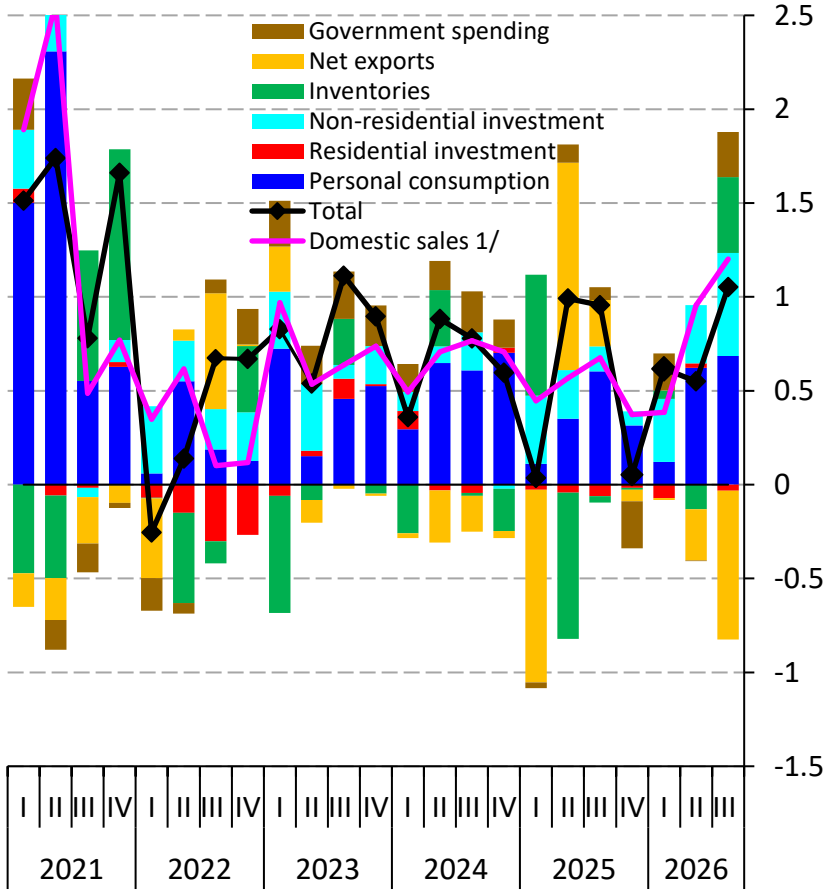


s. a. / Seasonally adjusted figures.
Note: The sample of countries used for the calculation represents 84.9% of world GDP adjusted for purchasing power parity. The dotted line corresponds to forecasts.
* Forecasts used in the sample correspond to Q3-2026.
Source: Prepared by Banco de México with information from Haver Analytics and Focus Economics.

US economic activity accelerated in Q3-2026 driven by domestic demand. The US labor market has remained broadly balanced.

United States: real GDP and components

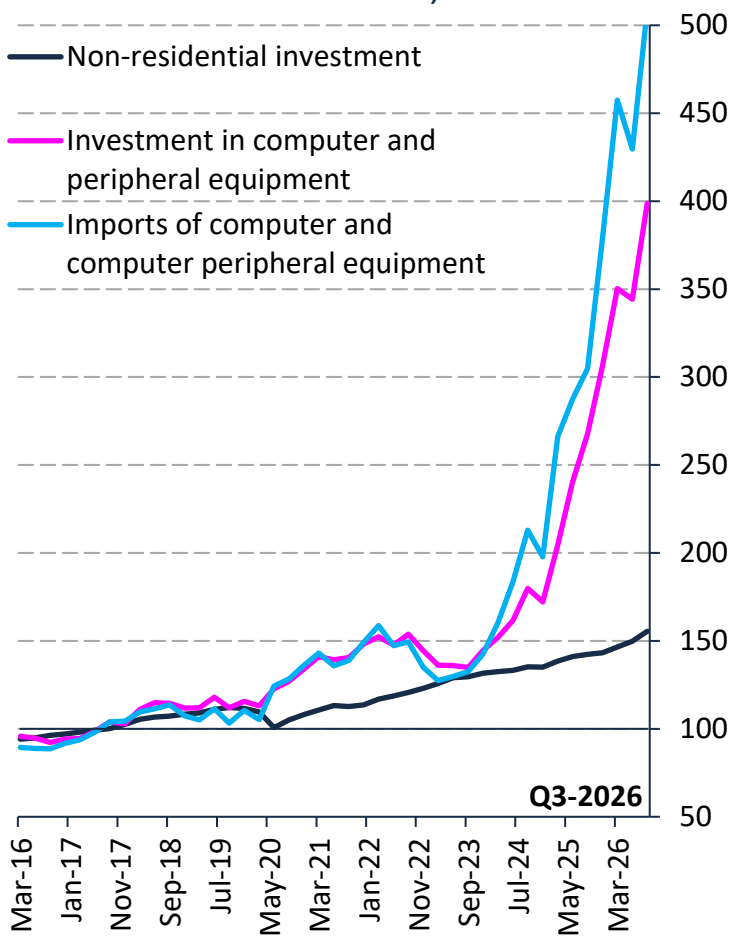
Quarterly % change in percent and contributions in percentage points, s. a.



s. a./ Seasonally adjusted figures.
1/ Private domestic sales correspond to the sum of personal consumption and fixed investment.
Source: Prepared by Banco de Mexico with information from the Bureau of Economic Analysis (BEA).

United States: non-residential investment and imports of capital goods

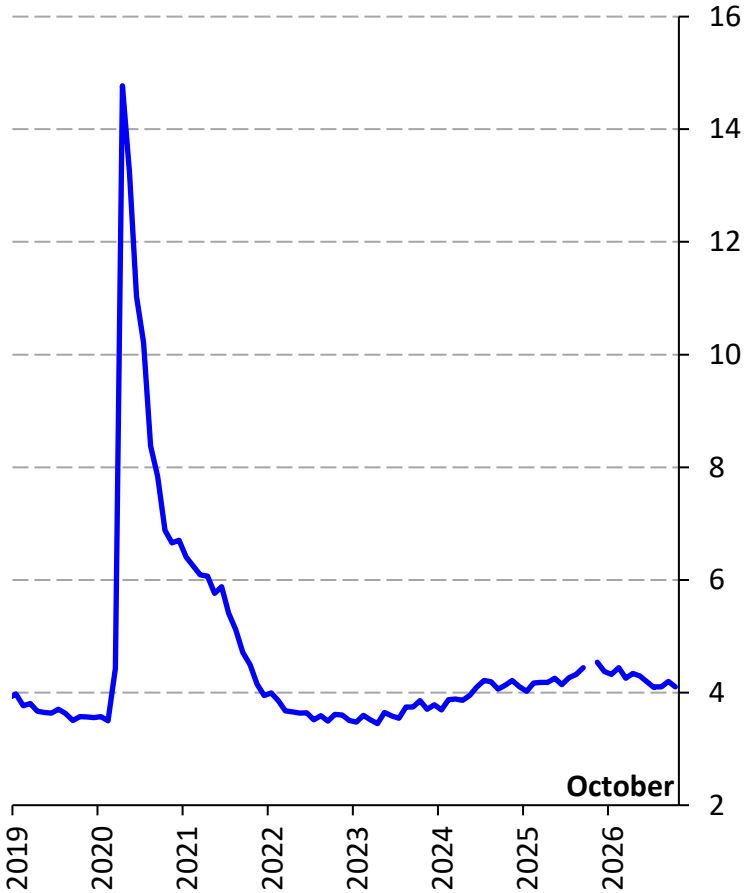
Index 2017=100, s. a.



s. a./ Seasonally adjusted figures.
Source: Prepared by Banco de México with information from the Bureau of Economic Analysis (BEA).

United States: unemployment rate

Percent, s. a.

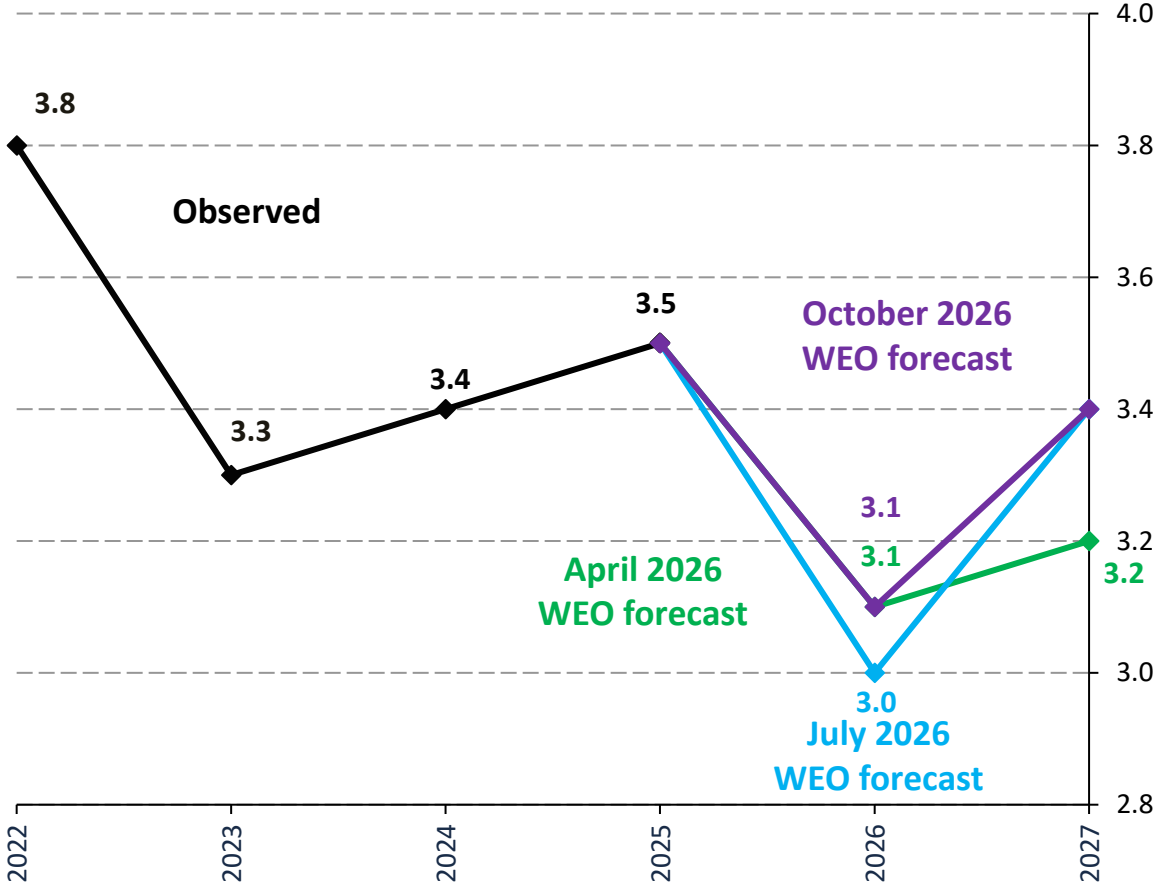


s. a./ Seasonally adjusted figures
Note: The October 2025 figure was not released due to the government shutdown.
Source: Bureau of Labor Statistics (BLS).

The world economic outlook for 2026 prepared by the International Monetary Fund was revised slightly upwards, although said entity is still projecting a slowdown compared with 2025.

World GDP growth forecast

Annual % change



GDP growth forecasts for 2026-2027 published by the IMF

Annual % change and percentage point (pp) changes

	WEO October 2026			Change from WEO July 2026		
	2025	2026	2027	2025	2026	2027
World	**3.5**	**3.1**	**3.4**	**0.0**	**0.1**	**0.0**
Advanced	**2.0**	**2.1**	**1.8**	**0.1**	**0.4**	**0.0**
United States	2.3	2.3	2.3	0.2	0.0	0.1
Euro area	1.2	1.1	1.2	-0.2	0.2	0.0
Japan	1.2	0.7	0.7	0.1	0.1	0.0
United Kingdom	1.2	1.3	1.2	-0.2	0.3	-0.1
Emerging	**4.5**	**3.7**	**4.4**	**0.0**	**-0.1**	**-0.1**
Mexico	0.5	1.5	1.8	0.0	0.3	-0.1
China	5.0	4.5	4.0	0.0	-0.1	-0.1
India	7.8	7.0	7.0	0.1	0.6	0.3
Brazil	2.3	2.2	1.9	0.0	-0.2	-0.3
South Africa	1.1	1.0	1.3	0.0	-0.1	0.0

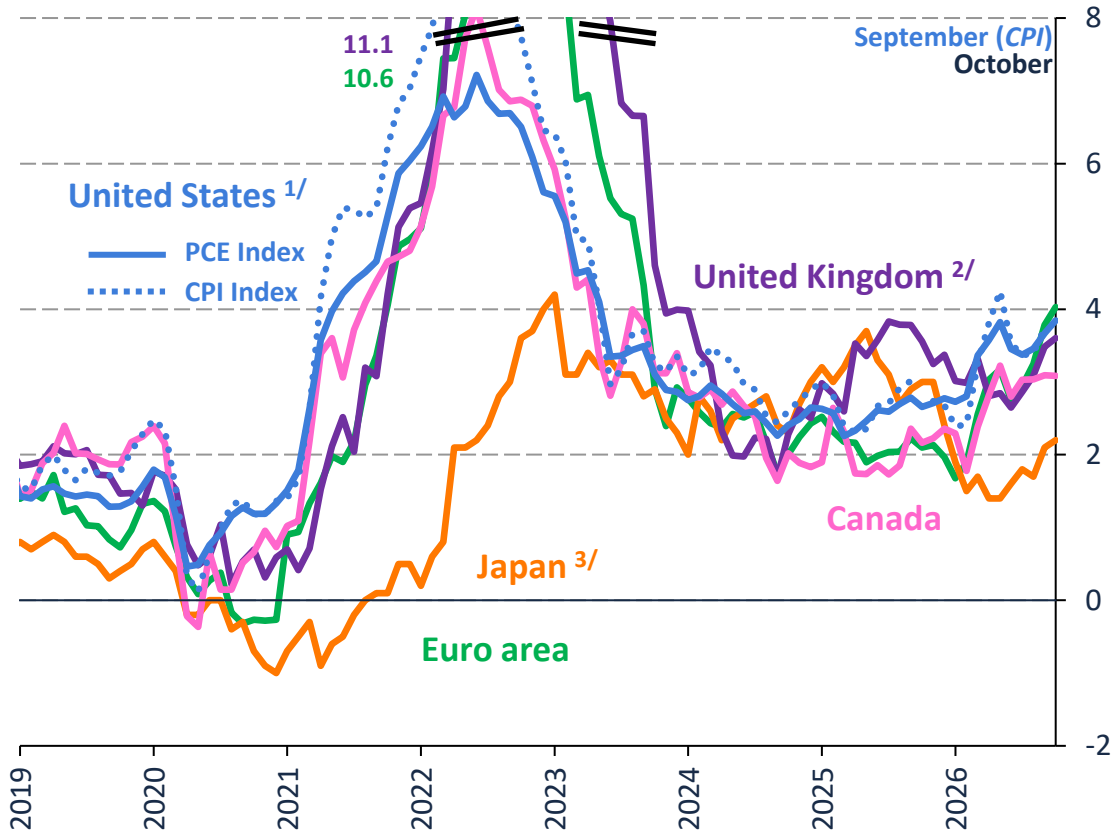
Source: WEO: April, July and October 2026, International Monetary Fund (IMF).

Headline inflation rebounded in a large number of major advanced and emerging economies, mainly driven by rising energy prices due to geopolitical conflicts.

Headline price index

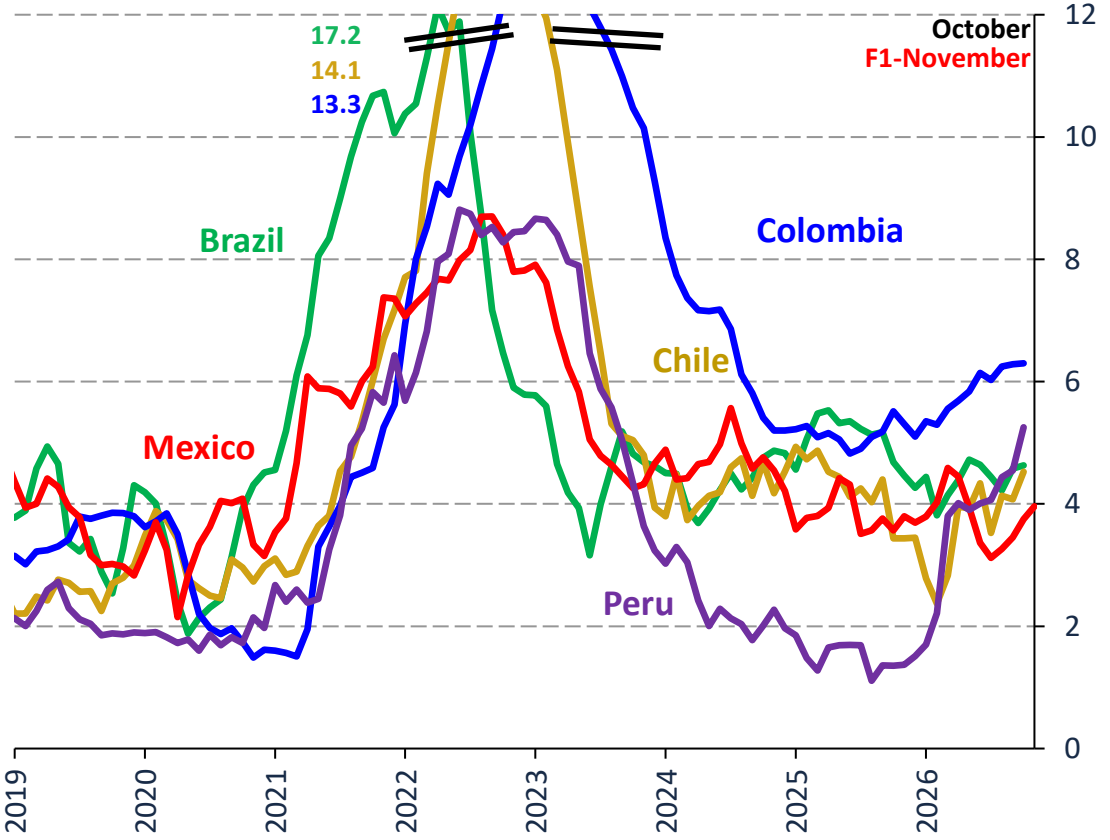
Annual % change

Advanced economies



Note: In the case of the United States (CPI), the figure for October 2025 and October 2026 were not released due to the government shutdown. The range of the chart was reduced to facilitate its reading.
1/ The solid line represents the Personal Consumption Expenditures (PCE) deflator, while the dotted line represents the Consumer Price Index (CPI). 2/ The harmonized index is used. 3/ Fresh food is excluded.
Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Eurostat, Bank of Japan, UK Office for National Statistics, and Statistics Canada.

Emerging economies in Latin America

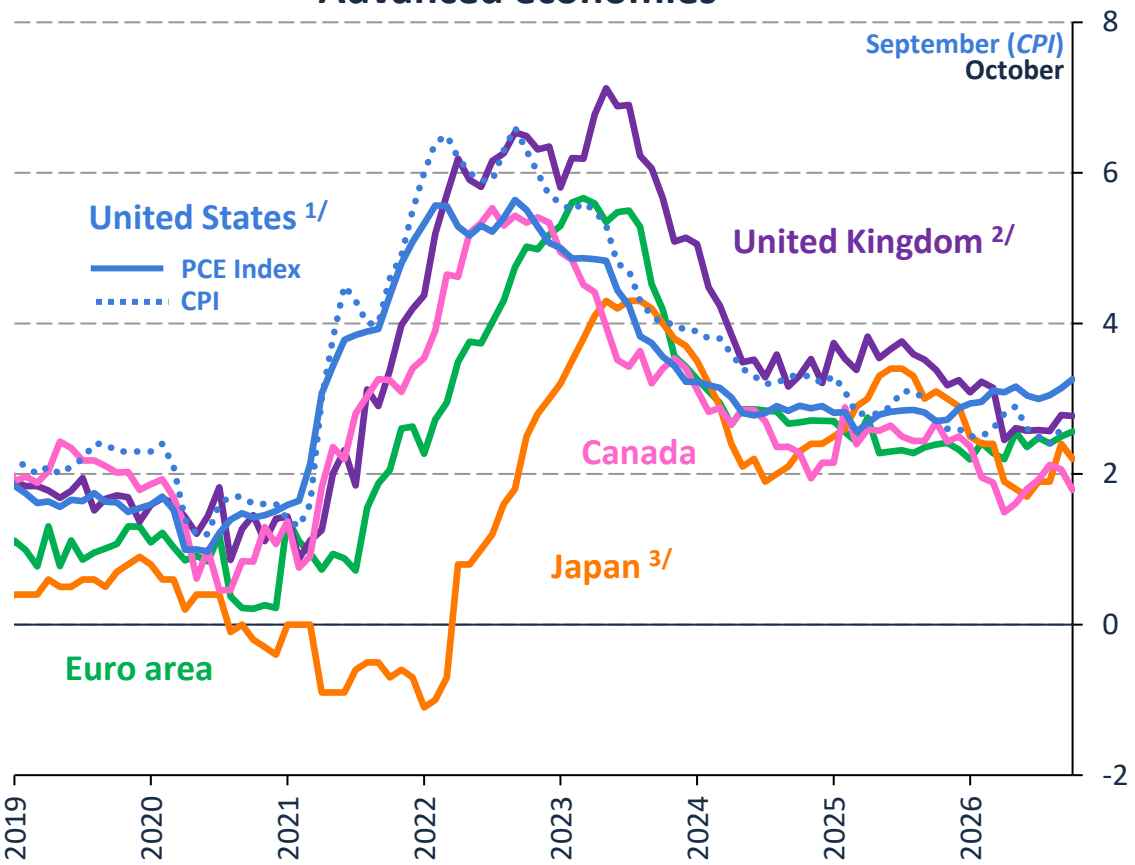


Note: The range of the chart was reduced to facilitate its reading.
Source: INEGI and countries' national statistics offices.

In some economies, particularly advanced ones, core inflation rose moderately, reflecting a resistance to decline in services inflation and increases in goods inflation.

Core Price Index
Annual % change

Advanced economies



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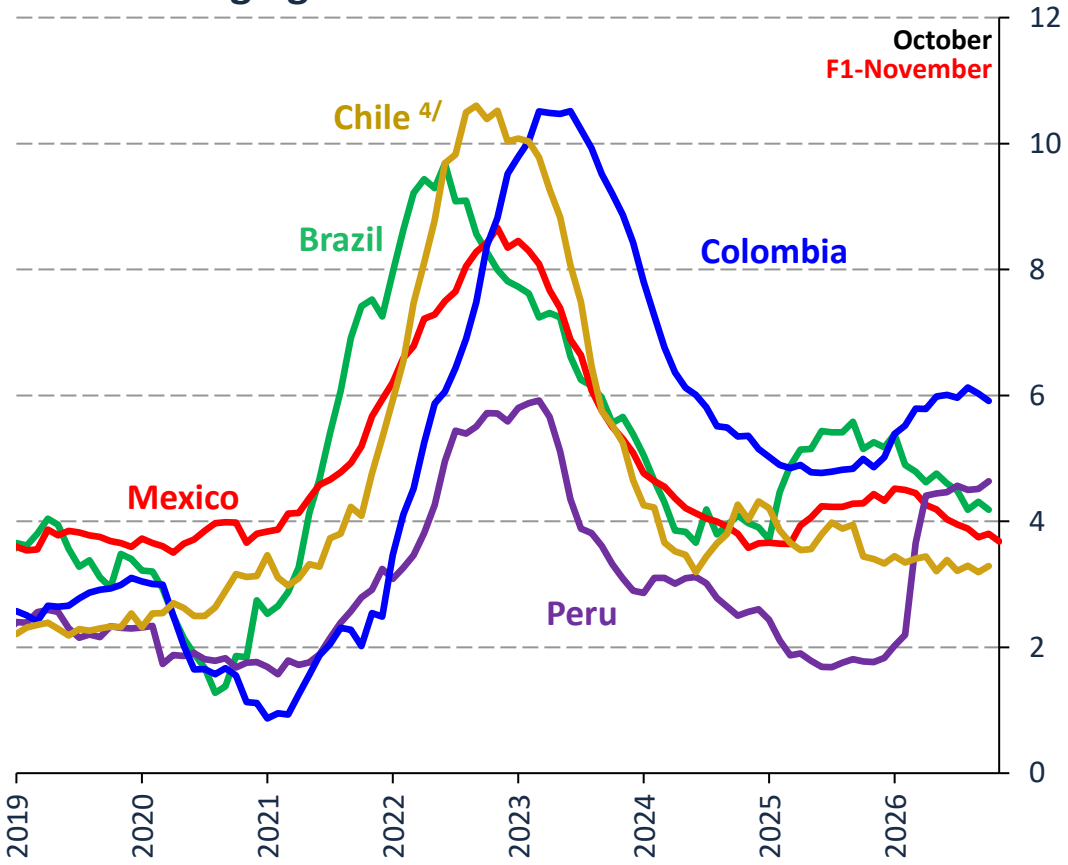
Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Eurostat, Bank of Japan, UK Office for National Statistics, and Statistics Canada.

Emerging economies in Latin America

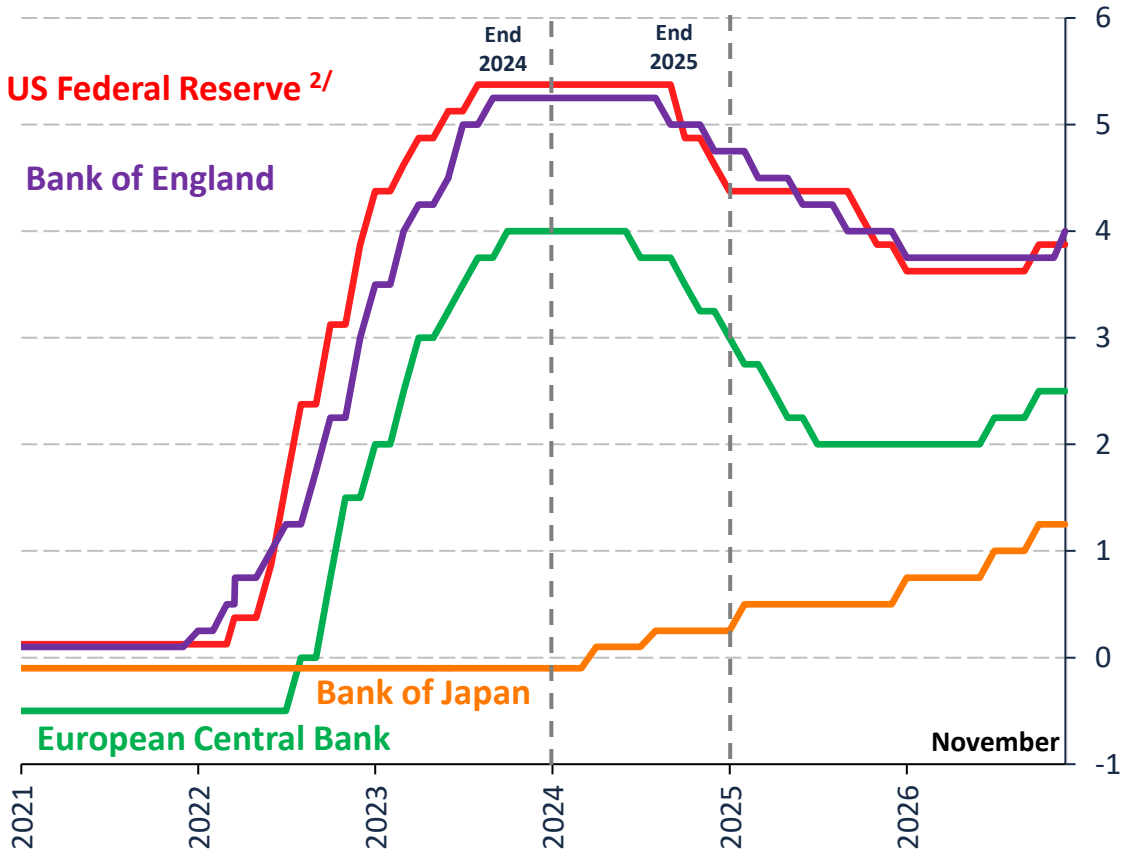


4/ Refers to the series excluding volatile items used by the Central Bank of Chile.
Source: INEGI, Central Bank of Chile, and countries' national statistics offices.

Between July and November, monetary policy decisions by the central banks of the major advanced and emerging economies varied, in response to inflation trends and the specific economic circumstances of each country.

Reference rates and implied trajectories in OIS curves in advanced economies 1/

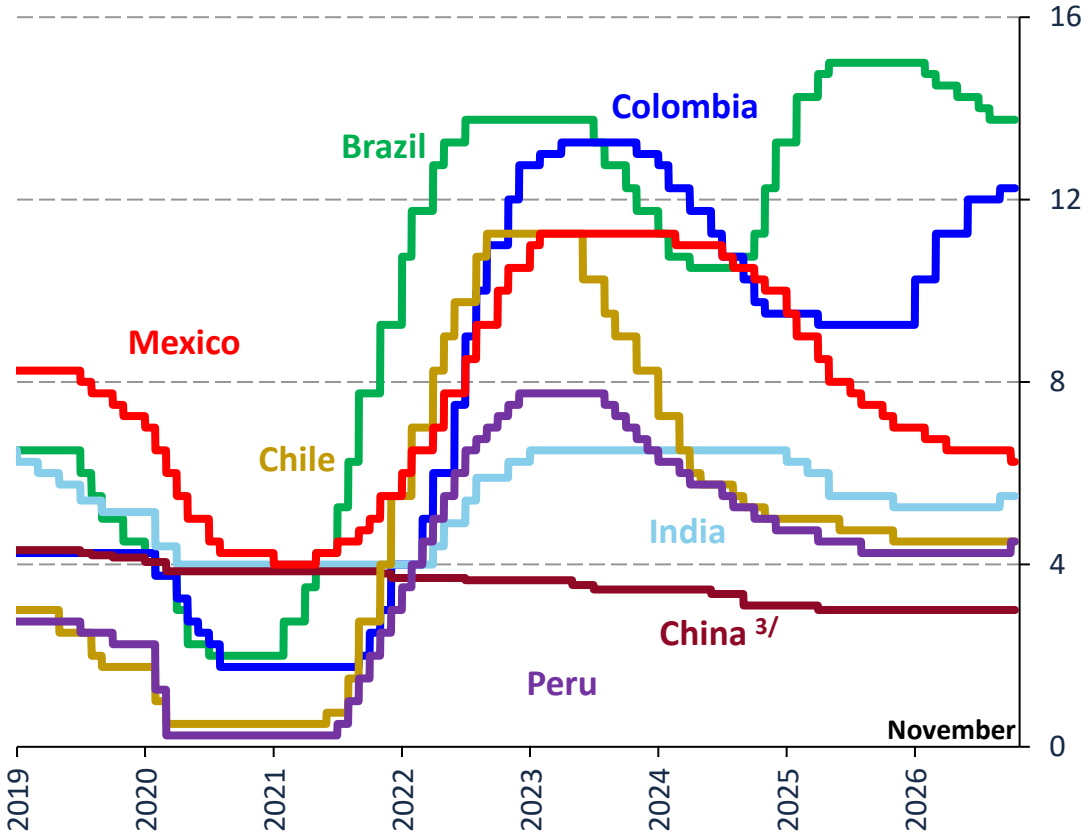
%



1/ OIS: Fixed-floating interest rate swap where the floating interest rate is associated with the effective overnight reference rate. 2/ Data for the observed federal funds rate corresponds to the average between the lower and upper bounds of the target range for the federal funds rate.
Source: Prepared by Banco de México with data from Bloomberg.

Reference rates in emerging economies

%

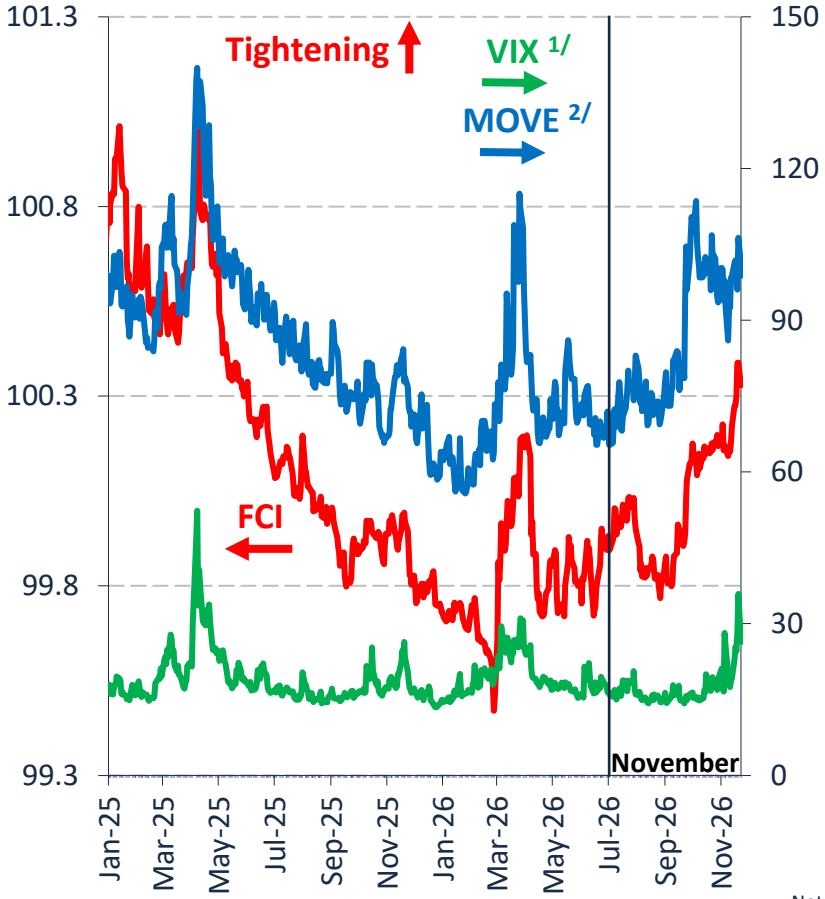


3/ For China, the 1-year Loan Prime Rate (LPR) is shown.
Source: Haver Analytics.

International financial markets continued registering volatility. The US dollar appreciated and government bond yields rose in advanced economies.

Selected indices of financial conditions and implied volatility

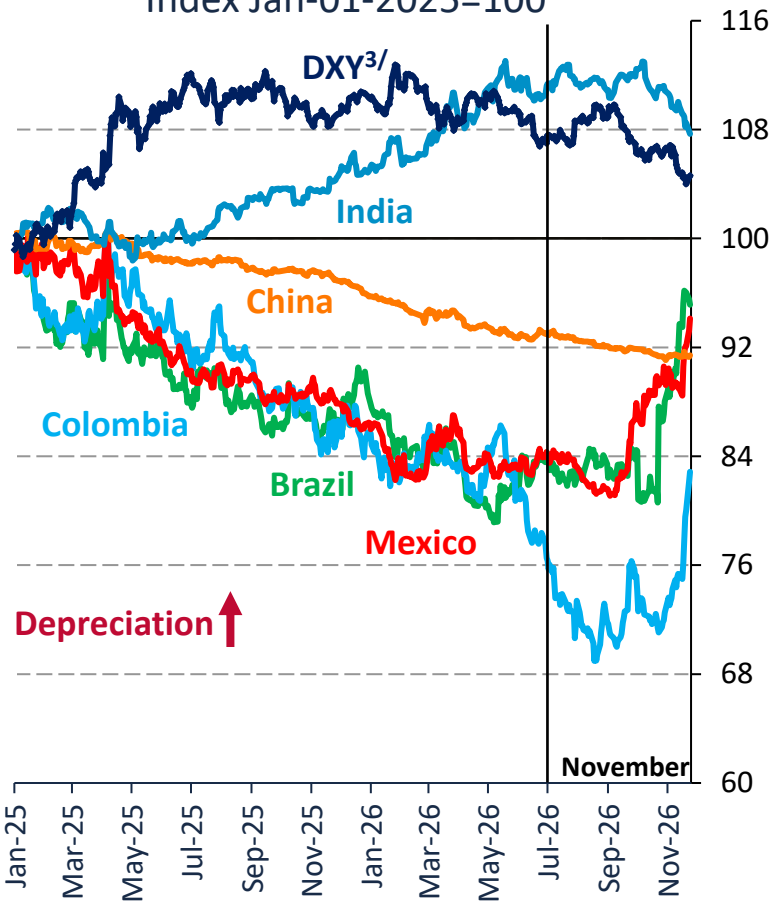
%; basis points



Note: The vertical line marks the start of Q3-2026.
1/ VIX is a measure of the implied volatility embedded in the prices of options on the US Standard & Poor's 500 index. 2/ MOVE measures the expected implied volatility in the US Treasury bond market.
Source: Goldman Sachs and Bloomberg.

DXY Index and exchange rates of emerging economies against the US dollar

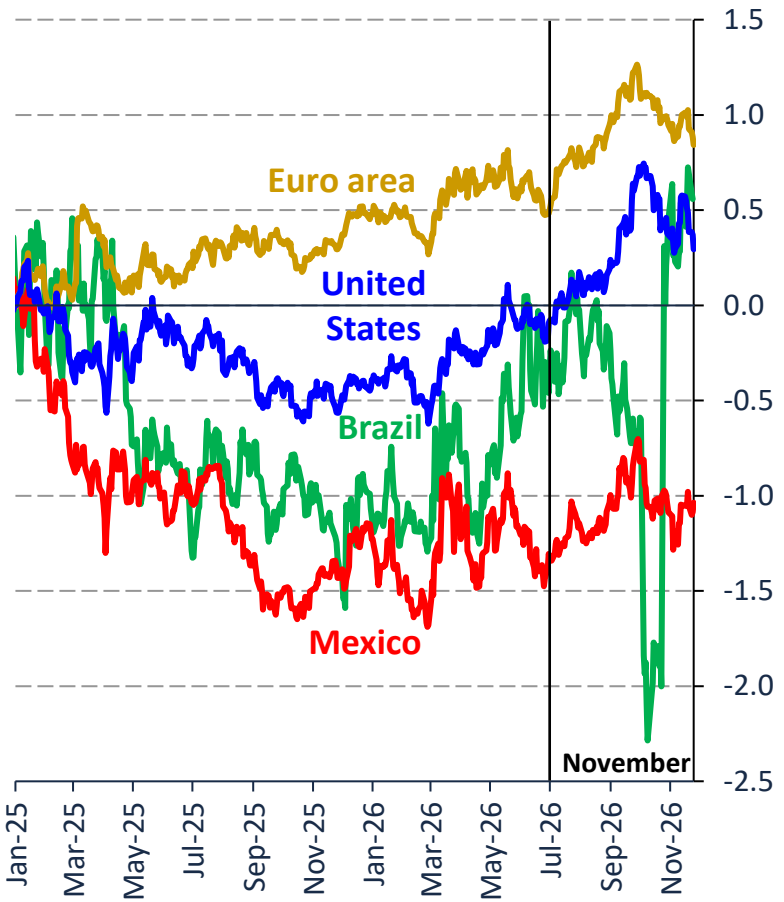
Index Jan-01-2025=100



Note: The scale of the DXY index was inverted. The vertical line marks the start of Q3-2026. An upward movement represents a depreciation for all series. 3/ DXY: Refers to the US dollar index calculated by the Intercontinental Exchange (ICE) as a weighted average of the nominal exchange rate of six currencies: euro, Japanese yen, British pound sterling, Canadian dollar, Swedish krona, and Swiss franc.
Source: Prepared by Banco de México with data from Bloomberg.

10-year government bond nominal yields

Difference from the rate of Jan-01-2025



Note: The vertical line marks the start of Q3-2026.
Source: Prepared by Banco de México with data from Bloomberg and *Proveedor Integral de Precios* (PIP).

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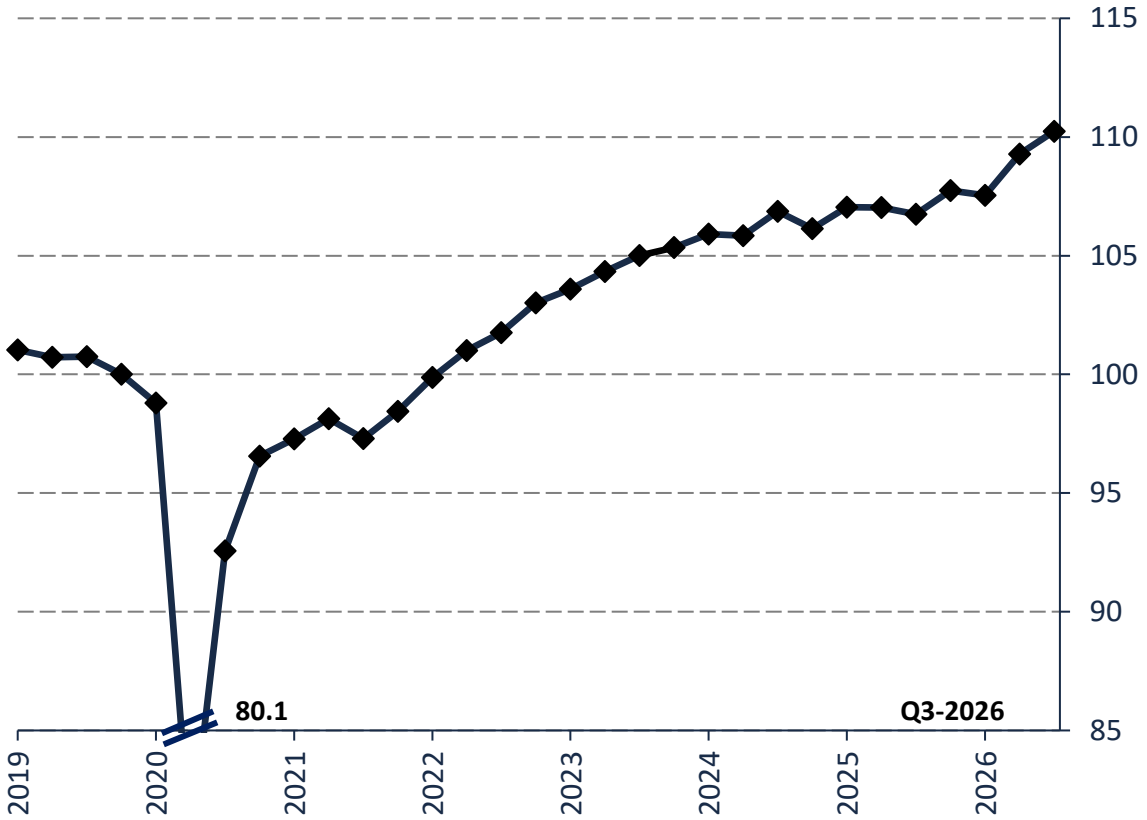
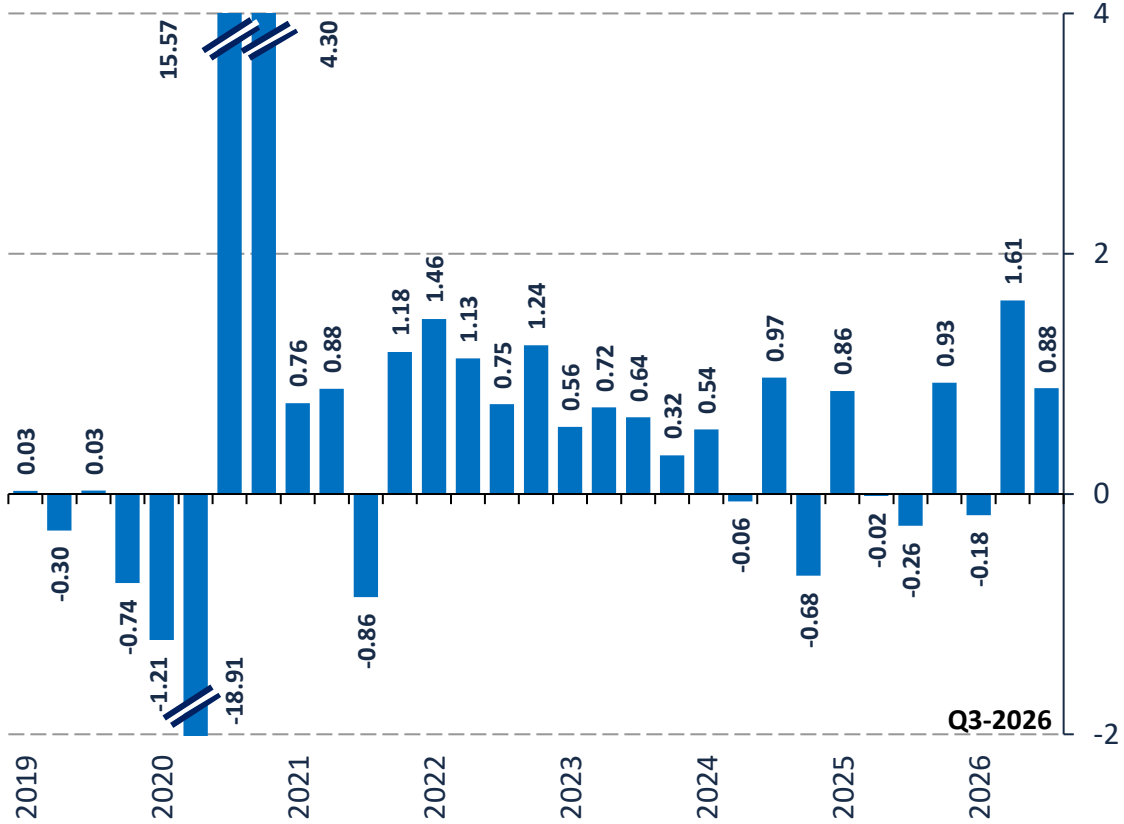
Mexico's economic activity continued improving in Q3-2026, compared with the weak performance observed between 2024 and early 2026.

Gross Domestic Product [1/]

Q4-2019=100, s. a.



Quarterly % change, s. a.

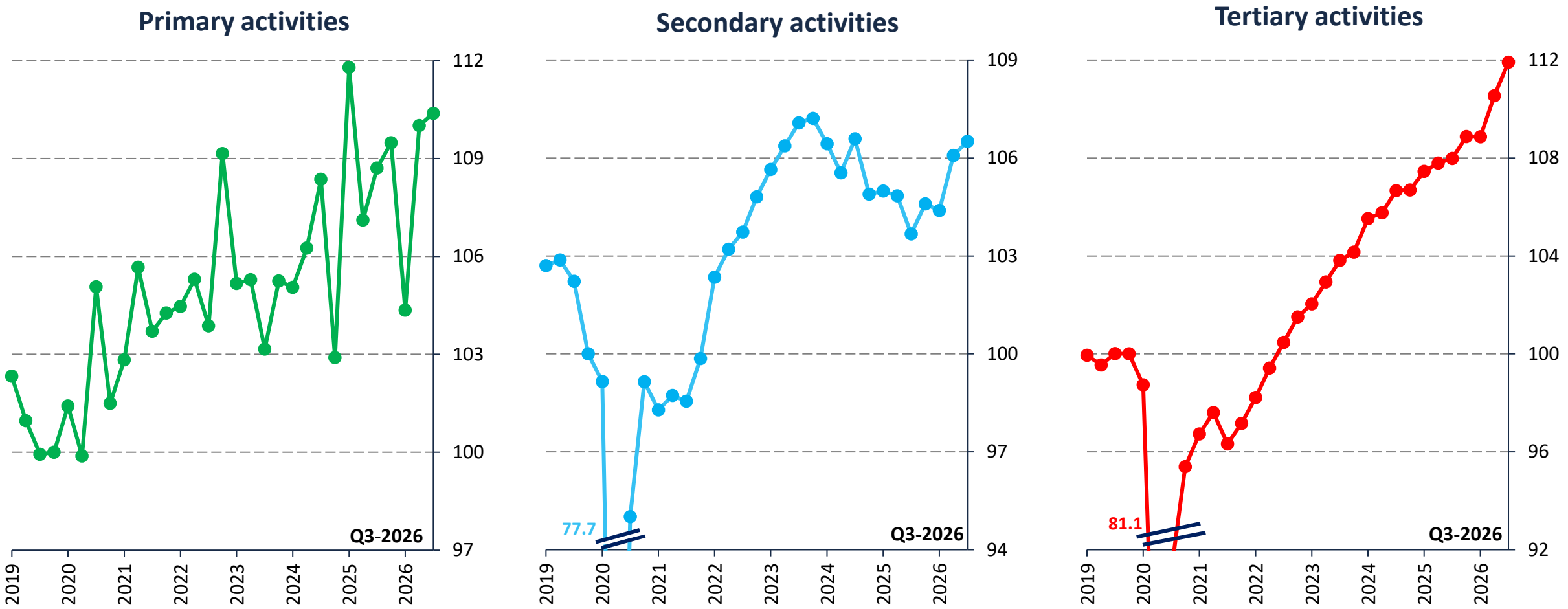


s. a./ Seasonally adjusted figures.
1/ The range of the charts was reduced to facilitate their reading.
Source: Mexico's National Accounts System (SCNM, for its acronym in Spanish), INEGI.

GDP growth was the result of the dynamism maintained by tertiary activities as well as the continued recovery in industrial activity.

GDP by economic sector 1/

Q4-2019=100, s. a.

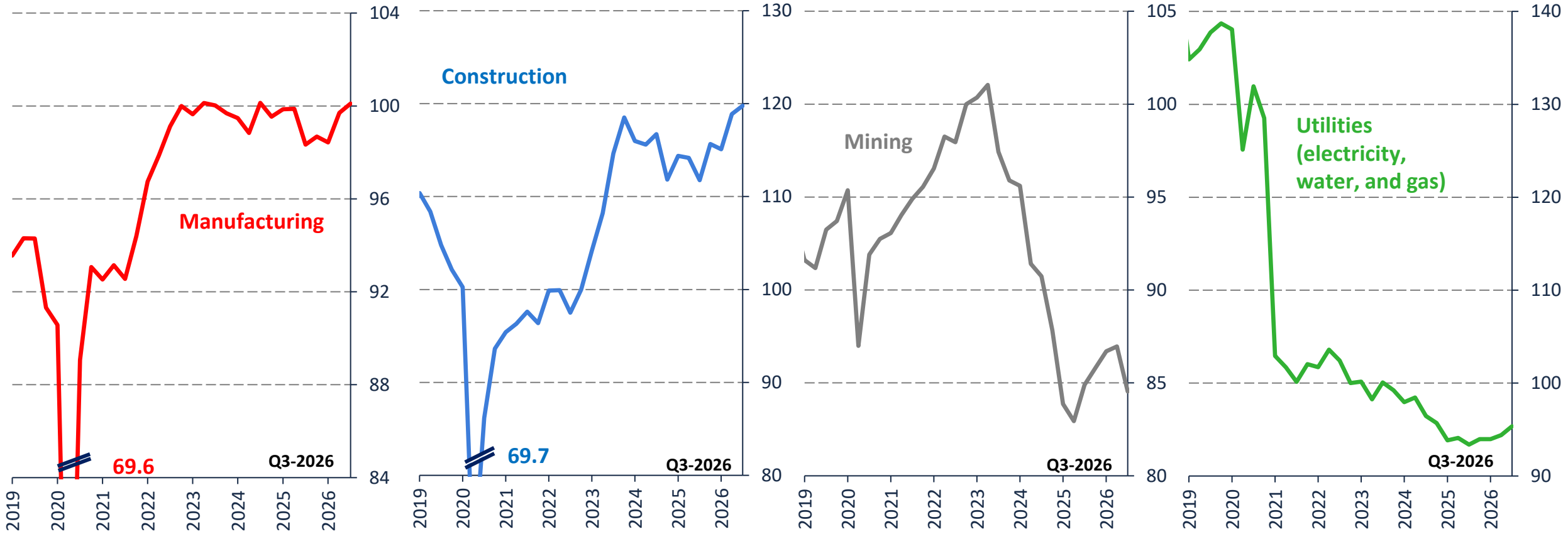


s. a./ Seasonally adjusted figures.
1/ The range of some charts was reduced to facilitate their reading.
Source: Mexico's National Accounts System (SCNM, for its acronym in Spanish), INEGI.

The recovery in industrial activity reflected increases mainly in manufacturing and construction.

Industrial activity [1/]

Q4-2022=100, s. a.

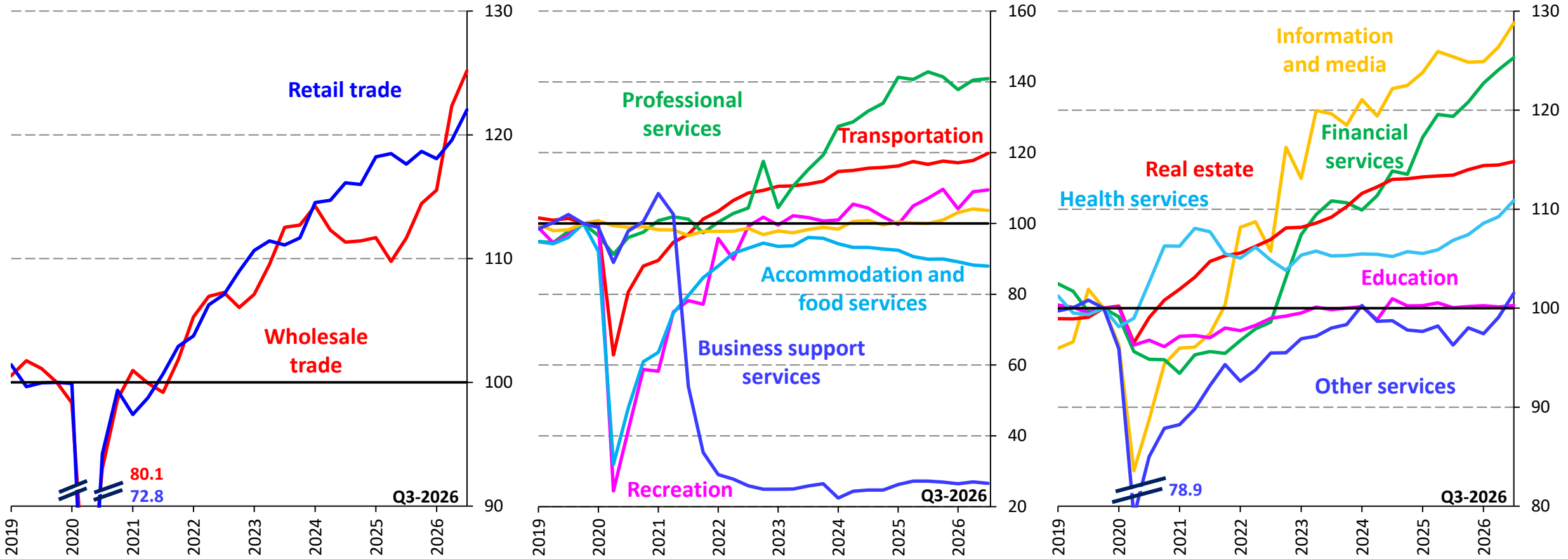


s. a./ Seasonally adjusted figures.
1/ The range of some charts was reduced to facilitate their reading.
Source: Mexico's National Accounts System (SCNM, for its acronym in Spanish), INEGI.

During July-August 2026, tertiary activities grew at a faster pace than in previous quarters.

IGAE tertiary activities 1/

Quarterly averages, index Q4-2019 = 100, s. a.



s. a./ Seasonally adjusted series.
1/ The range of some charts was reduced to facilitate their reading.
Source: National Accounts System of Mexico (SCNM), INEGI.

During July-August 2026, private consumption was sluggish, after having exhibited dynamism in Q2-2026.

Private consumption 1/

Index Q4-2019=100, s. a.

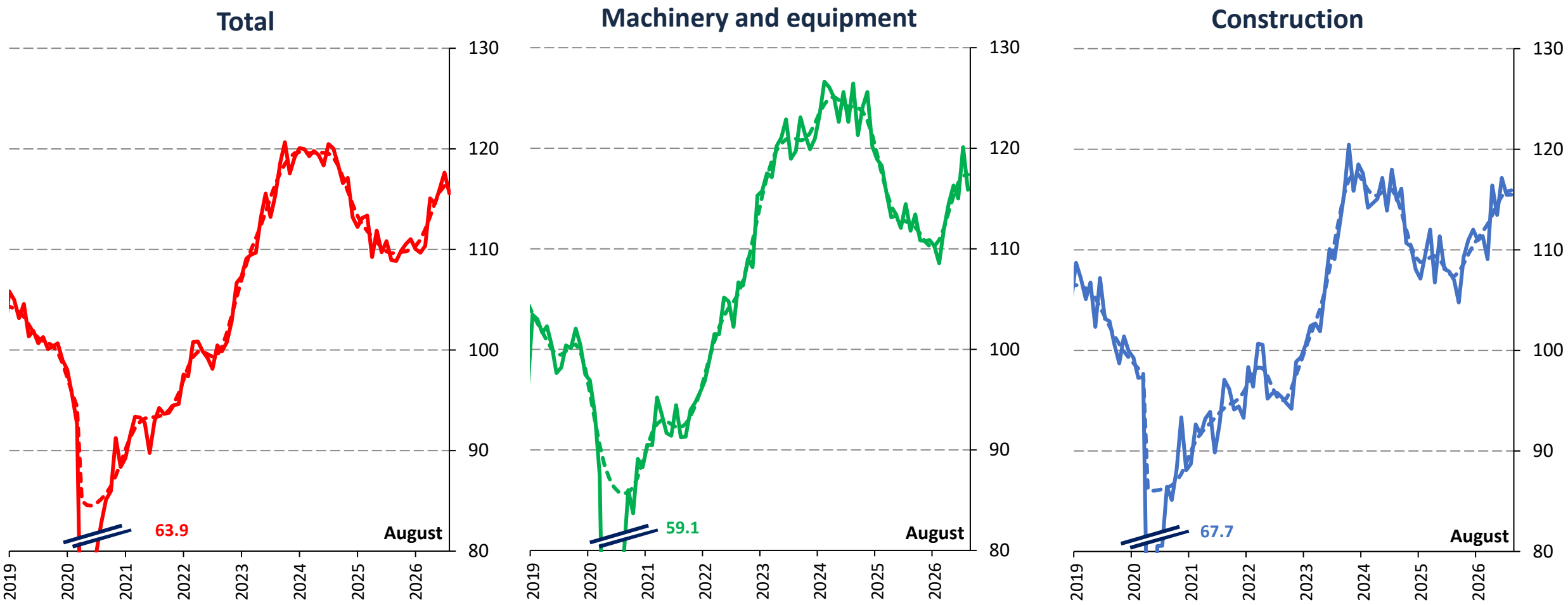


s. a./ Seasonally adjusted figures.
1/ The range of the charts was reduced to facilitate their reading. The dotted line indicates the series trend.
Source: Mexico's National Accounts System (SCNM, for its acronym in Spanish), INEGI.

During the July-August 2026 period, gross fixed investment continued recovering from the weak performance registered between late 2024 and early 2026, although at a more moderate pace than in Q2-2026.

Gross fixed investment [1/]

Index Q4-2019=100, s. a.

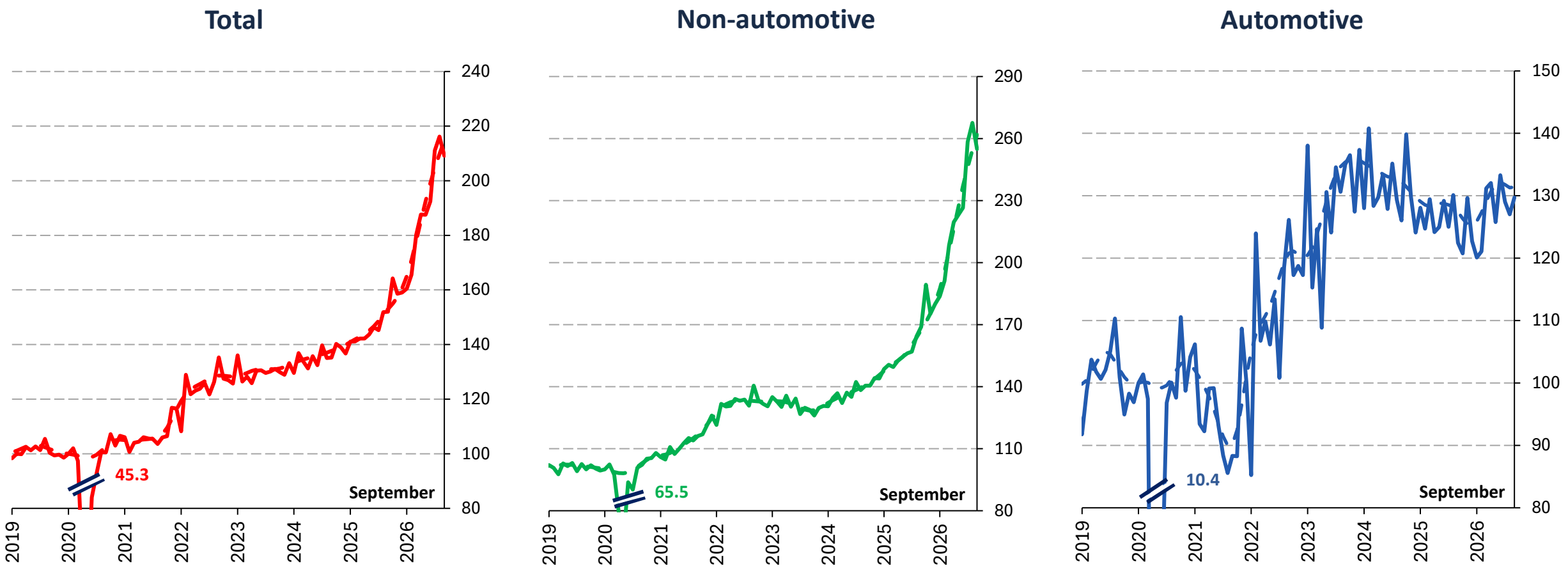


s. a./ Seasonally adjusted figures.
1/ The range of the charts was reduced to facilitate their reading. The dotted line indicates the series trend.
Source: Mexico's National Accounts System (SCNM, for its acronym in Spanish), INEGI.

During the July-September period, the value of manufacturing exports continued increasing at high rates, driven by the dynamism of non-automotive shipments.

Manufacturing exports 1/

Index Jan-2020=100, s. a.

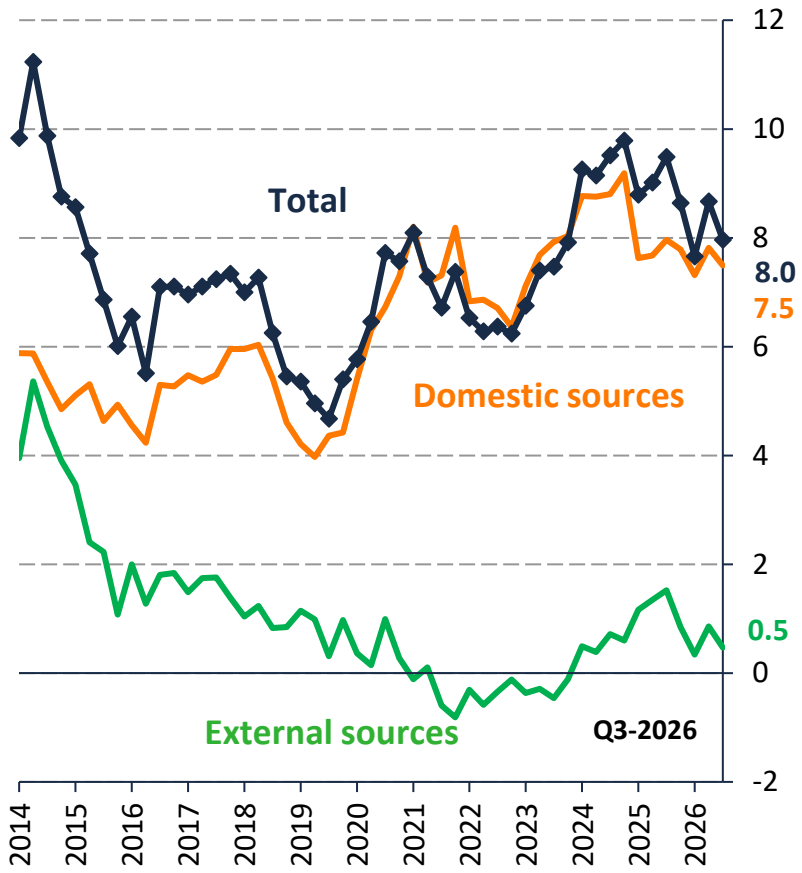


s. a./ Seasonally adjusted figures.
1/ The range of the charts was reduced to facilitate their reading. The dotted line indicates the series trend.
Source: Banco de México with data from PMI Comercio Internacional, S.A. de C.V., SAT, SE, Banco de México, and INEGI. Mexico's Merchandise Trade Balance. SNIEG. Information of national interest.

Sources of financial resources continued expanding in Q3-2026, although at a slower pace than in the previous period. This reflected a certain moderation in the private sector's holdings of term deposits.

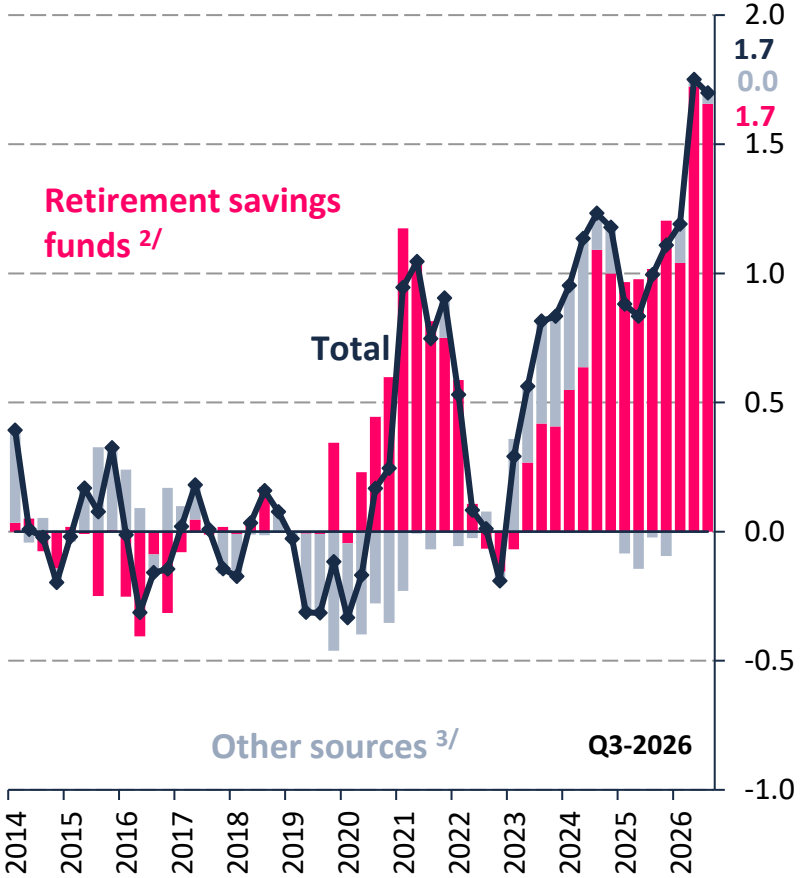
Sources of financial resources

Annual flows as a percentage of GDP (%) [1/]

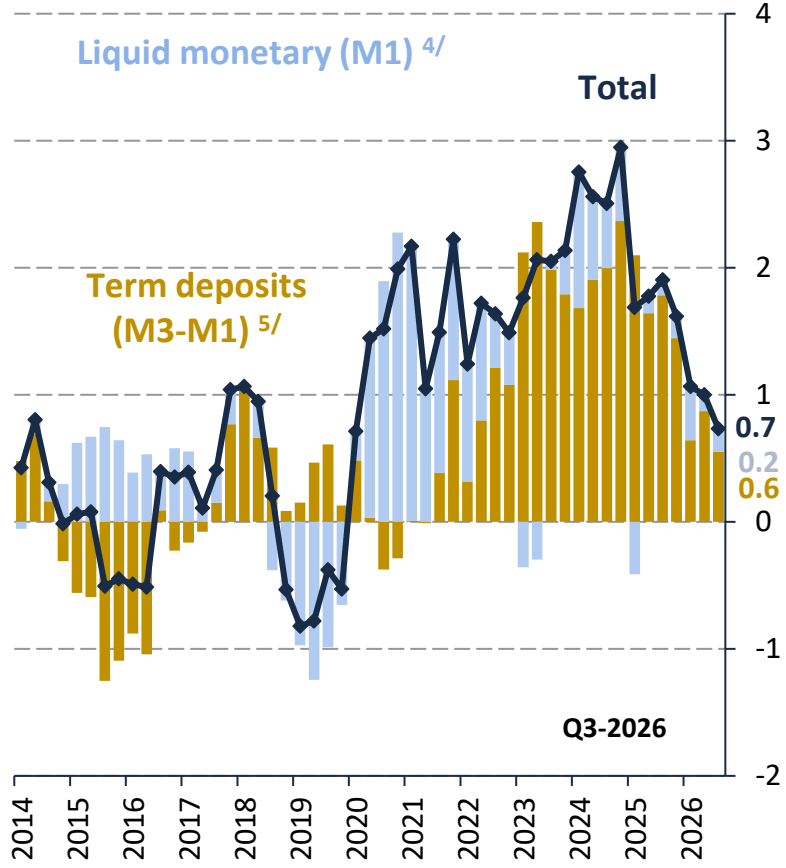


Domestic non-monetary sources

Deviation in percentage points of the annual flow as a % of GDP relative to the 2010–2019 average



Domestic sources

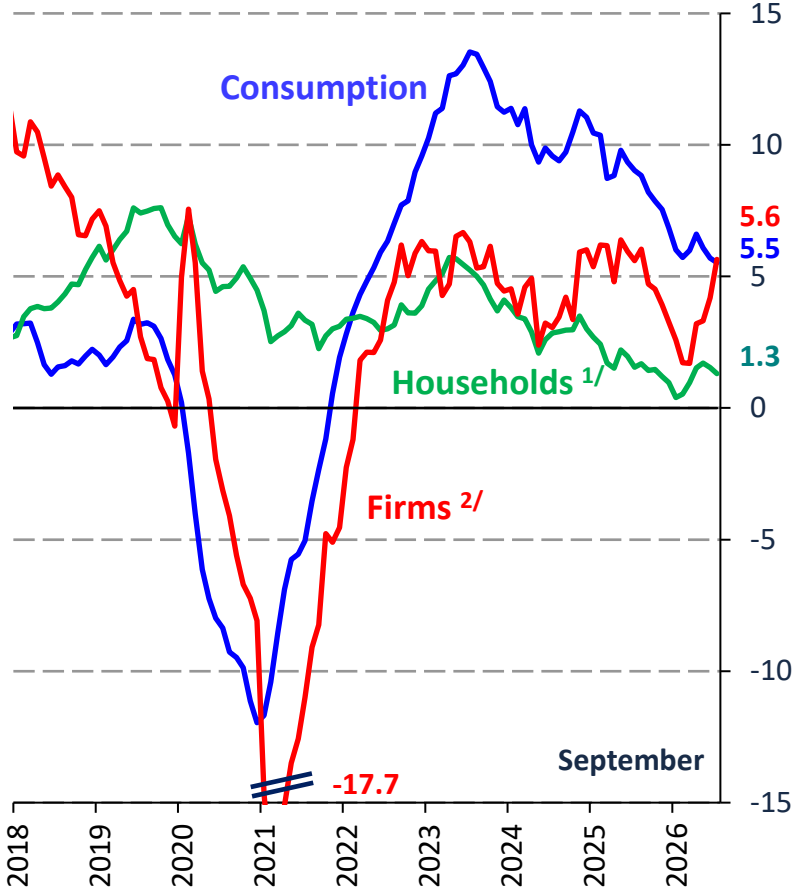


1/ See Table 6 of the July–September 2026 Quarterly Report (Sources and Uses of Financial Resources in the Economy) for a description of the concepts. The sum of the components may differ due to rounding. 2/ Includes net assets of the Basic Siefores, retirement savings funds at Banco de México, and Pensionissste bonds. 3/ Includes housing savings funds, private securities, other public securities, time deposits with maturities of more than 5 years, and subordinated debt. 4/ Includes banknotes and coins and immediately payable deposits. 5/ Includes long-term instruments in M2 (deposits with a residual term of up to 5 years, shares of debt investment funds and creditors through securities repurchase agreements) plus government securities held by resident money-holding sectors. Source: Prepared by Banco de Mexico.

In Q3-2026, commercial bank lending to firms increased in real annual terms with respect to the previous period. In contrast, lending to households continued growing at a moderate pace.

Outstanding commercial bank credit to the non-financial private sector

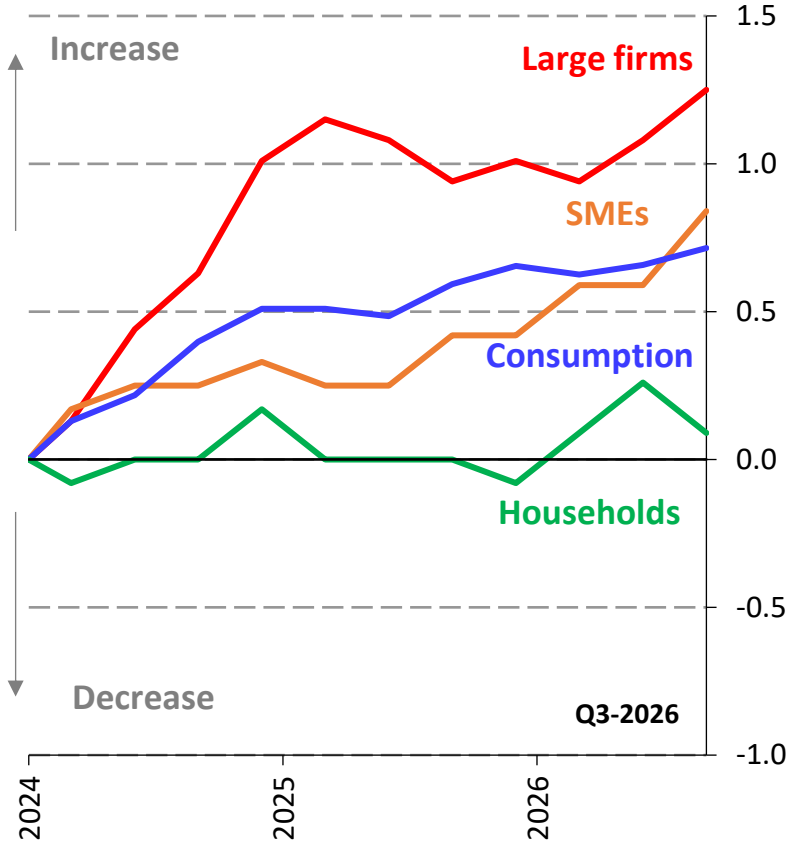
Annual real variation in percent



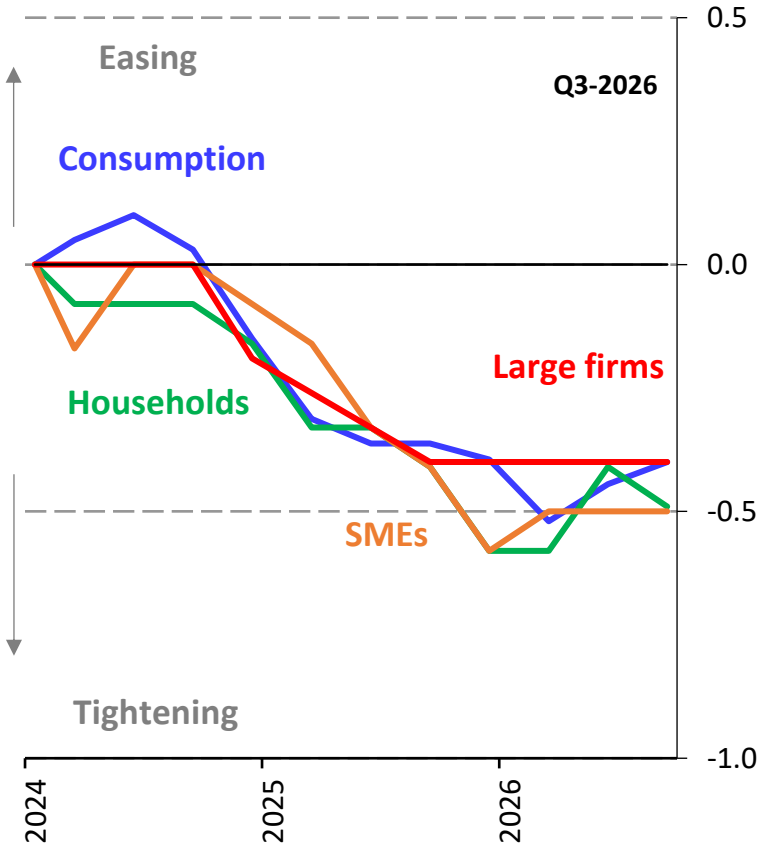
Commercial banks' opinion on changes in demand and in credit granting conditions and/or standards

Cumulative diffusion indices since Q1-2024 for banks with the largest share [3/4/]

Credit demand



Credit granting conditions and/or standards

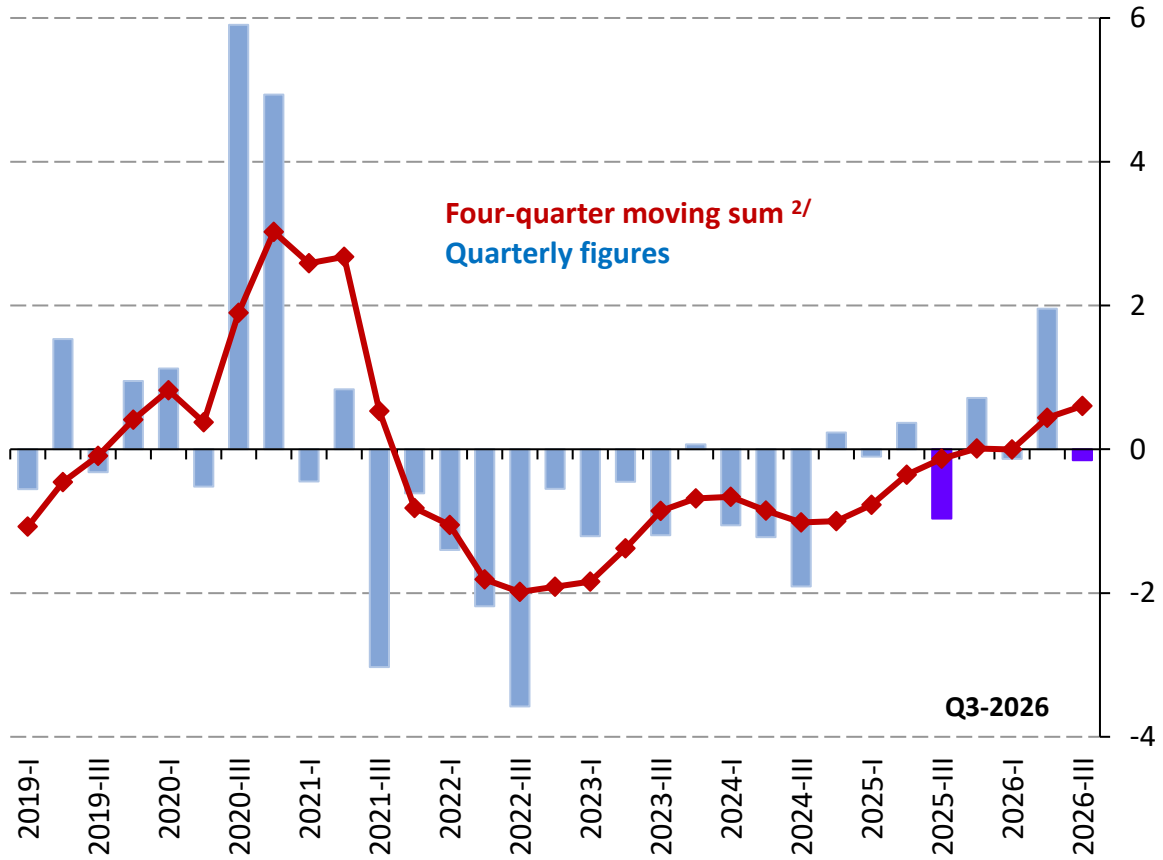


1/ Figures adjusted for transfers and reclassifications of credits in direct loan portfolio and incorporation of certain regulated Sofomes into credit statistics. 2/ Figures adjusted for exchange rate effects. 3/ The group of banks with the largest share represents at least 75% of the outstanding balance of bank credit in the corresponding segment, except in the large corporate and personal loan segments, where they account for 66.12% and 72.22%, respectively. 4/ The consumption index refers to the simple average of the diffusion indices for credit card, auto loan, payroll loan, and personal loan segments. These diffusion indices are constructed as a simple average of each bank's individual responses, which range from -1 to 1, with intervals of 0.5.

Source: Prepared by Banco de Mexico.

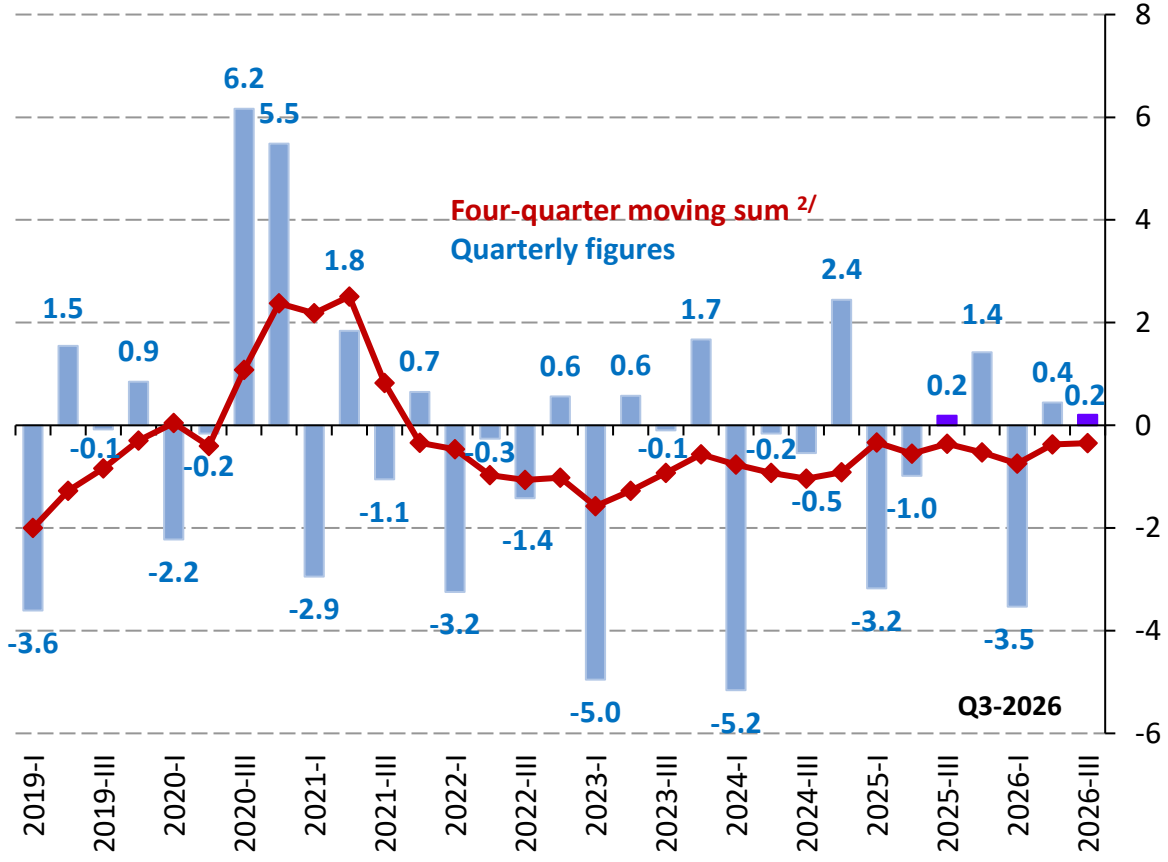
In Q3-2026, the current account registered a surplus similar to that of the same period of 2025, reflecting a lower deficit in the trade balance.

Trade balance
% of GDP



1/ Refers to the ratio of the four-quarter moving sum of the trade balance to GDP.
Source: SAT, SE, Banco de México, INEGI, Mexico's Merchandise Trade Balance, SNIEG. Information of national interest.

Current account
% of GDP

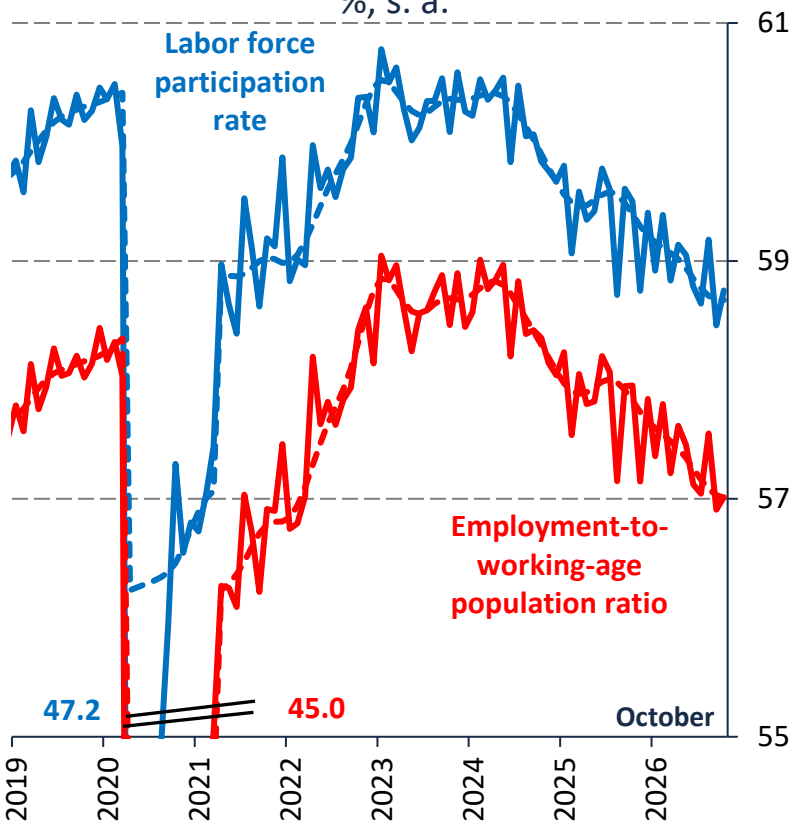


2/ Refers to the ratio of the four-quarter moving sum of the current account to GDP.
Source: Banco de México and INEGI.

The labor market remained weak during the reporting period.

Labor force participation rate [1/] and employment-to-working-age population ratio [2/]

%, s. a.



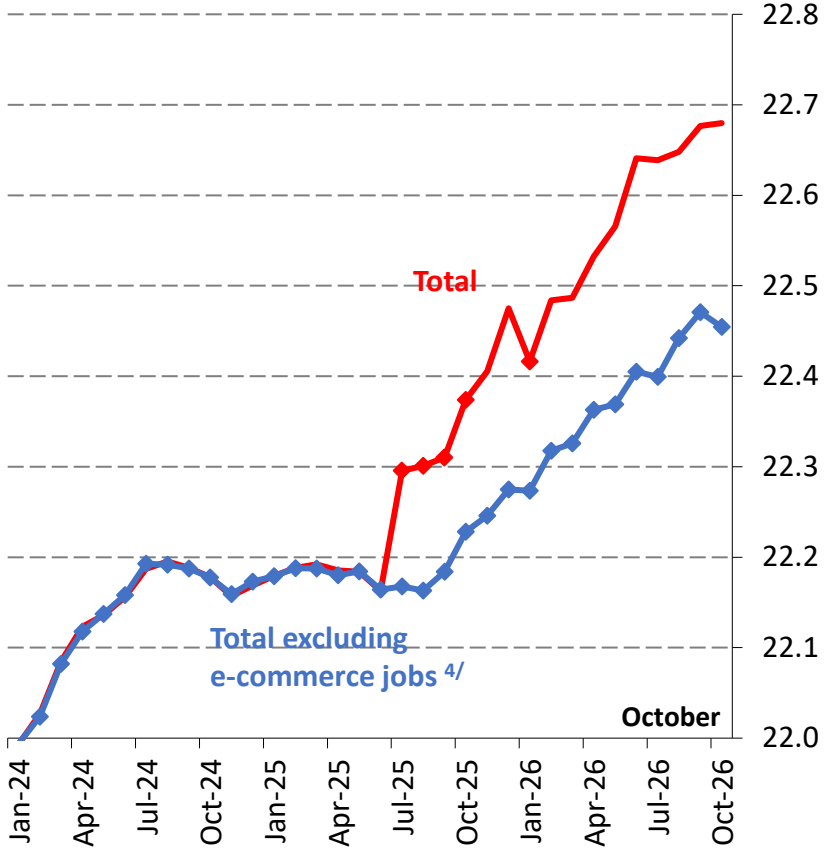
National unemployment rate

%, s. a.



IMSS-insured jobs [3/]

Million workers, s. a.

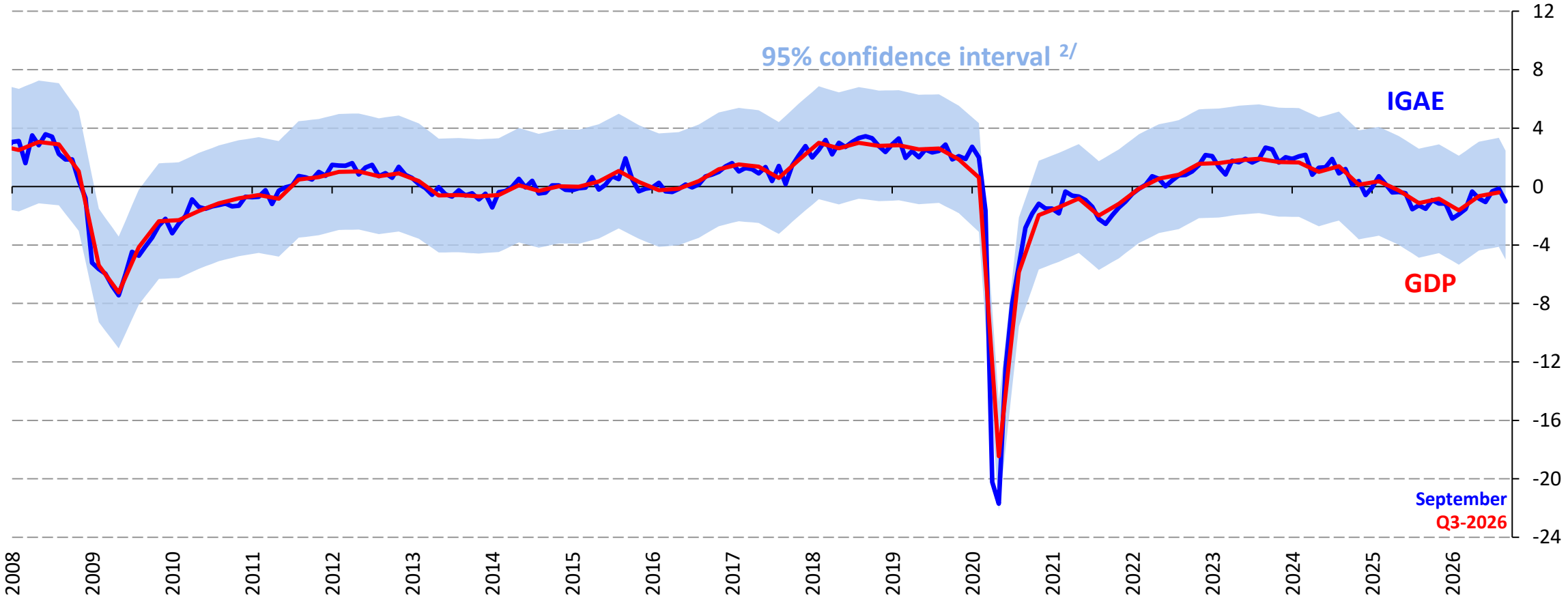


s. a./ Seasonally adjusted series.
Note: The range of some charts was reduced to facilitate their reading. The dotted line indicates the trend of the series.
1/ Percentage of the economically active population (PEA) relative to the population aged 15 and older. 2/ Percentage of the employed population relative to the population aged 15 and older. 3/ Permanent and temporary jobs in urban areas. Seasonal adjustment by Banco de Mexico. 4/ New IMSS-registered jobs associated with the pilot program to incorporate e-commerce workers into the mandatory social security scheme are excluded. In October 2026, 229,249 jobs were registered under this digital platform program.
Source: Prepared by Banco de México with data from IMSS and ENOE (INEGI).

Regarding the cyclical position of the economy, despite the improvement of economic activity in recent quarters, slack conditions persisted, as a result of the moderate growth observed during an extended period.

Output gap point estimate [1/]

% of potential output, s. a.



s. a./ Prepared with seasonally adjusted data.
1/ Estimated using the Hodrick-Prescott filter with tail correction. See Inflation Report April – June 2009, Banco de México, p.69.
2/ Confidence interval of the output gap calculated using an unobserved components method.
Source: Prepared by Banco de México with data from INEGI and Banco de México.

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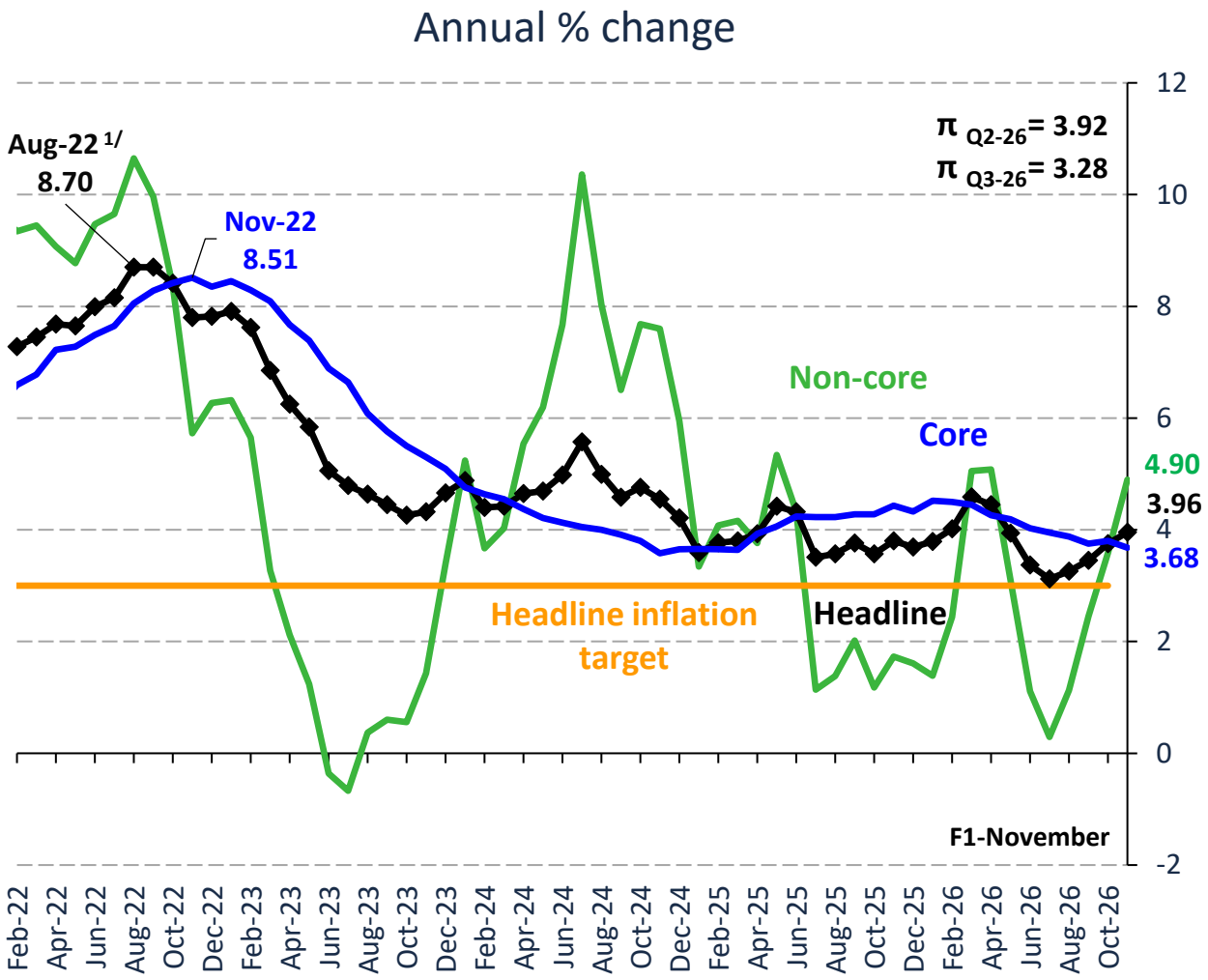
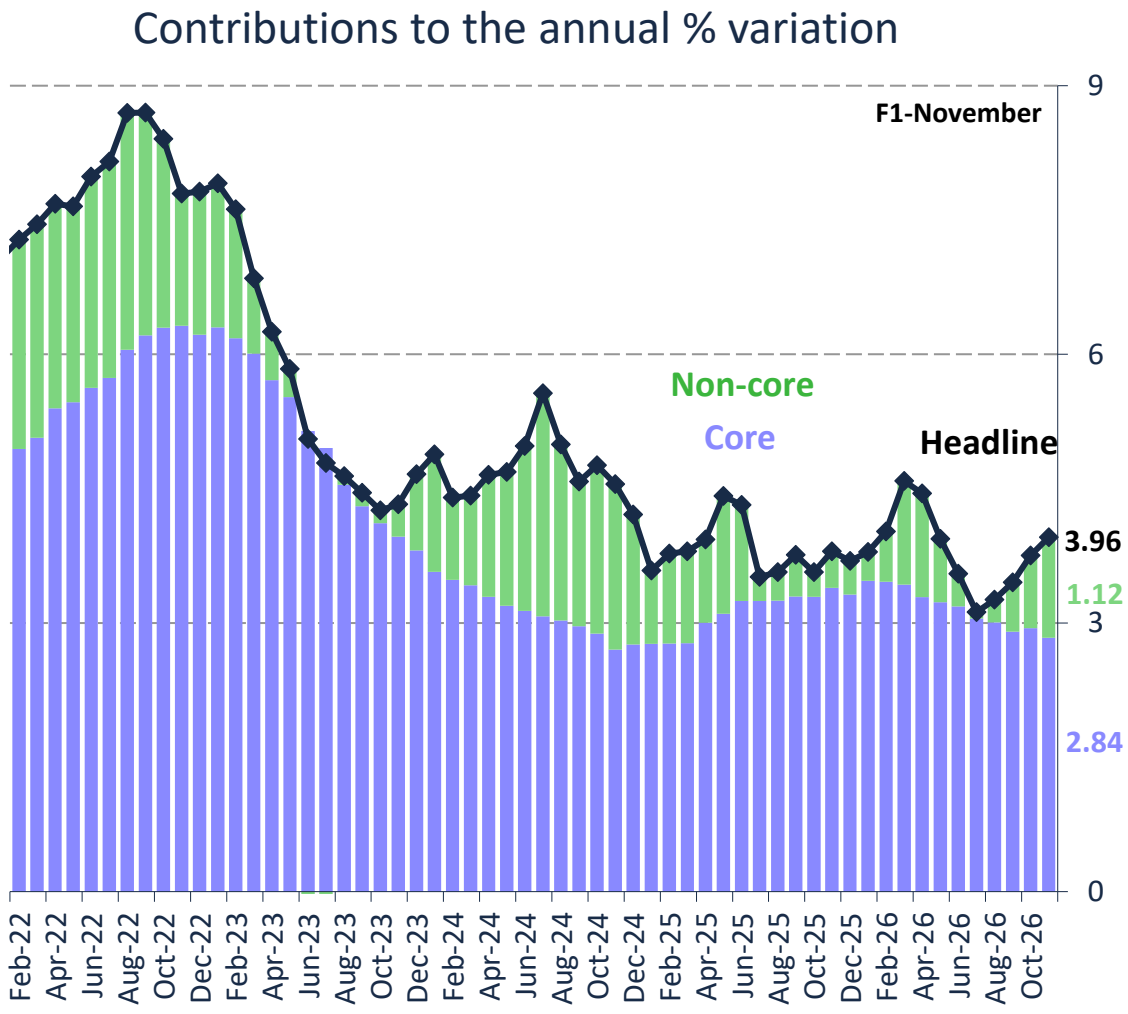
Annual headline inflation decreased between Q2-2026 and Q3-2026, driven by declines in both core and non-core indices. In the first fortnight of November it registered 3.96% owing to an increase in non-core inflation.

National Consumer Price Index

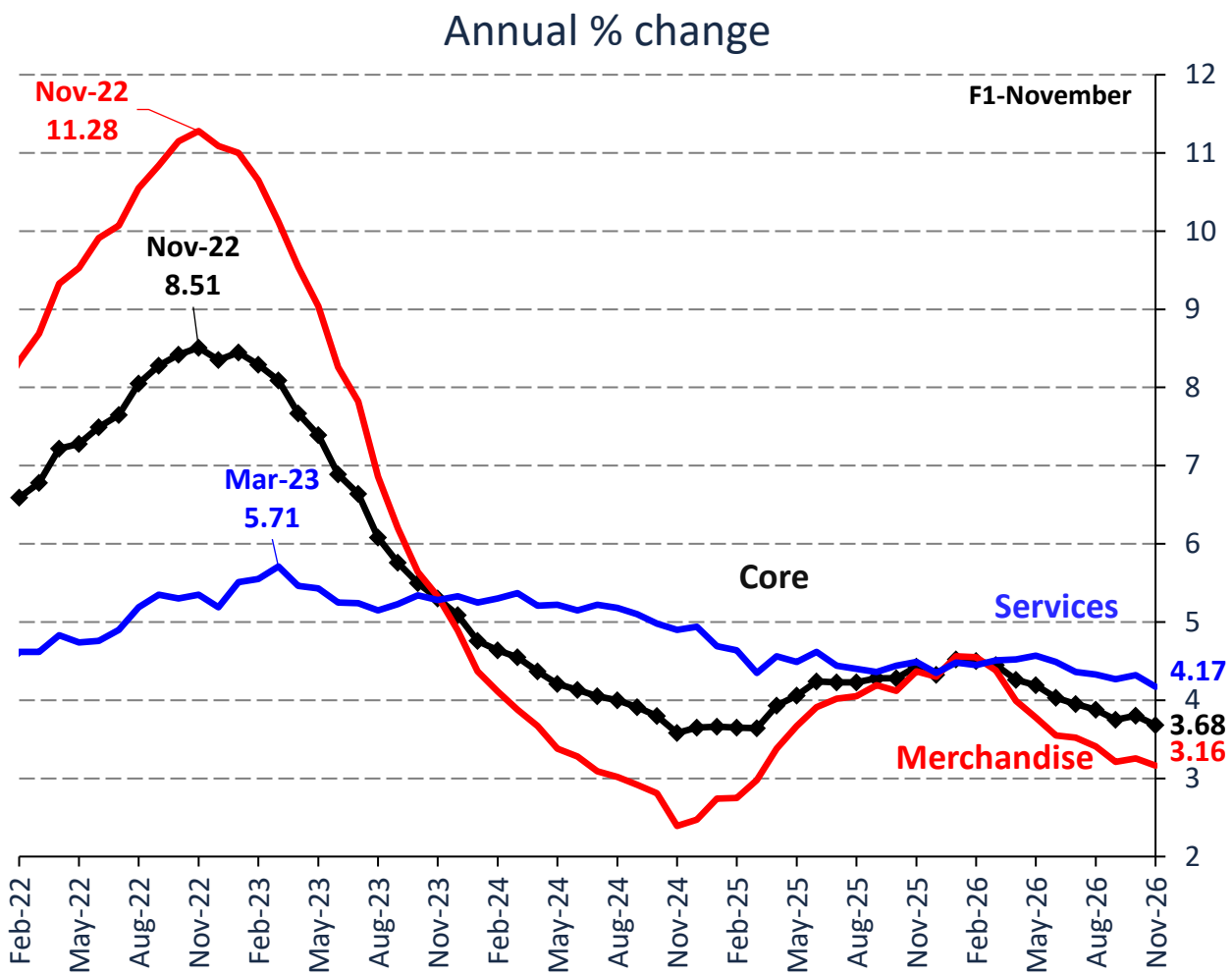


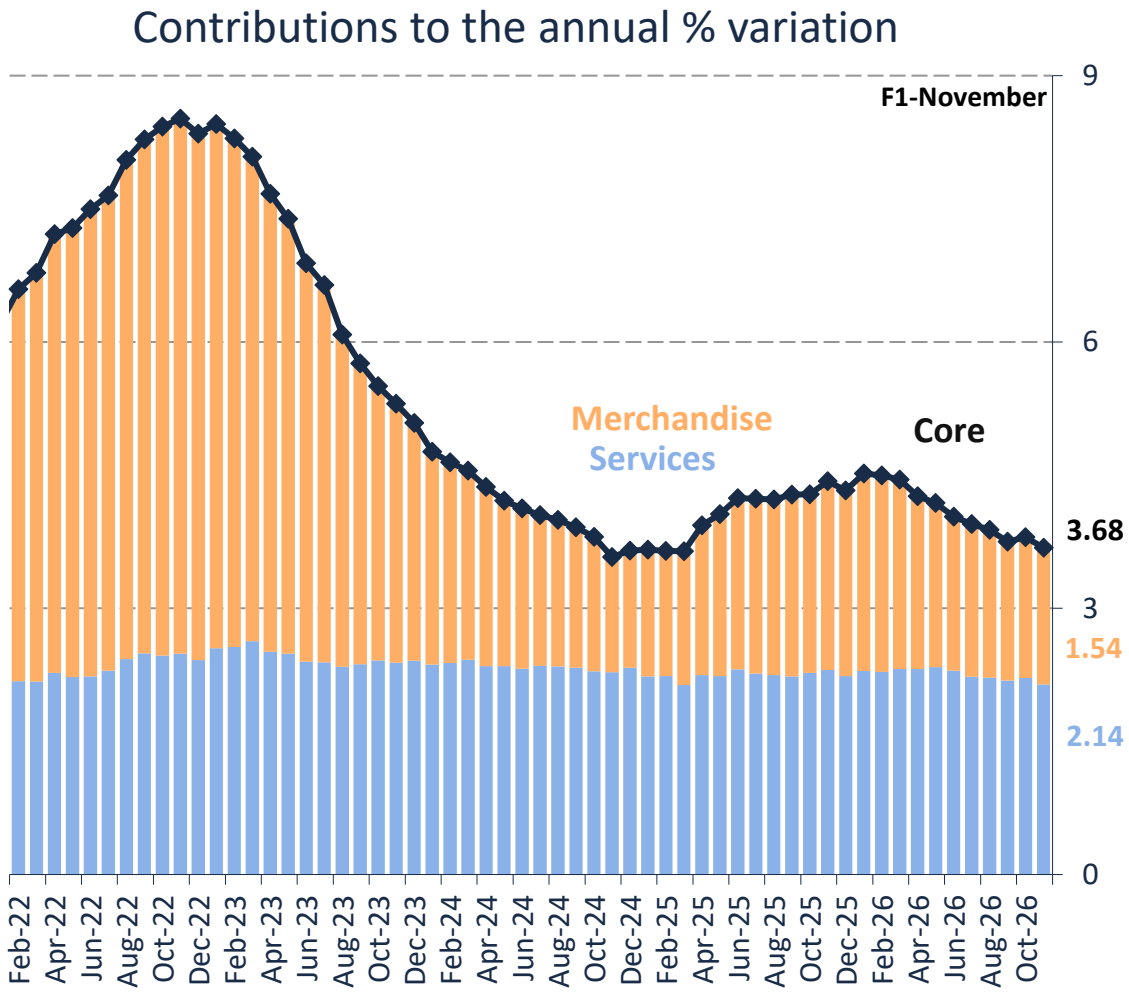


1/ Headline inflation was 8.70% in August and September 2022.
Source: Banco de México and INEGI.

Core inflation kept declining throughout Q3-2026. This performance was driven by the continued downward trajectory exhibited by the annual variation of merchandise and services prices.

Core price subindex

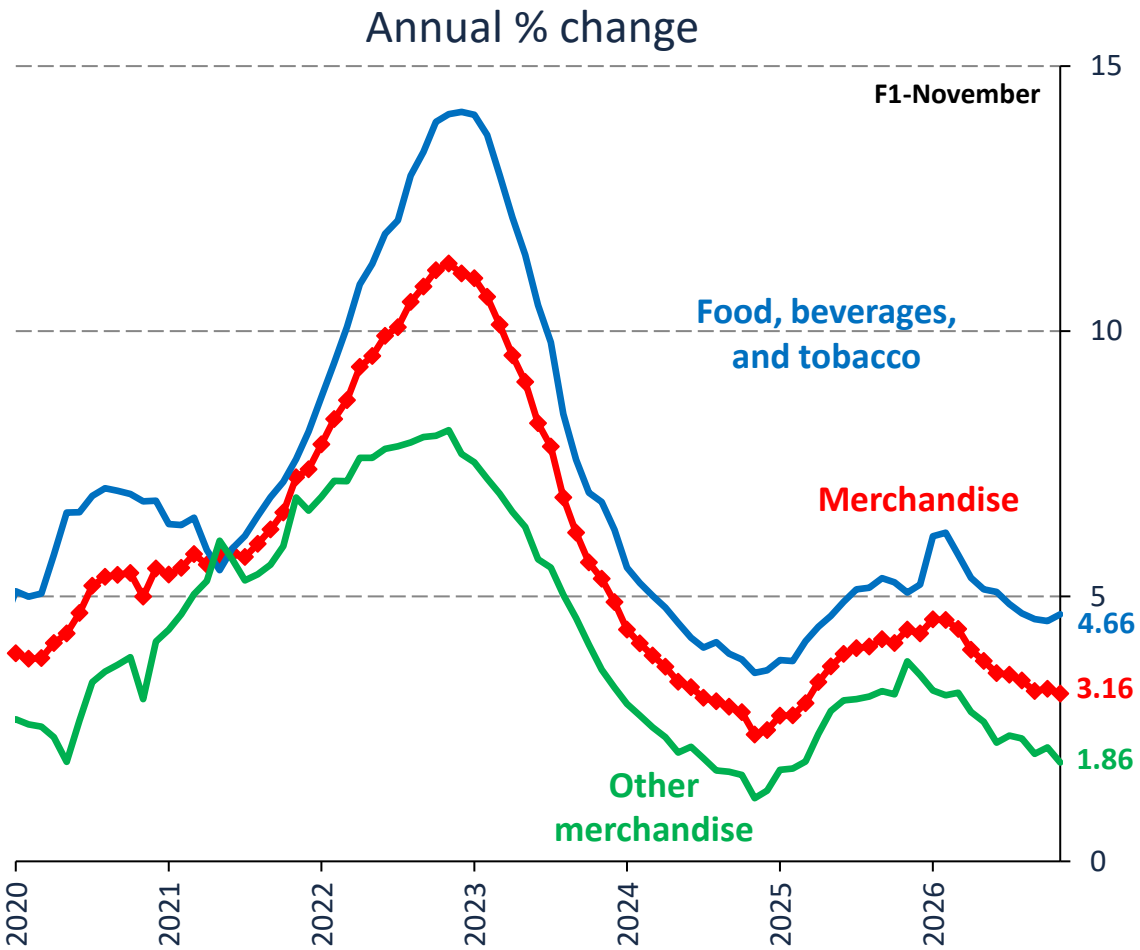




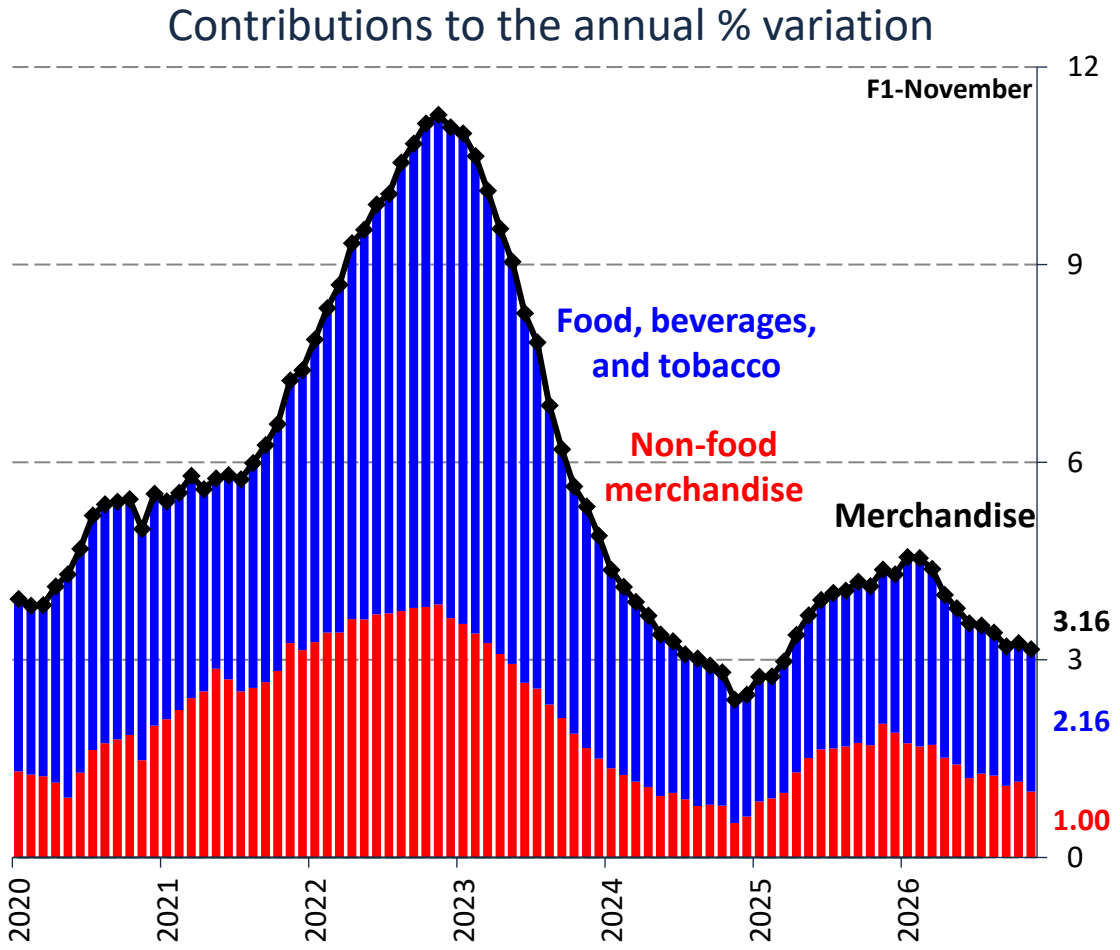
Source: INEGI.

The downward trend in the annual variation of merchandise inflation between quarters was affected by the decline observed in both food and non-food merchandise indices.

Merchandise price subindex



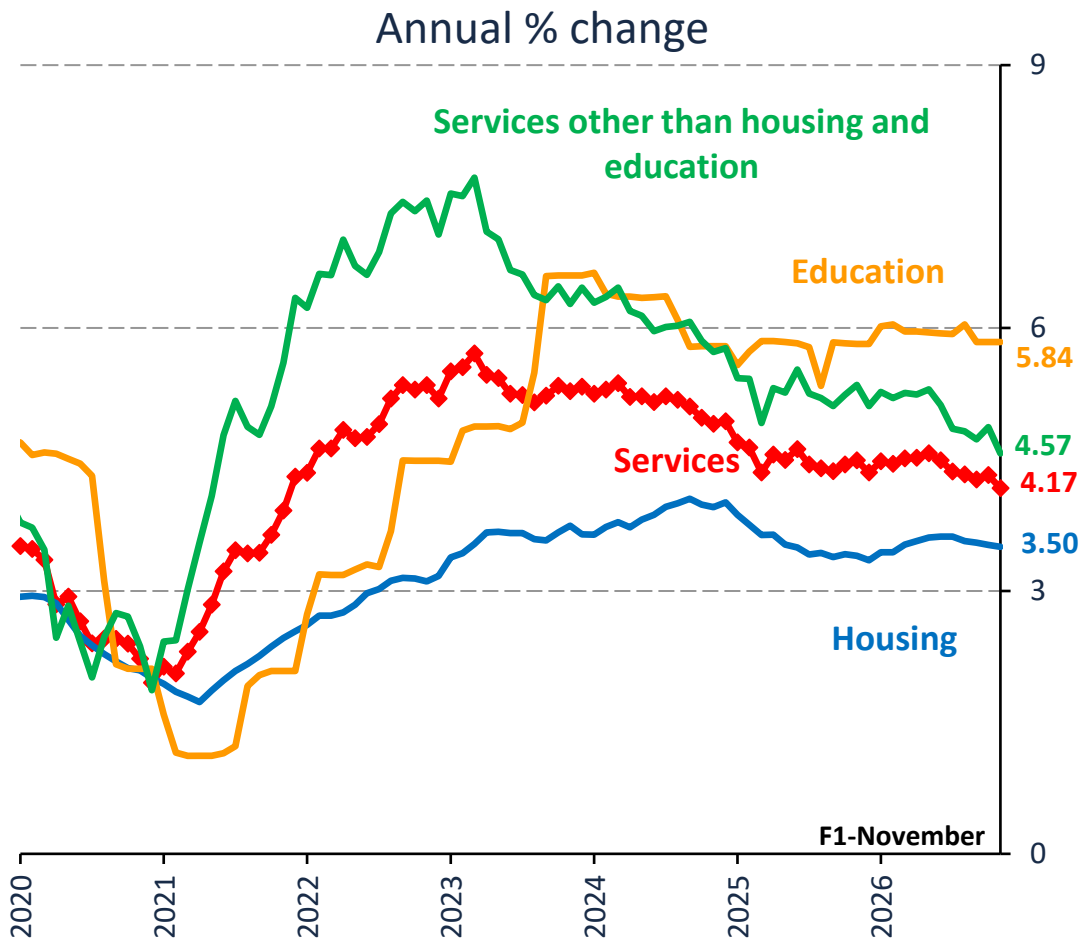
Source: INEGI.



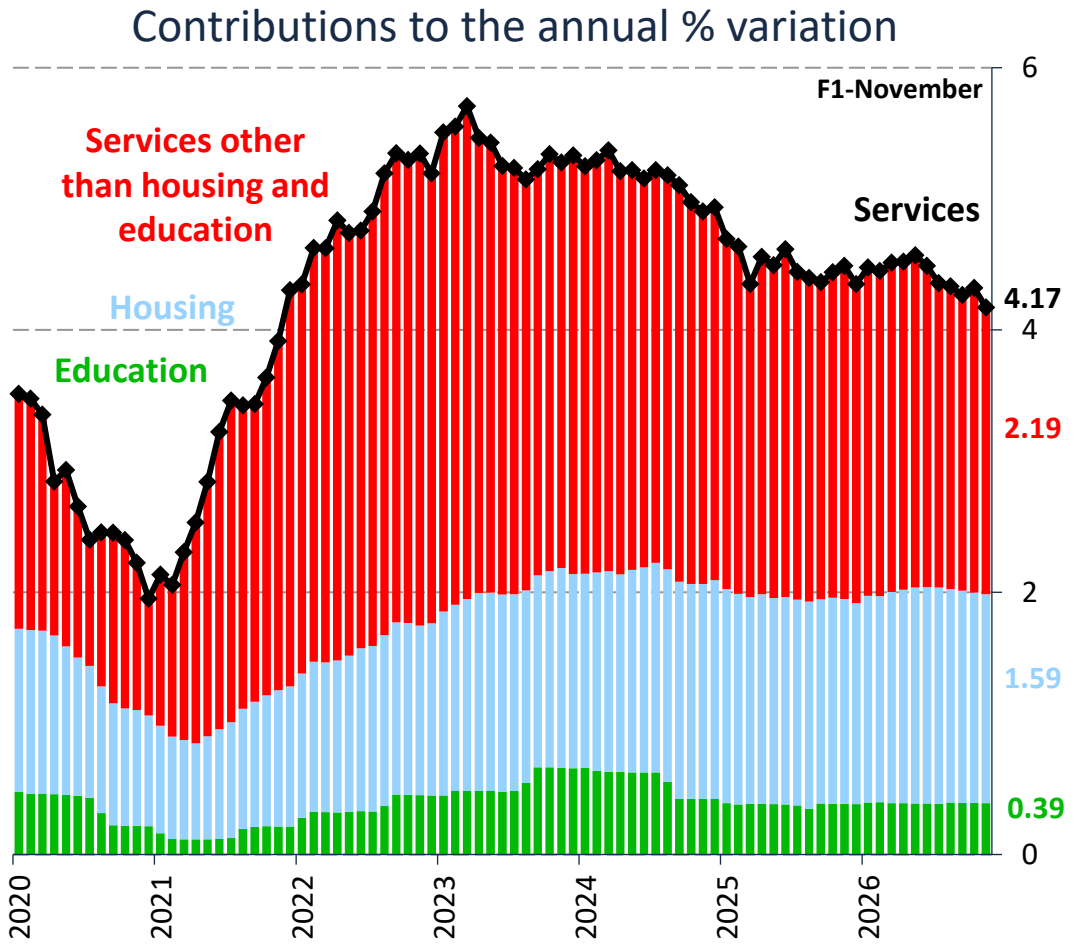
Source: INEGI.

Between Q2-2026 and Q3-2026, the annual variation of services prices declined. This was mainly driven by the evolution of prices of services other than housing and education.

Services price subindex



Source: INEGI.

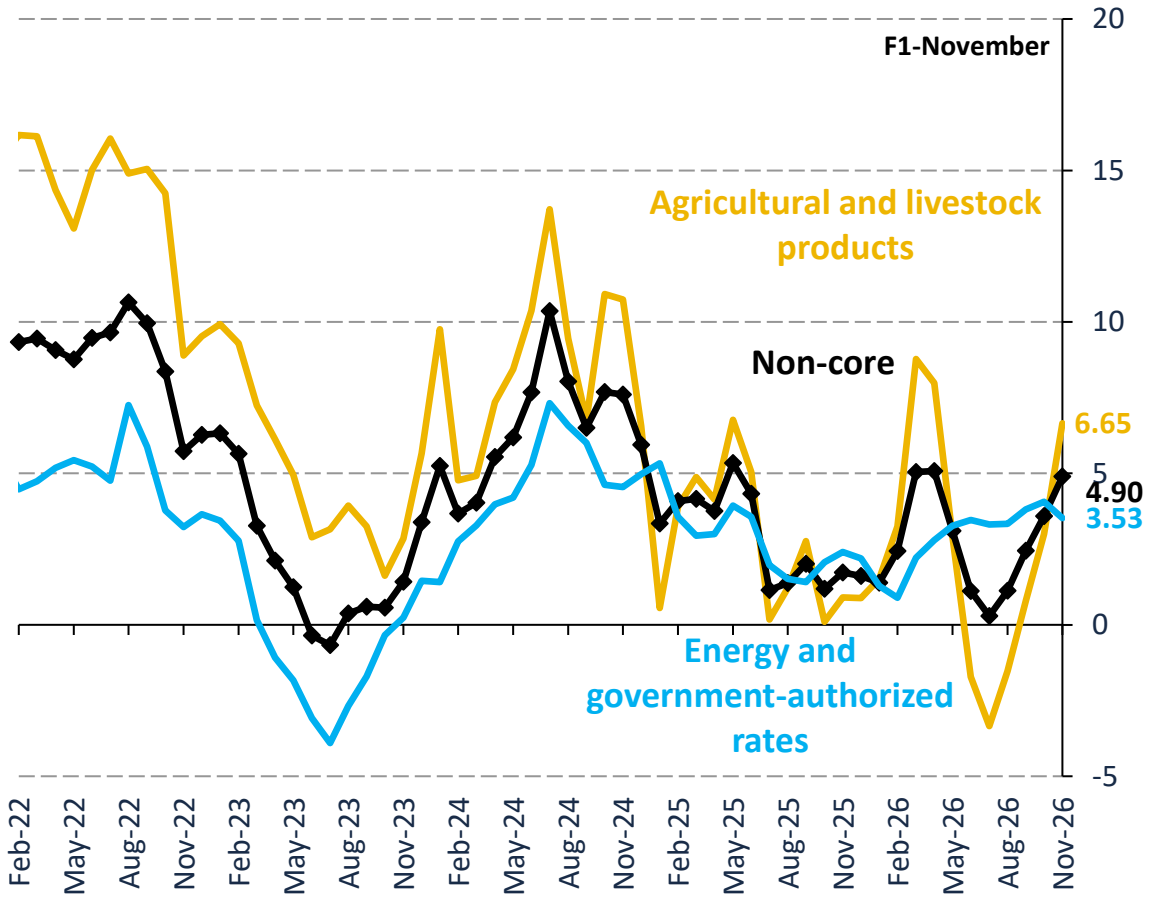


Source: INEGI.

In Q3-2026, annual non-core inflation declined in response to the smaller annual variation of agricultural and livestock products' prices. More recently, it rose due to increases from low levels in the annual variation of agricultural and livestock products' prices and of energy prices.

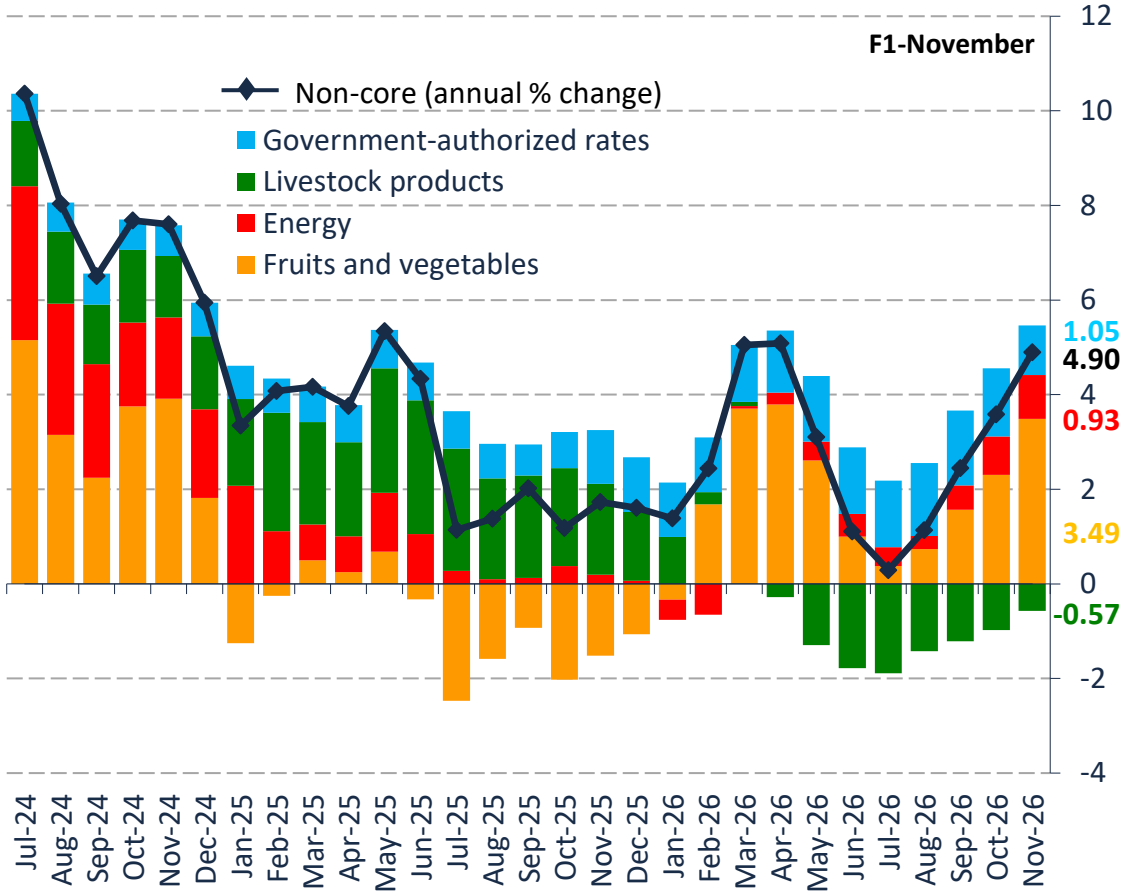
Non-core price subindex

Annual % change



Source: INEGI.

Contributions to annual % change

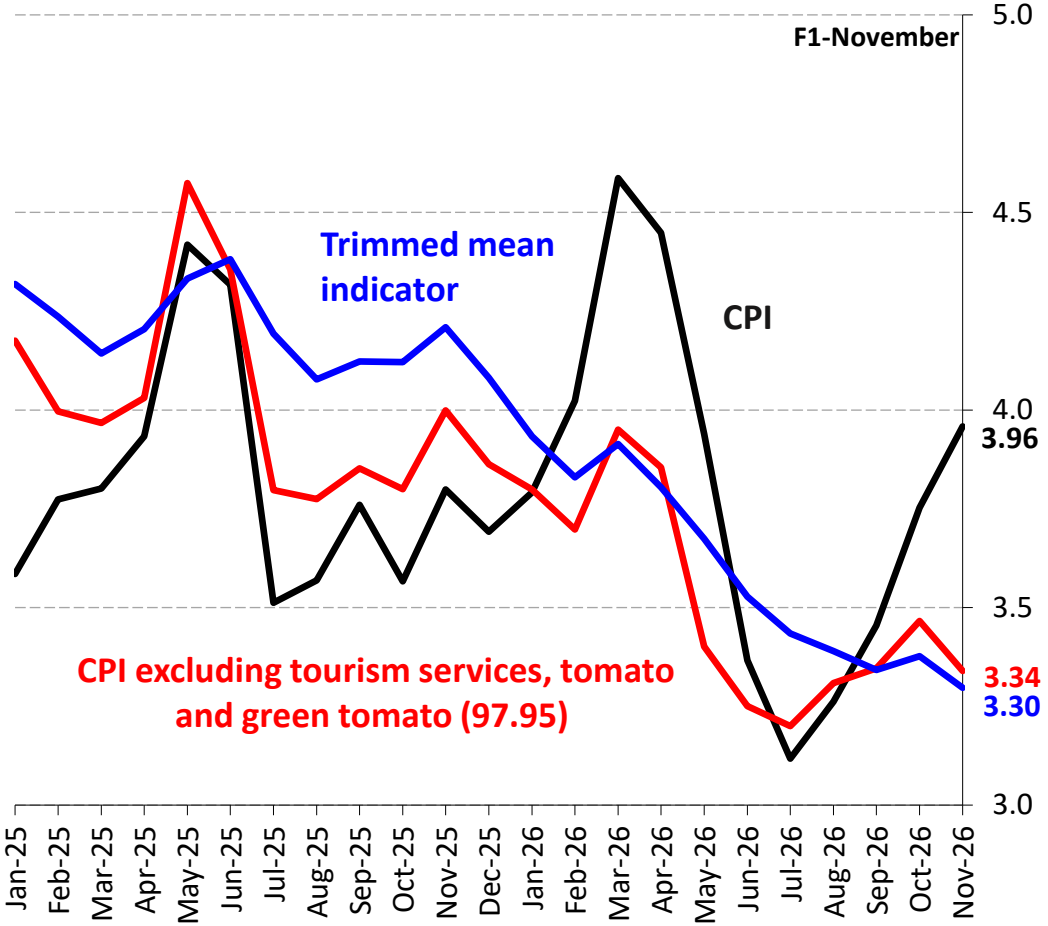


1/ In some cases, the sum of the components may differ slightly from the total due to updates in weights and in the consumption basket or to rounding effects. Source: INEGI.

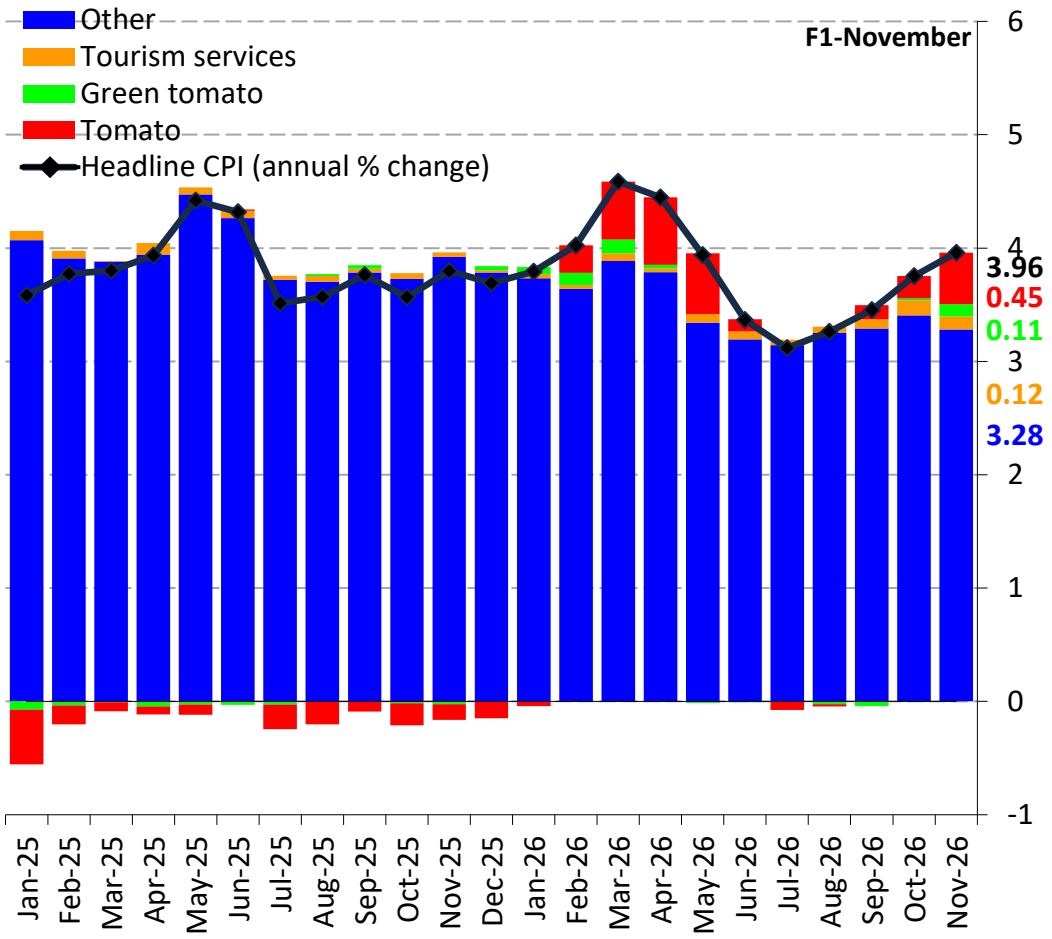
The increase in headline inflation was largely affected by extreme and specific variations in some CPI item prices. When these are excluded, there is no evidence of widespread inflationary pressures.

National Consumer Price Index

Annual % change



Contributions to the annual % variation 1/



Source: Banco de México and INEGI. Note: Figures in brackets correspond to group weights.
1/ In some cases, the sum of components may differ slightly from the total due to updates to weights and the CPI basket or to rounding.

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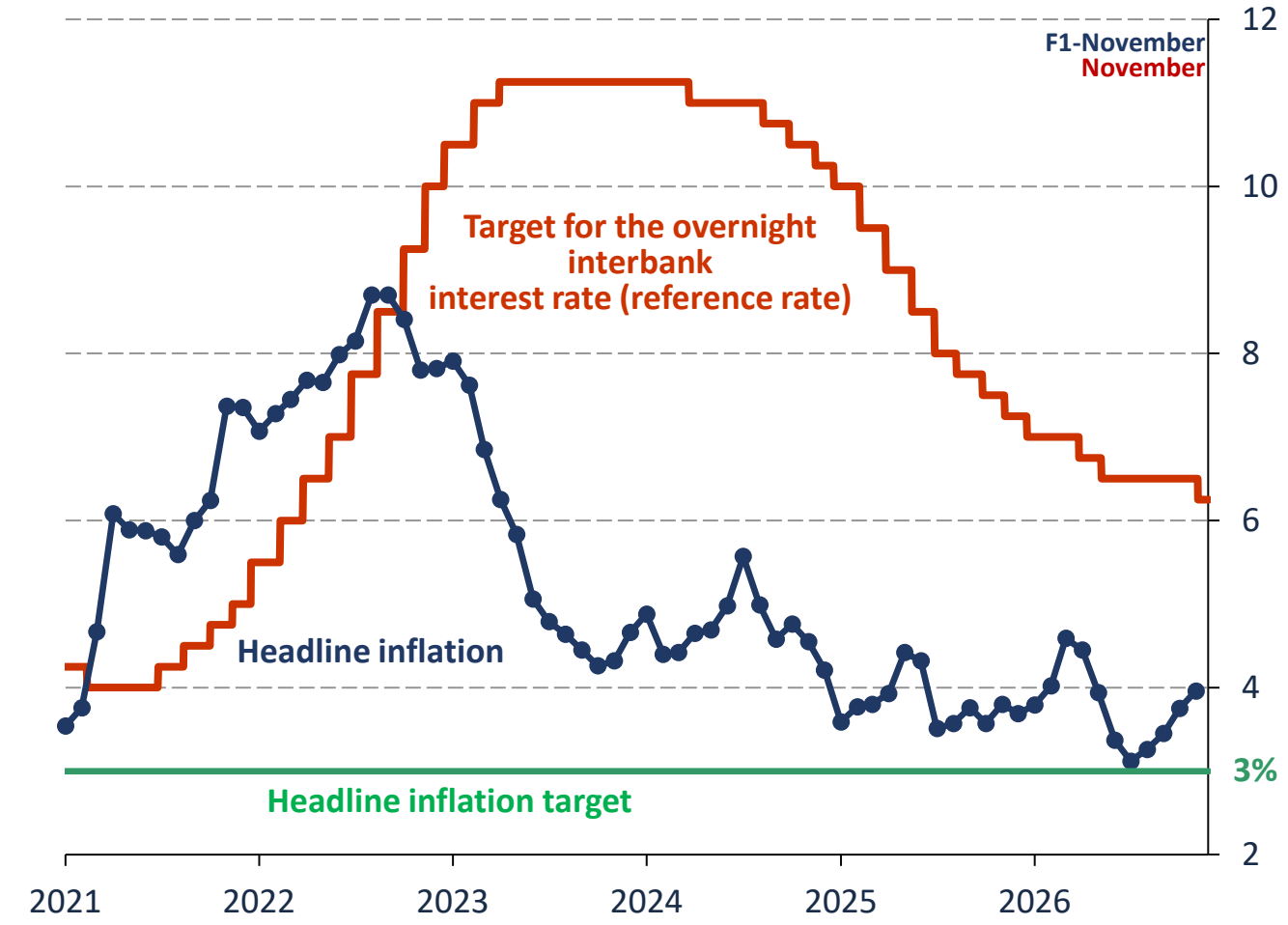
The Governing Board kept the target rate unchanged at 6.50% in Q3-2026. Subsequently, in November it made a one-time adjustment by lowering said rate by 25 basis points to 6.25%.

Target for the overnight interbank interest rate and headline inflation

Annual %



Source: Banco de México and INEGI.

Recent developments in Banco de México's monetary policy decisions

	Rate changes (bp)	Rate level (%)
Mar-24	-25	11.00
May-24	0	11.00
Jun-24	0	11.00
Aug-24	-25	10.75
Sep-24	-25	10.50
Nov-24	-25	10.25
Dec-24	-25	10.00
Feb-25	-50	9.50
Mar-25	-50	9.00
May-25	-50	8.50
Jun-25	-50	8.00
Aug-25	-25	7.75
Sep-25	-25	7.50
Nov-25	-25	7.25
Dec-26	-25	7.00
Feb-26	0	7.00
Mar-26	-25	6.75
May-26	-25	6.50
Jun-26	0	6.50
Aug-26	0	6.50
Sep-26	0	6.50
Nov-26	-25	6.25

Gradual stage: 25-bps cuts in March, August, September, November, and December 2024.

Calibration stage: 50-bps cuts in February, March, May, and June 2025.

Rate-cutting cycle continuation: 25-bps cuts in August, September, November, and December 2025, March and May 2026.

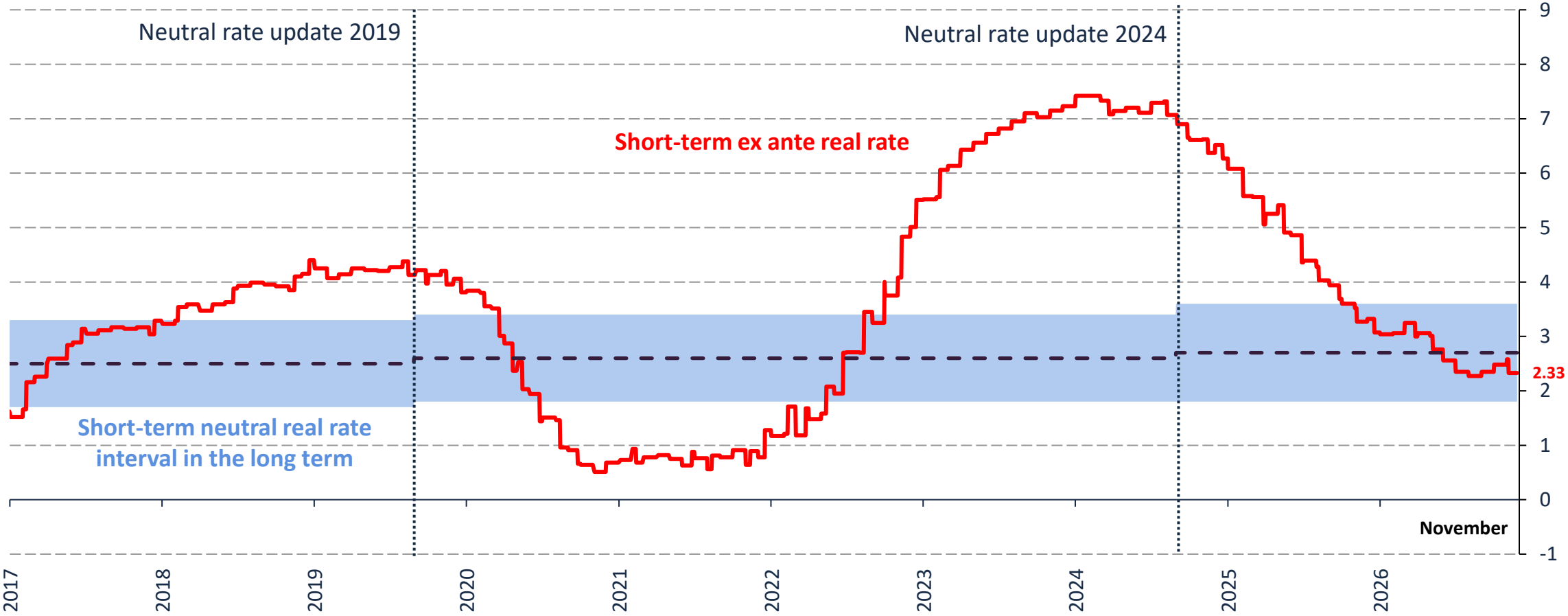
End of the cutting cycle: The cuts that began in 2024 were completed in May.

One-time adjustment: 25-bp cut in November 2026.

Given the lags with which monetary policy operates, the restrictive policy stance previously implemented is expected to continue contributing to the disinflation process.

Short-term ex ante real rate and estimated interval for the short-term neutral real rate in the long term 1/

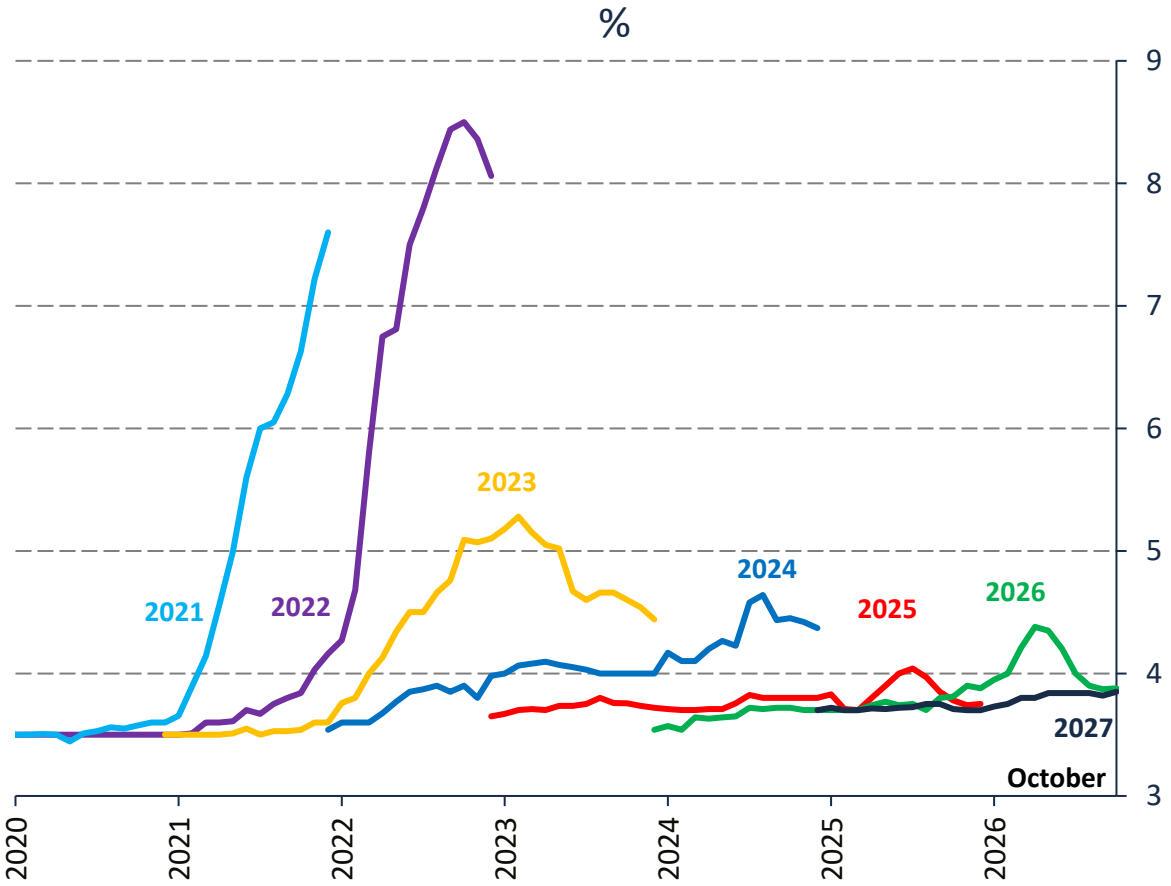
Annual %



Note: The horizontal dotted line corresponds to the midpoint of the estimated range for the neutral rate level in the long term in real terms. The vertical lines indicate the dates of updates to the real rate estimate. On August 28, 2019 it was updated from a range of [1.7%, 3.3%] with a midpoint of 2.5% to a range of [1.8%, 3.4%] with a midpoint of 2.6%. On August 28, 2024, it was updated to a range of [1.8%, 3.6%] with a midpoint of 2.7%.
1/ The short-term ex ante real rate is calculated as the difference between the target for the overnight interbank interest rate and the mean of 12-month inflation expectations drawn from Banco de México's Survey of Private Sector Forecasters. For the period prior to 2008, the ex ante real rate is calculated using the overnight interbank interest rate. Source: Banco de México.

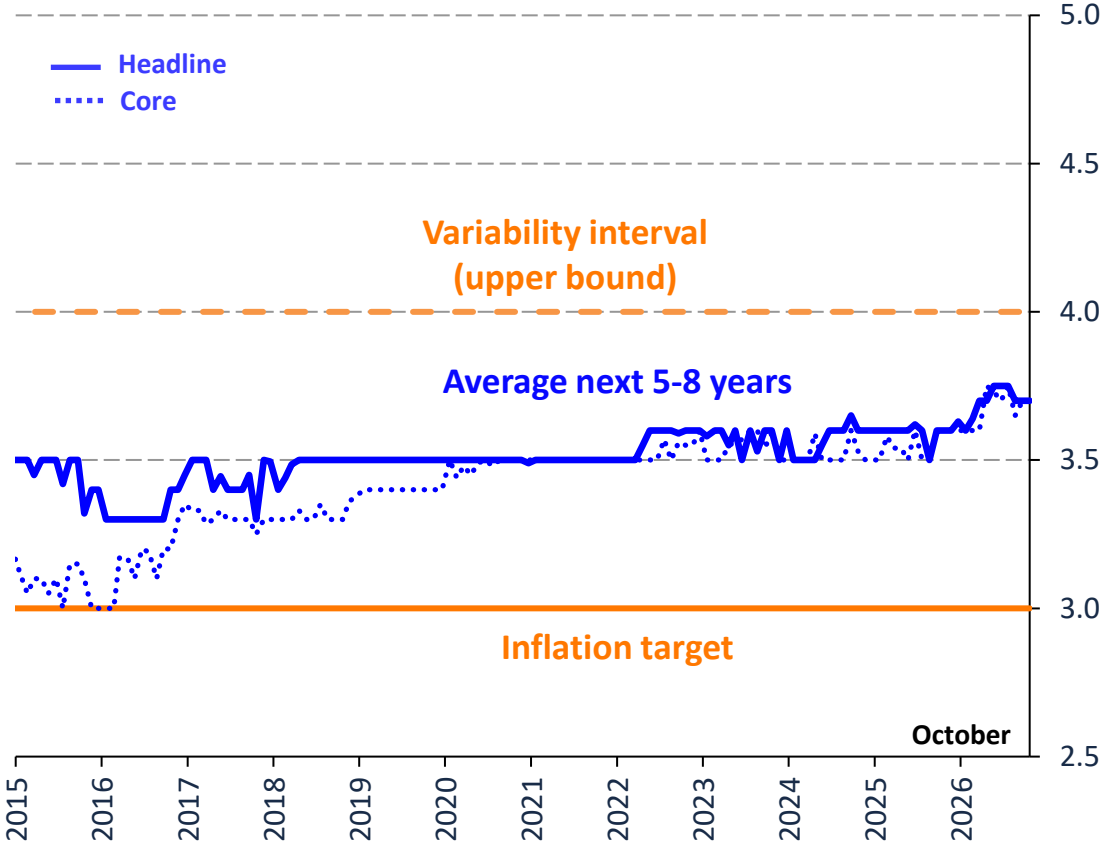
Short-term inflation expectations decreased between June and October 2026, while medium- and long-term expectations remained relatively stable.

Median of headline inflation expectations at the end of the year



Source: Banco de México's Survey of Private Sector Forecasters.

Median of long-term inflation expectations

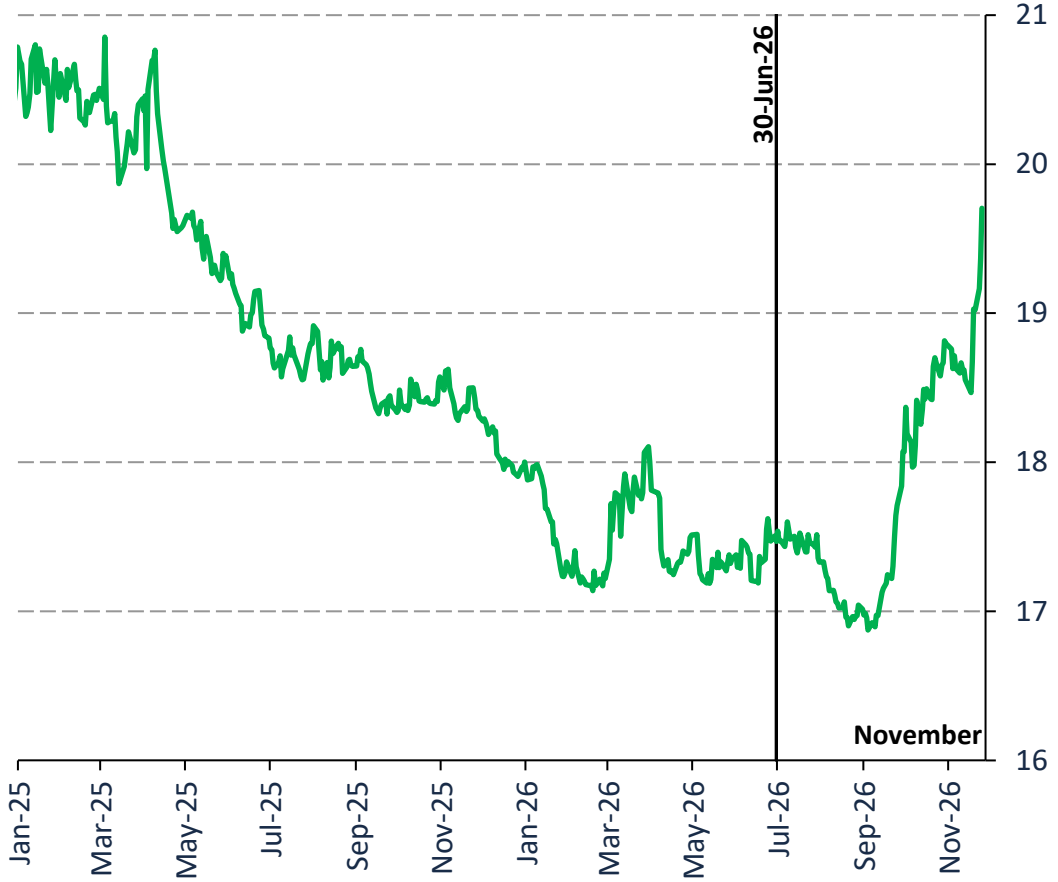


Source: Banco de México's Survey of Private Sector Forecasters.

The Mexican peso appreciated during most of the quarter, although in September it began depreciating from the lows reached in August and early September. Domestic financial markets experienced increased volatility due to external factors.

Nominal exchange rate [1/]

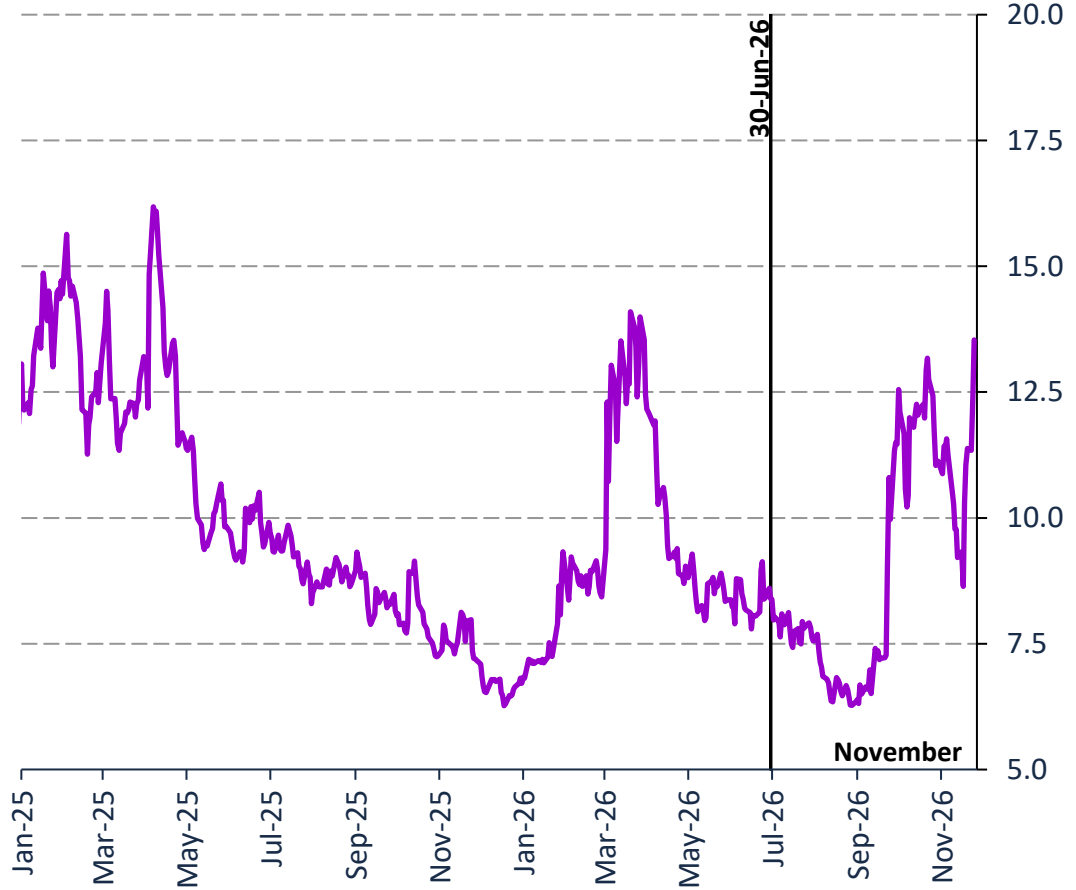
Pesos per USD



1/ Daily data of FIX exchange rate.
Source: Banco de México.

Exchange rate volatility in Mexico's financial markets [2/]

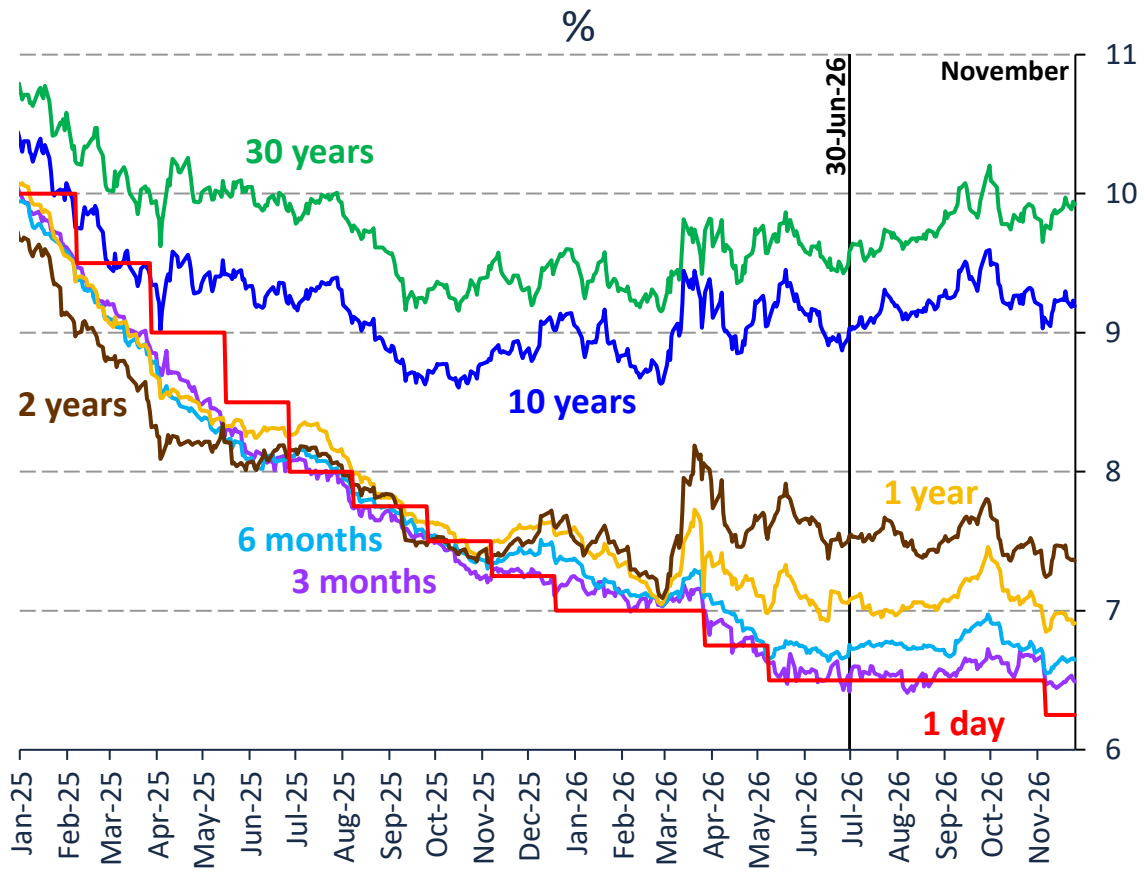
%



2/ Refers to the implied volatility of 1-month options of the Mexican peso.
Source: Bloomberg.

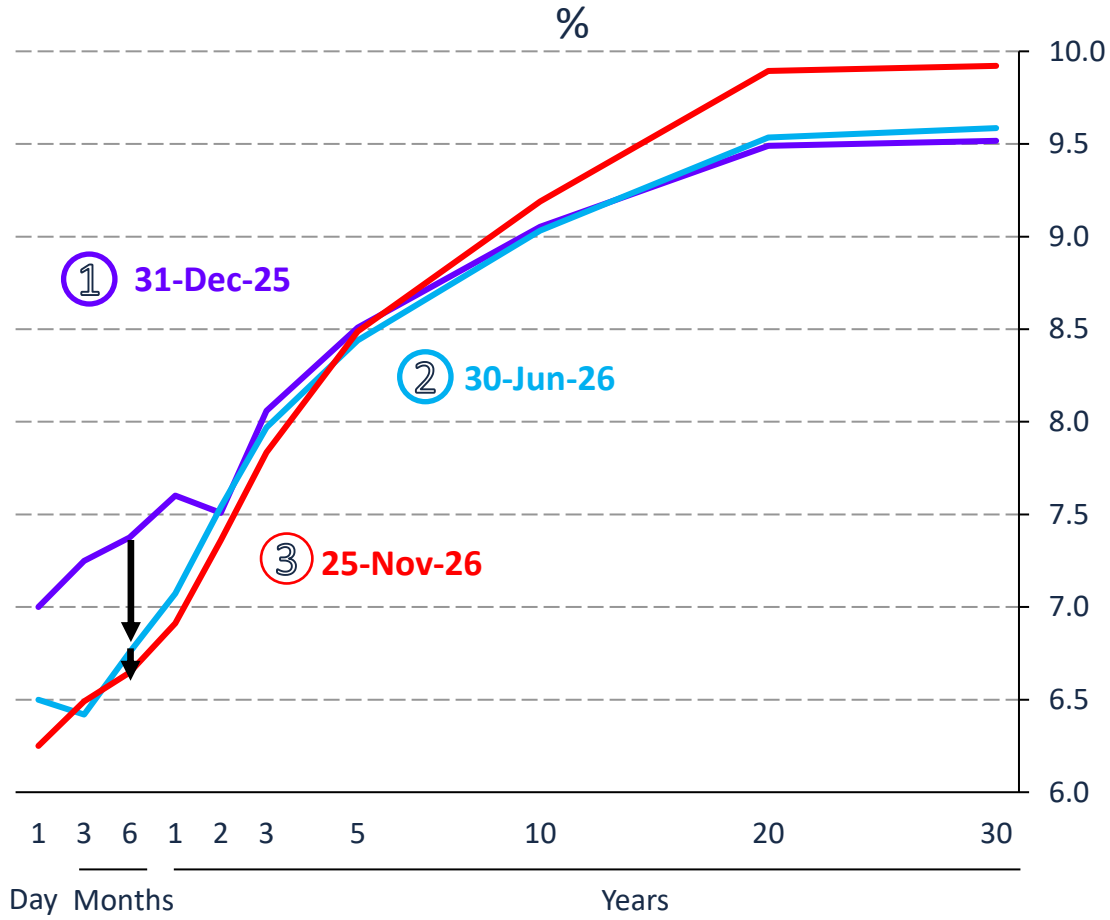
Between June and November, interest rates exhibited differentiated trends along the yield curve. Short- and medium-term rates declined in line with Banco de México's reference rate cut in November, while long-term rates were at levels above those observed in late June.

Target for the overnight interbank interest rate and interest rates on government bonds yields



Source: *Proveedor Integral de Precios* (PiP).

Yield curve of Mexican government bonds



Source: *Proveedor Integral de Precios* (PiP).

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Economic activity outlook

GDP growth [1/]
Annual % change

QR July - September 2026

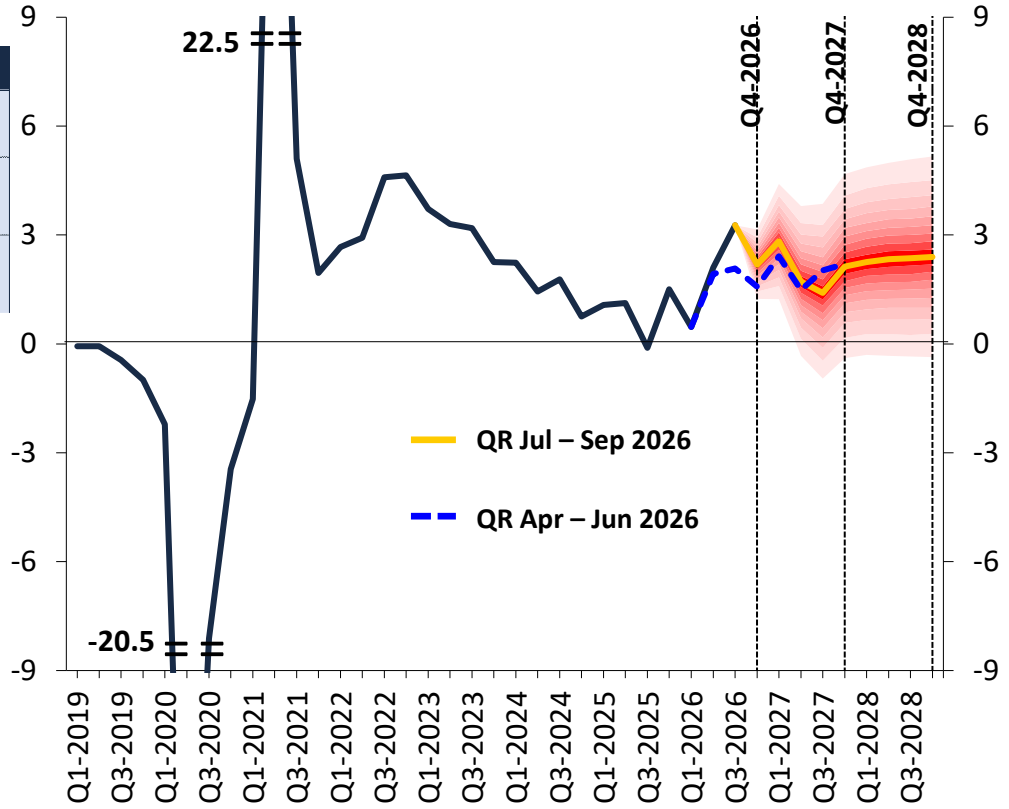
Year	Point	Interval
2026	1.9	1.7 a 2.1
2027	2.0	1.3 a 2.7
2028	2.5	1.7 a 3.3

QR April - June 2026

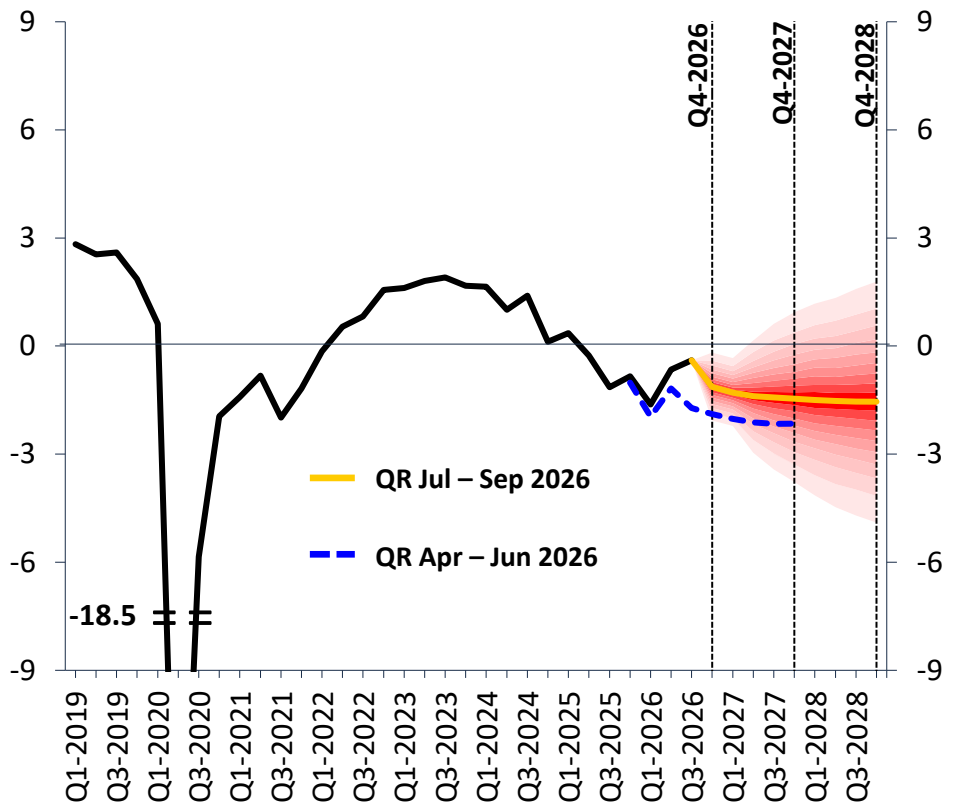
Year	Point	Interval
2026	1.5	1.0 a 2.0
2027	2.0	1.2 a 2.8

Fan chart GDP [2/]

Annual %, s. a.



% of potential output, s. a.

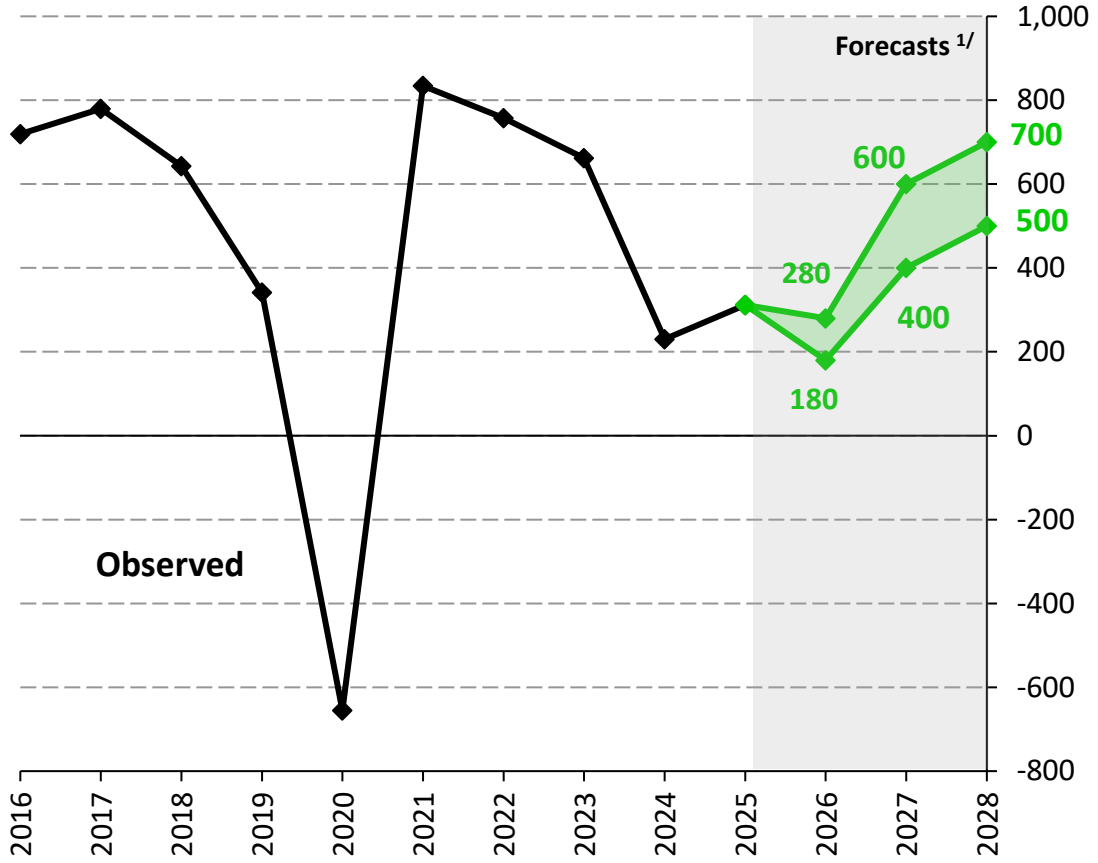


s. a./ Seasonal adjusted figures.
1/ Forecasts with original unadjusted figures.
2/ In the Quarterly Report of Q3-2026, the forecast begins in Q4-2026. In the previous Report, the forecast began in Q3-2026. The vertical scale of the chart was reduced to facilitate its reading. Note: QR refers to Quarterly Report. Source: Prepared by Banco de México with data from INEGI and Banco de México.

Economic activity outlook

Change in number of IMSS-insured jobs

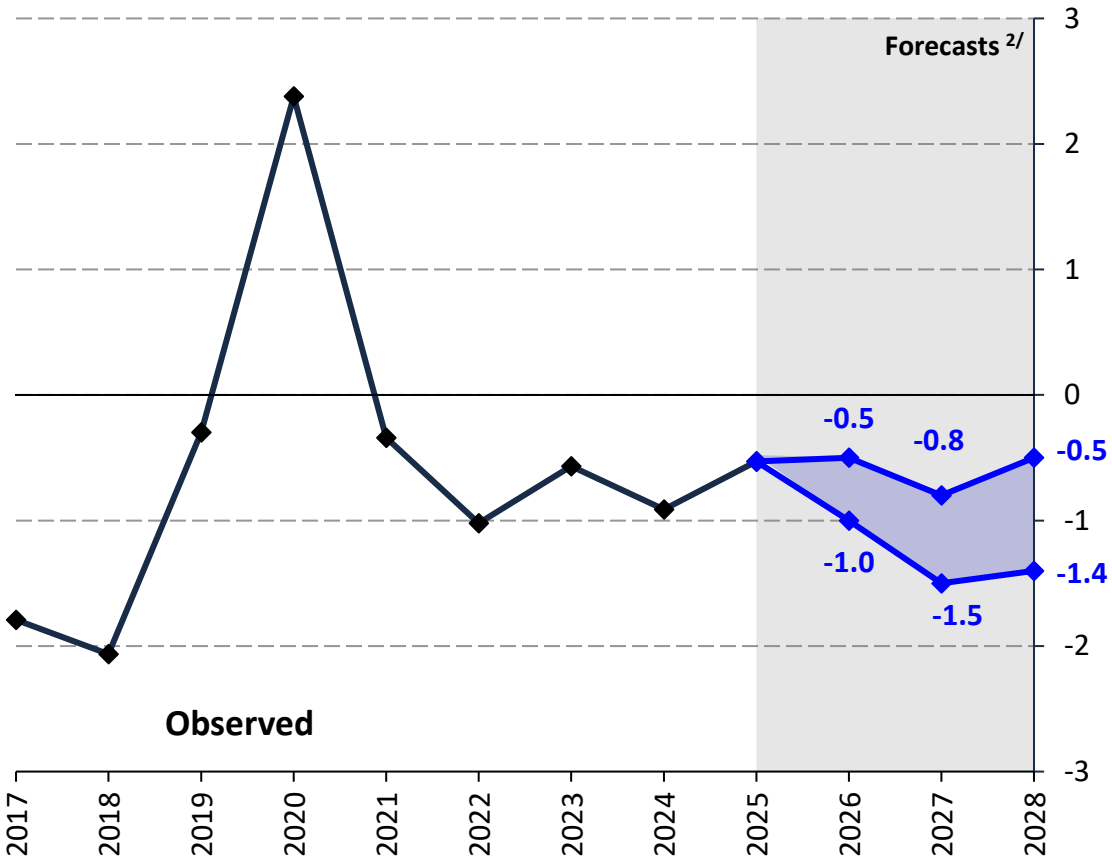
Thousand jobs



1/ Forecasts are shown in the gray-shaded area.
Source: IMSS and Banco de México.

Current account

% of GDP



2/ Forecasts are shown in the gray-shaded area.
Source: Banco de México.

Risks to growth

The balance of risks to growth of economic activity over the forecast horizon is considered to remain biased to the downside.

To the downside

I. That the current environment of uncertainty intensifies, particularly regarding international trade.

II. That geopolitical conflicts in different regions of the world negatively affect the Mexican economy.

III. That episodes of volatility materialize in domestic or international financial markets.

IV. That US economic growth turns out to be lower than expected.

V. That climate-related events adversely impact the Mexican economy.

To the upside

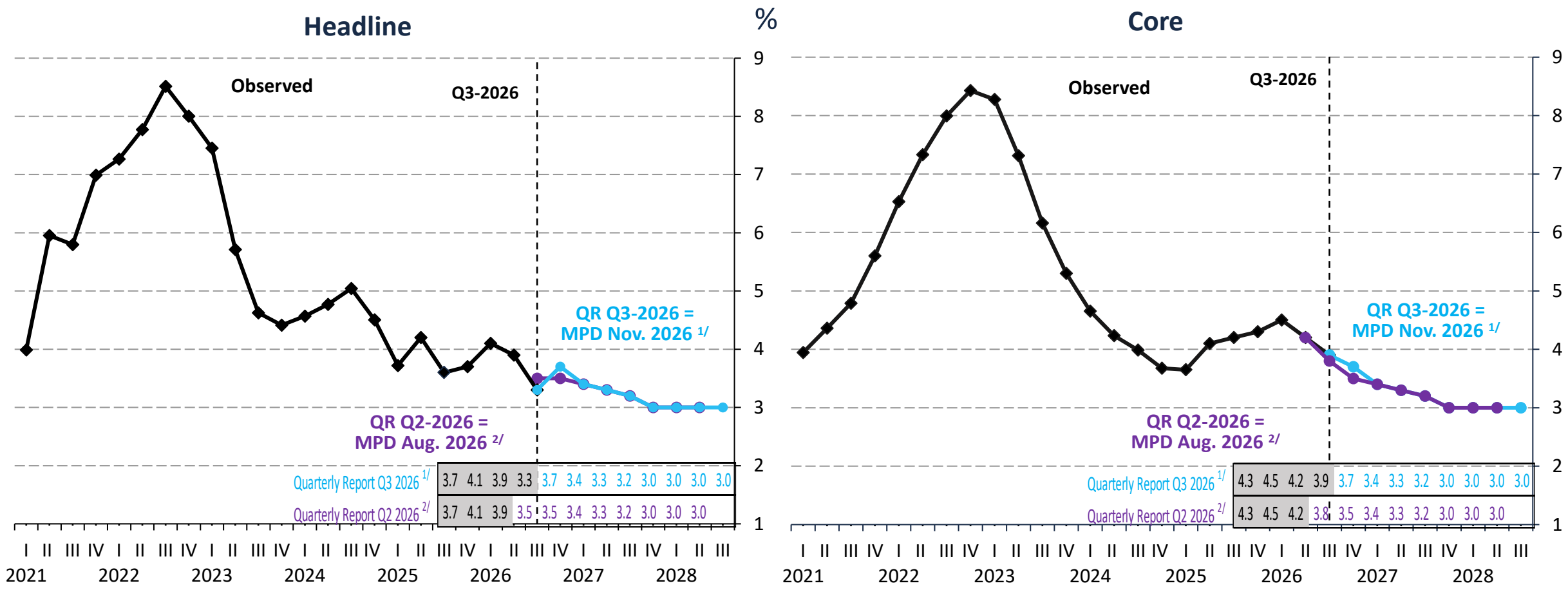
I. That greater-than-anticipated progress in the annual review of the USMCA, as well as lesser uncertainty regarding the US trade policy, encourage investment in Mexico.

II. That US economic growth turns out to be greater than expected.

III. That progress in infrastructure projects leads to greater-than-expected economic growth.

Headline and core inflation are expected to follow a downward trend.

Annual inflation forecasts



Note: MPD refers to Monetary Policy Decision; QR refers to Quarterly Report. 1/ Forecast since November 2026 corresponds to the forecast published in the Monetary Policy Statement of November 5, 2026. 2/ Forecast since August 2026 corresponds to the forecast published in the Monetary Policy Statement of August 6, 2026. Source: INEGI for observed annual variation data and Banco de México for forecasts.

Risks to inflation within the forecast horizon

Risks to the projected trajectory of inflation within the forecast horizon are considered to remain biased to the upside.

Changes in economic policy by the US administration and a possible prolongation of geopolitical conflicts continue adding uncertainty to the outlook. Their effects could lead to inflationary pressures on both sides of the balance.

To the upside
I. Persistence of core inflation.
II. Greater depreciation of the Mexican peso.
III. Disruptions associated with the trade policies or an inflationary impact related to geopolitical conflicts.
IV. Climate-related impacts that could affect agricultural and livestock products' prices.
V. Higher cost-related pressures.
To the downside
I. Lower-than-anticipated economic activity in the United States or in Mexico.
II. Lower pass-through of cost-related pressures on prices.
III. Reduced pressures due to potential episodes of national currency appreciation.

Final remarks

- **Economic activity** in Mexico showed signs of **recovery**, although it remains **a challenge to consolidate** a more **dynamic and sustained growth** in an environment characterized by trade uncertainty, ongoing geopolitical tensions, and rapid technological progress. To foster a more **robust and integrated** growth, it is necessary to boost **productivity**, encourage **investment**, and promote the adoption of **new technologies**. In view of transformations of global value chains and the high degree of economic integration in North America, it is important to seize the emerging opportunities to **strengthen the country's export orientation** and expand its participation in high-value-added activities across both regional and global value chains.

- It is also essential to continue strengthening the country's **macroeconomic fundamentals** to face the external shocks and facilitate an orderly economic adjustment. This entails maintaining **fiscal discipline**, ensuring a **robust and well-capitalized financial system**, preserving **sustainable external accounts**, and maintaining a **free-floating exchange rate regime**. These factors are complemented by a **monetary policy** firmly committed to its **primary mandate of preserving the purchasing power of the national currency**.

- Banco de México's Governing Board will continue assessing the evolution of the inflationary outlook and its determinants, in order to **lead inflation towards the 3% target** and maintain **inflation expectations anchored**.

- Consolidating these elements will set the foundations for a more **vigorous economic development** and will enable the economy to adapt to a constantly changing international environment, ultimately contributing to the **well-being of Mexico's population**.

Annex – Boxes

1. Analysis of the reconfiguration of oil trade flows
2. Manufacturing performance amid the reconfiguration of Mexican exports
3. Pass-through of the monetary policy rate to bank term-deposit rates during tightening and easing cycles
4. Housing inflation dynamics in Mexico
5. Inflation expectations anchoring regime in Mexico



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