

SEPTEMBER 2026

Mexico Economic Outlook

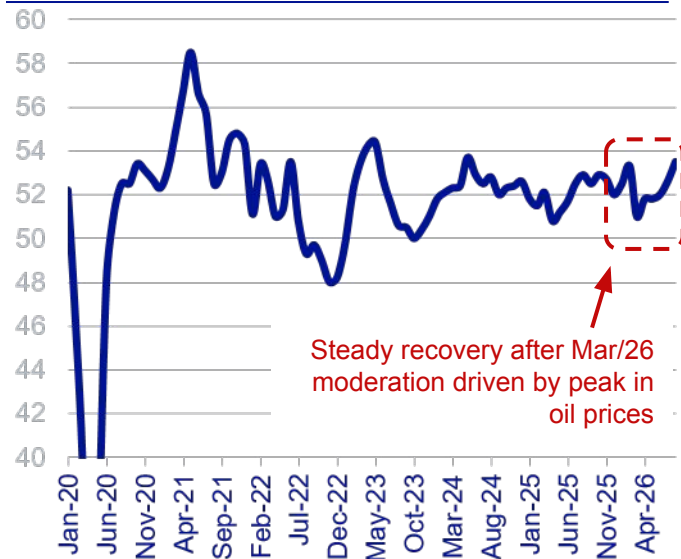
1.

Global

The global economy has remained resilient despite multiple shocks, which have lately shown little sign of abating

GLOBAL COMPOSITE PMI

(HIGHER THAN 50: EXPANSION; LOWER THAN 50: CONTRACTION)



LIMITING FACTORS

- geopolitical fragmentation, conflicts
- energy and commodity shocks
- climate shocks
- rising public debt and long-term yields
- policy uncertainty
- protectionism
- China's structural slowdown
- ageing

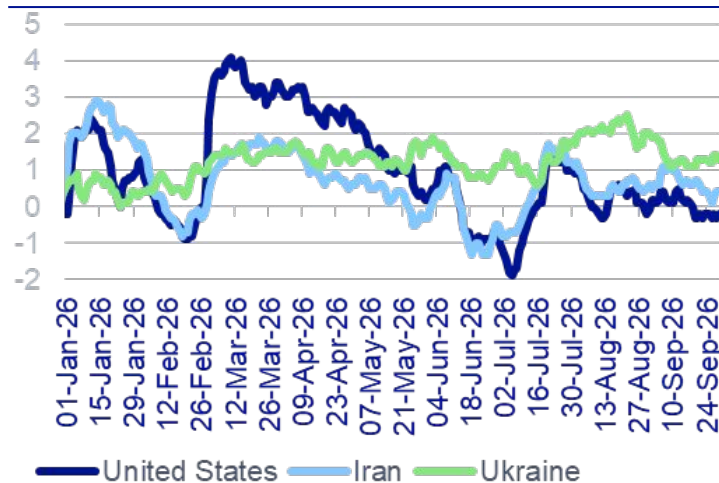
DRIVING FACTORS

- AI adoption
- defense spending
- inflation-focused central banks
- solid private balance sheets
- fiscal impulse
- resilient labor markets
- supply-chain reconfiguration
- green investment, energy diversification

US-Iran tensions escalated again, with conflict spreading to the Red Sea, pushing up energy prices and uncertainty

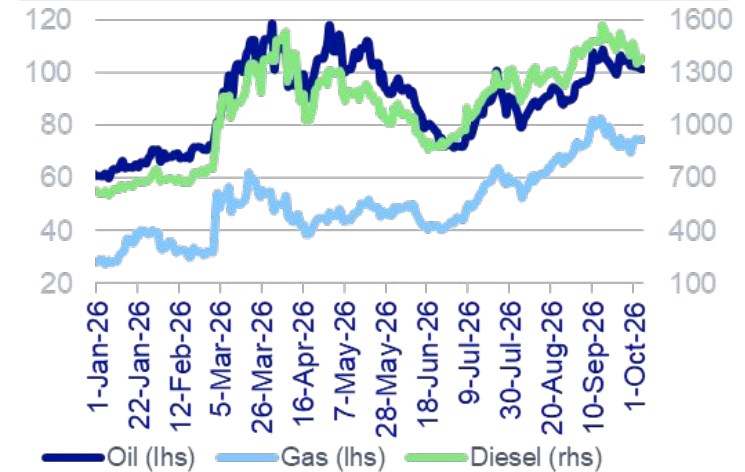
GEOPOLITICAL RISK INDEX

(AVERAGE = 0; 28-DAY MOVING AVERAGE)



BRENT, EUROPEAN GAS AND DIESEL PRICES^(*)

(USD PER BRENT BARREL; EUROS PER MWh, USD PER METRIC TONS)



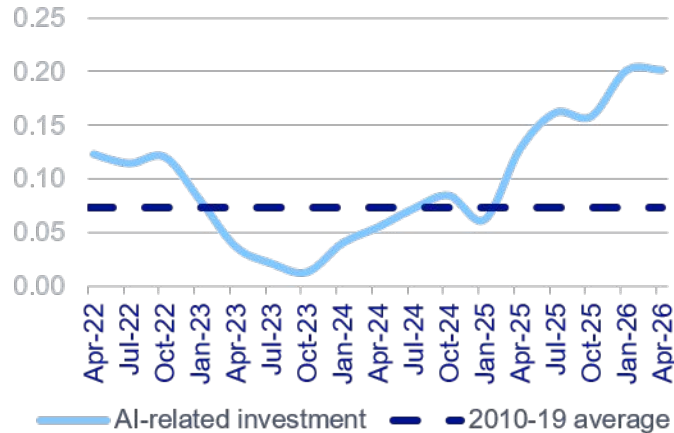
Source: BBVA Research

(*) Diesel: low sulphur gas oil future (ICE Futures Europe)
Source: BBVA Research based on data from Haver

AI investment in the U.S. drives demand for semiconductors, pushing up AI prices

US: AI-RELATED INVESTMENT (*)

(CONTRIBUTION TO QUARTERLY GDP GROWTH;
FOUR-QUARTERS MOVING AVERAGE: PP)

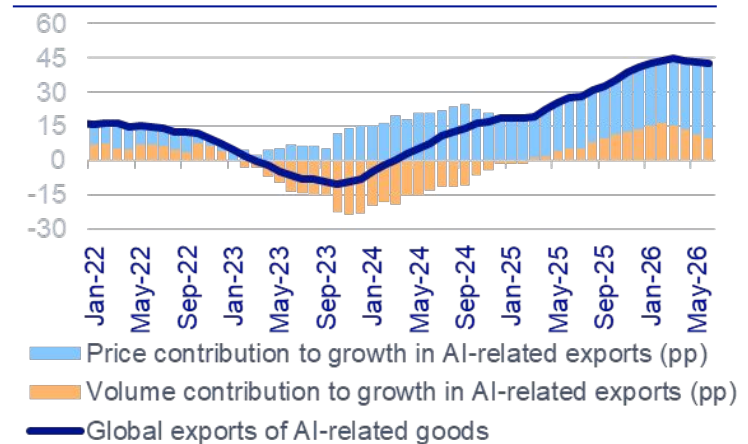


(*) AI-related investment defined as investment in information processing, investment in softwares and investment in data centers.

Source: BBVA Research based on data from FRED and US Census Bureau

GLOBAL EXPORTS OF AI-RELATED GOODS

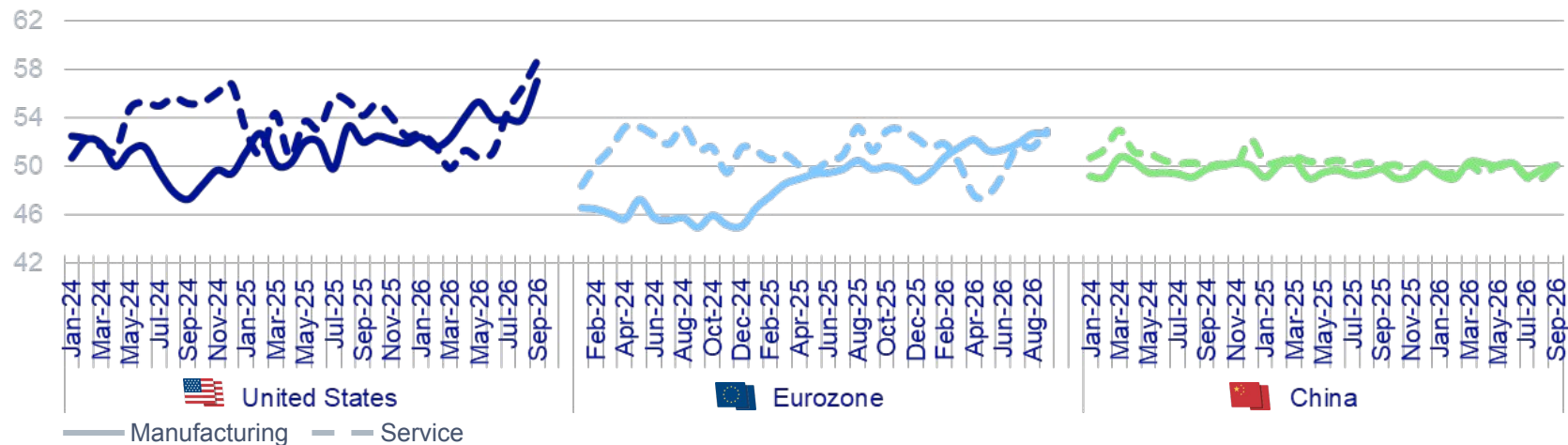
(Y/Y%, 12-MONTH MOVING AVERAGE)



(*) AI-related goods exports include key inputs at the 6-digit level (energy and power, the semiconductor ecosystem, AI hardware, and connectivity) used in AI production.
Source: BBVA Research based on data from UN Comtrade, China's GAC, and Taiwan Customs.

High-frequency indicators reinforce the view that growth is still robust in the US and is improving in Europe

PMI INDICATORS (HIGHER THAN 50: EXPANSION; LOWER THAN 50: CONTRACTION)

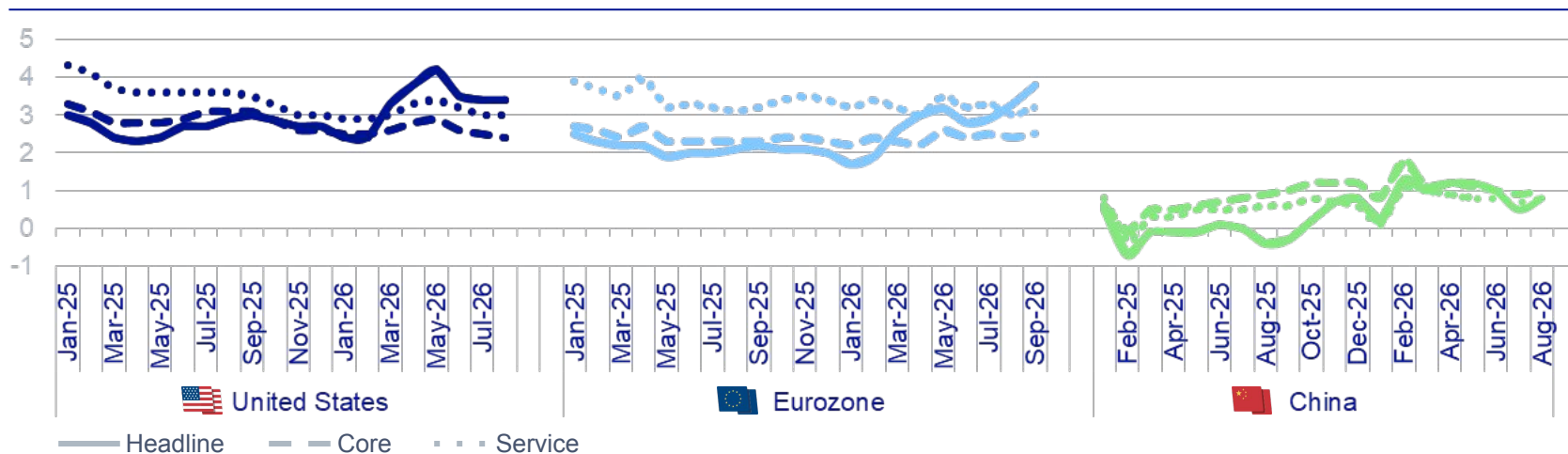


Source: BBVA Research based on data from Haver

2Q26 GDP surprised to the upside in the Eurozone, supported by resilient consumption and stronger net exports, but disappointed in the US despite robust domestic demand, and mainly in China despite very strong exports

Inflation is running above 3% both in the US and in the Eurozone amid higher energy prices and resilient demand

CPI INFLATION: HEADLINE, CORE AND SERVICE (Y/Y %)

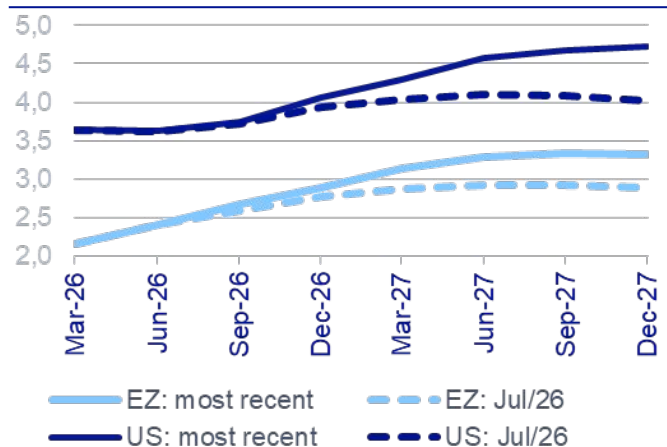


Source: BBVA Research based on data from Haver

Although headline inflation continues to be under pressure, core and service figures have exhibited a (timid) downward trend over the last few months, which suggest no significant second-order effects from the commodity shock so far

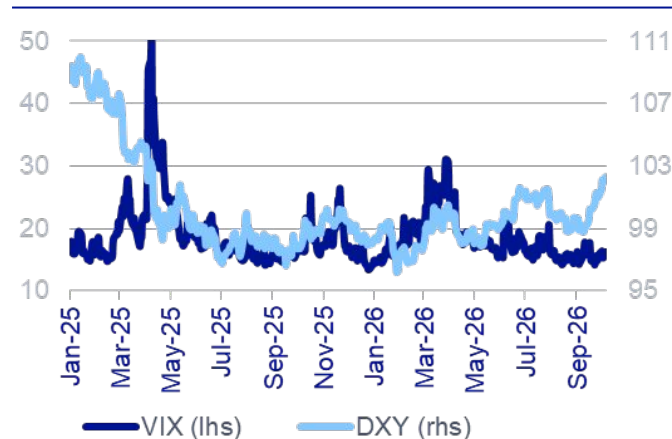
Markets expect both the Fed and the ECB to continue tightening monetary conditions ahead

INTEREST RATES IMPLIED BY FED FUNDS
AND EURIBOR FUTURES (%)



Source: BBVA Research based on data from Haver

VOLATILITY (VIX); US DOLLAR (DXY) (*)
(INDEXES)



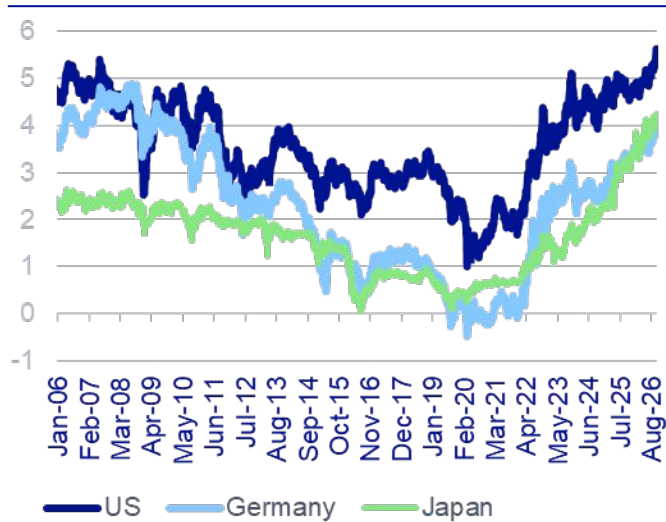
(*) A higher DXY represents a stronger US dollar
Source: BBVA Research based on data from Haver

The ECB and the Fed have recently raised rates to 2.5% and 4.0%, respectively, with markets pricing in further hikes; the VIX has remained subdued, while the US dollar has appreciated somewhat

Long-term sovereign debt yields continue to rise; the U.S. Treasury responds without success

30-YEAR SOVEREIGN YIELDS

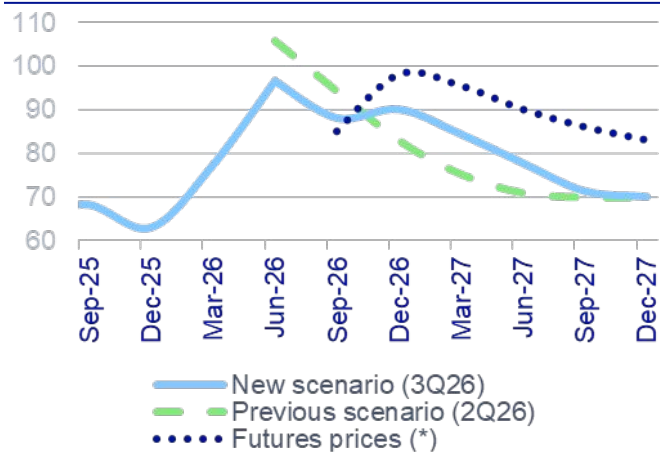
(%)



- **Long-term sovereign yields have continued to trend up**, due to higher inflation and rates, financing needs, private issuance (related to AI), and term premium
- **The US Treasury has tried to contain the trend** by increasing bond buybacks and supporting the yen, while seeking to limit Japan's sales of US Treasuries
- **The moves had only limited impacts** as they don't structurally address the drivers of their upward trend; moreover, they may eventually clash with Fed's goals

Our scenario assumes that oil prices will be contained and decline gradually next year, despite risks

**BRENT PRICES: BBVA RESEARCH
FORECASTS, FUTURES PRICES (USD/BARREL)**



	2026 average	2027 average
New baseline scenario (3Q26)	88	76
Previous baseline scenario (2Q26)	90	72

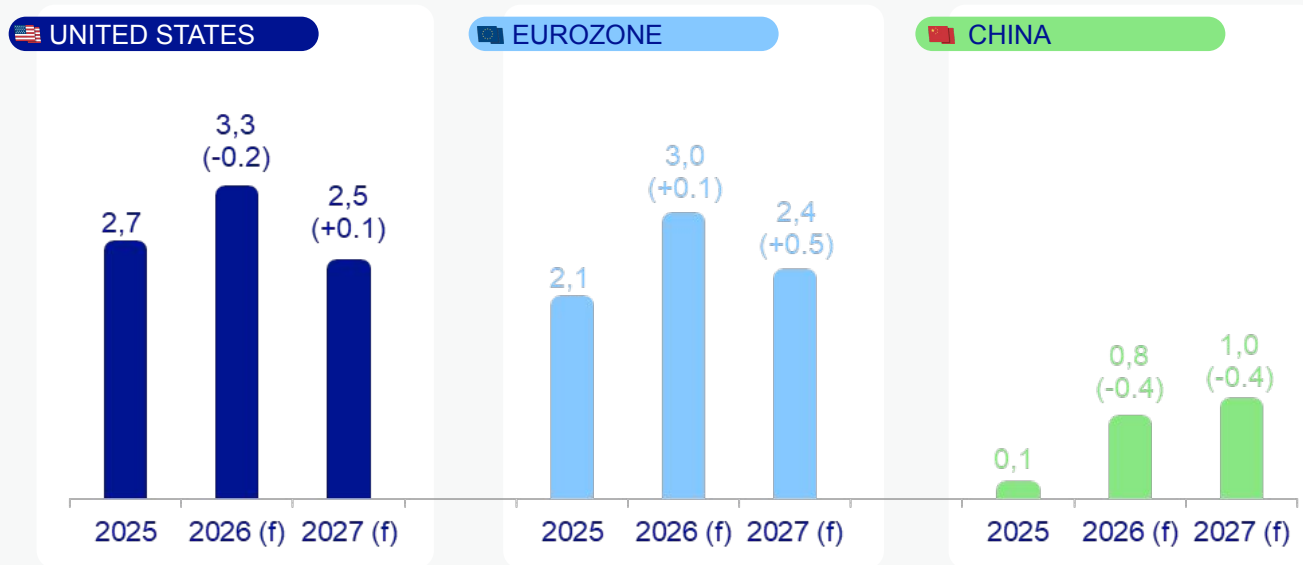
(*) In early October 2026.
Source: BBVA Research based on data from Haver

- **With Hormuz transit constrained for longer, prices are assumed to be slightly higher** than the previous assumption, although they were below the previous forecast in 3Q26
- **The new scenario is still consistent with a gradual improvement of energy flows** through Hormuz moving forward
- **Upside risks** to the oil baseline are relevant as tensions could avoid a reopening of the Strait, severely hit bypassing routes through the Red Sea and trigger nonlinearities
- **But oil prices could decline faster than forecast** if eventually a new deal is reached

Commodity prices and demand resilience will help to keep inflation under pressure, at least in the short-run

HEADLINE CPI INFLATION

(Y/Y %, PERIOD AVERAGE, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



Inflation will remain high, above previous expectations in Europe, amid higher energy prices and resilient growth

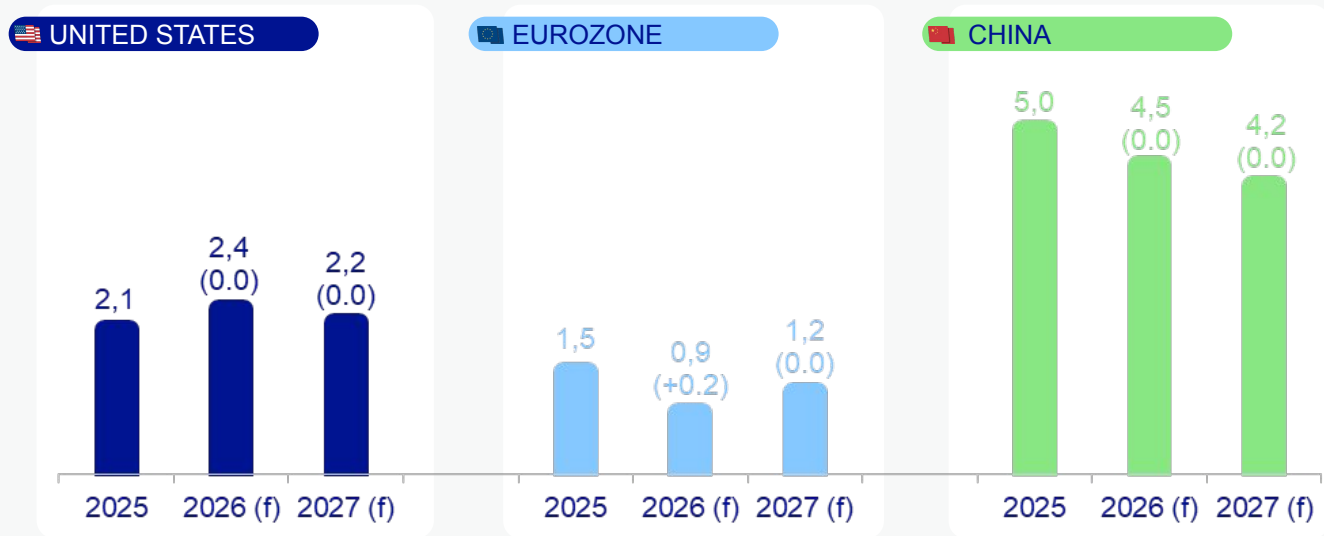
It is forecast to ease next year, with core prices staying contained, provided energy prices decline as assumed

(f): forecast.
Source: BBVA Research

Broadly unchanged GDP forecasts despite a better outlook for Europe this year, supported by stronger incoming data

GDP GROWTH (*)

(%, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



Growth is expected to be slightly above 2% in the US and converge to 4% in China, despite 2Q26 negative surprises.

In Europe, the impact of higher interest rates will be mostly offset by the effects of a weaker euro

(*) After expanding by 3.5% in 2025, global GDP is still forecast to grow by 3.1% in 2026 and by 3.3% in 2027 (unchanged figures).

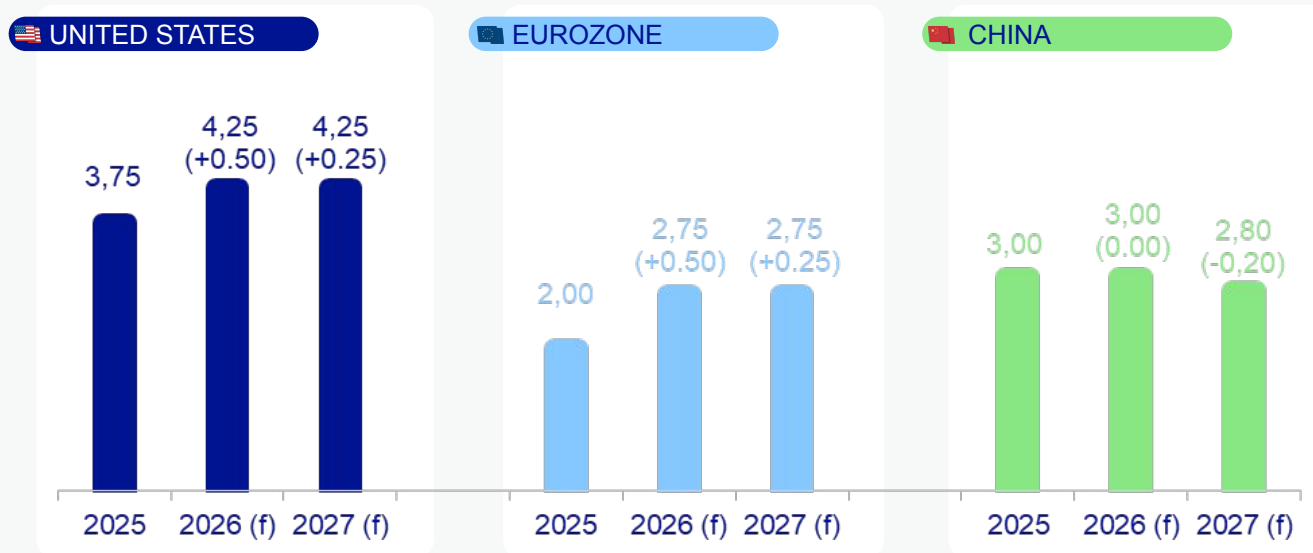
(f): forecast.

Source: BBVA Research

The Fed and the ECB are expected to implement one final rate hike this year and keep rates unchanged next year

POLICY INTEREST RATES (*)

(%, END OF PERIOD, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



Policy rates will be higher than previously expected to address increasingly challenging inflation risks

Further tightening will likely be limited, if inflation eases as expected during 2027, but risks are tilted upwards

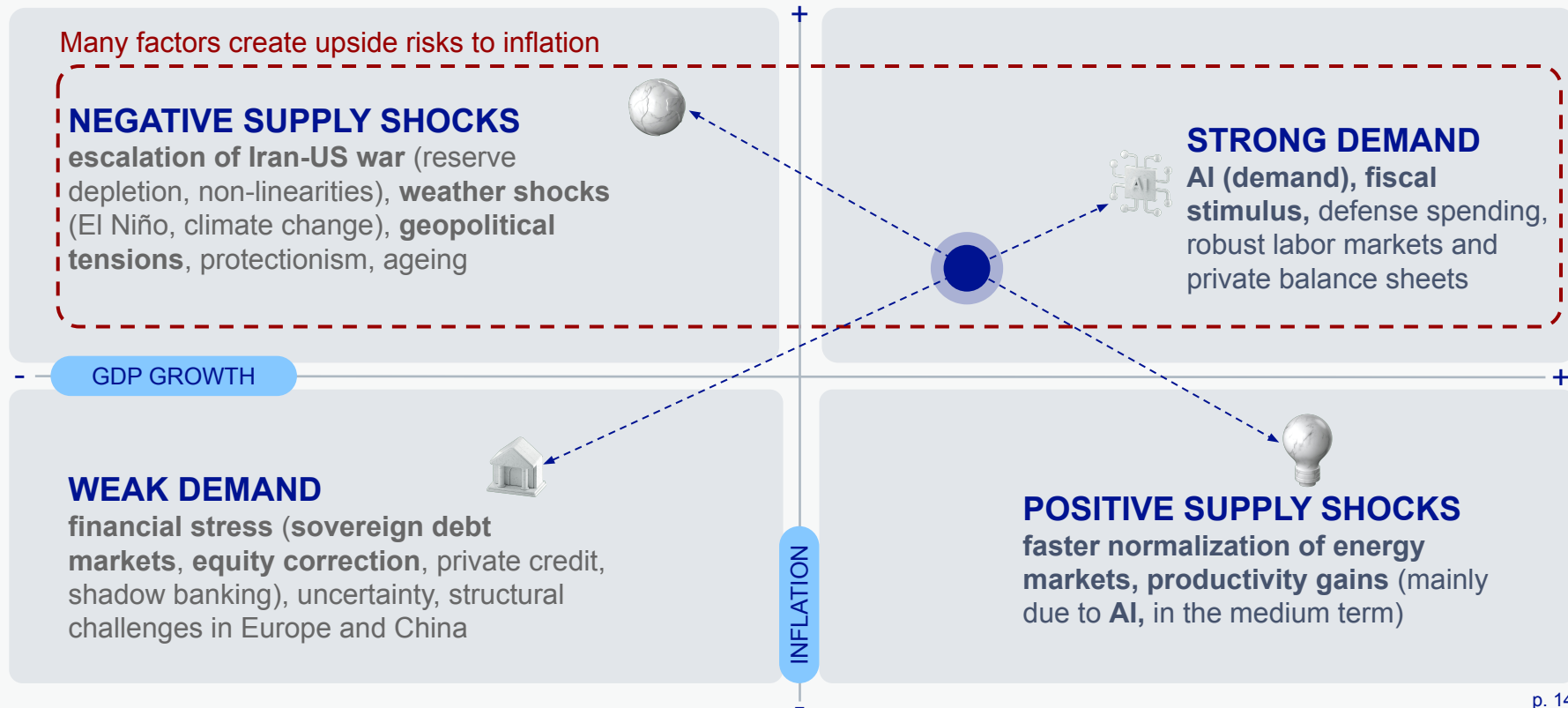
(f): forecast.

(*) In the case of the Eurozone, interest rates of the deposit facility.

Source: BBVA Research

Risks persist due to conflicts, climate shocks, high public debt, protectionism, AI...

GLOBAL ECONOMY: MAIN RISKS AROUND BBVA RESEARCH BASELINE SCENARIO



2.

Mexico: gradual growth recovery

Rebound in economic activity in 2Q26

Domestic demand will maintain moderate dynamism during 2H26; relative resilience of consumption and uneven growth in investment

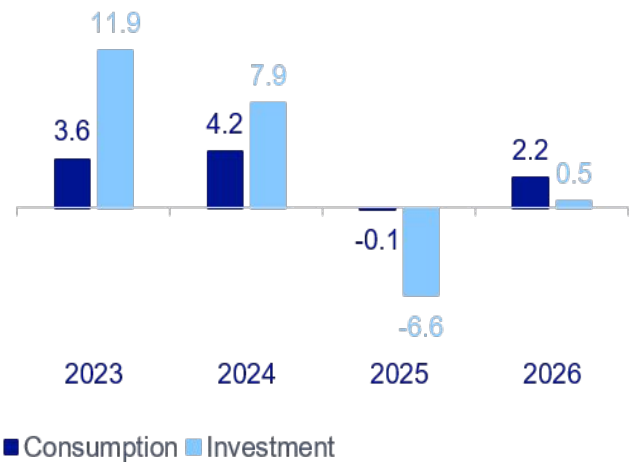
GDP

(Q/Q%, REAL, SA)



INVESTMENT AND CONSUMPTION

(Y/Y%, CUM. JAN-JUN, REAL, SA)



Source: BBVA Research, Haver Analytics, Macrobond

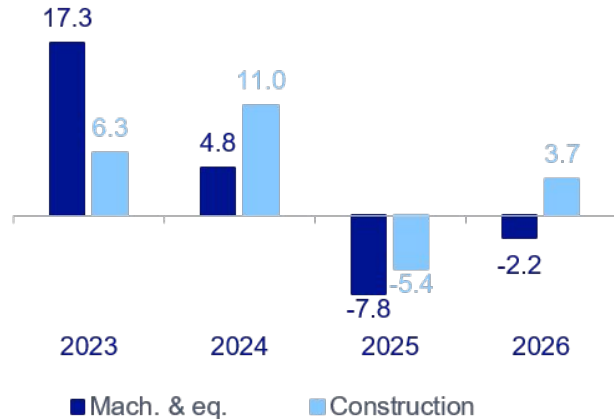
Investment grew 3.5% YoY in 2Q26, the first positive figure since 3Q24.

Construction and consumption of imported goods show the highest dynamism

Companies delayed spending on machinery and equipment amid persistent uncertainty; a low-traction labor market weighs on demand for services

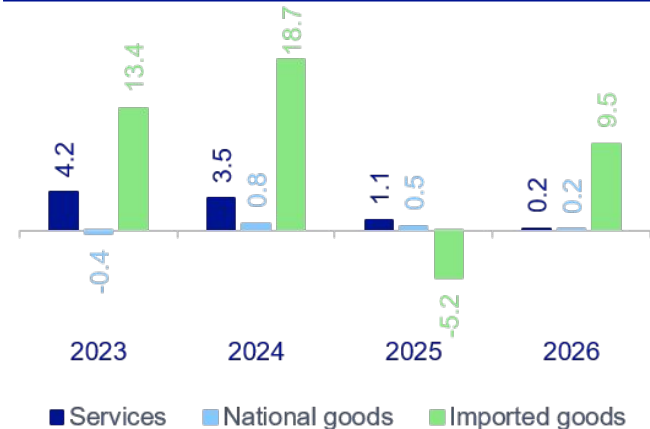
INVESTMENT: COMPONENTS

(Y/Y%, CUM. JAN-JUN, REAL, SA)



CONSUMPTION: COMPONENTS

(Y/Y%, CUM. JAN-JUN, REAL, SA)



Source: BBVA Research, Haver Analytics, Macrobond

Although investment in machinery and equipment contracted in 1H26, there are signs of recovery in 2Q26

Consumption remains resilient

Goods -especially imported ones- continue to outperform services, driven by favorable relative prices and greater access to e-commerce

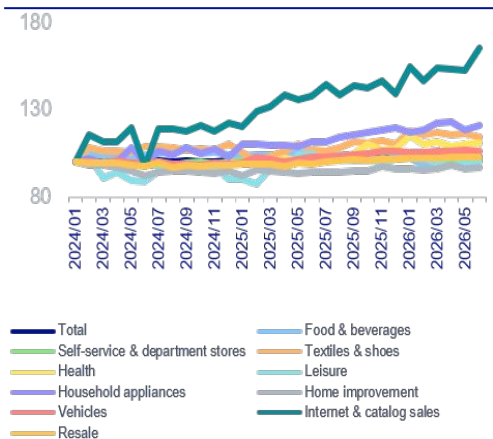
RETAIL SALES AND SERVICES

(M/M%, REAL, SA)



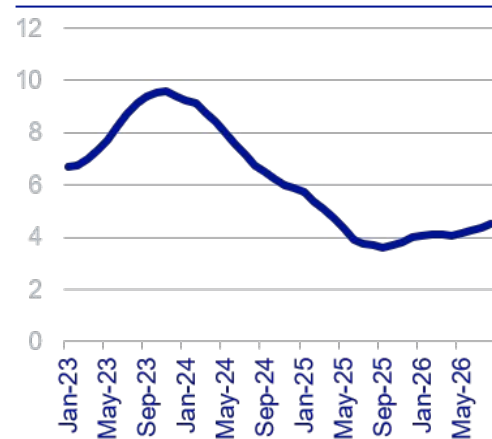
RETAIL SALES: COMPONENTS

(INDEX JAN/24=100)



REAL WAGE BILL

(Y/Y%, 6M MOVING AVERAGE)



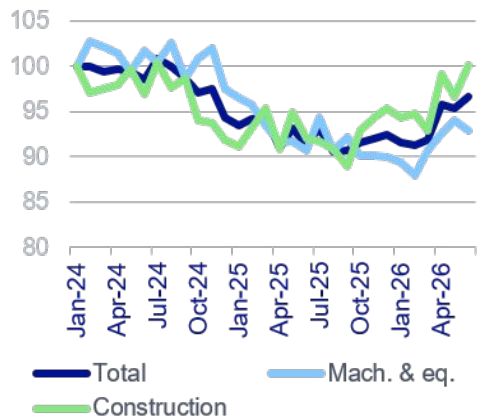
Source: BBVA Research, Haver Analytics, Macrobond

Gradual recovery of investment

Investment in machinery and equipment maintained limited dynamism; signs of recovery in 3Q

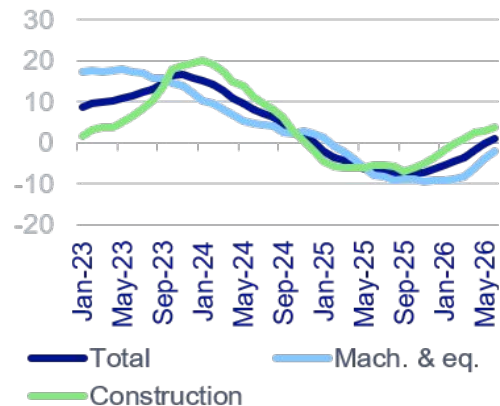
INVESTMENT

(INDEX JAN/24=100, REAL, SA)



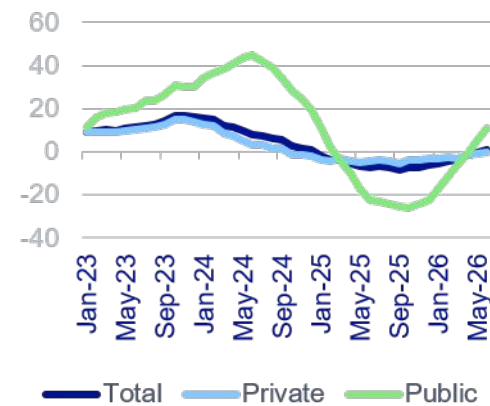
INVESTMENT

(Y/Y%, REAL, SA, 6M MOVING AVERAGE)



INVESTMENT

(Y/Y%, REAL, SA, 6M MOVING AVERAGE)



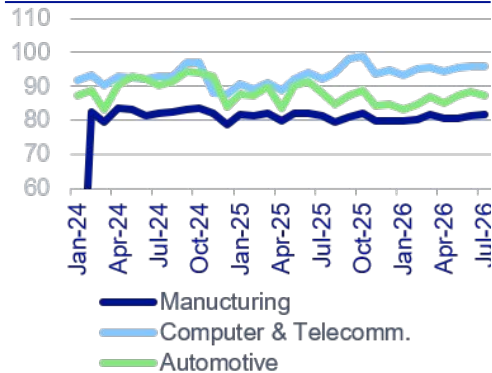
Source: BBVA Research, Haver Analytics, Macrobond, INEGI

The AI boom in the US offers Mexican manufacturing a key opportunity to scale its productive capacity

The computer and communications sector is already operating near maximum capacity (96.0%), suggesting that sustained demand for AI hardware in the US could trigger a new investment cycle

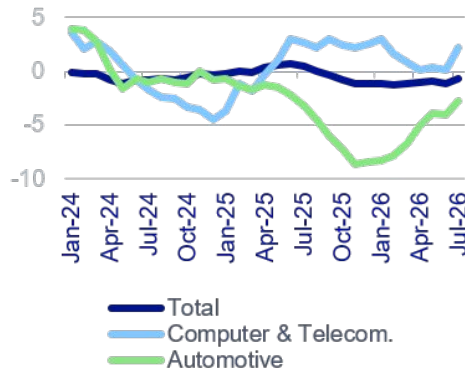
MANUFACTURING CAPACITY (%)

(%)



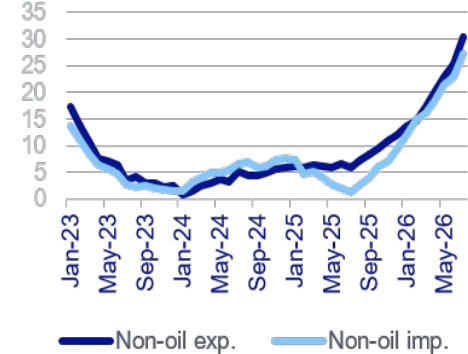
MANUFACTURING PRODUCTION (Y/Y%, REAL, SA, 6M MOVING AVERAGE)

(Y/Y%, REAL, SA, 6M MOVING AVERAGE)



NON-OIL EXPORTS & IMPORTS (Y/Y%, NOM. USD, 6M MOVING AVERAGE)

(Y/Y%, NOM. USD, 6M MOVING AVERAGE)



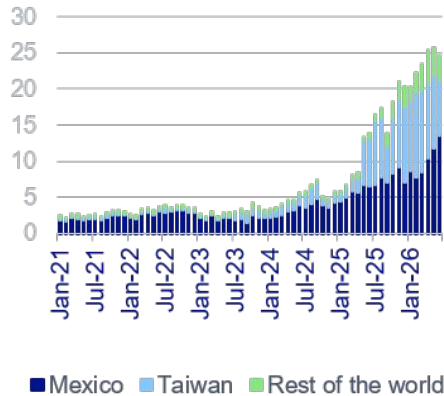
Source: BBVA Research, Haver Analytics, Macrobond, INEGI

Realizing this potential will depend on overcoming energy and logistics bottlenecks, strengthening institutional certainty, training the workforce, and integrating local suppliers into higher value-added chains

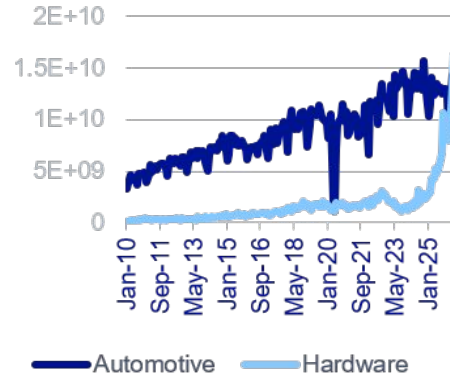
The AI momentum in the US favors Mexican exports, but with minimal domestic impact

Hardware exports accelerate, but high dependence on imported components limits local economic impact

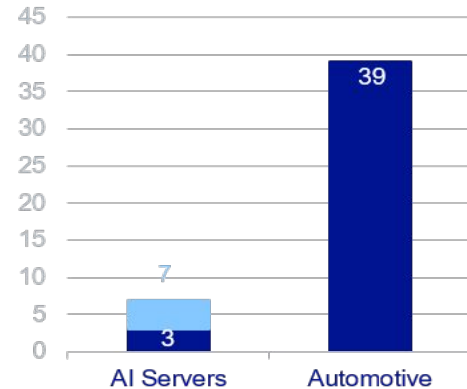
US IMPORTS
(USD BN)



MEXICAN EXPORTS
(USD BN)



DOMESTIC CONTENT*
(%)



Source: BBVA Research, Haver Analytics, Macrobond, INEGI, Financial Times.

*For AI servers: min. 3.0%, max. 7.0%.
Source: Alba, F. (Financial Times, July 2026)

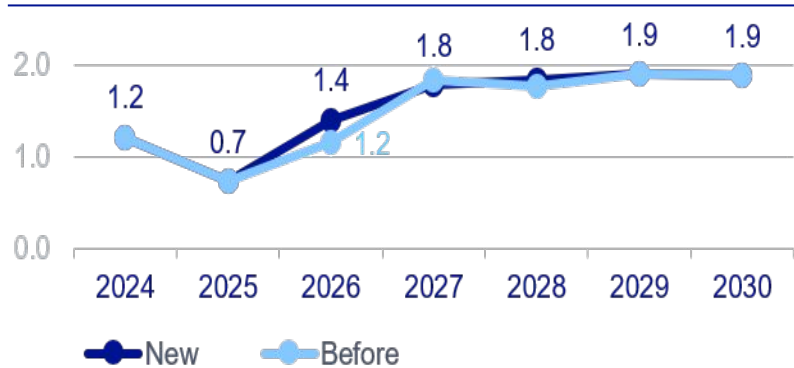
Mexico is consolidating as a key assembly hub for AI servers for the US, but domestic content below 10% limits value-added gains and economic spillovers

We revise 2026 growth upward following INEGI's figures update and a stronger 2Q; 2027 recovery remains gradual

Private spending will remain resilient, though uneven across segments; signs of investment recovery

GDP

(ANNUAL % VAR.)



CONTRIBUTIONS TO 2026 GDP REVISIONS

(PP)



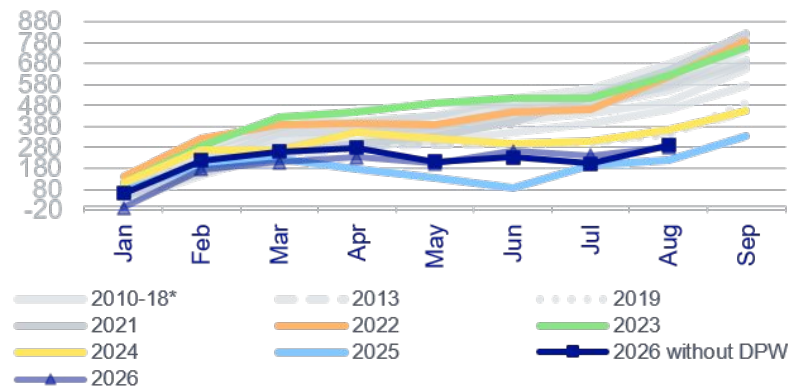
Source: BBVA Research, Haver Analytics, Macrobond

Investment will recover gradually, supported by construction, while machinery and equipment will advance after contracting the previous two years

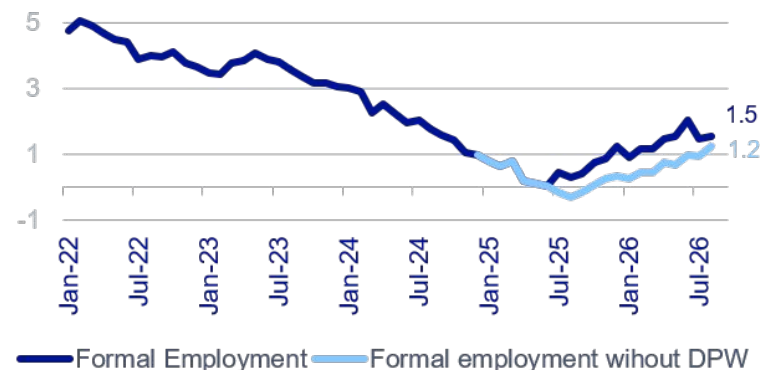
Formal employment continues to recover

Formal job creation continues to recover at a moderate pace; 18.7 thousand net jobs were created over the past two months, while cumulative growth has exceeded last year's.

JOBS REGISTERED WITH THE IMSS
(CUM. MONTHLY CHANGE, JAN–AUG, THOUS.)



JOBS REGISTERED WITH THE IMSS
(ANNUAL % VAR.)



DPW: Digital platform workers
Source: BBVA Research, IMSS

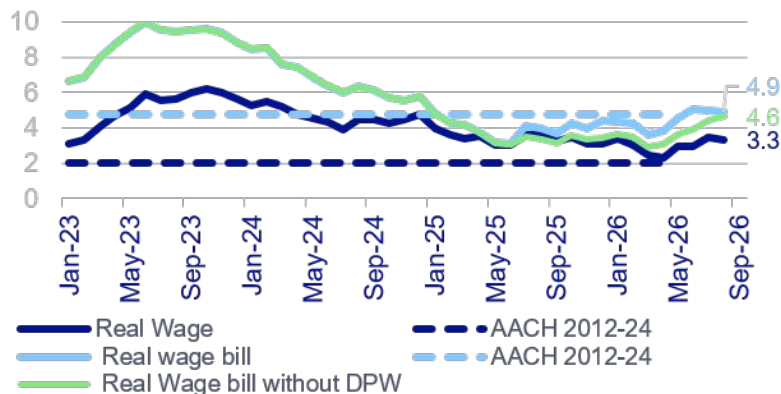
The recovery in formal employment will remain gradual; stronger investment and a more dynamic formal business environment could support further improvement.

Real wage growth supports the recovery in the real wage bill

The real wage bill continues to perform favorably, despite moderate formal job creation.

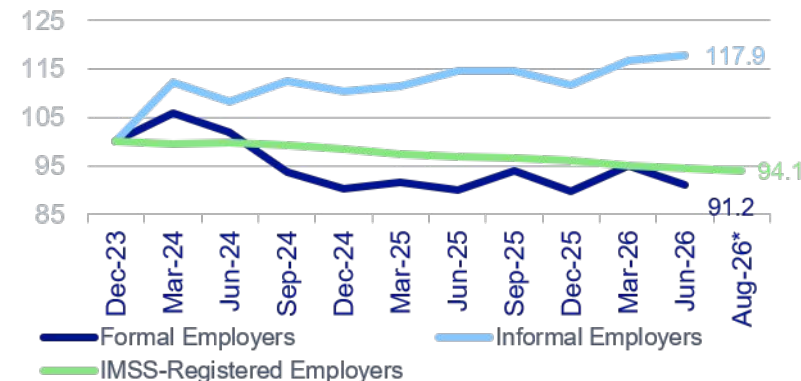
REAL WAGE AND REAL WAGE BILL

(INDEX, DEC-23=100)



JOBS REGISTERED WITH THE IMSS AND EMPLOYERS

(INDEX, DEC-23=100)



Source: BBVA Research, IMSS, INEGI.

* Data correspond to the July–August average

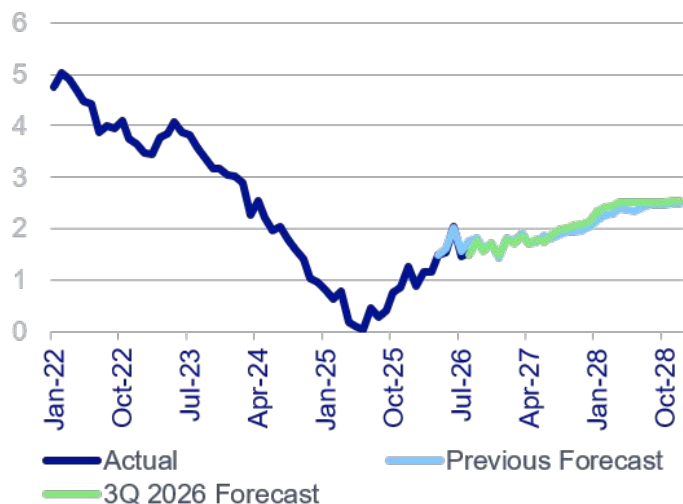
The decline in formal employers could limit a stronger recovery in formal employment

Formal Employment Outlook

In line with the improved growth outlook, we have revised our formal employment forecast upward; stronger economic activity could support faster job creation

JOB REGISTERED WITH THE IMSS

(ANNUAL % VAR.)



FORMAL EMPLOYMENT OUTLOOK

(ANNUAL % VAR.)

	24	25	26	27	28	29
Thousands, eop						
3Q26 forecast	214	279	333	489	591	609
Previous forecast			324	468	582	611
Annual % Var., % Fdp						
3Q26 forecast	1.0	1.3	1.5	2.1	2.5	2.5
Previous forecast			1.4	2.0	2.5	2.5

3.

Stalled progress in fiscal consolidation

The 2027 economic package confirms fiscal discipline

PSBR would stand at

-3.9%
of GDP in 2027

a more gradual consolidation than envisaged in the Pre-Criteria (-3.5%)

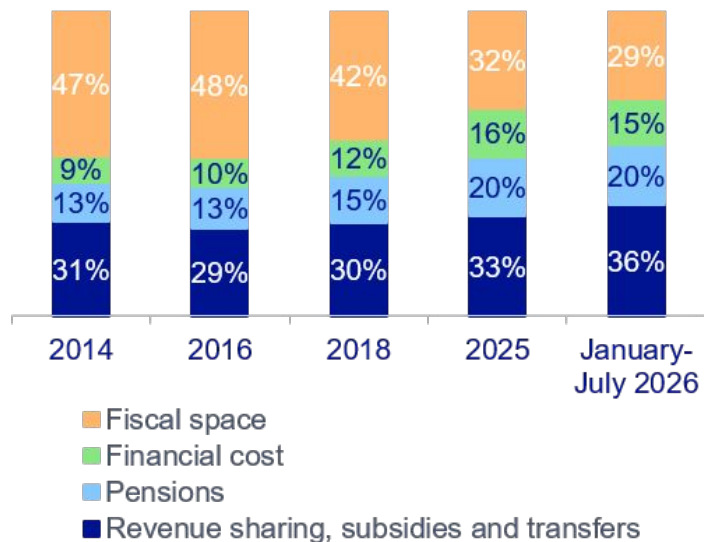
- We do not anticipate problems financing the deficit in a context of deep and growing domestic savings.
- It is positive that public physical investment is not being sacrificed, but fiscal space will remain limited.
- Low revenue calls for a comprehensive tax reform that also addresses Pemex and informality.



Fiscal space has narrowed over the past 11 years and will continue to be more limited

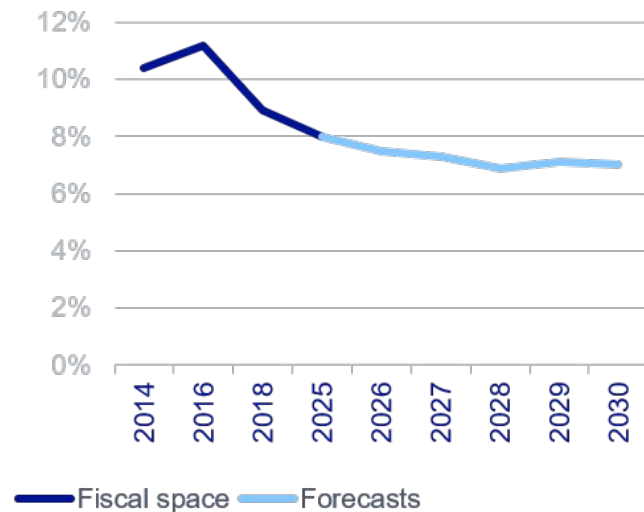
FISCAL SPACE AND UNAVOIDABLE EXPENDITURES

(% OF BUDGETARY REVENUES)



FISCAL SPACE

(% OF GDP)



Fiscal consolidation is progressing, but less than expected

-3.9%

PSBR 2027
(% of GDP)

0.6%

Primary surplus
required in 2027

55.0%

HBPSBR 2027
(% of GDP, SHCP)

55.8%

HBPSBR 2027
(% of GDP, BBVA)

-2.9%

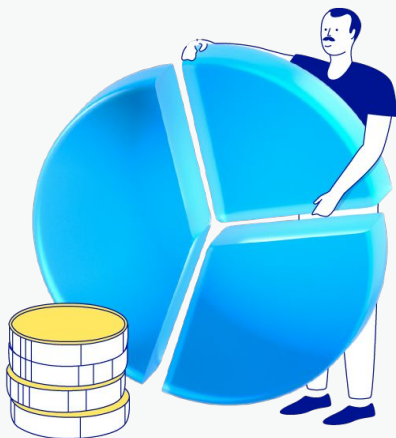
Average PSBR needed
to stabilize debt

The proposed adjustment implicitly recognizes the rigidities of social spending and the push for public physical investment in an environment of limited fiscal space.

- The PSBR target for 2027 was revised from -3.5% in the Pre-Criteria to -3.9% of GDP.
- Debt would remain around 55% of GDP, but stabilizing it requires average PSBR close to -2.9% of GDP in the coming years.
- The room for maneuver would be smaller if a weaker public revenue scenario materializes.

Public debt

Public debt would reach 60% of GDP by 2030, and the country could lose investment grade if significant fiscal adjustments are not made



HISTORICAL BALANCE OF PUBLIC SECTOR BORROWING REQUIREMENTS

(% OF GDP)



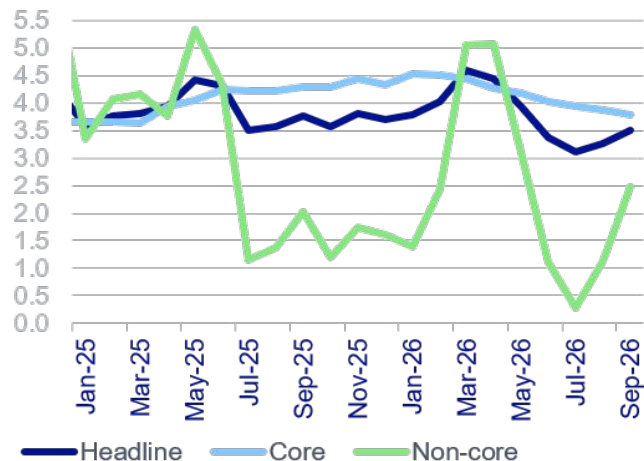
Source: BBVA Research, SHCP

After picking up in Q1, inflation eased over Q2-Q3

Core goods inflation continues to cool, while sticky core services inflation shows initial signs of easing

HEADLINE INFLATION BREAKDOWN

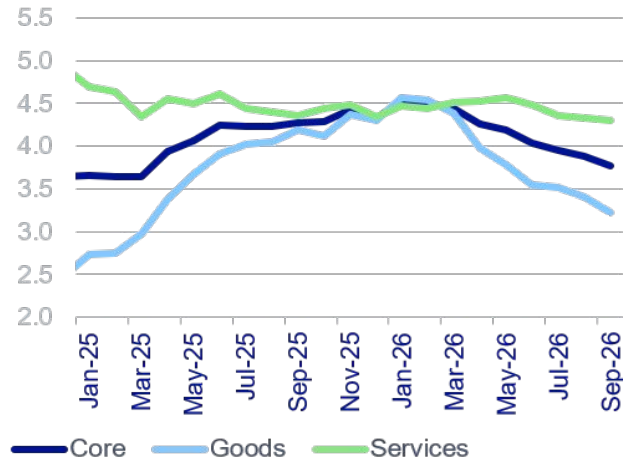
(Y/Y%)



Source: BBVA Research, INEGI
September is a forecast, but we already have the data for the first half of the month.

CORE INFLATION BREAKDOWN

(Y/Y%)

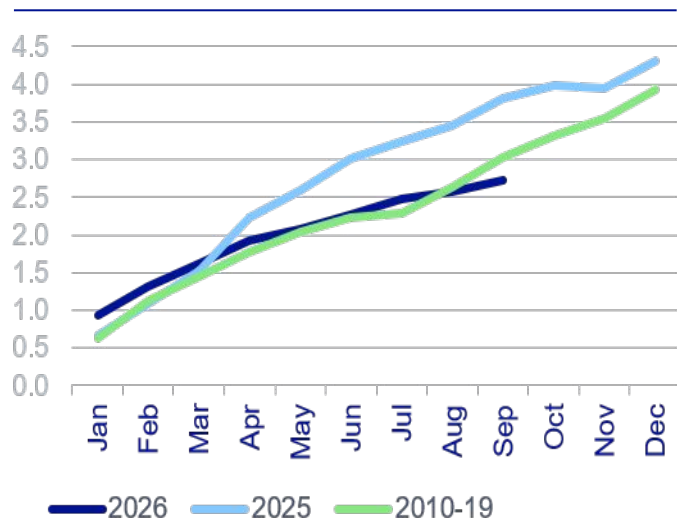


Source: BBVA Research, INEGI
September is a forecast, but we already have the data for the first half of the month.

While core goods inflation is rising at a pace consistent with steady-state levels, services inflation remains elevated

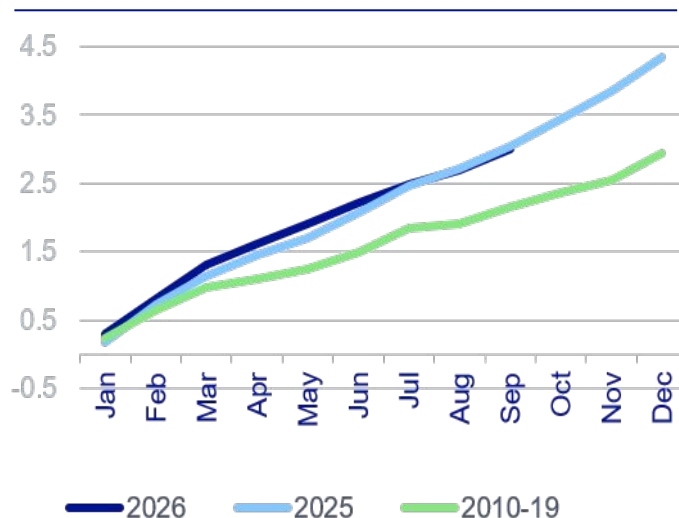
Yet, weak demand should gradually cool it down

CORE GOODS CUMULATIVE INFLATION
(PP)



Source: BBVA Research, INEGI
September is a forecast, but we already have the data for the first half of the month.

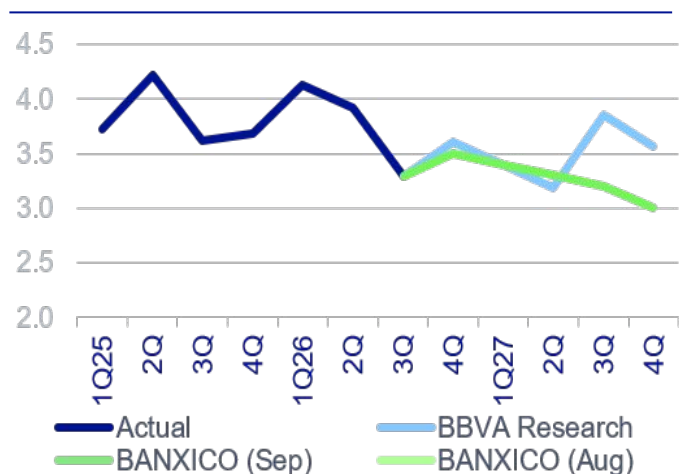
CORE SERVICES CUMULATIVE INFLATION
(PP)



Source: BBVA Research, INEGI
September is a forecast, but we already have the data for the first half of the month

We expect core inflation to continue slowing down gradually

HEADLINE INFLATION OUTLOOK (YOY % CHANGE, QUARTERLY AVERAGE)

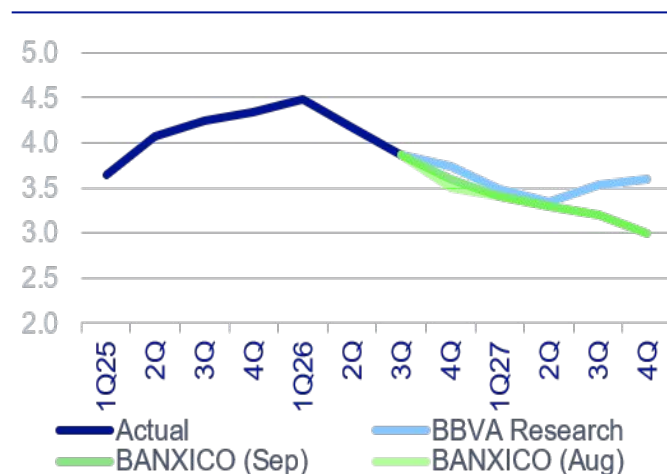


Quarterly average	4Q26	4T27
BBVA Research	3.6	3.6
Banxico	3.5	3.0

Source: BBVA Research, INEGI

September is a forecast, but we already have the data for the first half of the month.

CORE INFLATION OUTLOOK (YOY % CHANGE, QUARTERLY AVERAGE)



Quarterly average	4Q26	4T27
BBVA Research	3.7	3.6
Banxico	3.6	3.0

Source: BBVA Research, INEGI

September is a forecast, but we already have the data for the first half of the month

Banxico opted for caution amid the new outlook for the Fed

Subject to reviewing the minutes and developments in the external environment, we continue to expect Banxico to keep the policy rate at 6.50% over the forecast horizon



The latest decision **confirmed the pause, but Banxico regained optionality**, as it removed the explicit guidance that it would be appropriate to keep the policy rate at its current level

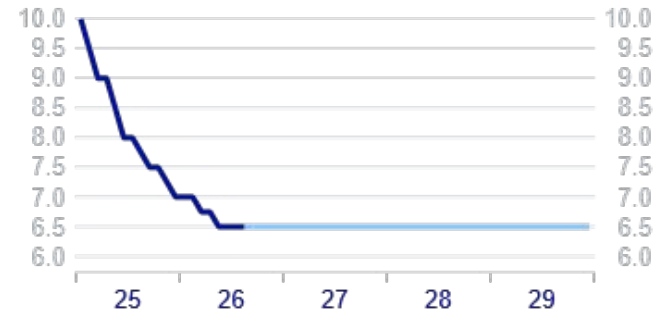
The statement emphasized twice that macroeconomic conditions in Mexico and the United States are different and that **Banxico would not need to mechanically follow Fed rate hikes**



For now, **core services inflation remains the main focus for Banxico**: its persistence still tops the upside risks to inflation despite its recent moderation

BANXICO POLICY RATE

(%)

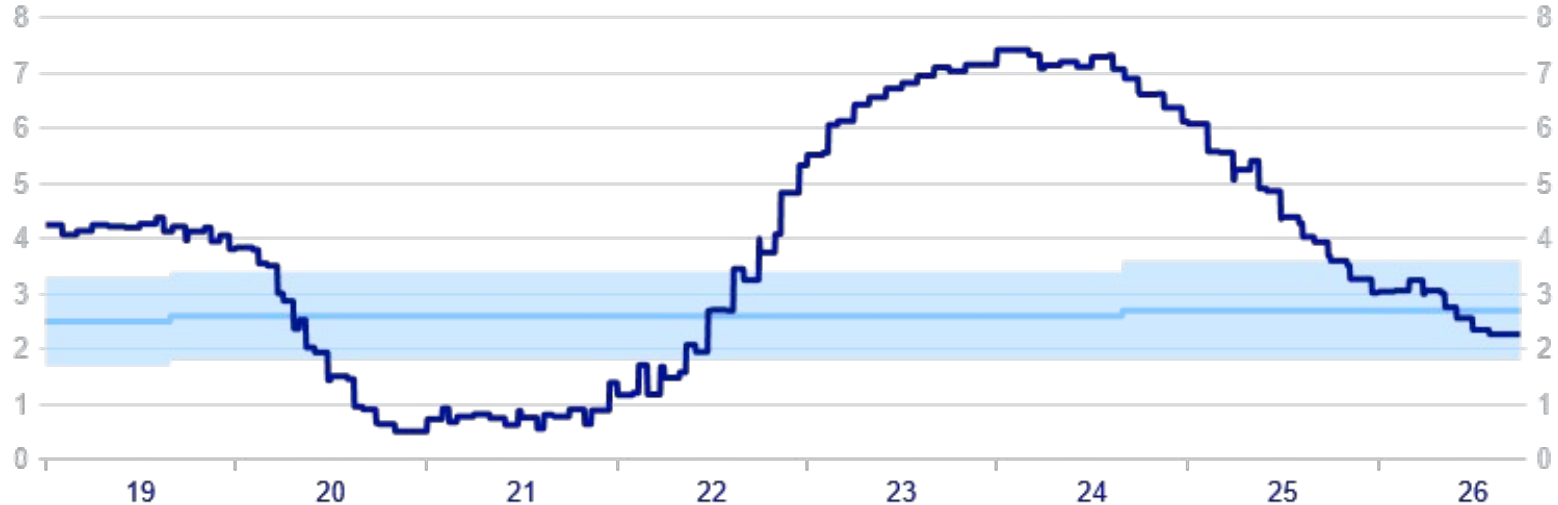


Forecasts (eop)	26	27	28	29
New	6.50	6.50	6.50	6.50
Previous	6.50	6.50	6.50	6.50

Several factors continue to support Banxico's pause

1) a monetary policy stance within the neutral range, 2) a gradual recovery in growth and formal employment, and 3) persistently high core services inflation

REAL EX-ANTE POLICY RATE (%)



The shaded area indicates Banxico's estimated interval for the short-term neutral rate in the long term; the solid light blue line indicates the midpoint estimation
Source: BBVA Research, Banxico, INEGI

Mexico could sustain a narrower interest rate spread

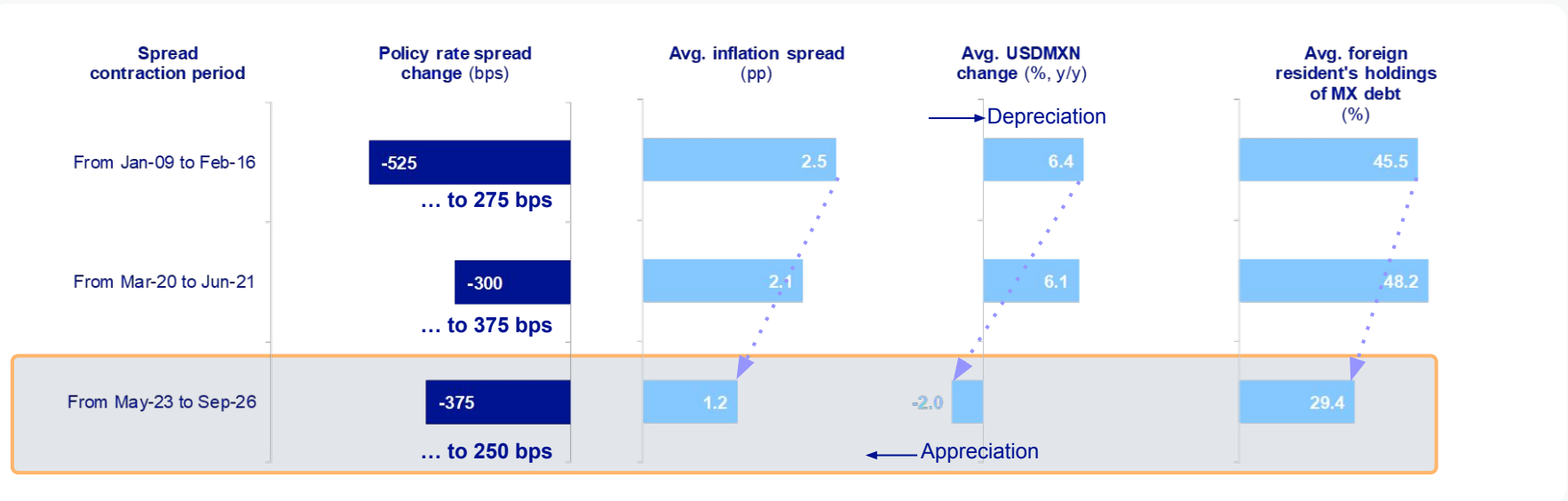
The Banxico-Fed rate spread fell to 250 bps, its lowest level since Mexico adopted the overnight interbank funding rate as its monetary policy instrument

MEXICO-US POLICY RATES & SPREAD (% AND BPS)



There is greater room to prioritize domestic conditions

Mexico is better positioned than in previous decades to absorb a narrower interest rate differential, thanks to a smaller inflation differential with the U.S. and deeper domestic financial markets

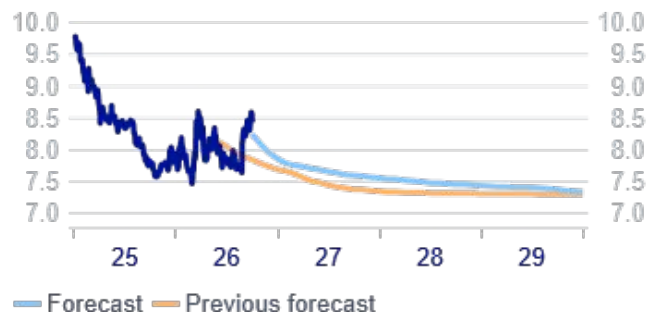


Government bond yield forecasts

Persistently high global yields suggest that local long-term rates will take longer to decline toward their equilibrium levels

3-YEAR GOVERNMENT YIELD

(%)

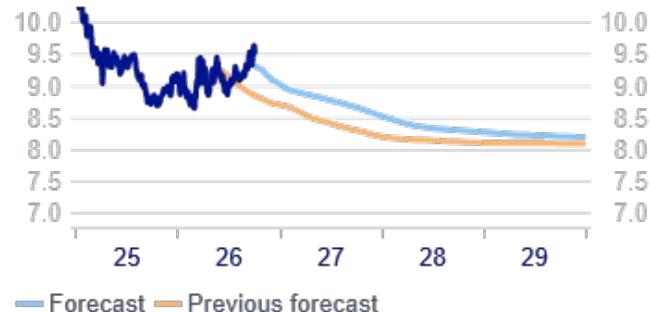


Forecasts (eop)	26	27	28	29
New	7.9	7.6	7.4	7.3
Previous	7.7	7.4	7.3	7.3

Source: BBVA Research, Banxico, Macrobond

10-YEAR GOVERNMENT YIELD

(%)



Forecasts (eop)	26	27	28	29
New	9.0	8.5	8.3	8.2
Previous	8.7	8.2	8.1	8.1

Source: BBVA Research, Banxico, Macrobond

Higher long-term rates reflect higher global yields

The exchange rate and the potential pass-through—which we expect to remain limited—become key variables

**10-YEAR GOVERNMENT YIELDS AND
YIELD SPREAD (% AND BPS)**



Source: BBVA Research, Macrobond, Treasury Dept.

**S&P BMV IPC INDEX AND USDMXN
(THOUSAND INDEX POINTS AND PPD)**



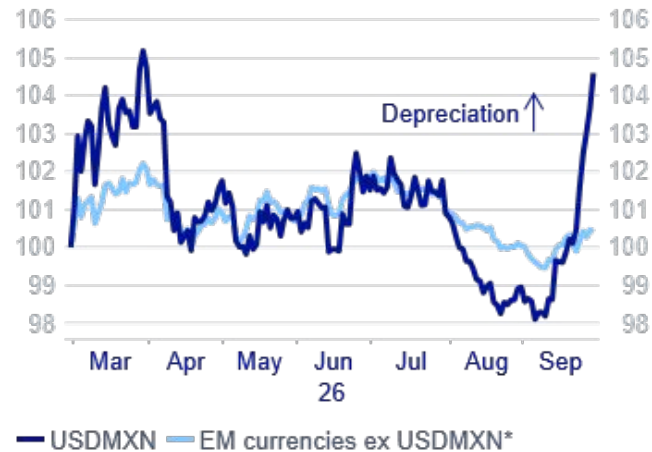
Source: BBVA Research, BMV, Macrobond

The peso has weakened, but it remains stronger than in 2025

If the depreciation becomes disorderly amid heightened volatility, or begins to pass through materially to inflation, the monetary policy outlook would change

USDMXN RELATIVE PERFORMANCE

(28-FEB-26=100)



* Reweighted version of the Fed's Emerging Market Economies (EME) Dollar Index
Source: BBVA Research, Fed, Macrobond

USDMXN RELATIVE PERFORMANCE

(01-JAN-25=100)

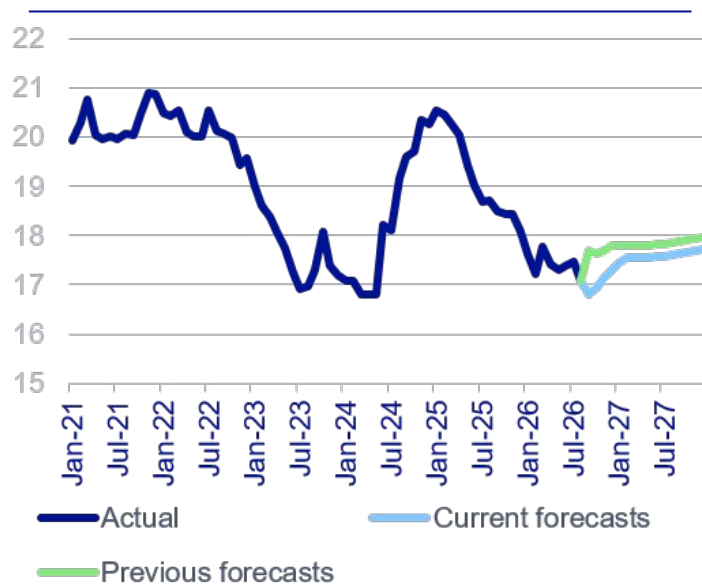


* Reweighted version of the Fed's Emerging Market Economies (EME) Dollar Index
Source: BBVA Research, Fed, Macrobond

If the global situation normalizes, the peso will recover

EXCHANGE RATE OUTLOOK

(MXN PER USD)



Widespread dollar weakness amid the shift in U.S. economic policy

The USMCA remains in force



What explained the peso's strength?

Budget consolidation that has supported confidence in **fiscal discipline**

A still relatively attractive **risk-adjusted carry profile**

5.

Key takeaways and summary of forecasts

Main Messages for the Global Economy

Global activity continues to show resilience despite the uptick in inflation and some (limited) financial tightening stemming from the conflict in Iran, which is dragging on longer than anticipated. The AI boom and other favorable factors continue to support global growth.



Growth will be lower than expected, particularly in Europe. However, a sharp slowdown will likely be avoided, provided energy prices moderate starting in 2H26 and severe supply disruptions do not trigger non-linear effects.



Inflation will be higher than expected and will exceed 3% in both the US and Europe in 2H26. In the absence of second-round effects, it should moderate in 2027. The Fed is likely to keep its policy rate unchanged at least until mid-2027, while the ECB is expected to raise rates slightly.



Risks are high and skewed to the downside. The use of oil reserves has prevented a greater demand adjustment, but this buffer is temporary and vulnerabilities will increase if the conflict persists. Beyond geopolitics, risks include AI, US policies, and sovereign debt markets, among others.



Main Messages for the Mexican Economy

Recent developments

Gradual economic recovery



Growth Forecast

The Mexican economy is advancing toward a gradual recovery following a stronger-than-expected 2Q26, supported by resilient consumption, improving investment, and stronger export momentum. Household spending will continue to be backed by real wage gains, while investment benefits from construction and favorable signs in machinery and equipment. Added to this is the increased US demand for AI-linked manufactured goods. In this context, we forecast growth of 1.4% in 2026 and 1.8% in 2027; lower uncertainty and a favorable resolution of the USMCA could foster a broader cycle of investment, employment, and domestic demand.

Formal job creation has improved throughout the year, although the recovery remains moderate. The real wage bill continues to perform favorably, while the decline in formal employers could limit stronger employment growth. In line with the improved growth outlook, we have revised our formal employment forecast upward to 1.5% in 2026 and 2.1% in 2027. A stronger recovery in economic activity could support faster job creation going forward.



Main Messages for the Mexican Economy

Inflation and Monetary Policy

Gradual disinflation and downward revision to our forecasts: goods inflation is leading the downward trajectory, while services inflation is starting to ease. In light of recent favorable developments, we are revising our year-end inflation forecasts downward.

- **We now expect headline inflation to close 2026 at 3.7% and core inflation at 3.8%.** Looking ahead to 2027, we maintain our projection that both will converge to 3.5%.

Banxico's latest decision confirmed the pause, but its forward guidance regained optionality, as it removed the explicit signal that it would be appropriate to keep the policy rate at its current level

- **Mexico could sustain a narrower interest rate spread:** the country is better positioned than in previous decades to absorb a narrower spread, thanks to a smaller inflation differential with the U.S. and deeper domestic financial markets
- Subject to reviewing the minutes and developments in the external environment, **we continue to expect Banxico to keep the policy rate at 6.50% over the forecast horizon**



Foreign exchange and public finances

If the global situation normalizes, we anticipate that the FX will close **2026 and 2027 at 17.3 and 17.7 ppd**, respectively.

Public debt will be around 54.9% of GDP in 2026 vs. 53.2% en 2025.



Summary of forecasts

		2023	2024	2025	2026	2027	2028
GDP (Annual % change)	new	3.1	1.2	0.7	1.4	1.8	1.8
	previous				1.2	1.8	1.8
Employment (%, eop)	new	3.0	1.0	1.3	1.5	2.1	2.5
	previous				1.4	2.0	2.5
Inflation (%, eop)	new	4.7	4.2	3.7	3.7	3.5	3.5
	previous				4.1	3.5	3.5
Monetary policy rate (%, eop)	new	11.25	10.00	7.00	6.50	6.50	6.50
	previous				6.50	6.50	6.50
Foreign exchange (ppd, eop)	new	17.2	20.3	18.1	17.3	17.7	17.9
	previous				17.8	18.0	18.1
M10 (%, eop)	new	9.0	10.4	9.1	9.0	8.5	8.3
	previous				8.7	8.2	8.1
Fiscal balance (% GDP)	new	-3.3	-4.9	-3.9	-3.9	-3.6	-3.3
	previous				-3.3	-2.8	-2.5

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