

Mexico Economic Outlook 2025

ECONOMY

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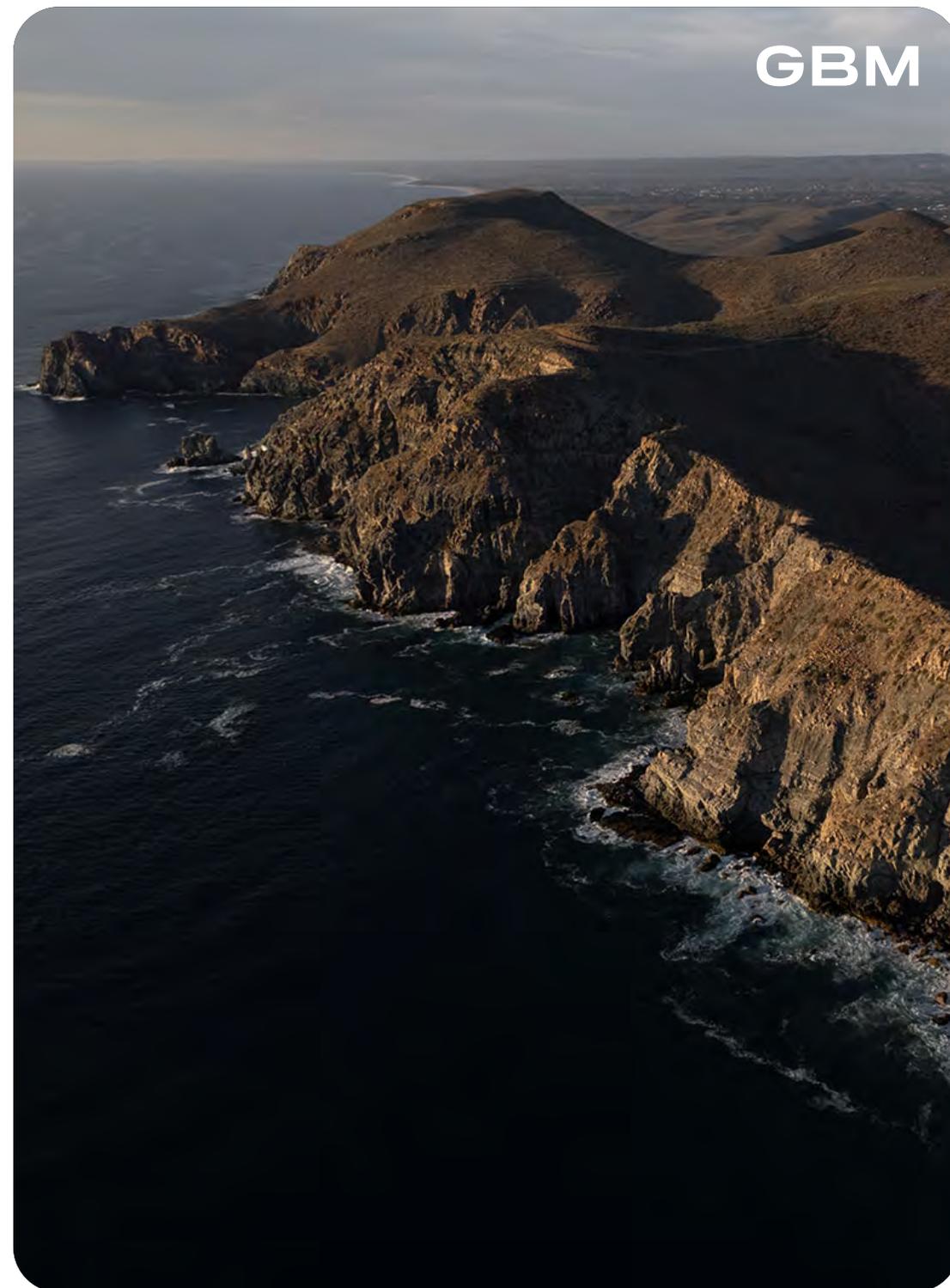
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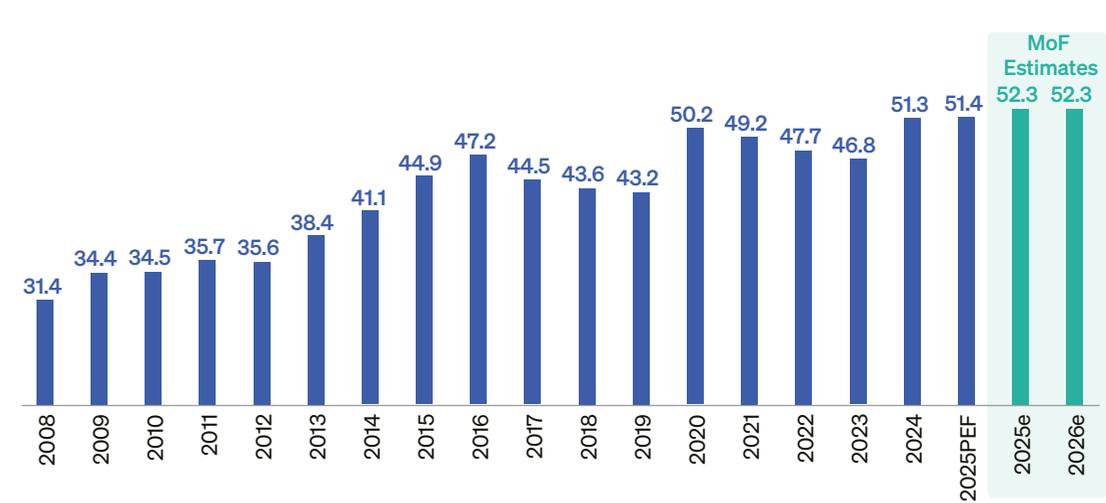
Evolution of Public Finances

Fiscal consolidation efforts seen in 2025 is expected to be sustained in the coming years.

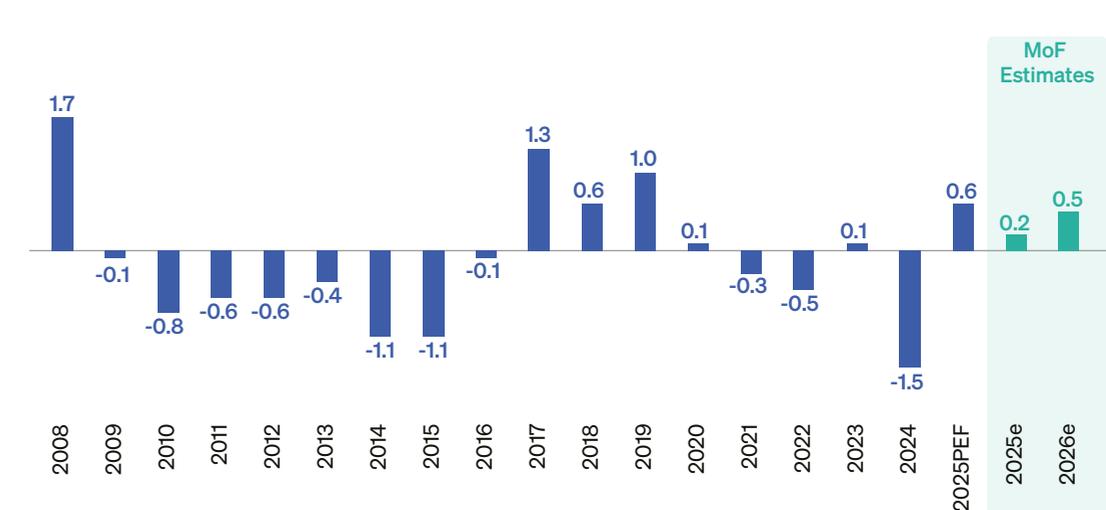
Public Sector's Financial Requirements
-As a % of GDP



Historical Balance of the Public Sector's Financial Requirements
-As a % of GDP



Primary Surplus
-As a % of GDP



Public Revenues and Expenditures

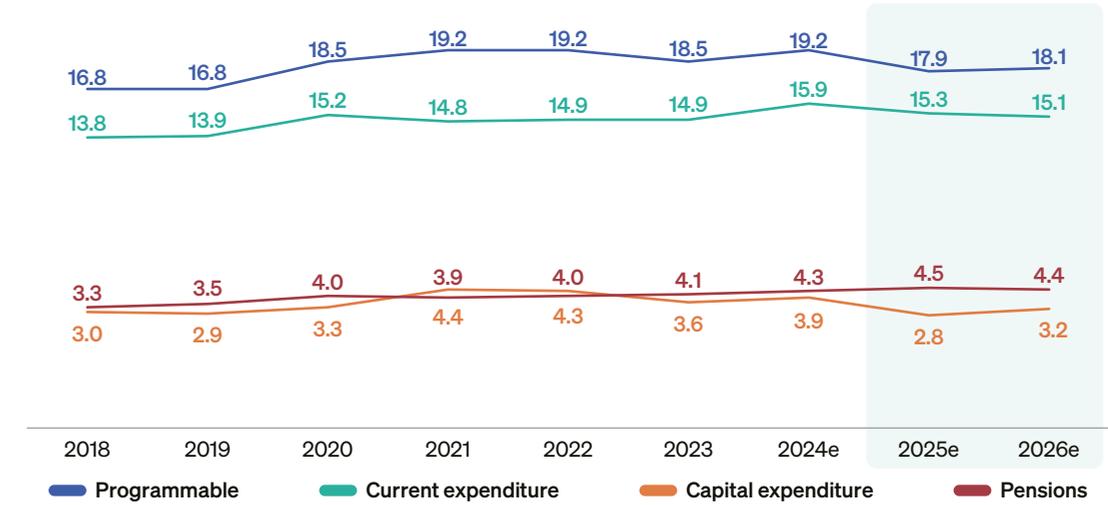
Stronger revenues and higher spending in 2026.

Summary of Key Public Finance Indicators

	% of GDP		Real % variation
	2025e	2026e	2026e / 2025e
Budgetary Revenues	21.9	22.5	6.3
Tax Revenues	14.8	15.1	5.7
Total Net Expenditure	25.5	26.1	5.9
Structural Current Expenditure	10.0	10.0	3.9

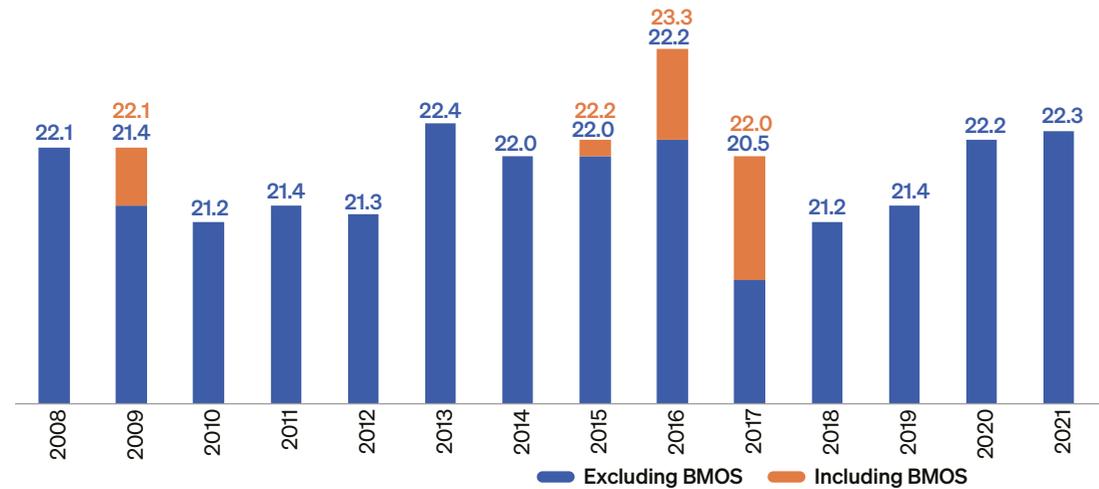
Programmable Expenditure

-As a % of GDP



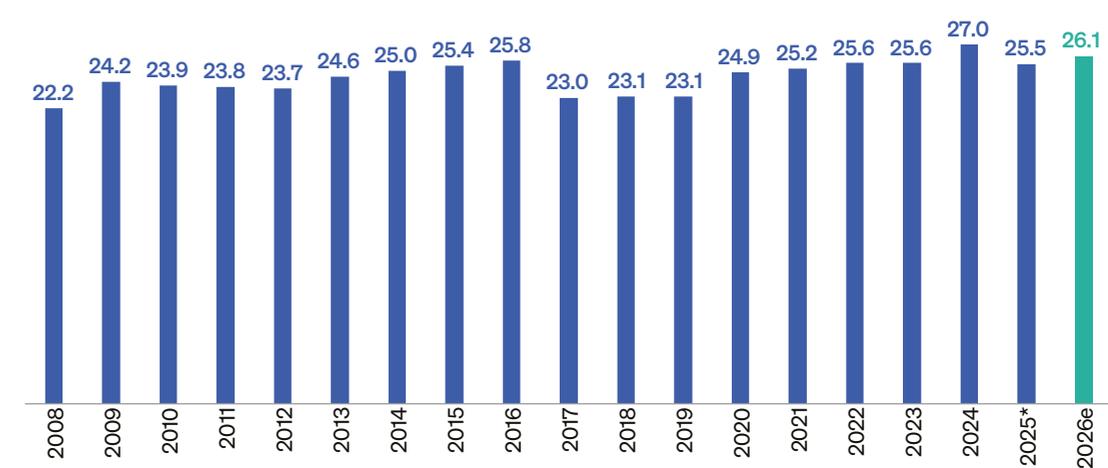
Budgetary Revenues

- As a % of GDP



Total Net Expenditure

- As a % of GDP



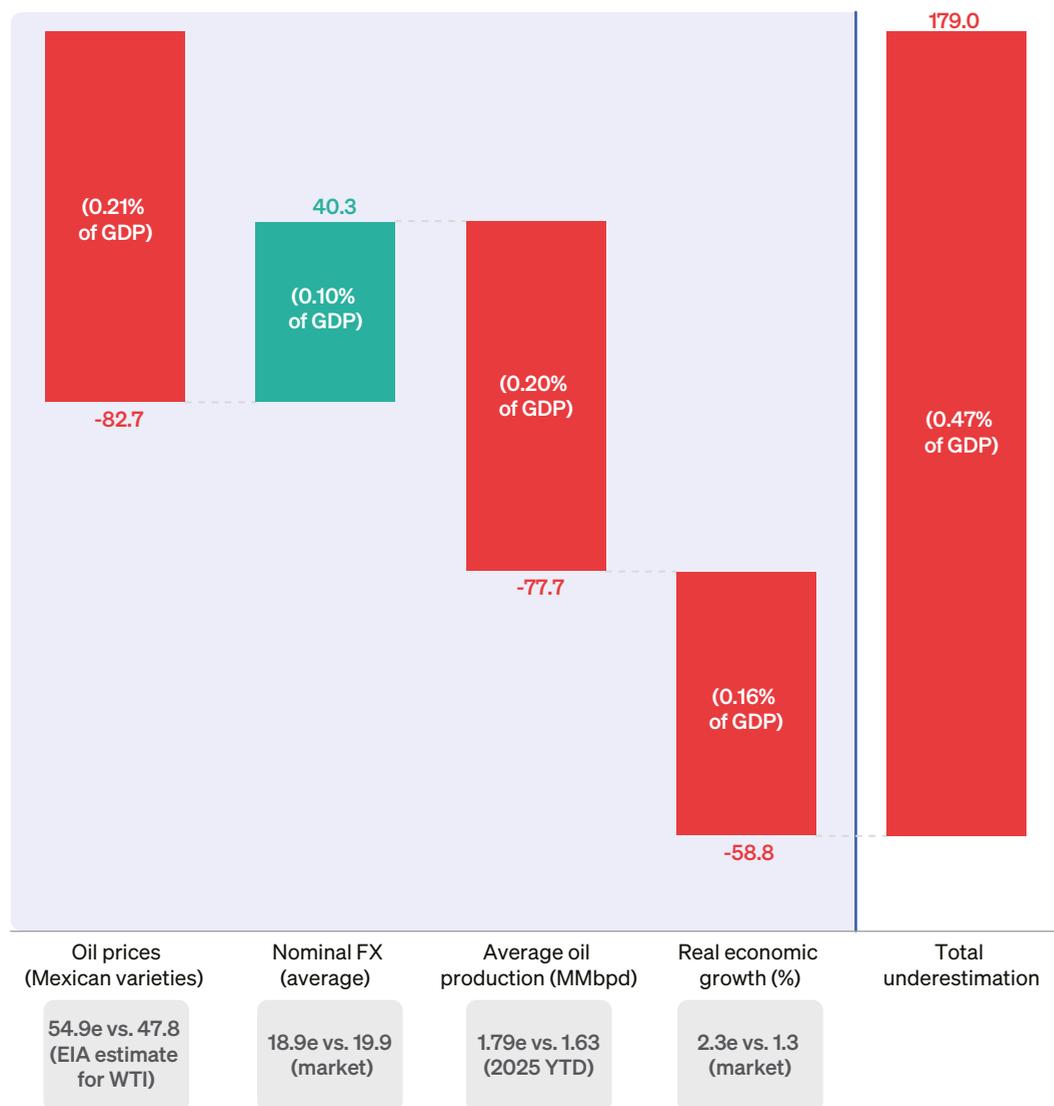
BMOS = Bank of Mexico Operating Surplus
 *Revision of the 2025 public finance estimate
 Source: Mexico's Ministry of Finance

Revenues and Financial Cost Sensitivity

The estimates suggest a downside risk for public finances.

Sensitivity of 2026 Public Revenues (MoF Estimates vs. Market Consensus)

-MXN Billion; as a % of GDP



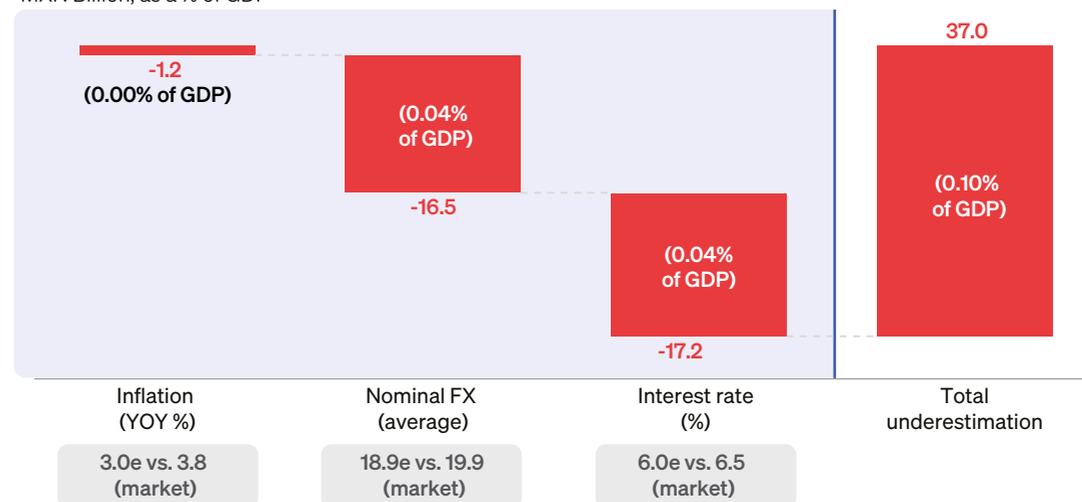
MoF sensitivity of 2026 Economic Forecasts per Variable

Sensitivity of 2026 Revenue Forecasts		MXN Billion	% of GDP
Expected GDP		38,716	
Real economic growth, %	One percentage point of economic growth (income tax)	58.8	0.16
Oil prices (Mexican varieties)	An additional US dollar in the oil price (oil revenues)	11.6	0.03
Nominal FX (average)	Appreciation of one peso in the FX (oil revenues)	-41.5	-0.11
Average oil production (MMbpd)	An additional 100 MMbpd (oil revenues)	47.4	0.12

Sensitivity of 2026 Financial Cost		MXN Billion	% of the GDP
Interest rate	An additional 100 bps. in the interest rate	34.4	0.09
Nominal FX (average)	Appreciation of one peso in the FX (debt in foreign currency)	17.0	0.04
Inflation	Effect of a 100 basis point increase in the inflation rate on financial costs.	1.5	0.00

Sensitivity of 2026 Financial Cost (MoF Estimate vs. Market Consensus)

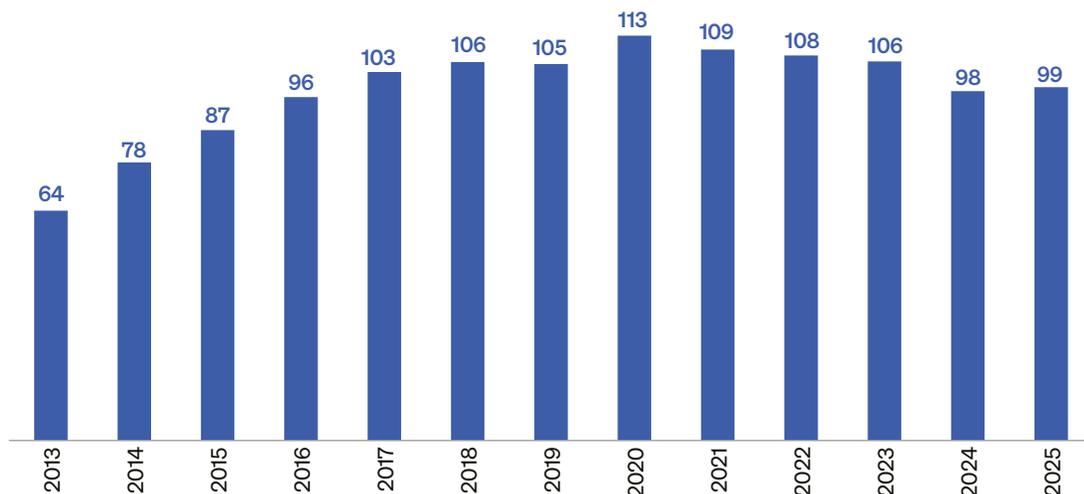
-MXN Billion; as a % of GDP



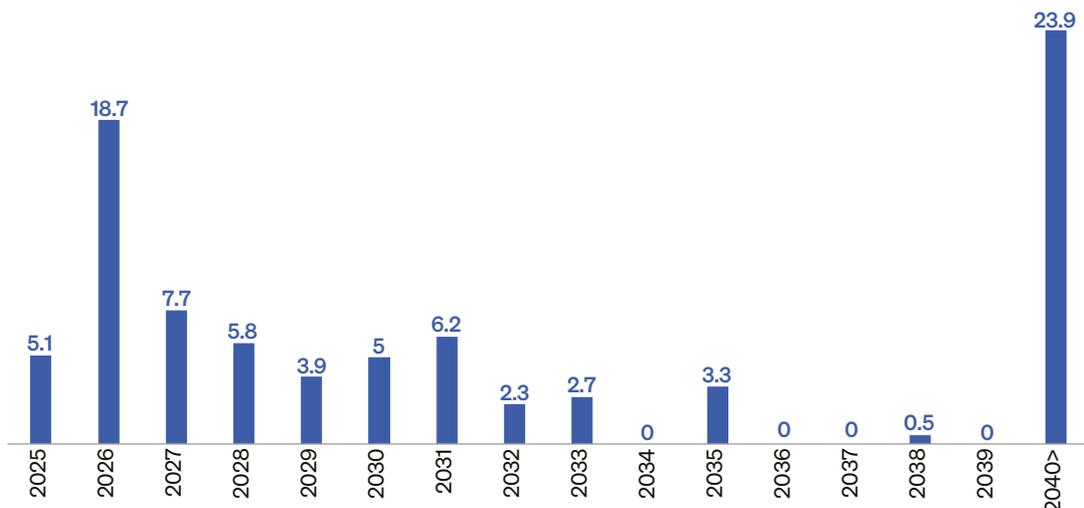
Pemex's New Roadmap

As fiscal consolidation advances, credit rating agencies are adopting a more positive view, even with the government's continued support for the oil major.

Pemex Total Debt
-USD Billion



Pemex Debt Maturities
-USD Billion



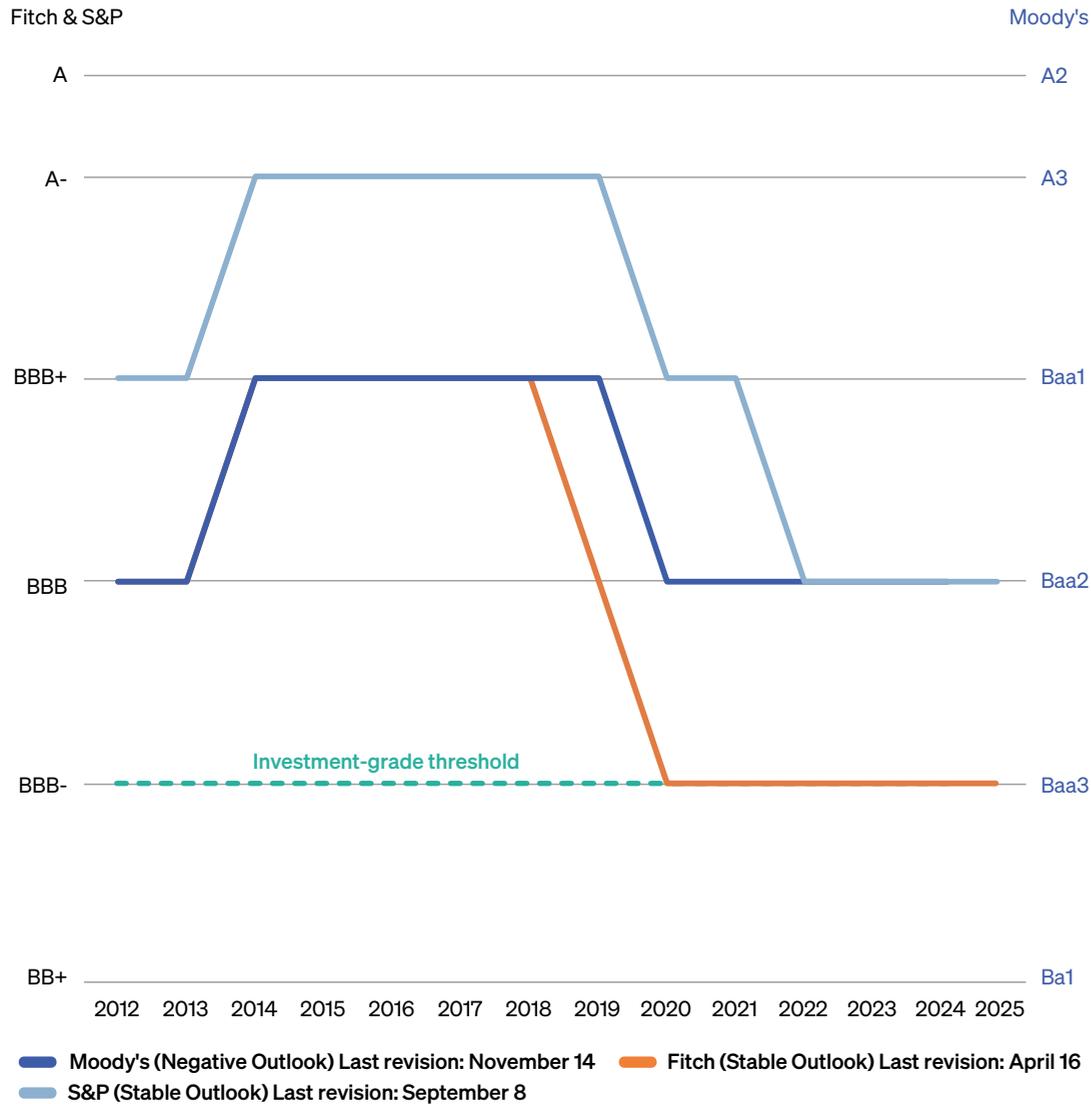
The 2026 Budget Bill represents the first step in the 2025–2035 Strategic Plan, aimed at restoring the company's self-sufficiency by 2027:

Objective	2025-2035 Strategic Plan
Production	<ul style="list-style-type: none"> Oil production: 1.8 million barrels per day Gasoline and diesel output: 43 and 68% surge, respectively. Crude processing: 1.3 million barrels per day
Financing	<ul style="list-style-type: none"> PCAPS issuance: US\$12 billion Investment vehicles: P\$250 billion for Pemex's projects (including mixed projects with private participation and payments to suppliers)
Debt	<ul style="list-style-type: none"> Reduce short-term debt by 32% by FY2025 (compared to 2024) Eliminate overdue payables to suppliers by 2030, ensuring no outstanding obligations beyond a period of two months or less Achieve self-sufficiency by 2027, with government support limited to debt service until then, complemented by measures to enhance operating efficiency
Investment	<ul style="list-style-type: none"> 84% of public investment will be allocated to hydrocarbon exploration and extraction. Includes mixed investment contracts.

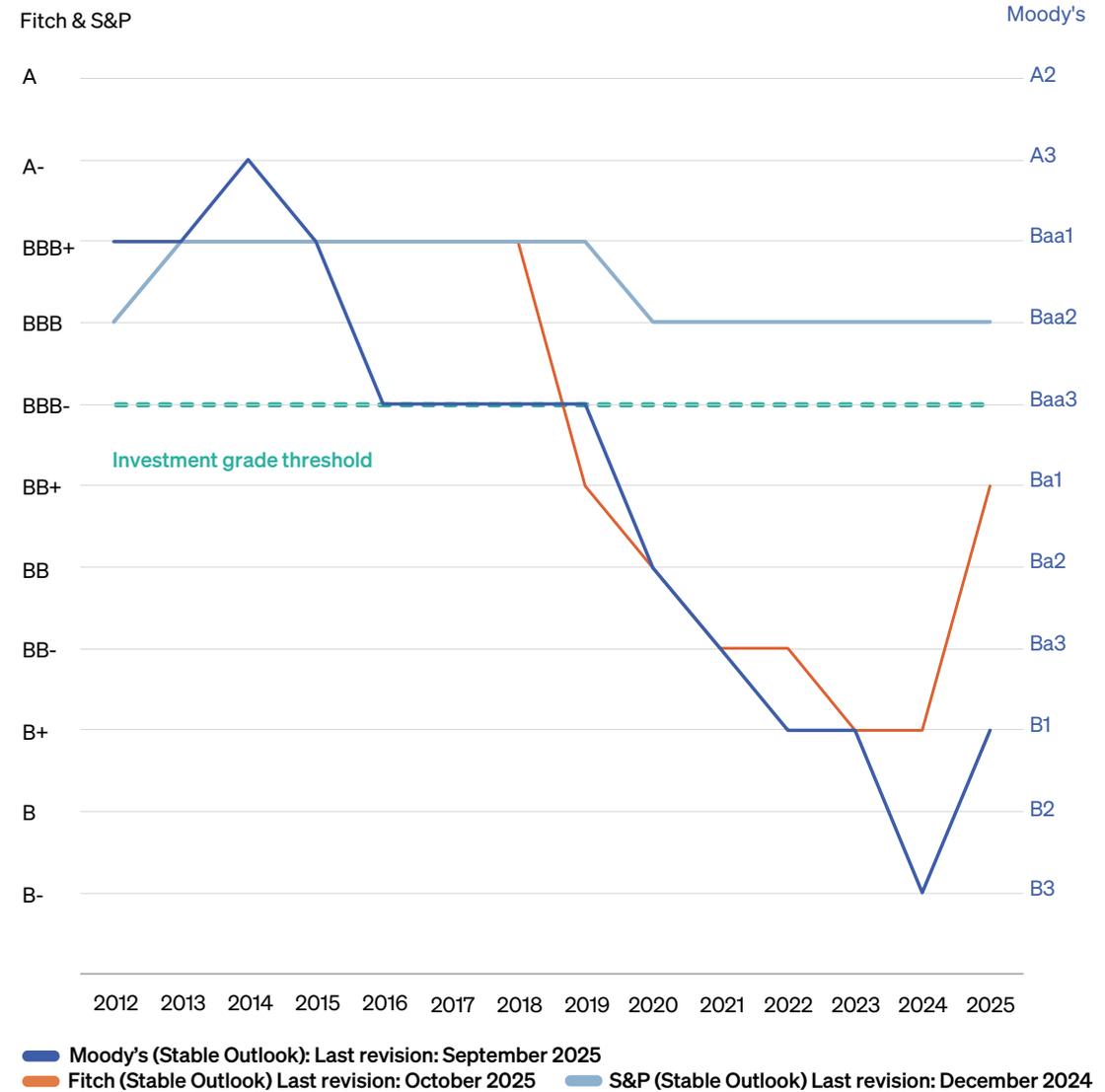
Sovereign and Pemex Debt Rating Trajectories

As fiscal consolidation advances, credit rating agencies are adopting a more positive view, even with the government's continued support for Pemex.

Mexico's Debt Rating Trajectory



Pemex's Foreign Debt Rating Trajectory



Relevant Changes for 2026

In line with expectations, the 2026 Budget Bill introduces key measures aimed at strengthening revenues

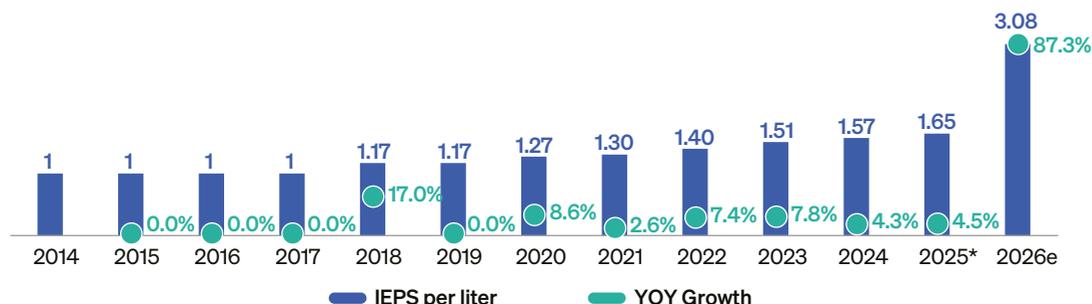


Excise Tax on Goods and Services (IEPS) Increases

- **Sweetened beverages:** from P\$1.65 to P\$3.08 per liter
- **Manufactured tobacco:** from 160.0% to 200.0%
- **Violent video games:** new 8.0% tax
- **Gambling activities:** from 30.0% to 50.0%

IEPS on Flavored and Sweetened Drinks Over the Years

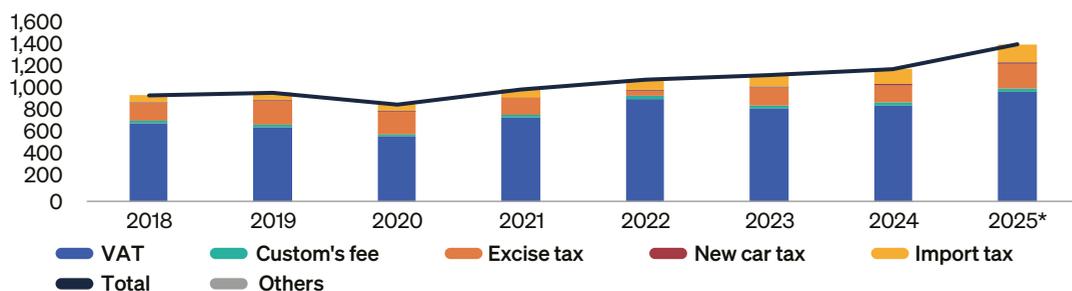
-IEPS per liter; YOY % (nominal)



Tax collections from customs

Tax collections from customs have been steadily increasing in recent years.

-MXN Billion



* Annualized data until July

Source: Mexico's Ministry of Finance



Tax Policy and Financial Measures for Mexico's Financial and Banking Sector

- **IPAB contributions:** Seventy-five percent of contributions to the Bank Savings Protection Fund (IPAB) will no longer be deductible for income tax purposes.
- **Bad debt deductions:** Credit institutions will be subject to stricter procedures for deducting non-collectible debt.
- **Fintech:** Crowdfunding institutions acting as intermediaries will be required to withhold and remit income tax and VAT on relevant transactions.



Tariffs on Non-FTA Countries

- **The new tariff initiative covers 1,463 products and nineteen sectors**, including automotive, textiles, steel, plastics, footwear, electronics, and appliances, among others.



Projected revenue from excise and import tax adjustments

	2026 Collection (P\$ million nominal)	% 2026 YOY real	% share 2026 of total tax revenue
Import tax (budget bill)	254,800.0	40.7	4.4
Import tax (w/ tariffs)	445,300.0	71.1	7.4
Excise tax	761,501.9	13.2	13.0
Gasoline	473,279.1	9.9	8.1
Excise tax excl gasoline	288,222.8	19.1	4.9
Tobacco	62,097.5	13.1	1.1
Alcoholic drinks	81,518.8	1.0	1.4
Gambling	5,024.7	24.2	0.1
Flavored drinks	75,290.0	80.9	1.3
High caloric meals	42,856.1	4.0	0.7

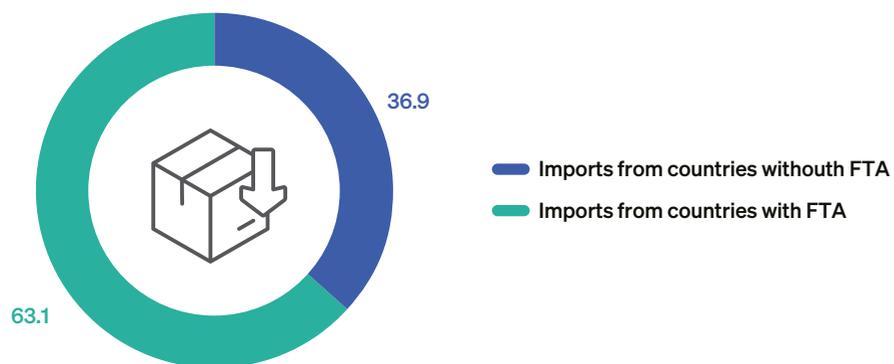
Tariffs on non FTA countries

New tariffs on non FTA countries are paving the way for a new trade outlook in Mexico.

- The timing of the newly announced measures is clearly strategic. The decision comes ahead of the 2026 USMCA review and aligns with key U.S. priorities emphasized in previous negotiation forums.
- Domestically, the measures are expected to strengthen public finances by increasing tax revenues, while also aligning with the spirit of Plan Mexico, which aims to promote import substitution through increased national and regional production.
- However, the measures do pose upward risks to inflation, tilting the balance of risks for core inflation to the upside.

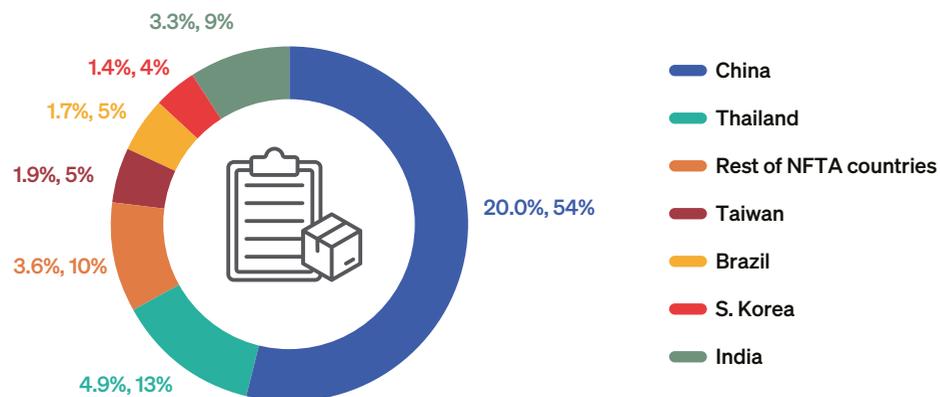
Most of Mexican imports in 2025* came from FTA countries

–As a % of total imports



2025* import distribution across NFTA countries is heavily concentrated

–As a % of total imports, as a % of total imports from NFTA countries



*2025 is YTD data until July

Top 3 2024 NFTA exporters to Mexico

Category	% share of sector as total of imports*	Top 3 countries	Top 3 (US\$ mn)	Top 3 as share of total NFTA sectorial imports
Autoparts	5.4	China, S. Korea, India	6,823.8	88.3
Light vehicles	3.0	China, India, Indonesia	7,404.0	86.9
Clothing	1.3	China, Bangladesh, India	4,614.8	73.6
Plastic products**	6.4	China, S. Korea, Taiwan	8,260.7	82.6
Iron-Steel	4.9	China, Brazil, S. Korea	7,530.9	77.7
Appliances	1.9	China, Taiwan, S.Korea	4,824.2	85.0
Toys	0.5	China, Taiwan, Indonesia	2,177.3	96.1
Textiles***	1.0	China, Tunisia, Cambodia	2,550.2	80.3
Furniture	0.3	China, Brazil, Taiwan	1,408.2	95.3
Shoes	0.3	China, Indonesia, Cambodia	1,200.3	92.8
Leather Manufacturing	0.2	China, Cambodia, Indonesia	782.0	88.6
Paper and cardboard	1.1	China, Brazil, Indonesia	1,023.8	86.3
Motorcycles	0.1	China, Brazil, Indonesia	568.0	98.0
Aluminium	1.6	China, UAE, S. Africa	3,908.5	73.1
Freight trucks	0.2	China, S. Korea, India	313.7	95.2
Glass	0.3	China, India, S. Korea	669.8	88.6
Soaps, perfumes and cosmetics	0.4	Brazil, China, S. Korea	143.4	32.4

Trade category code: Autoparts (8708), light vehicles (8703), clothing (61,62,63) plastic products (section VII), iron-steel (72 & 73), toys (95), textiles (50-60) furniture (94 excl 9401 & 9402), shoes (64), leather manufacturing (42), paper (48), motorcycles (8711), aluminum (76), freight trucks (8716), glass (70), soaps, perfumes and cosmetics (33 excl 3301 & 3302, 3401 & 3405)

* Also includes FTA imports

** Also includes rubber as more disaggregated data was unavailable

*** Assumes same NFTA import share as clothing, the top exporters correspond to the top 3 for the biggest four categories (52, 54, 56, 59)

GBM tariff impact estimates

	GBM estimates
Effective tariff range (%)	2.0 - 3.7
Additional tax collection range (P\$ billion)	70 - 190
Maximum impact on inflation (additional pp.)	0.89

The World Faces New Tariffs As Mexico Maintains the Most Favorable Commercial Position

Following the latest tariff announcements, Mexico maintains a competitive edge over other countries thanks to negotiation-based delays and exemptions secured under the USMCA.

US Tariff revenue & Effective rate up to June 2025

–Until June 2025, the average effective rate excluded the updated reciprocal tariffs and the 50% copper tax.

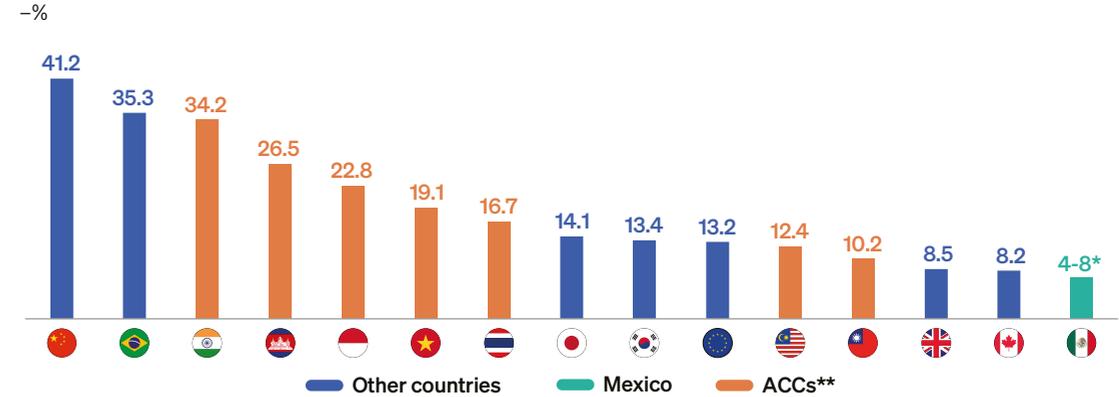
Country	Tariff Revenue (USD Billion)		Average Effective Tariff
	June 2025	Accumulated Jan.-Jun. 2025	June 2025
Total	23.6	93.9	9%
China	7.1	42.2	38%
Japan	1.8	5.4	15%
South Korea	1.4	3.4	12%
European Union	3.8	11.7	9%
Vietnam	1.5	4.7	9%
United Kingdom	0.4	1.2	8%
Rest of the World	5.1	42.2	6%
Mexico	1.8	7.6	4%

Mexico currently enjoys a favorable trade outlook compared to other regions:

Description	Status	Tariff Rate
Tariff on all Mexican imports that do not follow the USMCA guidelines	Implemented March 4	25%, with the risk of a 30% rate on a 90-day pause or longer (ends Oct. 30)
Worldwide tariff on steel and aluminum	Implemented March, Updated June 4	50%
Worldwide tariff on copper	Announced July 9, started August 1	50%
Vehicles and Auto parts Tariffs:		
<ul style="list-style-type: none"> 0% (duty-free): Applies to vehicle components that meet USMCA requirements and are of U.S. origin. Vehicles that qualify under USMCA may apply the 25% tariff only to the non-U.S. content, effectively reducing the overall burden—often estimated to be around 15% of the vehicle’s total value. 	Implemented April 3, Updated May 20	0/25%
<ul style="list-style-type: none"> 25% (standard tariff): Applies to vehicles that do not meet USMCA requirements or in cases of false or inaccurate certification of U.S. content. 		
Average effective rate: 5-8%**		

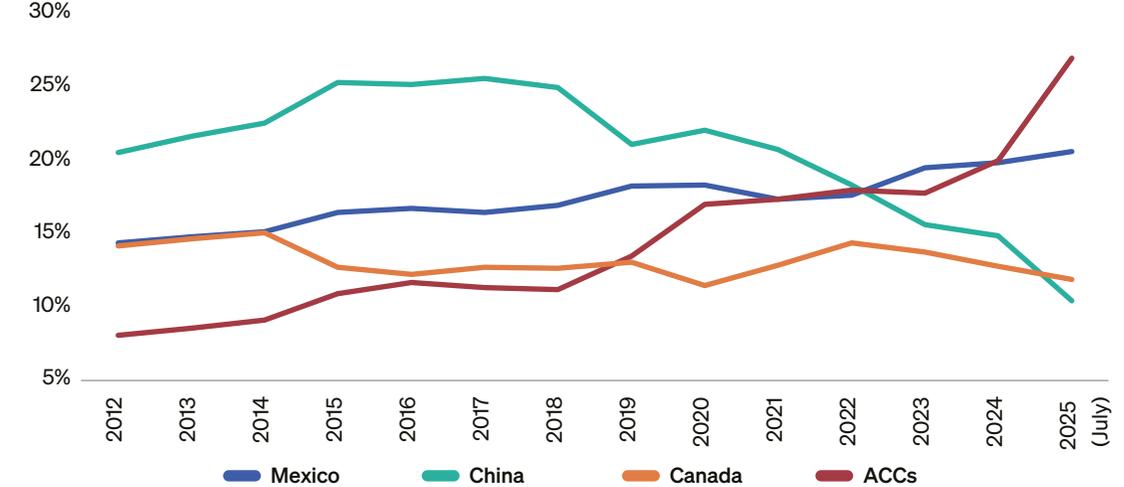
* Asian Competitive Countries (ACCs) include Bangladesh, Cambodia, Hong Kong, India, Indonesia, Malaysia, Pakistan, the Philippines, Singapore, Sri Lanka, Taiwan, Thailand, and Vietnam.
 **Estimated effective rate, based on Mexico's current tariff structure
 Source: White House, Group & CMM.

Effective Tariff Rates by Country (until October)



Imports from the U.S. by region (GBM's ten selected categories)

– Market share up to July 2025 (12M; %)

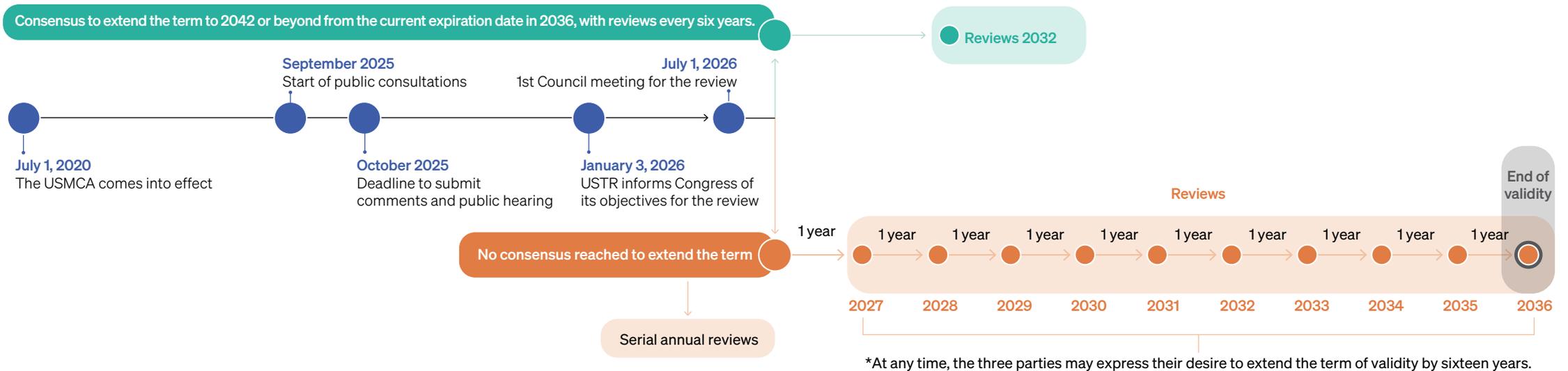


2026 USMCA Review Under the Spotlight

The upcoming USMCA review and potential U.S.-driven modifications remain top of mind among analysts.

Timeline of 2026 USMCA Review

-The continuation of the USMCA is likely, although challenges to overcome remain along the way.



The United States is seeking potential modifications to the USMCA, including:

- Stricter rules of origin to increase regional content requirements
- Concerns over the redirection of exports from China
- Investment protection mechanisms
- Non-tariff barriers: Sudden customs changes, regulatory inconsistencies, limited consultation, slow sanitary approvals, weak IP enforcement, barriers in services, and limits on foreign investment in strategic sectors.

Probability of Scenarios:		
	Expedited Review and Extension	Agreement to extend the treaty with potential updates Moderate
	Challenging Review	Mexico and Canada make concessions to extend the USMCA Moderate-High
	Annual Revisions	No agreement is reached Low

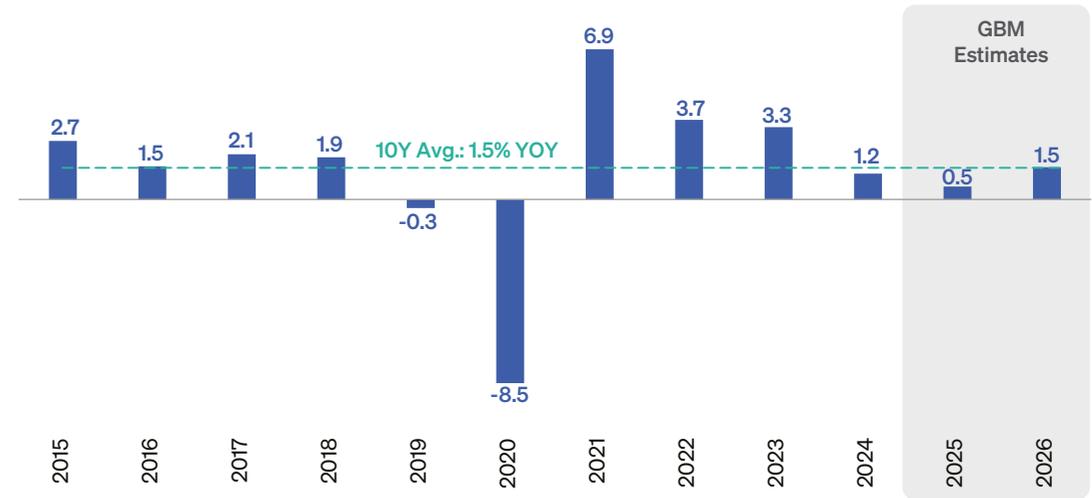
Mexico's Growth Outlook

Growth is showing some signs of resilience, with mixed performance across sectors (GBMe: 0.5% YOY)

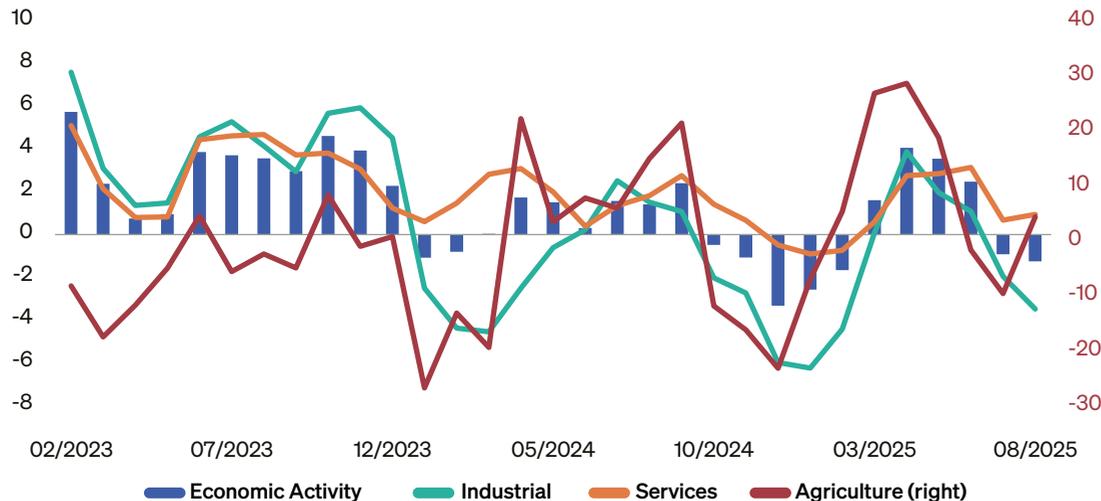
- Economic growth, YOY %

	2024	2025	
		1H25	GBM estimate FY25
GDP	1.2	0.9	0.5
Consumption	2.6	0.0	0.0
Gross Fixed Investment	3.7	-6.5	-3.5
Private	4.7	-4.4	-2.4
Public	-3.7	-22.1	-12.1
Exports	3.1	12.8	3.5
Imports	2.2	0.3	-1.3

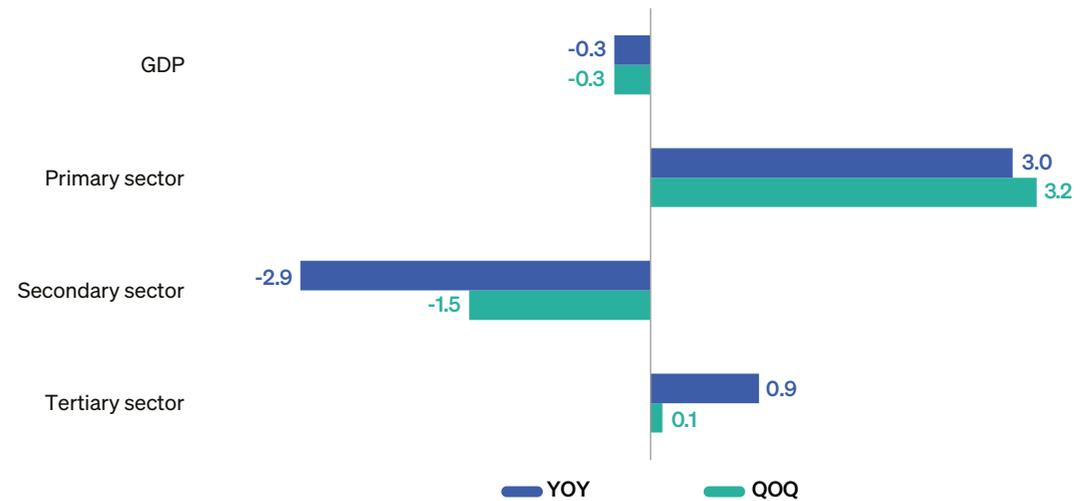
-Mexico's GDP; YOY %



-Economic Activity Index; QOQ %; Annualized; SA



-3Q GDP Breakdown; QOQ and YOY %

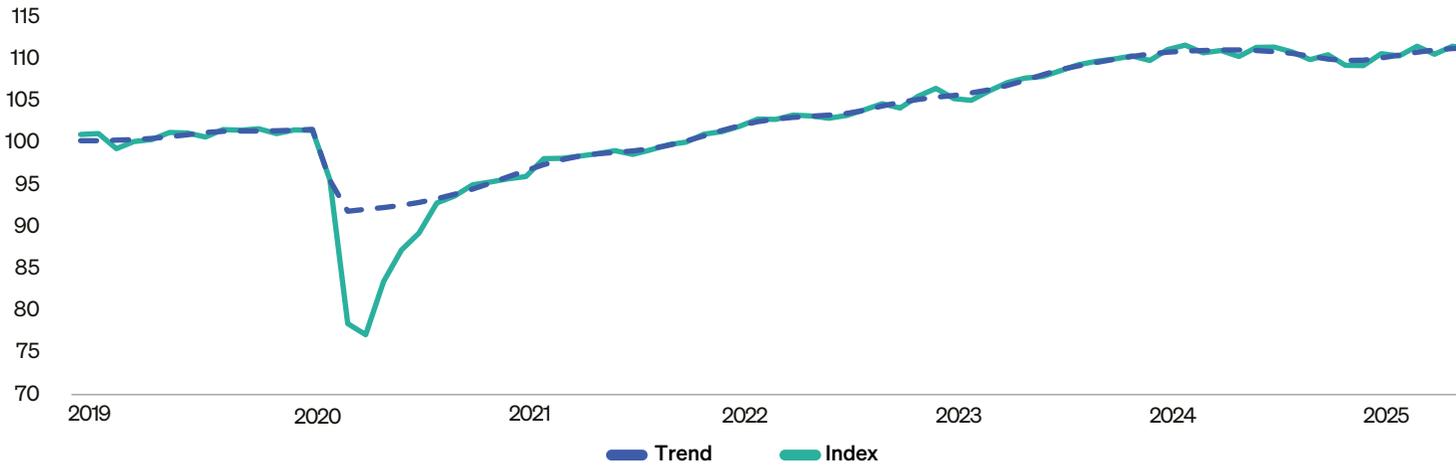


Key Consumption Indicators Signal a Slowdown

Household demand shows signs of cooling across metrics

Private consumption

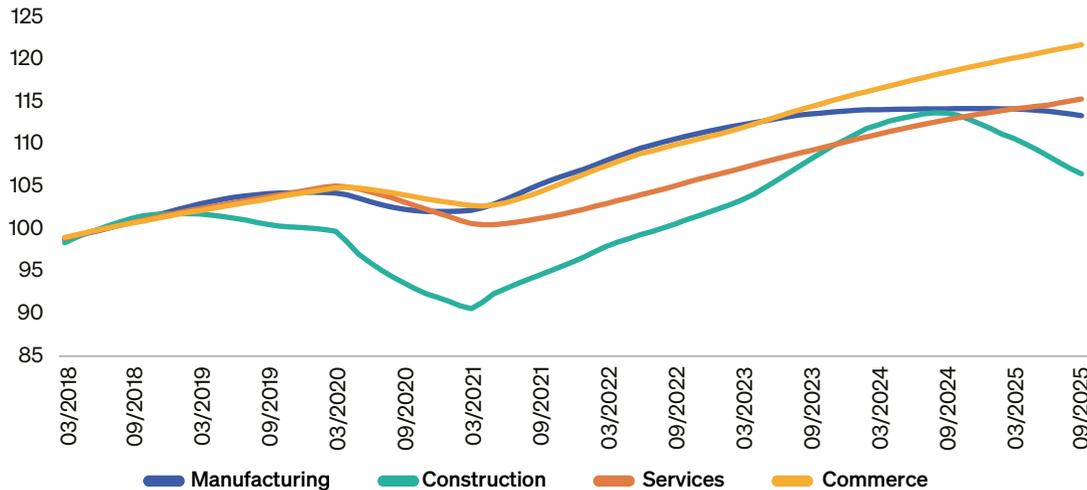
- Index 2018 = 100



	2025-Jul	MOM Change (%)	YOY Change (%)
Total		-0.3	-0.1
National		-0.5	-0.7
Goods		-0.7	-2.1
Services		-0.3	0.7
Imported		1.7	5.5

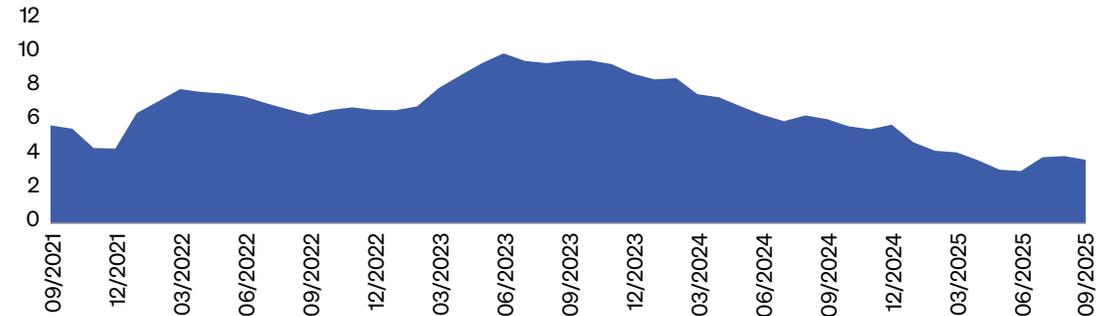
Formal Job Creation (IMSS) by sector

- 12m average, Index = 2019



Formal Real Wage Mass

- Pesos (2018 prices); YOY %



Real Wage Mass YOY Growth (%)

Year	2021	2022	2023	2024	2025 YTD
YOY Growth (%)	8.8	2.0	7.8	7.3	4.2

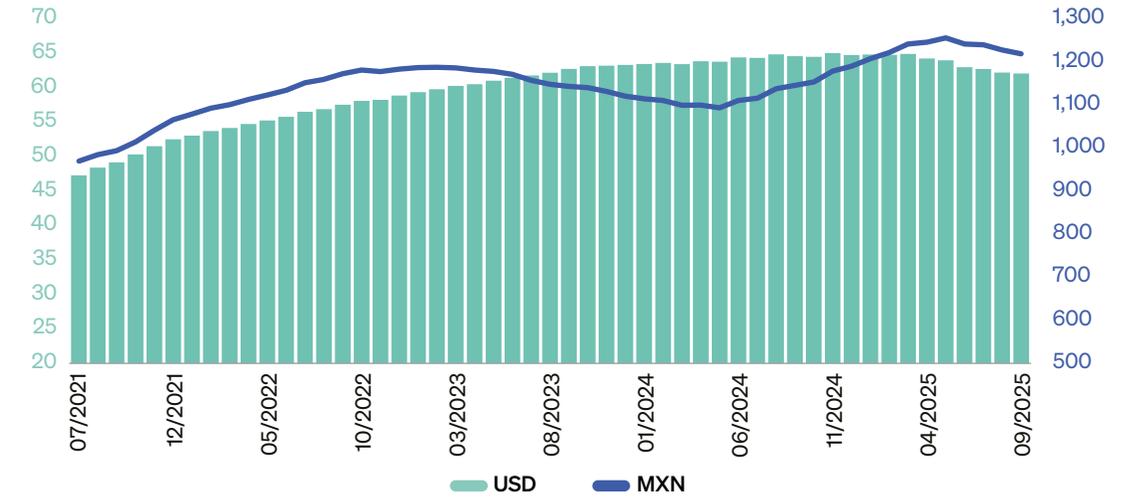
Remittances

Remittances face headwinds from stricter migration policies.

-Number of Mexican Immigrant workers by August 2025 (SA)

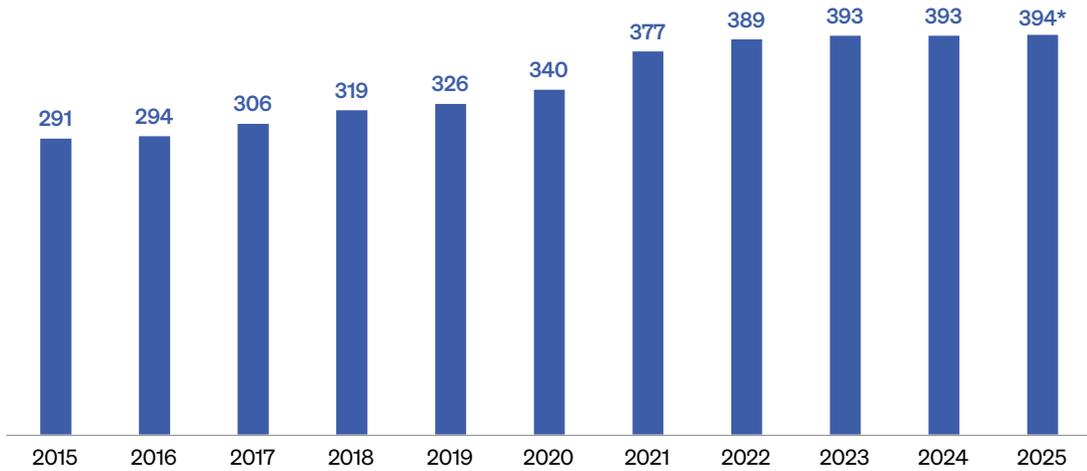


- 12-month inflows (Billion)



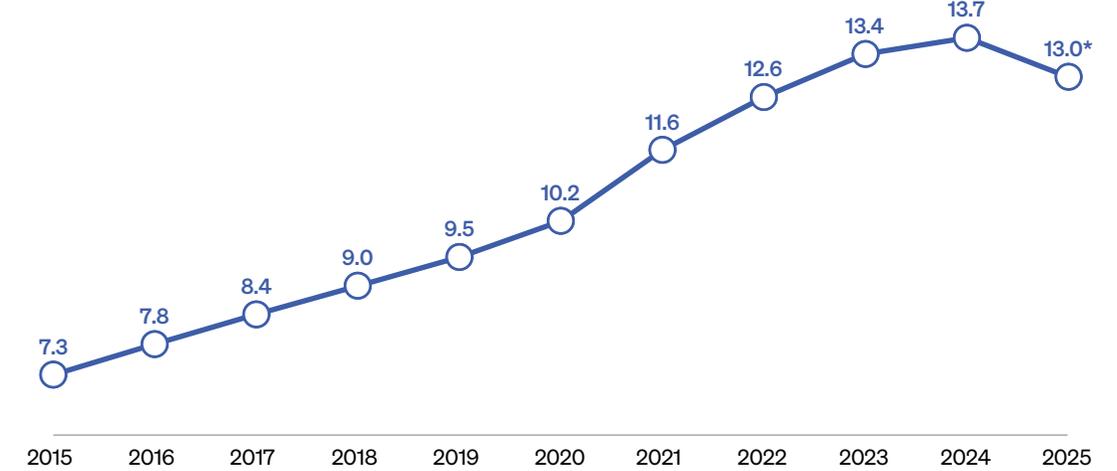
until september

-Average remittance transaction amount, per year (in USD)



until september
Source: Statista and Mexico's Central Bank
* 2025 is considered up until September

-Average monthly transaction (in million)



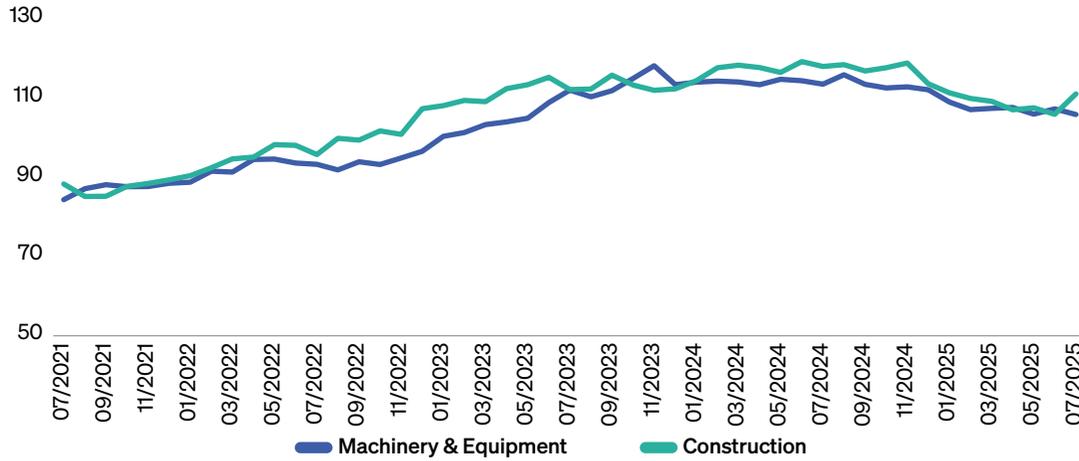
* 2025 is considered up until September

Investment Lags

Key medium-term growth drivers like investment and capital goods have dragged down activity, likely due to ongoing trade uncertainty.

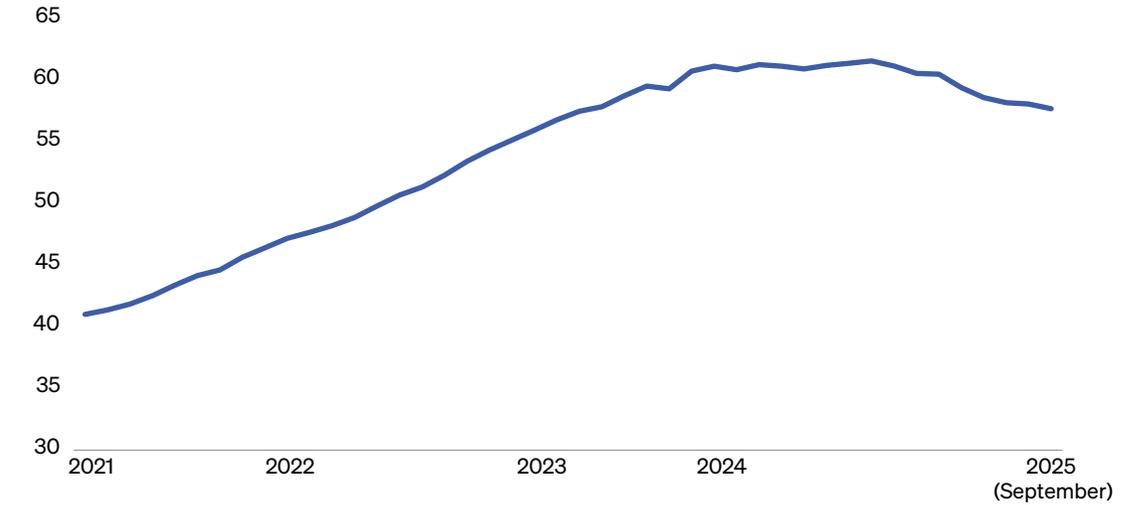
GFI Breakdown

- Index 100 = 2018



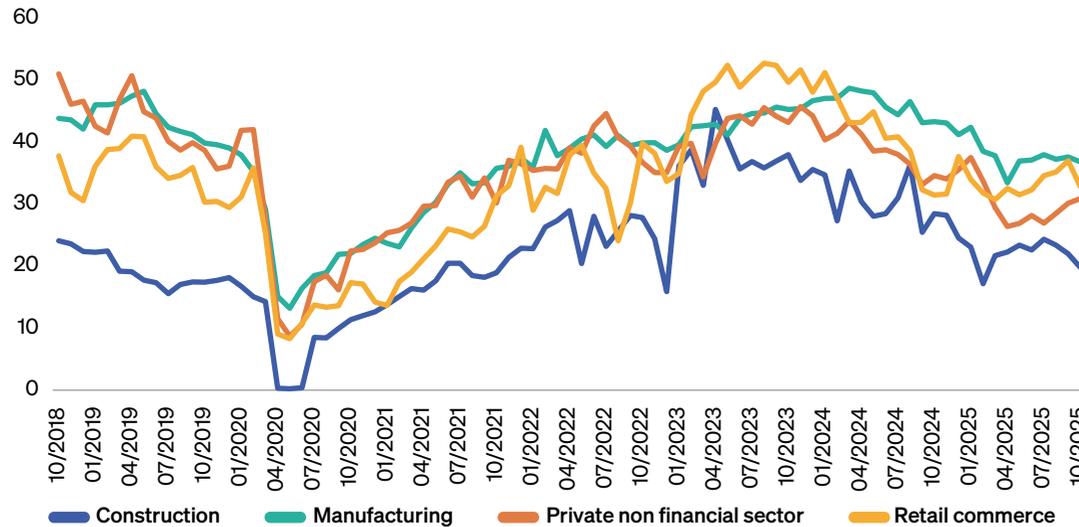
Capital Goods Imports

- USD Billion, 12M



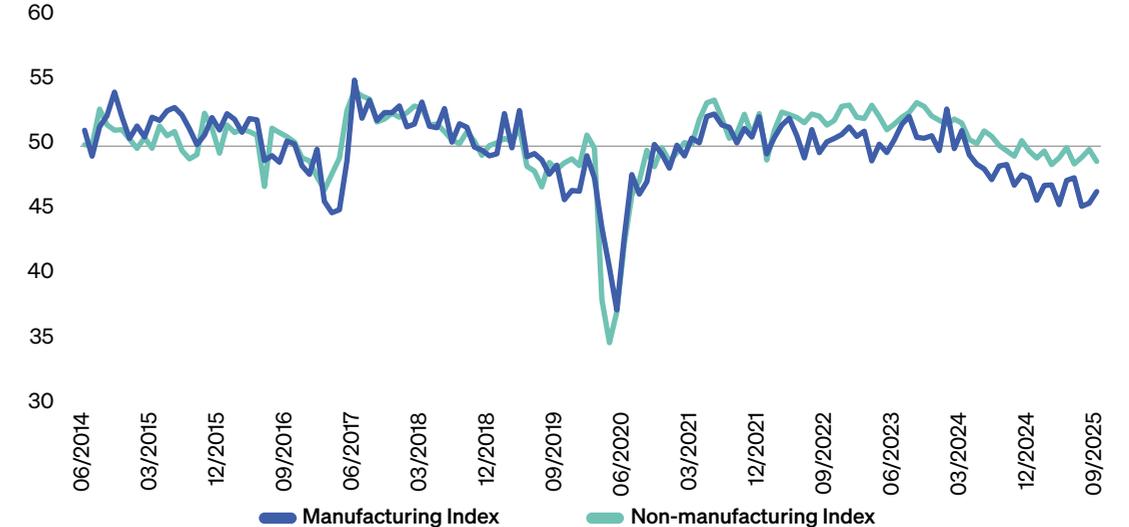
Business Confidence – Right Time to Invest by Sector

- In points, SA



IMEF Manufacturing and Non-Manufacturing Indices

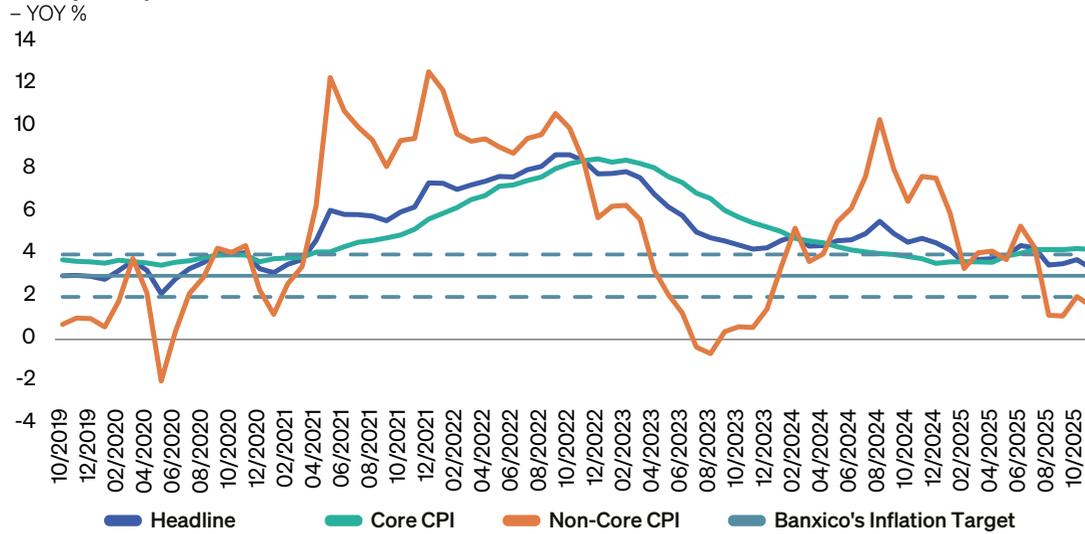
- In points, SA



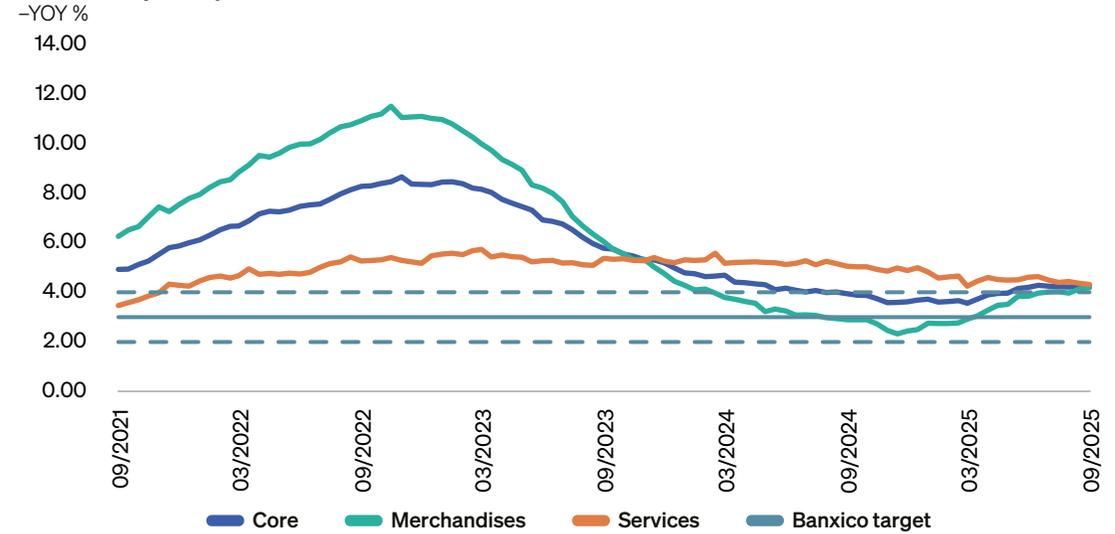
Inflation Outlook

Inflation has decelerated within Banxico's range, risks remain skewed to the upside (GBMe: 3.9% YOY EOP)

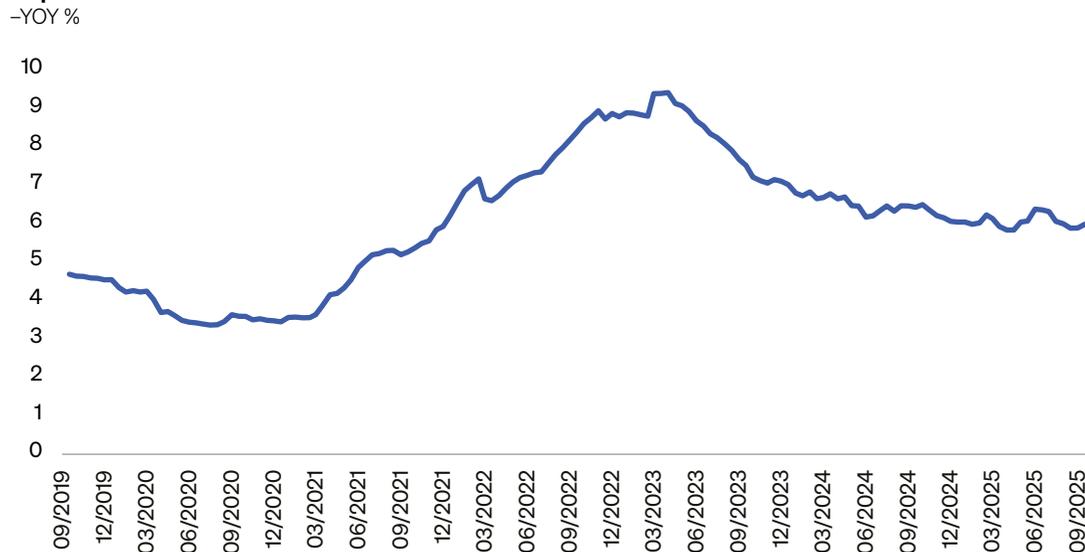
CPI by component



Core CPI by component



Super core services

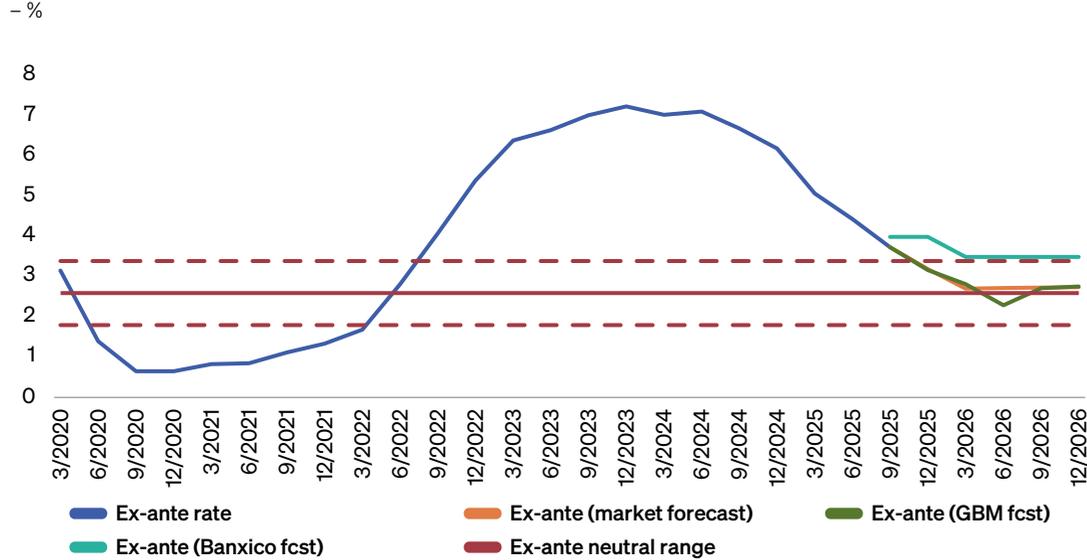


Inflation Estimates, YOY %, EOP		
	2025 (September)	YE25e
Headline Inflation	3.76	3.88
Core CPI	4.28	4.24
Non-Core CPI	2.02	2.63

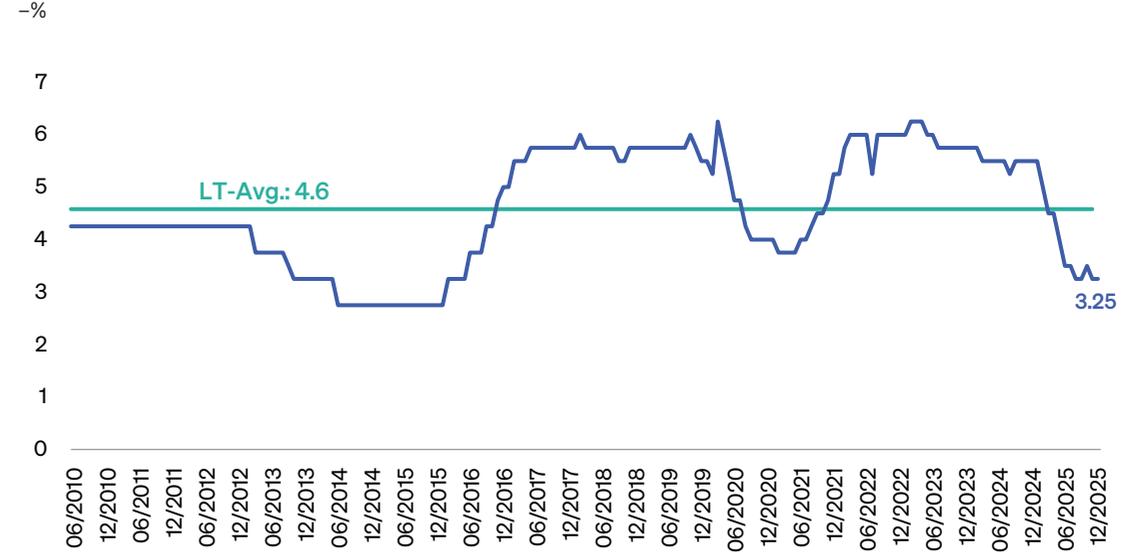
Monetary Policy Outlook

We expect Banxico to proceed with further cuts to its policy rate (GBMe: 7.0% EOP)

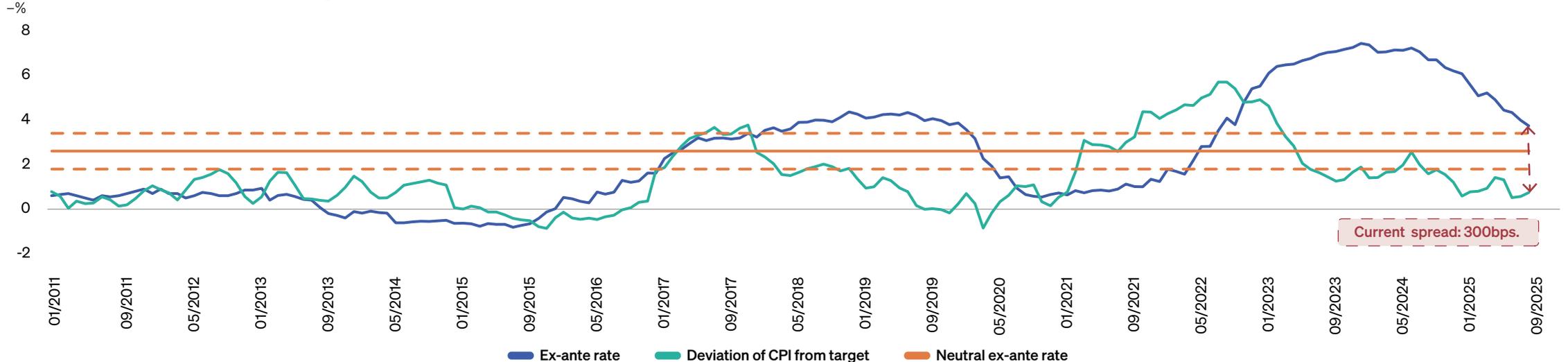
Banxico's real ex-ante vs market's



Nominal spread with the Fed under pressure.



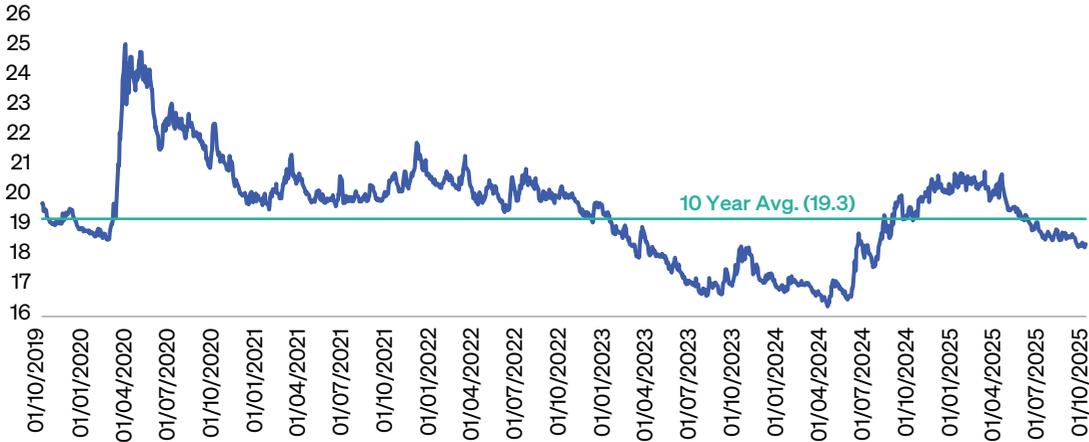
Ex-ante rate and CPI deviation from target



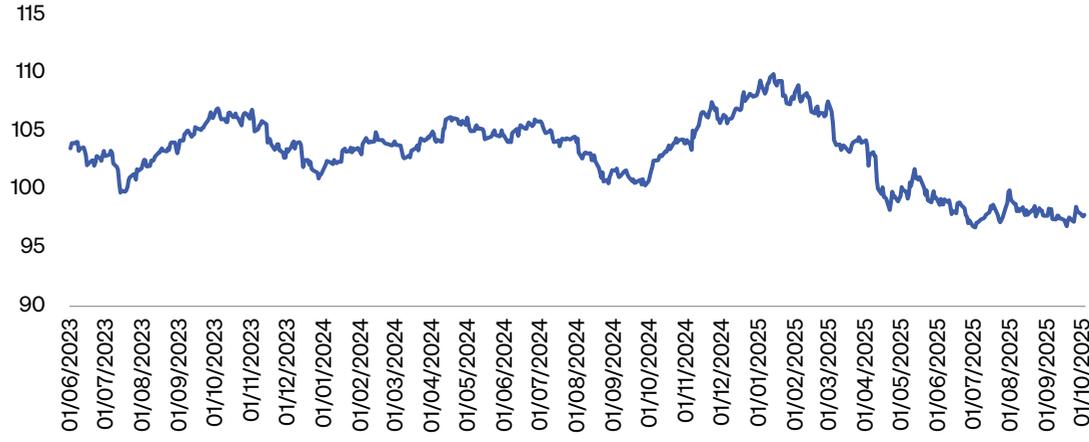
MXN Outlook

Peso strength reflects dollar weakness, yet fragile underlying support (GBMe: 19.50 pesos per dollar)

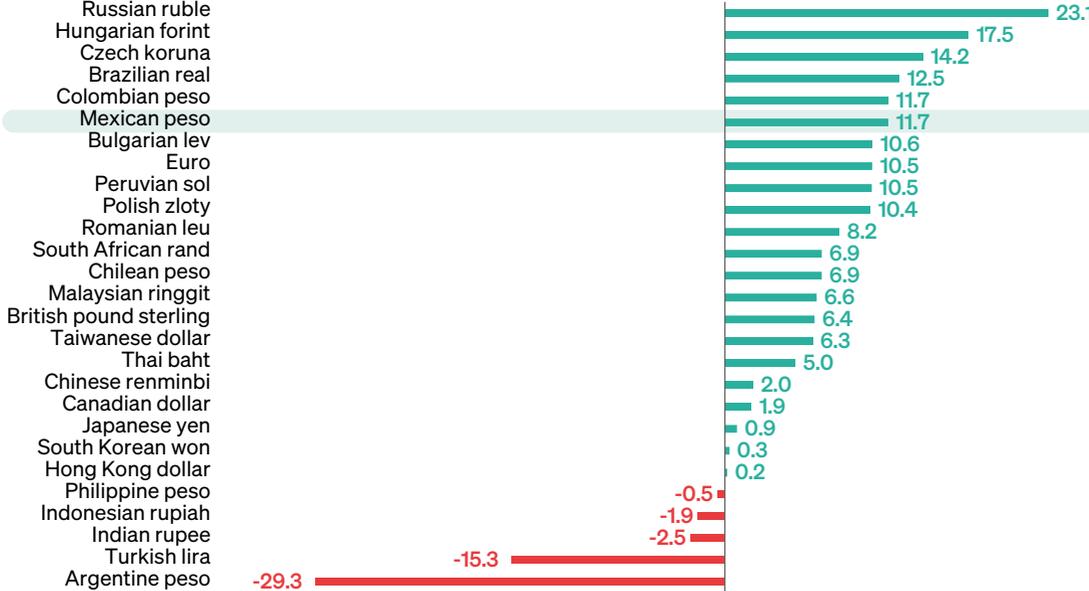
-MXN, Pesos per dollar



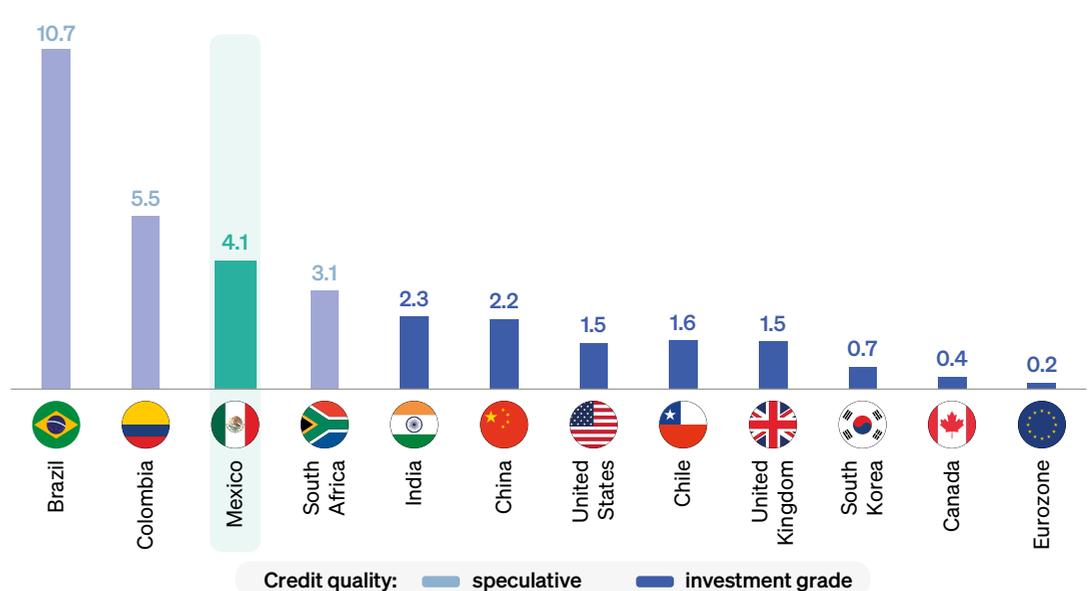
-DXY Index



-EM Spot Returns during Trump administration (January 21, 2025 to October 2, 2025) vs. USD; %



-Ex-ante Real Policy Rate (%)



Sources: Banxico, Bloomberg

Note: using Bloomberg 12M inflation projections.

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