



ECONOMIC OUTLOOK

MEXICO

JANUARY 2026



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Introduction

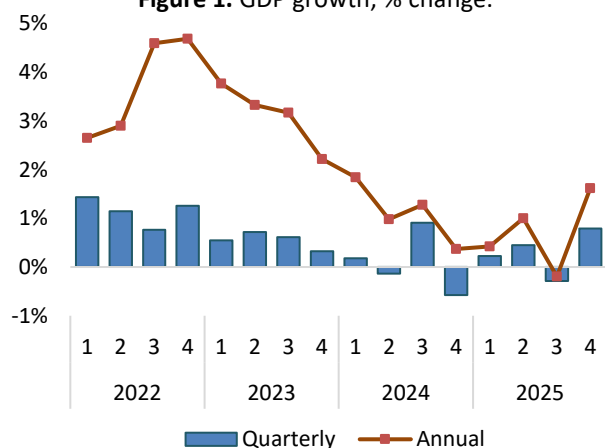
According to the timely estimate of Gross Domestic Product (GDP), the fourth quarter recorded growth of 0.79% compared to the previous quarter. This follows a contraction of 0.29% in the previous quarter. At an annual rate, the economy grew 1.62%, reaching its highest growth since the first quarter of 2024. As a result, in 2025, GDP grew 0.71% compared to 2024. Thus, in the last seven years, that is, from the end of 2018 to date, Mexico's GDP grew 6.37%, which implies an average annual growth of 0.85%, with growth in 2025 falling below that average.

Primary activities registered a quarterly decline of 2.68%, breaking a streak of three consecutive quarters of growth. However, in the annual comparison, the primary sector showed strong growth of 6.02%, accelerating from 2.88% in the previous quarter. This is due to a low basis of comparison, as in the fourth quarter of 2024, primary activities showed a sharp decline of 5.84%. Throughout 2025, primary activities grew by 3.69%.

Secondary activities showed quarterly growth of 0.87%, recovering from the 1.48% decline in the previous period. This is the largest increase for the sector since the fourth quarter of 2022. At an annual rate, growth was 0.30%, breaking a streak of six consecutive quarters of annual contraction. However, in 2025, secondary activities contracted by 1.08% compared to 2024, declining for the second consecutive year, as they fell by 0.62% in 2024. Likewise, the decline in 2025 was the largest since 2020. In the last seven years, Mexico's secondary GDP grew by 2.15%. This implies an average annual growth of only 0.26%.

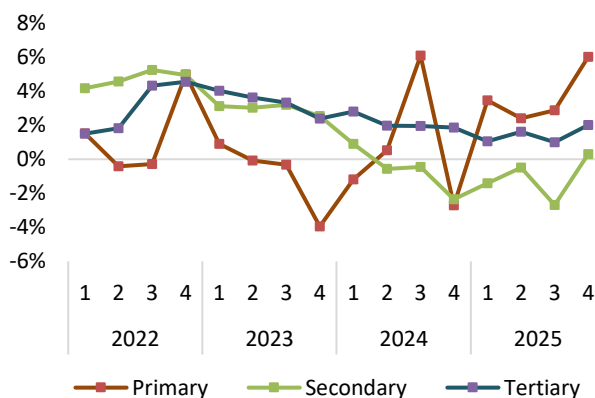
Finally, tertiary activities showed quarterly growth of 0.90% and annual growth of 2.01%, the highest growth since the first quarter of 2024. In 2025, tertiary activities grew by 1.42%, the lowest growth rate since the fourth quarter of 2020. Over the last seven years, Mexico's tertiary GDP grew by 8.16%. This implies an average annual growth rate of 1.10%.

Figure 1. GDP growth, % change.



Source: Grupo Financiero BASE with information from INEGI.

Figure 2. GDP by activity, annual variation (%).



Source: Grupo Financiero BASE with information from INEGI.

2025 was marked by low economic growth in Mexico. The year marked a turning point for the labor market with a significant deterioration, as jobs were created in the informal sector, while the number of people employed in the formal sector declined, something that has only been seen in periods of recession. Gross fixed investment recorded its largest decline since the pandemic, and the weakening of institutions continued.

Paradoxically, the export sector drove economic growth in 2025, despite the United States' protectionist trade policy. On the other hand, the government continued with its fiscal consolidation, although without achieving the projected reduction in the fiscal deficit, which represents a risk to Mexico's sovereign debt credit rating. In fact, the composition of public spending also deteriorated, as current spending was prioritized, while spending on physical investment fell by 27.5%, the largest cut since 1995.

With all this, it is estimated that Mexico fell into a trap of economic stagnation. This assertion is not only due to low growth in 2025, but also to: 1) the trend of low growth in recent years, below the average observed until 2018; 2) the combination of a decline in fixed investment, an increase in informality, a decline in productivity, and a weakening of institutions; and 3) the decoupling from U.S. growth. As a result, potential GDP (what can be produced within Mexico) has declined, implying lower economic growth of around 1.4% per year. Although this itself is bad news, growth of only 0.9% is estimated for 2026.

The estimated growth for 2026 is supported in part by the expectation that the World Cup will lead to additional growth of around 0.15% due to increased consumption and tourism. Although this is good news for Mexico, it will only be temporary, and the jobs created will be mainly in the informal service sector.

On the other hand, the review of the USMCA will begin in July, which is expected to be tough and rigorous, with an atmosphere of greater uncertainty. With the World Cup and the review of the USMCA, growth for the year will be psychologically split in two: the first half of the year will be optimistic due to the World Cup, and the second half of the year will be uncertain due to the review of the USMCA and increased consumer debt, as consumers will likely finance part of their purchases with credit.

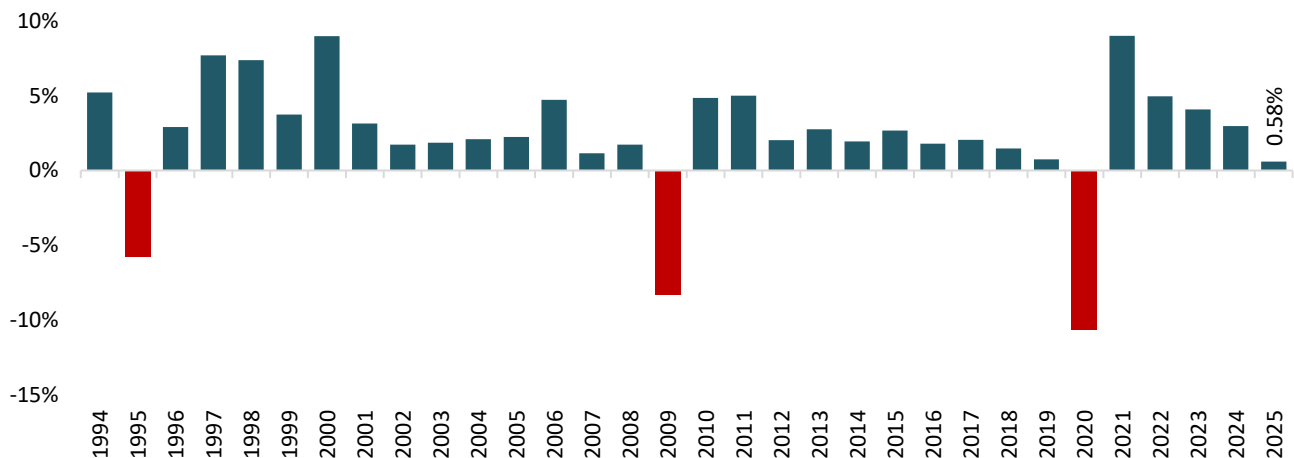
In terms of opportunities, it is worth noting that Mexico is the main supplier of imports to the United States. Domestically, computer equipment imports have grown significantly, as Mexico has gained market share from China. With this, it is possible that the opportunity for *nearshoring* will open up again, which could be the lifeline to break out of economic stagnation.

Consumption: a weak engine of growth

Private consumption in Mexico is the main component of Mexico's aggregate demand, accounting for 71.04% of GDP through the third quarter of 2025. Its performance is relevant because it serves to assess the well-being of the population by reflecting the ability of households and consumers to purchase goods and services that meet their needs and improve their quality of life. According to the Monthly Indicator of Private Consumption in the Domestic Market, private consumption shows cumulative growth for the year through October of only 0.58% annually (Figure 3), the lowest for the same period since 2020, when it fell 10.67%, and before that date since 2009, both years associated with periods of recession in Mexico.

The performance of private consumption is mainly due to the consumption of domestic services, which, from January to October, registered annual growth of 1.21%, the lowest increase for the same period since 2020. Consumption of domestic goods, meanwhile, recorded an increase of only 0.10%, also the lowest growth since 2020, while consumption of imported goods showed cumulative growth of 0.58%, well below the growth in the previous two years of 12.36% and 14.34%, respectively. It should be noted that consumption of imported goods has accelerated in recent months due to the appreciation of the peso, which makes foreign goods cheaper. However, consumption of these goods does not directly increase GDP growth.

Figure 3. Total private consumption, cumulative annual growth from January to October in different years (%).



Source: Grupo Financiero BASE with information from INEGI.

Private consumption depends on various factors that influence household spending decisions. Among the most important factors are labor market conditions, remittance flows, consumer confidence, interest rates, and inflation, as these determine disposable income and willingness to consume. In addition, the public sector, through its spending policy, can influence consumption through social programs, subsidies, and transfers. Analysis of these factors provides a better understanding of the causes of weak consumption performance.

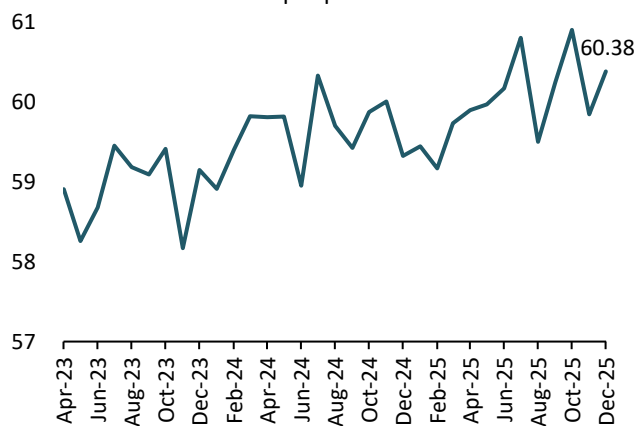
Labor market

The year 2025 marked a negative turning point for the Mexican labor market, consolidating a structural deterioration in which employment ceased to be an engine of efficiency and became a drag on growth. The systematic transition toward informality made economic growth extremely costly, reflecting a negative contribution to total productivity that has anchored potential GDP. The year ends with a precarious ecosystem, trapped in a trap of inefficiency and long-term stagnation.

This was reflected in the National Occupation and Employment Survey (ENOE) for 2025, where the employed population increased by 1,057,970 people, reaching 60.38 million (Figure 4). This growth was driven entirely by informal employment, which added 1,161,926 people, thus offsetting the net loss of 103,956 jobs in the formal sector. This is relevant because, apart from 2025, declines in formal employment have only been recorded in 2008 (-403,212) and 2020 (-1,196,997), both periods associated with recessions (Figure 6).

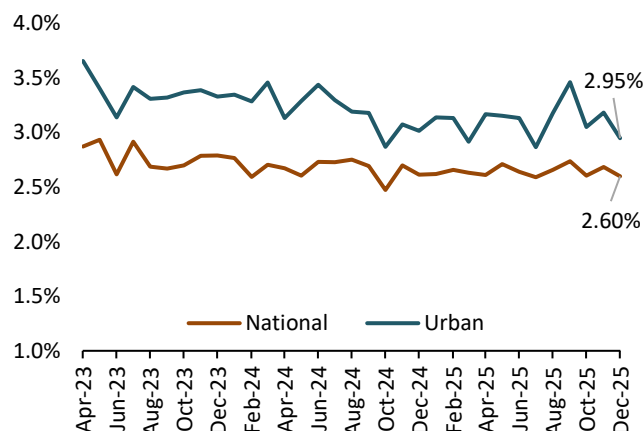
On the other hand, in 2025, the unemployed population decreased by 1,170 people, causing the economically active population (EAP) to increase by 1.05 million people, reaching a total of 61.86 million. Although jobs were created, less favorable conditions caused many to seek refuge in the informal sector, in lower-quality jobs. Thus, the national rate fell from 2.43% at the end of 2024 to 2.39% in December 2025. Meanwhile, the urban unemployment rate, which measures the more formalized markets in major cities, fell from 3.02% in 2024 to 2.95% in 2025 (Figure 5).

Figure 4. Employed population. Millions of people.



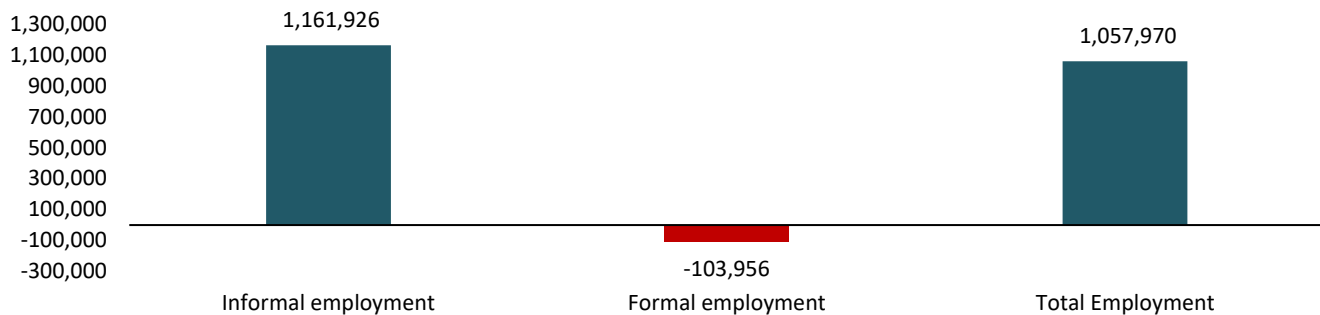
Source: Grupo Financiero BASE with information from INEGI.

Figure 5. Unemployment rates.



Source: Grupo Financiero BASE with information from INEGI.

Figure 6. Job creation in 2025 by type of employment.



Source: Grupo Financiero BASE with information from INEGI.

The economically inactive population (EIP) increased by 1.12 million people during 2025 to reach 42.81 million. The working-age population decreased by 110,000 people, while the non-working-age population increased by 1.23 million compared to 2024. This dynamic indicates that more people opted for labor inactivity, leaving the labor force, which explains the reduction in the number of unemployed. Factors such as increased spending on social programs and the difficulty of finding formal employment are influencing the decision not to participate in the labor market when alternative sources of income are available.

In terms of employment by formality status, monthly data for 2025 show an annual contraction of 0.38% in formality compared to a 3.65% growth in informality. As a result, formal employment had fallen for six consecutive months by December; in fact, it would have fallen for eleven months without the marginal growth of 0.01% recorded in June. Historically, there have only been two periods with more than four consecutive annual declines in formal employment: between April 2020 and March 2021, and between December 2008 and July 2009, both associated with recessions. In contrast, informality has seen nine months of steady increases, accounting for all the employment generated in the last six months. As a result, informal employment rose from 54.27% in 2024 to 54.85% in 2025.

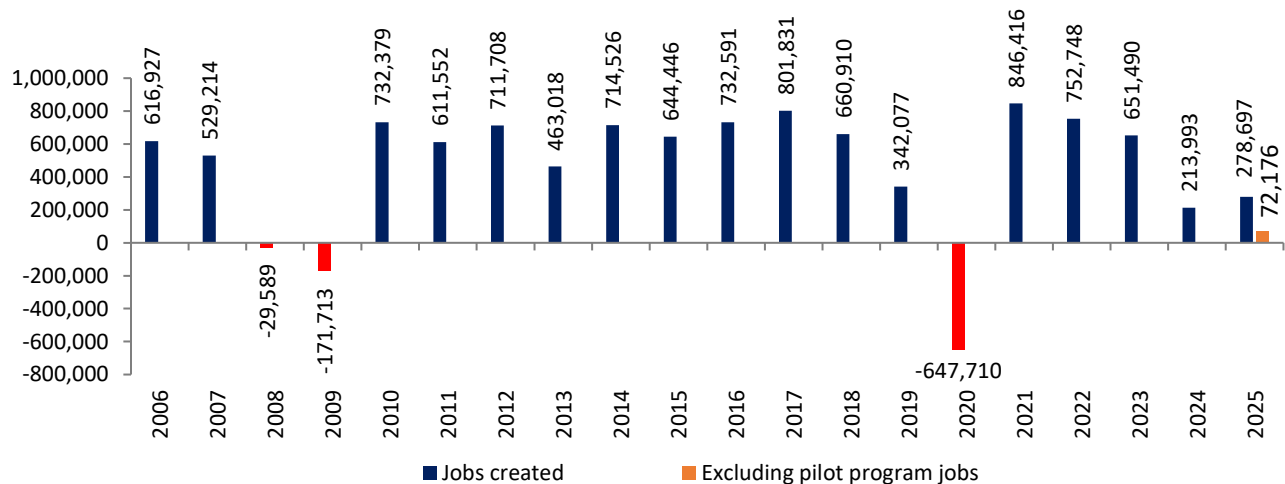
It is worth mentioning that, according to INEGI's Measurement of the Informal Economy, in 2024 the contribution of informality to GDP was 25.38%, the highest proportion since 2003. Given that informality averaged 54.27% in 2024 and 54.85% in 2025, its contribution to GDP is projected to have increased to 26.58% in 2025. It is important to highlight the efficiency gap between sectors: in 2024, while the formal population generated 74.62% of the total value of the economy, the informal sector, which employed more people, contributed only 25.38%. Therefore, the persistent increase in informality reduces the country's potential GDP by concentrating the labor force in low-productivity activities. This setback represents a challenge that compromises the well-being of workers, erodes the tax base, and jeopardizes Mexico's long-term economic growth.

Before analyzing the data from the Mexican Social Security Institute (IMSS), it is necessary to note that ENOE and IMSS offer different perspectives due to their methodological differences. While IMSS counts administrative "jobs" in the private sector, ENOE measures "people," capturing the actual occupation of the population. In addition, ENOE's definition of formality is broader, as includes public sector workers (ISSSTE, PEMEX) and independent professionals with legal certainty who are not part of the IMSS base. Therefore, ENOE functions as a structural indicator of the labor ecosystem, while IMSS is an exclusive barometer of subordinate employment in companies that comply with employer obligations.

In this context, at the end of December 2025, the IMSS reported a total of 22,517,076 jobs, following a monthly decrease of 320,692 jobs (-1.40%). Although this contraction is recurrent at the end of the year, employment grew at an annual rate of 1.25%, accelerating from 0.86% in November. However, this progress is driven by the pilot program for digital platform workers; excluding this effect, annual growth is reduced to 0.32%. In the 2025 balance sheet, the IMSS recorded 278,697 jobs, but without the platforms, the actual creation was only 72,176 jobs. This level has only been lower in 2020 (-647,710), 2009 (-171,713), 2008 (-29,589), 2003 (25,280), 2002 (61,356), and 2001 (-266,815) (Figure 7).

The fragility of the labor market is confirmed by employer registration figures, which reported 1,029,280 employers in December, a monthly decrease of 6,839. In annual terms, there was a drop of 25,667 employers (-2.43%), accumulating 18 consecutive months of contraction. This streak of sustained destruction of economic units had not occurred since the 2003-2005 period.

Figure 7. Annual job growth.



Source: Grupo Financiero BASE with information from IMSS.

The balance at the end of 2025 confirms that Mexico is experiencing structural stagnation, where the low unemployment rate hides a deterioration in the quality of employment. While marginal growth in the IMSS is distorted by the regularization of pre-existing workers, the reality captured by the ENOE shows a massive loss of formal jobs and a systematic refuge in informality. This decline is reflected in the projection that the informal economy will increase its contribution to GDP to 26.58% in 2025, concentrating the labor force in low-productivity activities that anchor potential GDP.

By 2026, the main challenge will be the sustainability of consumption given the fragility of the formal business base. The 18-month streak of annual declines in employer registration, with a loss of more than 25,000 employers, suggests that the formal sector is losing its ability to generate quality jobs. Although the rise in wages and real wage bill sustained purchasing power in 2025, dynamism faces a structural ceiling: without new economic units, income will depend on nominal adjustments rather than productivity, deepening the shift toward informality.

Finally, the labor force in 2026 will be conditioned by migration toward inactivity and the impact of social programs. The difficulty in accessing formal jobs, coupled with alternative sources of income, will continue to encourage people to leave the labor force, generating a labor shortage in a low-growth environment.

Minimum Wage

By 2026, the labor environment will face additional pressures from adjustments to the minimum wage and reforms to the workday. The general minimum wage increased by 13% to 315.04 pesos, while in the Northern Border Free Zone the increase was 5% to 440.87 pesos. At the same time, a roadmap was established to reduce the work week to 40 hours starting in 2027. These regulations generate an immediate financial burden on the formal sector, especially in Chiapas, Tamaulipas, and Coahuila, where a large part of the workforce earns up to two minimum wages.

Finally, although the reduction in working hours will begin in 2027, companies are already making preventive adjustments to reorganize jobs. Due to the high cost of overtime under the Federal Labor Law, businesses are looking for operational schemes that avoid unsustainable costs. The risk for 2026 is that, without an upturn in investment to accompany these expenses, companies will opt to reduce formal hiring. If wage increases and reduced hours are not backed by higher productivity, the expansion of informality will continue to slow the country's economic growth.

Labor productivity

Labor productivity in Mexico reveals structural stagnation, exacerbated by the integration of INEGI's Measurement of the Informal Economy (MEI) in 2024. In that year, the contribution of informality to GDP reached a historic high of 25.38% since 2003. This level was achieved with informal employment at 54.42%, contrasting with the formal sector, which, with only 45.58% of workers, generated 74.62% of the total value of the economy. Thus, the formal sector accounts for almost three-quarters of the national GDP with less than half of the workforce.

This increase in informality marks four years of growth, climbing from 22.18% in 2020. By the end of 2025, the situation will worsen: ENOE projections suggest that the informal contribution could rise to 26.58%, given the persistent decline in formal employment. This massive shift slows economic growth, as formal employment is intrinsically more productive and contributes significantly higher per capita value.

At the same time, Total Factor Productivity (TFP) confirms that Mexico is losing efficiency. In 2024, TFP contracted by 0.35%, with production growing by 0.76%. This poor performance is comparable to periods such as 1995, 2001, 2002, 2008, 2009, 2019, and 2020, all of which were associated with recessions. The negative contribution of 0.05 in labor services is alarming, indicating that human capital no longer compensates for the deficiencies of the productive system.

Looking ahead to 2026, Mexico will remain trapped in a cycle of low efficiency. Without reversing informalization, the country will require increasingly costly capital investments to generate minimum levels of added value. This structural setback compromises the well-being of workers, erodes the tax base, and jeopardizes long-term growth by reducing real output per worker in the labor market.

Exchange rate (Balassa productivity)

This deterioration in efficiency and the shift toward informality have direct implications for the valuation of the Mexican peso. Under the Balassa-Samuelson approach, currency strengthening is explained by labor productivity growth in industrial sectors exposed to international trade. While manufacturing efficiency has been a long-term anchor for the peso, the weakening of the formal sector, which is the only one capable of sustaining such productivity levels, jeopardizes the currency's structural stability.

It is worth mentioning that approximately 91.5% of the exchange rate is explained by its immediately preceding level. This "memory" reflects that the exchange rate does not react impulsively to the deterioration of productivity, but will reflect it gradually. Thus, the systematic transition to informal activities will ultimately erode the anchor that sustains the value of the currency in the long term.

In the short term, the peso is sensitive to financial factors that have offset weak production and formal employment. The interest rate differential with the United States and Japan, together with *carry trade* operations, serve as pillars of support. The lower perception of risk encourages these flows which, added to the weakness of the dollar, maintains the strength of the peso. However, given the decline in productivity and the rise in informality, the exchange rate remains vulnerable; any upturn in uncertainty could put upward pressure on the exchange rate, exposing the lack of solid economic support.

It should be noted that the appreciation of the peso should not be considered a barometer of the national economy. Furthermore, the appreciation of the peso affects economic activity: remittances lose purchasing power, exports lose competitiveness in the long term, and public finances are strained by a lower exchange rate.

According to the Ministry of Finance's (Secretaría de Hacienda) income and expenditure sensitivities, a 20-cent appreciation in the average exchange rate has a benefit on the financial cost of the debt of 3.4 billion pesos, but an impact on oil revenues of 8.3 billion pesos, so on balance the impact on public finances is 4.9 billion pesos. For 2026, the Ministry of Finance estimated an average exchange rate of 19.3 pesos per dollar. If the exchange rate remained at 17.25 pesos per dollar for the rest of the year, the impact on public finances would be close to 50.2 billion pesos or 0.58% of expected budget revenues in 2026. The impact would be equivalent to 5.23% of the budget allocated in 2026 to physical investment or 3.16% of the expected financial requirements of the public sector. If the exchange rate remains low for the rest of the year, it could lead to cuts in public spending.

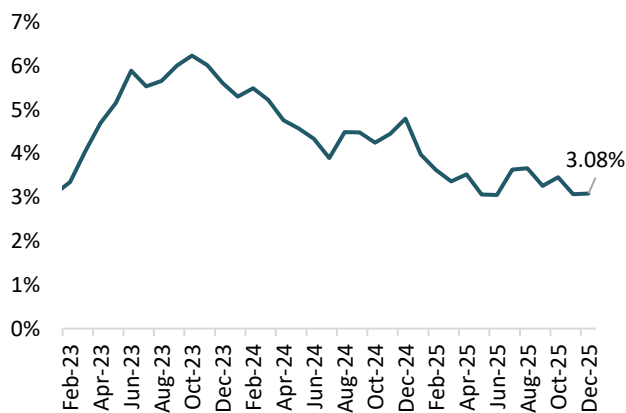
Real wage bill

Real wage bill is a good approximation of the total amount of labor income received by formal workers in Mexico, and is useful for analyzing workers' purchasing power, labor market dynamics, and their impact on consumption. In December, the average base contribution wage was 627.87 pesos per day, growing 6.89% annually. However, considering inflation during the period (taking as a reference the December inflation rate of 3.69% published by INEGI), the real growth of the average base contribution wage is 3.08% (Figure 8). With this, the base contribution wage closed 2025 with an average real annual growth rate of 3.40%, below the average recorded in 2024 of 4.67%.

Multiplying the total number of insured workers registered with the IMSS by the real average base contribution wage for the same period gives a measure of the real wage bill. In December, the real wage bill grew by 4.38% (Figure 9) and closed the year with an average annual growth rate of 3.96%, well below the 6.75% recorded in 2024. In fact, it is the lowest average growth rate in a year since 2021 (3.42%) and is the second consecutive year showing a slowdown. While this measure suggests resilience in consumption, its dynamism rests on wage adjustments rather than genuine job or business creation, maintaining the alert on productivity and long-term growth.

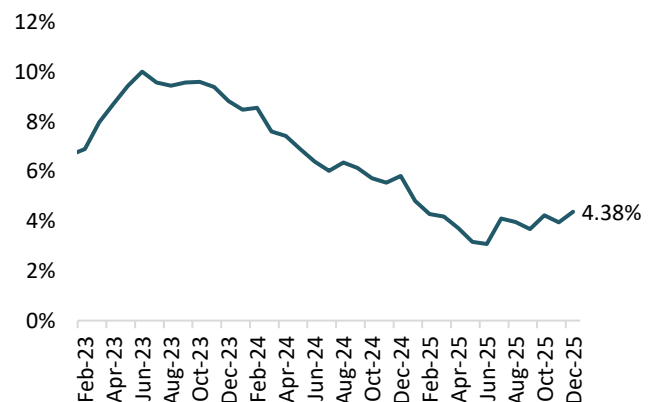
From the perspective of private consumption, this change is significant. In 2024, high real wage growth allowed households to maintain robust spending. In 2025, in contrast, lower growth in additional income led to a more cautious stance on the part of households.

Figure 8. Base salary for contributions, real annual growth (%).



Source: Grupo Financiero BASE with information from INEGI.

Figure 9. Real wage bill, annual growth (%).

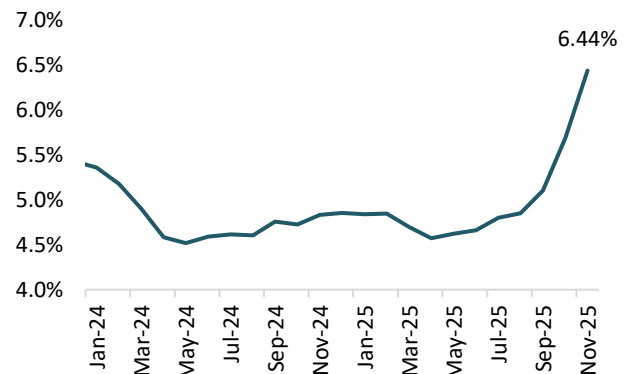


Source: Grupo Financiero BASE with information from INEGI.

Consumer credit

One of the factors that has prevented a decline in private consumption in recent months is the increased granting of credit. According to figures from the Bank of Mexico as of November 2025, and adjusting for inflation, the balance granted by commercial banks for consumer credit in Mexico grew 7.97% annually (latest data available). As a result, the consumer credit balance recorded an average annual growth of 9.87% for the year. This is the second year in which the average growth rate has slowed, as it was 23.99% in 2023 and 11.28% in 2024. However, the number of credit card contracts is at its highest level since data became available, showing annual growth of 14.97%. It is worth mentioning that credit cards account for 31.38% of consumer credit.

Figure 10. Delinquency rate, personal loans.



Source: Grupo Financiero BASE with information from the Bank of

This behavior suggests that part of consumer spending is sustained by credit card debt, in a context where real base salary growth is slowing down.

In addition, some indicators are beginning to show warning signs. The consumer credit delinquency portfolio remains at manageable levels, with a delinquency rate of 3.44%¹ (according to the latest data available from November 2025), showing an upward trend in recent months, as it began the year at 3.25% and is now at its highest level since January 2024. Domestically, the delinquency rate for personal loans is 6.44% (Figure 10), its highest level since May 2021. This type of credit alone accounts for 17.07% of the total consumer credit balance (Table 1).

While the expansion of consumer credit has sustained consumption in the short term, it also implies risks going forward, especially if household incomes do not grow at the same pace as the financing granted. This is because consumers will have to pay at least the interest on the credit, which will reduce their disposable income for spending.

In this context, consumer credit has served as a temporary support for spending, but it cannot sustainably replace labor income. If this dynamic persists, consumption could lose momentum again in the coming quarters, increasing the fragility of economic growth.

Table 1. Delinquency rate on consumer credit granted by commercial banks, November 2025.

	Delinquency rate	Highest level since	Proportion of consumer credit
Consumer credit	3.44%	Jan-24	100
Credit card	3.41%	Oct-25	31.38
Payroll	2.93%	Jun-25	26.22
Personnel	6.44%	May 21	17.07
Durable consumer goods	1.85%	Feb-23	19.82%
Others	2.45%	Mar-25	5.51

Source: Grupo Financiero BASE with information from the Bank of Mexico.

Remittances

So far this year, the flow of remittances to Mexico has deteriorated. According to data from the Bank of Mexico, in November remittances accumulated eight consecutive months of declines at an annual rate (Figure 11), something not seen since the period between November 2008 and April 2010, when remittances fell at an annual rate for 18 months in a row due to the impact of the Great Recession in the United States.

The decline is directly related to the lower number of remittance transactions, as in November, 12.608 billion transactions were recorded, showing an annual decline of 7.89%, decreasing for the eighth consecutive month. In fact, from January to November 2025, the number of remittance transactions fell by 5.40% or 8.14 million compared to the same period in 2024, the largest drop on record for the same period.

¹ The delinquency rate is calculated by dividing the past-due portfolio by the current portfolio.

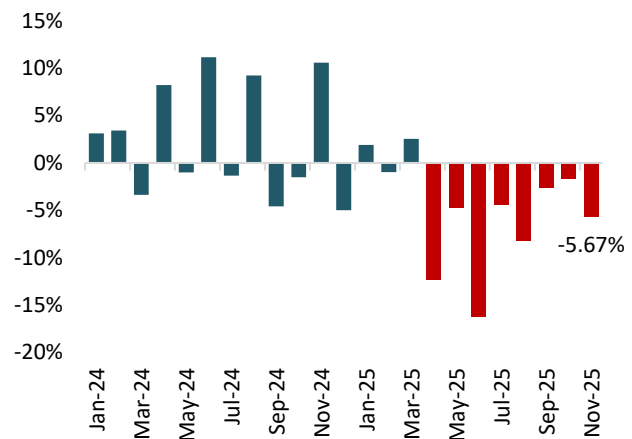
Beyond the total flow of remittances, it is essential to analyze the loss of purchasing power they have experienced, as this allows us to understand the true economic impact, given that until 2024, remittances represented 5% of consumption and 3.5% of GDP in Mexico. To obtain the purchasing power of remittances, the average FIX exchange rate for the month is used and adjusted for inflation.

In pesos, remittances showed an annual decline of 14.61%² and when adjusted for inflation, this results in a loss of purchasing power of remittances of 17.73% per year, the sixth consecutive month of loss of purchasing power and the largest since May 2013.

It is worth mentioning that the flow of remittances has been affected by a deterioration in the US labor market, which has shown weak job creation during the year. In addition, according to the Bureau of Labor Statistics establishment survey, in the first 12 months of the year, the average unemployment rate for people of Mexican origin stood at 5.1%, up from 4.9% in 2024 and the highest rate since 2021. Added to this, the strict immigration policies promoted this year by President Donald Trump are causing fear among the undocumented population of being deported, so they avoid going out to work. In fact, in November, the number of people in detention by Immigration and Customs Enforcement (ICE) is at its highest level since data became available in May 2019.

Finally, another risk factor for remittance flows is the efforts of the Treasury Department, through FinCEN, to limit undocumented immigrants' access to remittance services. On November 28, 2025, an alert was issued requesting money services businesses to detect, identify, and report suspicious activities related to cross-border fund transfers involving "illegal" foreigners, in order to prevent exploitation of the financial system by undocumented foreigners seeking to move illicitly obtained funds across the border, including unauthorized employment. This could significantly limit remittance transfers, although this will depend on how the alert is implemented and the Treasury Department's monitoring of money service businesses. It should be noted that approximately 11.5 million Mexicans live in the United States, of whom approximately 35% have irregular immigration status, or about 4 million. These migrants are estimated to be more likely to send remittances due to their ties to family members in Mexico and are estimated to be responsible for about 40% of the remittances that arrive in Mexico. If a blockade on remittances by undocumented immigrants were to materialize, they would likely seek alternatives for sending money, but a collapse in remittances in dollars of between 10% and 20% per year would be inevitable.

Figure 11. Annual growth in remittances.



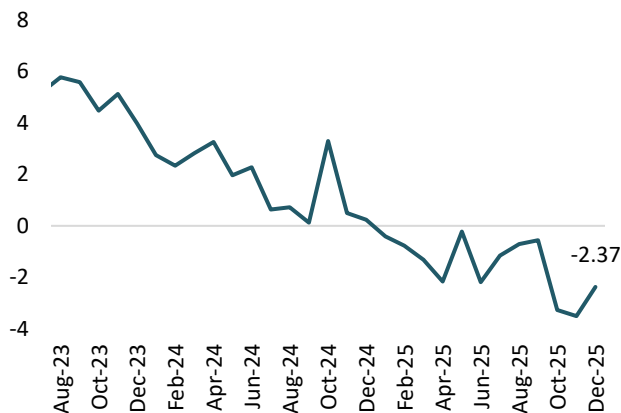
Source: Grupo Financiero BASE with information from the Bank of Mexico.

² In November, the peso appreciated by 9.47% year-on-year, which has a negative effect on the annual growth of the purchasing power of remittances.

Consumer confidence

Consumer confidence allows us to assess households' perceptions and expectations of the country's economic situation and their own family finances. Therefore, a deterioration in consumer confidence can translate into greater caution in their spending decisions. Mexico's general consumer confidence indicator showed an improvement in December compared to the previous month, but on an annual basis it reflects a significant deterioration. In fact, as of December, consumer confidence has recorded 12 consecutive months of annual declines, something that had not occurred since the period between December 2019 and March 2021, when annual declines were observed for 16 consecutive months (Figure 12).

Figure 12. Consumer confidence. Annual variation in points.



Source: Grupo Financiero BASE with information from INEGI.

Domestically, consumers are very concerned about the country's economic situation, as they perceive that it has worsened and will continue to decline. In fact, in every month of 2025, both the perception of the current situation compared to 12 months ago and the 12-month expectation fell compared to a year ago.

With regard to the family economic situation, they also perceive that it has deteriorated and expect it to continue worsening, but they show more concern about the country's situation. It is noteworthy that the 12-month expectation of the economic situation of household members contracted in 11 months of 2025, while compared to 12 months ago, it registered 10 months of decline.

Paradoxically, consumers perceive that the current possibilities of acquiring durable goods are greater, which could be reflecting easier access to consumer credit, or the expectation that they could begin to receive income from other sources, either due to a rebound in remittances, an increase in transfers from social programs, or work in the informal economy.

It is noteworthy that the largest annual decline is in expectations for the country's economic situation in 12 months, a sign that consumers perceive risks that could affect the country's macroeconomic situation in 2026. In fact, one of the complementary indicators, which answers the question about the employment situation within the next 12 months, has been contracting for 13 consecutive months, something that is not observed in any other indicator.

Fixed investment: the main factor of weakness

Investment is the component that has deteriorated the most this year, which is highly concerning as it determines a country's productive capacity. Figures from the Monthly Indicator of Gross Fixed Capital Formation for October (latest data available) showed an annual decline of 5.84%, marking 14 consecutive months of contraction (Figure 13). As a result, in the year to October, gross fixed investment shows a decline of 7.15%, which has only occurred in the same period in 1995, 2009, and 2020, all considered periods of recession (Figure 14).

Gross fixed investment in Mexico has been affected mainly by uncertainty, cuts in public spending in Mexico, and high interest rates. It should be noted that the annual declines in fixed investment began long before the imposition of tariffs in the United States, so their deterioration cannot be attributed solely to U.S. protectionist policies.

Domestically, investment in machinery and equipment has fallen by 8.25%, surpassed only in the same periods of: 1995 (-35.83%), 2009 (-23.85%), and 2020 (-20.42%), while investment in construction has fallen by 6.01%, surpassed only in the same periods of: 1995 (-35.69%), 2001 (-9.05%), 2009 (-6.82%), and 2020 (-18.41%).

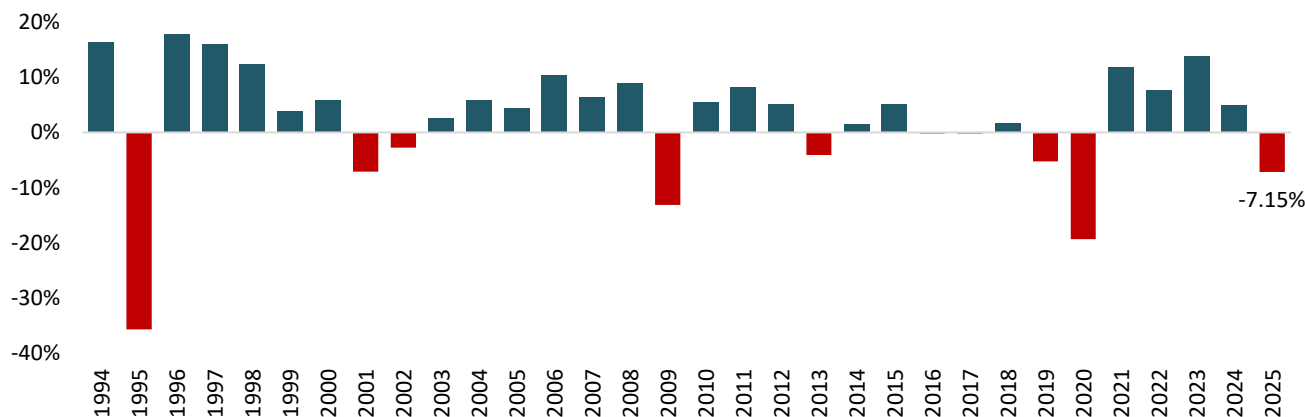
Investment in residential construction has grown by 7.33%, but non-residential investment has fallen by 16.50%, surpassed only in the same periods of 1995 (-52.11%) and 2020 (-17.21%). The decline in construction is due to the fact that, from January to October, investment in public sector construction has fallen by 30.92% compared to the same period in 2024, which in turn is explained by the 27.5% cut in public spending on physical investment in the year to November, the largest cut in this area since 1995.

Figure 13. Gross Fixed Investment, annual variation (%).



Source: Grupo Financiero BASE with information from INEGI.

Figure 14. Gross Fixed Investment. Cumulative variation through October (%).



Source: Grupo Financiero BASE with information from INEGI.

On the other hand, according to the survey on the expectations of private sector economic specialists conducted by the Bank of Mexico, 0% of the specialists surveyed consider that it is a good time to invest. Only 0% has been recorded on the following dates: October 2001, February 2009, November 2016, May and October 2019, March, April, June, and August 2020. This reflects the uncertainty perceived in Mexico.

In the Economic Package, the Ministry of Finance and Public Credit (SHCP) plans to increase public spending on physical investment by between 10% and 11%. Although it is positive that the trend in this type of public spending is being reversed, the increase still places this type of spending 5.64% below the level observed in 2024. In addition, there is a risk that, with the appreciation of the peso, the SHCP will be forced to cut spending to meet the deficit projection. As mentioned above, if the exchange rate remains at 17.25 pesos for the rest of the year, the impact would be equivalent to 5.23% of the budget allocated in 2026 to physical investment.

Considering the above, gross fixed investment is estimated to have closed 2025 with a 7.0% decline, and a 2.0% contraction is estimated for 2026³. With this, fixed investment will have fallen for two consecutive years, something not seen since 2019 and 2020, the only time investment has fallen for two consecutive years.

Foreign direct investment: a record level of FDI based on reinvestment is not the same as one driven by new projects.

Foreign direct investment in the third quarter of 2025 was \$40,905.61 million dollars, an increase of 14.46% over the same period in 2024, compared to originally published figures.

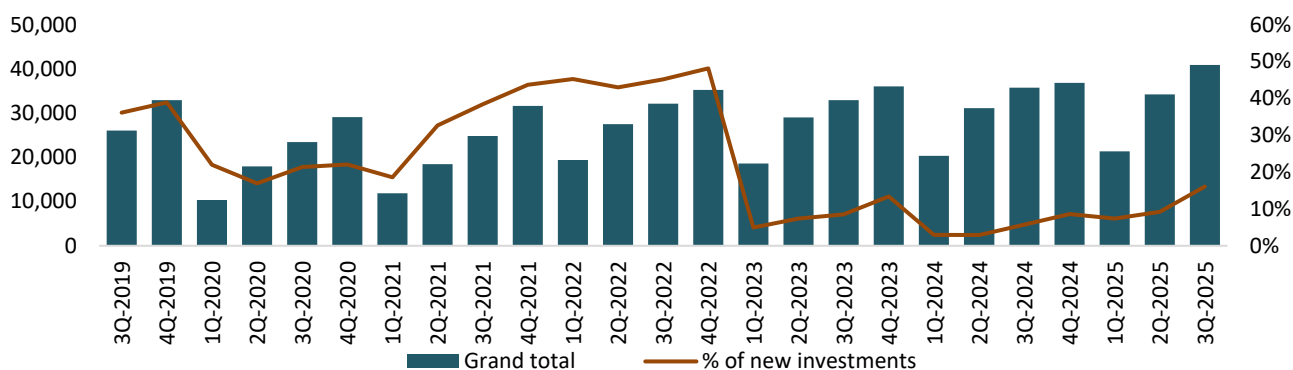
By type of investment, profit reinvestment was \$27,748.84 million, representing 67.84% of total flows between January and September 2025, but showing a 9.74% drop compared to the same period in 2024, the first drop for an equal period since 2021 (20.72%), when profit reinvestment was affected by the pandemic.

In second place were intercompany account flows, with US\$6,593.39 million, representing 16.12% of foreign investment between January and September. Intercompany account flows grew by 124.86%, their highest growth since 2020 (159.49%).

³ For fixed investment to show 0% growth in 2026 instead of a decline, it needs to register average monthly increases of 0.45%, which is unlikely as it would have to resume the trajectory observed between 2021 and 2023, when uncertainty was much lower and the government was spending more on physical investment.

Thirdly, new investments totaled \$6.563 billion, representing only 16.05% of foreign investment between January and September (Figure 15), due to a 218.55% growth in new investment compared to the same period in 2024. It is important to note that, despite the high growth in new investment in 2025, this comes after two years of decline. In the period from January to September 2023, new investment contracted by 80.67% annually, and in the same period in 2024, it contracted by 26.58% annually. In fact, new investment so far in 2025, which amounts to \$6,563.38 million, remains 54.80% below the level observed in the third quarter of 2022. In proportional terms, new investment rose from 5.77% of total foreign investment in 2024 to 16.05% in 2025, but this proportion is still low. Compared to preliminary figures, between 2018 and 2022 (available data), new investment represented an average of 35.62% of total foreign investment, with 2020 being the year with the lowest proportion of new investment (21.39%) and 2022 being the year with the highest proportion (45.17%).

Figure 15. Foreign direct investment in millions of dollars and percentage of new investments.



Source: Grupo Financiero BASE with information from the Ministry of Economy.

Manufacturing was the main destination for foreign direct investment in the first nine months of the year, accounting for 37.13% of total investment. This proportion is the lowest since 2022. Within this sector, the manufacture of transport equipment was the most important subsector, accounting for 19.93% of total investment and 53.69% of investment in manufacturing, but it showed an annual decline of 20.04% on a year-on-, the deepest since 2020. It is worth mentioning that the proportion of investment in this subsector fell by 8.60 percentage points compared to the same period in 2024.

The second subsector with the highest investment intake is the chemical industry, which accounted for 3.76% of total investment and 10.12% of FDI in manufacturing. It is followed by other manufacturing industries with 6.99% of total investment in manufacturing and computer equipment manufacturing with 6.35%. The latter subsector showed an annual decline of 40.69%, although this is due to the fact that in the same period last year, growth of 84.95% was recorded.

Meanwhile, it is worrying that plant capacity utilization in most subsectors is lagging behind what was recorded a year ago. According to the November Monthly Manufacturing Industry Survey (EMIM), 16 of the 21 manufacturing sectors recorded an annual decline in plant capacity utilization (Table 2). Noteworthy is the decline in the transportation equipment manufacturing and basic metal industries sectors, which have been affected by weak external demand due to US sectoral tariffs. This lower plant capacity utilization discourages investment. Meanwhile, computer equipment manufacturing recorded a plant capacity of 93.5% in November, reflecting higher production in response to demand for these products, mainly in the

United States. However, capacity utilization of close to 100% is a constraint on the growth of production and exports of this type of product.

Table 2. Plant capacity utilization in manufacturing industries. November figures.

Sectors	Plant capacity utilization (%)	Monthly variation in percentage points	Annual variation in percentage points
Manufacturing industries	79.8	-2.4	-2.2
Food industry	76.3	-1.4	-0.5
Beverage and tobacco industry	83.5	-0.9	-1.4
Manufacture of textile inputs and textile finishing	67.9	-1.7	-2.1
Manufacture of textiles, except clothing	77.4	-3.9	-0.8
Manufacture of clothing	57.8	-5.1	-4.6
Tanning and finishing of leather and fur	61.2	-2.8	-0.5
Wood industry	56.2	-6.1	-9.7
Paper industry	77.9	-3.5	-3.1
Printing and related industries	74.8	-1.7	-0.5
Manufacture of petroleum and coal products	82.1	7.1	21.4
Chemical industry	61.1	-0.9	-
Plastics and rubber industry	76.5	-0.9	-0.8
Manufacture of non-metallic mineral products	81.4	0.6	1.1
Basic metal industries	71.2	-3.7	-2.4
Manufacture of metal products	76.3	-2.4	-3
Manufacture of machinery and equipment	81.3	-7.8	-1.6
Manufacture of computer equipment	93.5	-5.3	5.5
Manufacture of accessories, electrical appliances	95.3	-0.6	1.1
Manufacture of transport equipment	84.4	-4.5	-8.5
Manufacture of furniture, mattresses, and blinds	77.5	2.9	-1.5
Other manufacturing industries	90.3	-4.6	0.1

Source: Grupo Financiero BASE with information from INEGI.

The United States remains the main source of foreign direct investment in Mexico in the third quarter of 2025, accounting for 39.47% of total flows and registering annual growth of 11.55%. Domestically, 79.78% of investment from the United States corresponds to reinvestment of profits, while only 11.86% is accounted for by new investments. Although this proportion of new investments is higher than that observed in the first nine months of 2023 and 2024, it remains well below the levels recorded in previous years, when new investments accounted for 45.29% of the total in 2022 and 39.27% in 2021. This contrast suggests that, although U.S. companies already established in Mexico are maintaining their operations in the country, there is not enough appeal for new ones to arrive.

The high level of profit reinvestment should not be interpreted as an unequivocal sign of confidence in Mexico, as it could simply reflect accounting entries or profits that have not left the country but have not been used for business expansion either.

In terms of the sectors with the highest investment, manufacturing accounts for 38.14% of total investment from the United States, followed by financial and insurance services, with 31.70%, and wholesale trade, with 9.26%. Within manufacturing, most of the investment was made in the manufacture of transportation equipment, which accounted for 14.73% of the total from the United States, with strong annual growth of 170.19%. This is relevant considering that this sector is subject to tariffs and a more uncertain trade

environment, reflecting that integration with the U.S. market has remained strong. However, the strong growth is due to a low base of comparison, as the same period in 2024 saw a decline of 71.25%. In fact, compared to the same period in 2023, investment fell by 22.32%.

The second most important subsector within manufacturing is the chemical industry, with 6.37% of investment originating in the United States. In third place is the manufacture of computer, communication, measurement, and other electronic equipment, which accounted for 3.45% of total investment from the United States and 9.04% of manufacturing investment in that country.

Table 3. Annual variation in dollars of the subsectors with the highest investment from the United States in the third quarter of each year.

Sub-sectors	Variation from 2024	Variation in 2025
Transportation equipment manufacturing	-2,181.62	1,498.16
Chemical industry	-586.72	907.13
Computer equipment manufacturing	659.71	-676.11
Manufacture of machinery and equipment	-1,399.79	1,961.32
Other manufacturing industries	-33.01	349.66

Source: Grupo Financiero BASE with information from the Ministry of Economy.

This last sector recorded extraordinary performance in 2025, with Mexico's exports to the United States increasing by 84.39% in the year to October. This is due to the low tariffs charged in the United States (0.27% on Mexican products) due to the sector's high compliance with the USMCA and the market share that Mexico has gained in the face of the US trade war with China. This environment could generate incentives for US companies to expand their presence in Mexico, but this scenario has not yet materialized. Despite its importance in manufacturing, this subsector has seen a 54.84% annual decline in investment flows from the United States.

Although the United States remains the main investor in Mexico (Figure 16) and total foreign direct investment flows continue to grow, their composition reveals caution. For US investment to translate into broader and sustained economic growth, conditions must be created that favor the arrival of new investments. In this regard, the outcome of the USMCA review, scheduled for July this year, will be very important.

After the United States, which remains the main source of foreign direct investment in Mexico, the next most important source is Spain. Investment from this country is characterized by a strong concentration in the services sector, particularly in financial and insurance services, which accounted for 64.98% of investment from that country. However, it is important to mention that 87.37% corresponds to reinvestment of profits, while only 14.85% was new investment. This suggests that Spanish companies are choosing to maintain and consolidate their existing operations rather than expand.

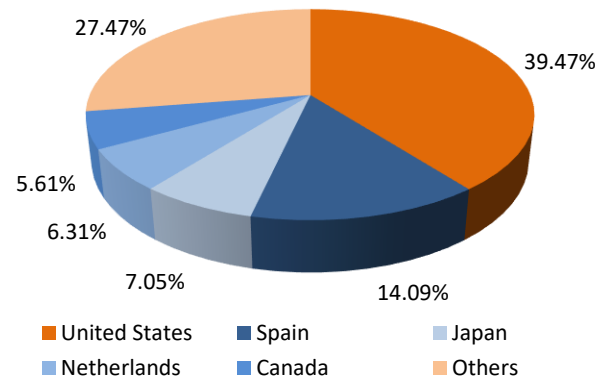
In the case of Japan, the third largest investor, the dynamics are different in terms of sectors, but similar in terms of caution in new investments. This country accounts for 7.05% of total foreign direct investment in Mexico, however, only 3.35% corresponds to new investment, while most of it is explained by reinvestment of profits. Manufacturing is concentrated in the manufacture of transportation equipment, but this subsector shows a significant drop of 34.38%, which could be reflecting strategic adjustments by Japanese automotive companies in response to a more complex international environment. The combination of higher labor costs, trade tensions, and uncertainty associated with U.S. tariff policy influenced this.

The Netherlands ranks second as a source of investment, although most of its investment is in intercompany accounts, which account for more than half of total flows (52.09%). Even so, manufacturing remains the main destination, especially the manufacture of transportation equipment, although it also shows a significant contraction of 36.18% annually. On the other hand, activities related to the management and administration of business groups stand out.

Finally, investment from Canada also stands out, but the reinvestment of profits remains the predominant component. However, the proportion of new investments is higher compared to other countries. Domestically, services account for most of the investment, especially financial and insurance services, accommodation and food preparation, real estate services, and business support services, which together accounted for 67.12% of investment from this country.

Thus, foreign direct investment in Mexico shows a common pattern: a clear dominance of profit reinvestment over new investments, suggesting greater caution about Mexico, reflecting structural changes in the country, increases in labor costs, and greater internal and external uncertainty.

Figure 16. Origin of foreign direct investment (%).



Source: Grupo Financiero BASE with information from the Ministry of Economy.

Public Finance

Public finance figures for January to November show that budget revenues amounted to 7.5 trillion pesos, maintaining an upward trend with real growth of 5.9%. This performance was mainly driven by oil revenues, which increased by 15.8% in real terms annually. In contrast, non-oil revenues grew by 4.4% in real terms. Within tax collection, income tax (ISR) was 70 billion pesos above target, with real growth of 5.4% per year.

Value added tax (VAT) exceeded projections by 42 billion pesos, with real annual growth of only 1.3%, reflecting weak growth in private consumption (Table 4).

In terms of spending, at the end of November 2025, programmable spending grew by 2.5% in real terms annually. Of particular note is the cumulative decline of 27.5% in real annual terms in physical investment compared to 2024, the largest for an equal period since 1995. This contraction in infrastructure spending not only partly explains the weakness of fixed investment, but also limited economic growth in 2025.

The deterioration is particularly relevant in strategic areas: spending on economic development fell by 36.4% in real terms annually and spending on health fell by 25.0%, implying fewer resources to boost productivity and human capital. These cuts contrast with the increase in non-programmable spending, which grew by 7.8% in real terms annually, driven by federal contributions (+5.7%) and the financial cost of debt, which rose by 11.2% in real terms annually and reached 1.71 trillion pesos.

For its part, social spending, which has been a very important item for the federal government, grew by 3.8% annually in real terms from January to November, accounting for 68.13% of total budgetary spending. Specifically, spending on social protection⁴ has grown steadily over the last few years, consolidating its position as the main component of social development spending. Cumulatively, this item rose from 268.3 billion pesos in 2007 to 2.11 trillion pesos in 2025, meaning that its size increased almost eightfold during that period. As a result, its share of social development spending increased from 28.9% in 2007 to 34.45% in 2025, reflecting a gradual and persistent change in the structure of the federal government's social spending.

In terms of public debt, the net domestic debt balance stood at 14.27 trillion pesos in November 2025. The Ministry of Finance's estimates for 2025 indicate that the total net debt balance would close at 52.6% of GDP, implying an annual increase of 0.2 percentage points. For its part, the Historical Balance of Public Sector Requirements (SHRFSP) stood at 51.7% of GDP as of November 2025. The Economic Package projections estimate that, at the end of 2025, the SHRFSP will be 52.4%, while the Historical Balance of the Non-Financial Public Sector Gross Debt is projected at 57.4% of GDP. Additionally, public finances have faced a greater deterioration than the forecast, as the SHCP's deficit projections have repeatedly not been met. In fact, it is estimated that the RFSP will close 2025 at 4.3%, above the 3.9% originally approved. By 2026, this broad measure of the deficit is estimated to stand at 4.5%. This represents a latent risk to Mexico's sovereign debt credit rating, as the historical balance of the non-financial public sector gross debt will continue to rise, with a high possibility of reaching 60% in 2029 if the necessary adjustments are not made to obtain higher revenue.

One of the main factors behind this performance is the high rigidity of public spending, as most tax revenues are allocated to financing social programs, pensions, and the financial cost of the debt, which significantly limits spending in other areas such as physical investment. In this context, the financial cost of debt has shown a sustained increase, driven both by higher levels of indebtedness and an environment of high interest rates, while spending on social programs and pensions has increased its share of total spending. This combination has reduced the government's ability to make adjustments and increased the risks to the long-term sustainability of public finances.

⁴ Social protection spending includes benefits and services to protect against risks such as old age, illness, unemployment, and poverty, as well as administrative costs and labor market programs, such as scholarships and social assistance.

Table 4. Public sector revenue and expenditure. Millions of pesos.

	November	Real annual growth	January-November	Real annual growth
Budget revenue	613,005.20	-3.3%	7,470,373.10	5.9%
Oil	70,794.10	10.5%	1,071,099.10	15.8%
Non-oil	542,211.10	-4.9%	6,399,274.00	4.4%
Taxpayers	410,305	-9.1%	4,906,184	4.6%
Income tax	214,564	3.7%	2,656,065	5.4%
VAT	114,684	-27.4%	1,369,271	1.3%
IEPS	58,206	-10.3%	615,205	4.0%
Non-taxable	28,967	57.0%	379,322	18.7%
Total expenditure	829,104.30	10.2%	8,462,079.20	2.5%
Programmable expenditure	689,925.00	7.7%	6,116,115.60	0.6%
Current expenditure	627,477	6.3%	5,019,865	1.9%
Capital expenditure	62,448	23.8%	1,096,251	-5.1%
Physical investment	52,004	2.3%	685,349	-27.5%
Non-programmable expenditure	139,179.30	24.7%	2,345,963.60	7.8%
Equity investments	97,150	-1.9%	1,254,260	5.7%
Financial cost	48,390	204.5%	1,071,672	11.2%

Source: Grupo Financiero BASE with information from the Ministry of Finance .

Potential GDP: risk for Mexico

Potential GDP represents the maximum level of production that an economy can generate in the long term using its productive factors (labor, capital, and technology) without generating additional inflationary pressures. Unlike observed GDP, which varies with the economic cycle, potential GDP depends on structural or long-term factors (Figure 15). It is therefore a key indicator of an economy's growth capacity.

It is essential to distinguish between structural changes and cyclical changes, as their impact on potential GDP is very different. Cyclical changes respond to temporary deviations due to some type of crisis, external shocks, price variations, or monetary policy adjustments. These factors affect observed GDP, but only temporarily, without altering potential GDP. This implies that even though an economy may contract in a given period, its capacity to produce has not been affected and could eventually resume its previous growth.

In contrast, structural changes permanently alter the productive capacity of the economy, as they directly impact infrastructure, human capital, and/or technology adoption due to changes in supply chain integration, declines in productivity, or changes in the regulatory framework.

A reduction in potential GDP means that the economy can produce less, which limits economic growth. This has serious consequences, as it reduces job creation (mainly formal employment) and wage growth, affecting consumption and companies' incentives for fixed investment. In addition, when potential GDP falls, the economy may face inflationary pressures with relatively moderate levels of activity, as productive capacity is more limited and it becomes more expensive to produce (Figure 17).

Gross fixed investment is one of the key determinants of potential GDP, as it defines the evolution of capital accumulation. For productive capital to grow, investment must grow above the depreciation of existing capital. When investment is insufficient to cover this depreciation, capital accumulation is reduced in net terms, implying lower future productive capacity. This is concerning because even when observed GDP grows, capital deterioration limits long-term growth.

For its part, foreign direct investment plays a key role in determining potential GDP, not only because of its contribution to physical capital, but also because of its effects on productivity, technology transfer, job training, and integration into global value chains. However, the composition of foreign direct investment is crucial. When most of it is concentrated in profit reinvestment or intercompany accounts, its impact on capital accumulation is very limited.

In Mexico, the growth of foreign direct investment in 2025 was not sufficient to increase fixed investment. In addition, the rate of informal employment rose and institutions continued to deteriorate. All of this points to a scenario of reduced potential GDP and an economic stagnation trap for Mexico.

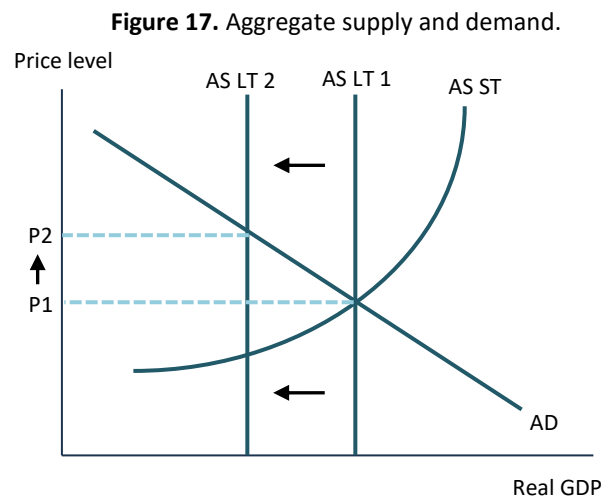
Trade

Joint review of the USMCA

Donald Trump's first term was marked by the implementation of a protectionist trade stance, focused on reducing dependence on economies considered non-allies of the United States, particularly China, which had steadily gained share in U.S. international trade and that of most countries in the Americas. This translated into concrete actions such as the start of a trade war with China and the abandonment of efforts to integrate the Trans-Pacific Partnership Agreement on January 23, 2017, just three days after taking office. With regard to its neighboring countries, the North American Free Trade Agreement (NAFTA) was renegotiated and replaced by the USMCA, which entered into force on July 1, 2020.

Unlike the treaty it replaced, the USMCA includes Article 34.7, which states:

- The agreement will terminate 16 years after its entry into force (July 1, 2036) unless each of the parties (Mexico, the United States, and Canada) agree to renew it for a new period of 16 years.



- The renewal of the agreement must be agreed upon after a joint review in the sixth year after its entry into force (July 1, 2026).
- The Free Trade Commission, made up of trade representatives from the three countries, shall evaluate recommendations for adjustments to the treaty submitted by each of the parties. These recommendations shall be submitted one month before the scheduled review date.
- If at least one of the countries that are party to the treaty chooses not to extend the treaty for another 16 years, the commission must meet the following year. This could occur repeatedly until an agreement is reached or the treaty expires in July 2036.

The USMCA does not establish the review process in detail, so if any of the countries require modifications that force the treaty to be reopened, there is no clarity on the duration or exact procedure. Likewise, this could turn the review into a renegotiation that requires legislative approval from all three countries. It is important to note that, in the United States, the president's authority to renegotiate *fast-track* trade agreements (Trade Promotion Authority or TPA) expired in July 2021 and has not been renewed, so this time Congress could have greater authority over modifications made to the treaty.

Although there is no absolute clarity on the review process, there are two elements that can help understand the outlook for what will happen starting in July of this year.

1. The treaty is not set in stone. Article 34.6 on early termination states that any of the three countries may announce their withdrawal six months in advance. Because termination of the agreement is always a possibility, it is likely that the countries, particularly Mexico and Canada, will agree to extend the review for as long as necessary to preserve their preferential access.
2. There is clarity about the Trump administration's objectives regarding the treaty, which makes it possible to elucidate the future of the trade relationship between the three countries. The USMCA is a trilateral free trade agreement, where each country obtains preferential access to the other two. However, in practice, the agreement revolves around the United States, by far the largest economy among the three and, therefore, the country with the greatest bargaining power.

Demands of the Office of the U.S. Trade Representative (USTR)

US Trade Representative Jamieson Greer acknowledged in his appearances before the House Ways and Means Committee and the Senate Finance Committee in December 2025 that the agreement has broad support from *stakeholders* in the country, including business organizations, unions, and companies. He also acknowledged that Mexico plays a "fundamental role in U.S. efforts to strengthen the resilience of supply chains." However, the U.S. administration sees shortcomings, including: the high trade deficit with Mexico and Canada, the deterioration of the business environment in Mexico in the face of constitutional reforms, investment restrictions in the energy sector in Mexico, and investment in both countries by non-free market economies (referring to China).

Because of this, the U.S. government notes that despite the **"value of the USMCA to the United States and North America, the deficiencies are such that automatic approval of the agreement is not in the**

national interest." This sends a clear signal: the likelihood of early termination of the USMCA is low, but the likelihood of an express review is also low, in which two scenarios cannot be ruled out.

1. **The reopening of the agreement** for renegotiation, which would require legislative approval in all three countries. The reopening of the agreement could seek to:

- **A reconfiguration of the agreement**, emphasizing the bilateral interests of the United States. This could also lead to the creation of bilateral agreements.
- **The inclusion of cooperation clauses on non-trade issues.** The key points in the review are expected to be: 1) rules of origin, 2) labor content, and 3) market access, particularly energy in the case of Mexico. However, the United States could seek cooperation on security matters with measurable results or investment commitments in strategic sectors. One example is the agreement with Japan, which committed to investing \$550 billion dollars in the United States in artificial intelligence infrastructure and semiconductor supply, as well as modifying automotive regulations to increase the entry of U.S. vehicles and increase its imports of agricultural products. Another example is South Korea, which committed to investing \$350 million in the United States and purchasing more than 100 aircraft and U.S. natural gas.

In December 2025, the trade representative mentioned that work is being done with Mexico on issues not only related to trade, but also to border and national security, including tariffs against third countries.

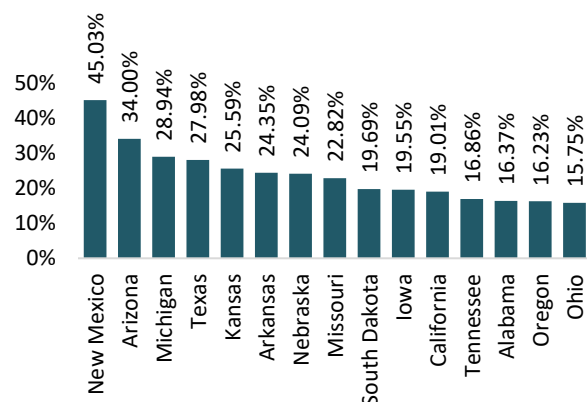
2. **The treaty will not be reopened and the USMCA will not be renewed, so it has been agreed to conduct another joint review in 2027.** This scenario would cause uncertainty and consolidate the United States' bargaining power, sending the signal that it is willing to let the treaty's termination date approach if its demands are not met. This seems, so far, to be the most likely scenario.

Why might the Donald Trump administration choose not to reopen the treaty at this time?

Because Donald Trump does not have Trade Promotion Authority (TPA), renegotiation would require greater involvement from Congress, which could prevent him from advancing his agenda for the following reasons:

1. **Republican states depend on Mexico for their exports.** The Republican Party has majorities in both chambers, but its margin of advantage is moderate, and only a few Republican votes are needed to stall the passage of laws if they are perceived as not benefiting their districts and states. This is relevant because the main states that export to Mexico have a strong Republican presence in Congress. According

Figure 18. Percentage of exports from each state destined for Mexico.



Source: Grupo Financiero BASE with information from USA Trade.

to 2026 data, exports from 15 states to Mexico were proportionally higher than the national total (Figure 18).

The members of the House of Representatives from these 15 states are 53.6% Republican and 46.4% Democrat, contrasting with the structure of the entire House, where 50.6% of representatives are Republican and 49.4% are Democrat. If California is omitted, the proportion rises to 68.2% Republicans and 31.8% Democrats. From another perspective, 13 of the 15 states have a Republican majority in the House of Representatives.

As for the Senate, 66.7% of the senators from these states are Republicans and 33.3% are Democrats. In other words, the states that depend most on exports to Mexico are overrepresented by Republicans.

2. **Electoral uncertainty.** Midterm elections will be held on November 4, so the reconfiguration of Congress from 2027 onwards is unknown. It is unlikely that a renegotiation will be concluded before the end of the year.

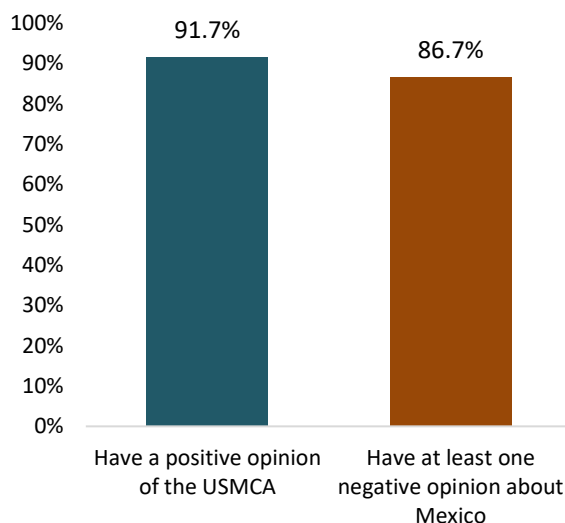
A second joint review in 2027 without a reopening of the agreement would give Donald Trump the opportunity to continue pursuing his non-trade demands, using uncertainty about the future of the USMCA to his advantage.

Public consultations: the treaty is appreciated, but there are disagreements regarding Mexico

At the end of 2025, the United States held public consultations for interested parties, concluding on November 3, 2025, a process in which 1,514 comments of varying degrees of relevance were received. Considering a sample of 60 key US associations, business groups, and companies⁵, it was found that 92% have a positive opinion of the USMCA. However, 87% have at least one negative opinion about Mexico on one of the following issues:

- **Constitutional reforms.** Deterioration of the rule of law as a result of the reform of the judiciary, which puts investments in the country at risk.

Figure 19. Public consultation prior to the review of the USMCA in the United States.



Source: Grupo Financiero BASE with information from USTR.

⁵ 1) U.S. Chamber of Commerce, 2) National Association of Manufacturers (NAM), 3) Business Roundtable (BRT), 4) National Foreign Trade Council (NFTC), 5) Coalition of Services Industries (CSI), 6) U.S. Council for International Business (USCIB), 7) American Council of Life Insurers (ACLI)/APCIA, 8) Small Business & Entrepreneurship (SBE) Council, 9) American Association of Exporters & Importers (AAEI), 10) National Cattlemen's Beef Association (NCBA), 11) U.S. Wheat Associates / National Association of Wheat Growers, 12) National Turkey Federation (NTF), 13) Sweetener Users Association (SUA), 14) American

- **Energy and telecommunications.** Restrictions on investment in the energy and telecommunications sectors are noted, contrary to the principles of the treaty.
- **Science-based rules.** Restrictions on genetically modified corn are noted without evidence to support such restrictions.
- **Aggressive taxation.** Aggressive taxation measures by the Tax Administration System are criticized.
- **Public safety and rule of law.** Security problems are noted, including situations that jeopardize trade activities in Mexico and cargo theft.
- **Triangulation of goods from China.** Triangulation is argued to evade tariffs in the United States.

The consultations support the hypothesis that the U.S. government will not terminate the agreement, given its importance to the parties involved. Even in the scenario of an aggressive disruption, such as an early termination of the USMCA, the most likely outcome would be the adoption of bilateral agreements that would allow trade to continue, preventing a collapse of Mexico's exports and manufacturing.

It should be noted that the consultations support the position of the Office of the U.S. Trade Representative regarding the need to address significant differences with Mexico. This reinforces the hypothesis that there will be no quick extension of the agreement in July and that a new joint review in 2027 or the reopening of the USMCA for renegotiation will be opted for.

Negotiating power and elections

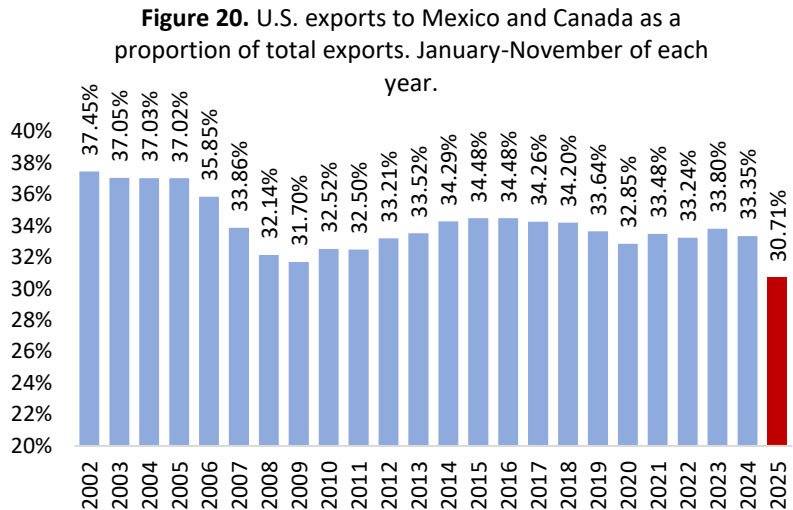
In his most recent statements, at the beginning of 2026, Donald Trump has indicated that the USMCA is irrelevant, as his goal is for investment and production to take place within the United States. However, his tough stance seems to be aimed at the midterm elections to be held in November of this year.

In terms of economic relevance, the United States is essential to its two neighbors. Mexico sends 83% of its goods exports to the United States, representing 28% of its GDP, while Canada sends 72% of its exports, representing 19% of its GDP. This contrasts sharply with the United States, which sends 30.9% of its exports to Mexico and Canada combined, but represents only 1.8% of its GDP. Furthermore, during 2025, Mexico and Canada have lost relevance in total U.S. exports, as 30.7% is the lowest proportion on record according to data available from January to November since 2002. The decline was due to growth in exports to the rest of the world.

Seed Trade Association (ASTA), 15) USA Rice Federation, 16) National Potato Council (NPC), 17) Wine Institute / WineAmerica, 18) Distilled Spirits Council (DISCUS), 19) National Pork Producers Council (NPPC), 20) International Fresh Produce Association (IFPA), 21) Meat Institute, 22) American Soybean Association / USSEC, 23) U.S. Grains & BioProducts Council, 24) National Corn Growers Association (NCGA), 25) National Milk Producers Federation / U.S. Dairy Export Council, 26) NASDA (National Association of State Departments of Agriculture), 27) American Farm Bureau Federation (AFBF), 28) American Trucking Associations (ATA), 29) American Honda Motor Co., Inc., 30) Tesla, Inc., 31) Volkswagen Group of America, Inc., 32) General Motors Company (GM), 33) Ford Motor Company, 34) Toyota Motor North America, Inc., 35) Truck & Engine Manufacturers Association (EMA), 36) MEMA, The Vehicle Suppliers Association, 37) American Automotive Policy Council (AAPC), 38) National Mining Association (NMA), 39) American Fuel & Petrochemical Manufacturers (AFPM), 40) Steel Manufacturers Association (SMA), 41) American Iron and Steel Institute (AISI), 42) American Petroleum Institute (API), 43) Center for Biological Diversity / Animal Welfare Institute / Natural Resources Defense Council (NRDC), 44) Sierra Club / League of Conservation Voters / Natural Resources Defense Council / Industrious Labs, 45) Public Citizen, 46) International Brotherhood of Teamsters / Brotherhood of Locomotive Engineers and Trainmen, 47) International Union, United Automobile, Aerospace & Agricultural Implement Workers of America (UAW), 48) Recording Industry Association of America (RIAA), 49) Motion Picture Association (MPA), 50) Pharmaceutical Research and Manufacturers of America (PhRMA), 51) Computer & Communications Industry Association (CCIA), 52) Information Technology Industry Council (ITI), 53) Software & Information Industry Association (SIIA), 54) TechNet, 55) American Clean Power Association (ACP), 56) Council for Innovation Promotion (C4IP), 57) Center for Strategic and International Studies (CSIS), 58) Brookings Institution, 59) Council of the Americas, and 60) National Grain and Feed Association (NGFA).

However, Mexico and Canada continue to have bargaining power in 2026.

- Both countries are strategic for the U.S. supply chain and domestic consumption. As noted by the Office of the U.S. Trade Representative, this means that the United States does not have sufficient conditions to achieve its growth objectives and depends on its neighbors to supply energy, agricultural products, and manufactured goods.



Source: Grupo Financiero BASE with information from USA Trade.

Table 5. Percentage of U.S. imports from each chapter that come from Mexico or Mexico and Canada combined.

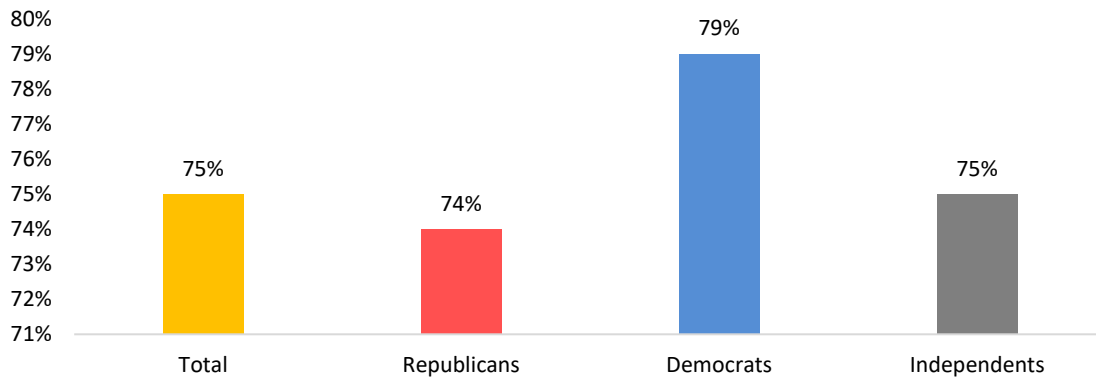
Chapter	Mexico
07 Edible vegetables, plants, roots, and tubers	58.68%
14 Plaiting materials and other products of vegetable origin	48.65%
08 Edible fruits and nuts; citrus peel	43.23%
22 Beverages, alcoholic liquids, and vinegar	41.05%
87 Motor vehicles, tractors, bicycles, etc.	37.50%
17 Sugars and confectionery	30.74%
78 Lead and lead products	24.60%
84 Nuclear reactors, boilers, machinery, mechanical appliances, and parts thereof	23.22%
70 Glass and glassware	21.34%
83 Miscellaneous base metal products	20.14%
94 Furniture; medical and surgical furniture...	20.10%
90 Optical, photographic, and related instruments and apparatus...	19.72%
86 Vehicles and equipment for railways or similar	18.45%
85 Machinery, apparatus, and electrical equipment	18.35%
19 Preparations based on cereals, flour, starch, etc.	18.12%

Chapter	Canada and Mexico
07 Edible vegetables, plants, roots, and tubers	82.22%
01 Live animals	79.72%
79 Zinc and articles thereof	61.43%
78 Lead and its products	60.61%
19 Preparations based on cereals, flour, starch, etc.	60.22%
27 Mineral fuels, mineral oils, ...	59.57%
11 Milling products; malt; starch, flour, etc.	53.83%
87 Motor vehicles, tractors, bicycles, etc.	51.37%
14 Braided materials and other products of plant origin	50.10%
17 Sugars and confectionery	48.90%
44 Wood, charcoal, and wood products	48.22%
47 Wood pulp or other fibrous materials	47.44%
22 Beverages, alcoholic liquids, and vinegar	46.57%
08 Edible fruit and nuts; citrus peel	45.85%
31 Fertilizers	44.39%

Source: Grupo Financiero BASE with information from USA Trade.

- At the national level in the United States, the USMCA enjoys widespread acceptance among the population, including people who identify with the Republican Party (Figure 21).

Figure 21. Overall, do you think the USMCA is good or bad for the U.S. economy? % who consider it good.



Source: Grupo Financiero BASE with information from the Chicago Council on Global Affairs/IPSOS, October 2025.

- Donald Trump's approval ratings deteriorated during his first year in office due to aggressive deportation policies and his confrontational international stance toward countries that have historically been U.S. allies, such as Canada, Denmark, and other NATO member countries (Figure 22).

Figure 22. Approval of the Trump administration.



Source: Grupo Financiero BASE with information from Real Clear Politics.

Because the USMCA is valued by the American public and stakeholders, it is unlikely that the Trump administration will decide to abandon it with six months' notice. This tool would only be used to push for the adoption of bilateral agreements.

Another alternative would be to include tariffs on strategic products within the treaty. Although this might seem like a step backward in a free trade agreement, it could consolidate the policy that Trump's second administration has followed so far: low tariffs for Mexico and Canada compared to the rest of the world.

Trade policy under the second Trump administration and its impact on trade with Mexico.

Approach based on U.S. statistics available as of November 2025.

Table 6. Tariffs announced against Mexico.

Tariff	Effective date	Backed by	Tariff-free	Percentage of exports to the US subject to the tariff
25% overall	March 4 (25%)	IEEPA	USMCA exports	15.24
50% steel and aluminum	March 12 (25%) and increased on June 4 to 50%	Section 232	None	2.31
25% automobiles, light trucks, and auto parts	April 3	Section 232	US content and USMCA for auto parts	25.31
Steel and aluminum tariffs extended to the content of these metals in household appliances	June 23	Section 232	.	-
17.09%-21% tomatoes	July 14	US International Trade Court.	Nothing	0.62
50% on copper	August 1	Section 232	Not specified	0.19
10% softwood and sawn wood, 25% kitchen cabinets, dressers, and upholstery	October 14	Section 232	None	1.94
25% heavy trucks and 10% buses	November 1	Section 232	US content and USMCA for heavy trucks	6.42
Restriction on imports of cattle, horses, and bison*	May 11	USDA (sanitary measure)	-	0.30

Source: Grupo Financiero BASE with information from the US Census, Federal Register.

The tariffs and protectionist measures implemented during Donald Trump's second term can be summarized in the following categories:

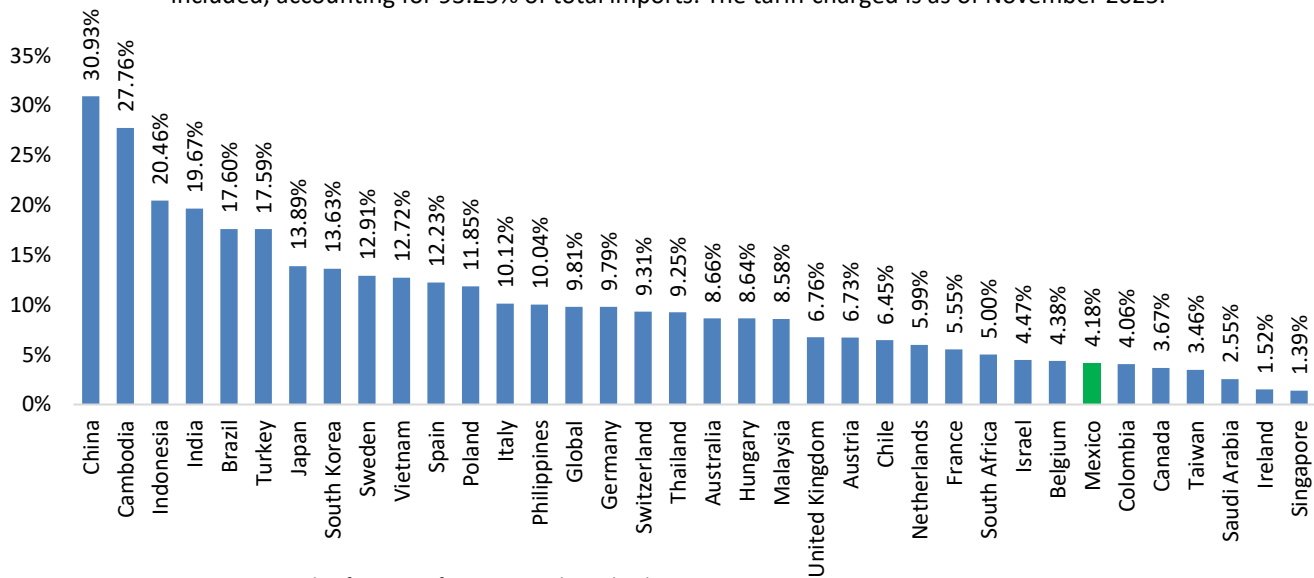
- **Tariffs backed by the International Emergency Economic Powers Act (IEEPA)**, with a general rate of 25%. This tariff was implemented under the argument of a national emergency due to fentanyl trafficking. To avoid a severe impact on U.S. inflation and supply chains, imports that met the criteria of the USMCA were excluded from the tariff, forcing an increase in compliance with the treaty.
- **Tariffs backed by Section 232 of the Trade Expansion Act of 1962**, under which the president has the authority to impose tariffs in the face of threats to national security. Section 232 tariffs were implemented on imports of steel and aluminum (50%); steel and aluminum content in appliances; cars, light trucks, and auto parts (25%); copper (50%), heavy trucks (25%), and buses (10%);

softwood lumber and sawnwood (10%), cabinets and furniture (25%). Unlike IEEPA tariffs, these had a greater impact on US exports, particularly in the automotive and steel sectors.

- **Countervailing duty on tomato imports**, following the abandonment of the Agreement to Suspend an anti-dumping investigation. Depending on the type of tomato, the countervailing duty ranges from 17.09% to 21%.
- **Restrictions on imports of cattle, horses, and bison**, in response to the corn rootworm health crisis.

With this tariff configuration, between January and November 2025, Mexican exports of goods to the United States accumulated a growth of 5.62% compared to the same period in 2024. This growth is equivalent to \$23.936 billion. **The growth in exports was possible because the tariff charged to Mexico remained low compared to other economies. As of November 2025, Mexican exports to the United States paid a tariff of 4.18%, ranking 30th among the main exporting countries (Figure 23).**

Figure 23. Tariff charged by the United States. The 35 main countries of origin of imports are included, accounting for 93.25% of total imports. The tariff charged is as of November 2025.



Source: Grupo Financiero BASE with information from USA Trade, Federal Register.

Winning and losing exports and reconfiguration

Due to differentiated tariffs, protectionist trade policy led to a reconfiguration of Mexican exports.

Table 7. Growth of Mexican exports to the United States, by chapter.

Chapters whose exports to the United States show the greatest growth and contraction, January-November 2025	Share of exports to the US, including 83.56% of the total	Variation in exports compared to the same period in 2024, millions of dollars	Percentage variation	Tariff charged (November 2025)
84 Nuclear reactors, boilers, machines, apparatus...	20.64%	41,741	43.36%	2.22%
85 Machinery, equipment, and electrical equipment	17.31%	2,823	3.50%	2.98%
71 Pearls, precious stones, precious metals, and their...	1.13%	1,597	30.37%	0.08%
98 Special operations	1.82%	1,368	16.09%	0.02%
90 Optical, photographic, and related instruments and apparatus...	4.53%	1,229	5.82%	2.90%
02 Meat and edible offal	0.41%	365	19.19%	0.00%
99 Special import classifications	0.56%	284	10.95%	0.00%
72 Iron and steel	0.63%	-744	-25.42%	24.85%
01 Live animals	0.28%	-983	-75.00%	0.83%
73 Iron or steel articles	1.45%	-1,179	-17.47%	14.28%
07 Edible vegetables, plants, roots, and tubers	1.92%	-1,669	-18.65%	0.00%
22 Beverages, alcoholic liquids, and vinegar	2.58%	-1,764	-14.64%	0.02%
27 Mineral fuels, mineral oils (...)	3.26%	-4,185	-27.54%	0.02%
87 Motor vehicles, tractors, bicycles (...)	27.04%	-11,865	-9.41%	11.06%

Notes: 1) The table includes 14 of 98 chapters, the 7 with the highest growth and contraction compared to the same period in 2024.

2) Growth is measured in dollars, not percentages.

Source: Grupo Financiero BASE with information from USA Trade.

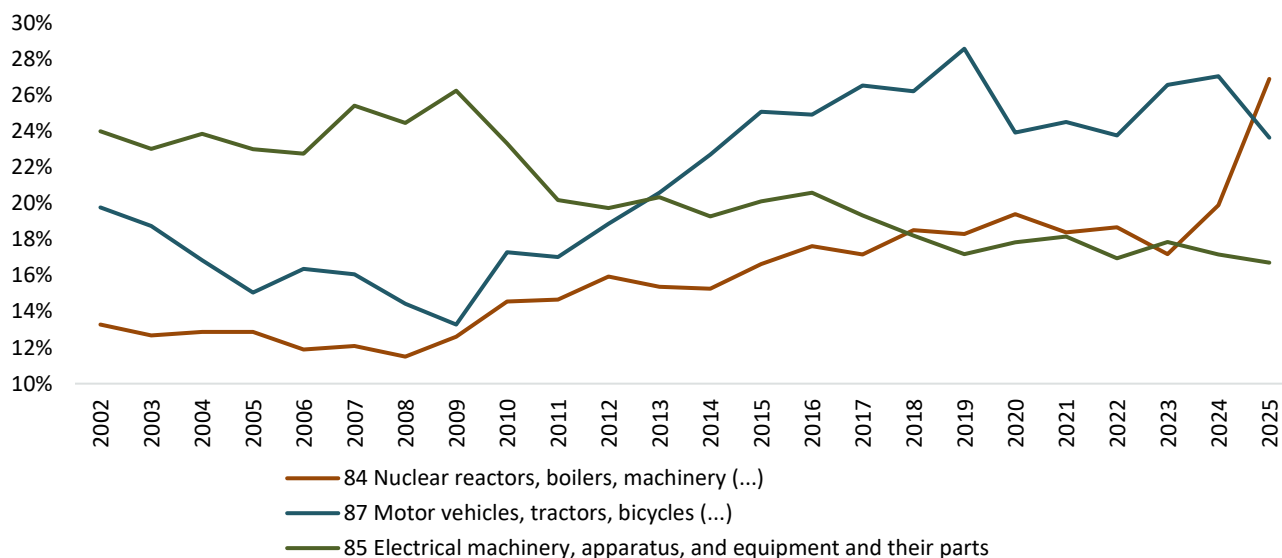
By chapter, according to the Harmonized Commodity Description and Coding System, export growth was driven by chapter 84 on nuclear reactors, boilers, machinery, and other equipment, with an annual increase of 43.36% or \$41.741 billion, where growth was driven by computer equipment, particularly processors and memory units, which accumulated growth of 89.25%. As of November 2025, imports in this chapter were subject to a tariff of 2.22%. The second fastest-growing chapter in exports is 85, covering machinery, appliances, and electrical equipment, with growth of 3.50% or \$2.823 billion.

Among the exports that suffered from the imposition of tariffs, those in chapter 87, motor vehicles, which includes transportation equipment, stand out, with an annual decline of 9.41% or \$11.865 billion, compared to a tariff of 11.06% in November. In second place was Chapter 27 on mineral fuels, with a drop of 27.54% or \$4.185 billion. Although this chapter pays a tariff of 0.02% (almost zero), the drop is due to the collapse of the oil base in Mexico. Other chapters that have recorded sharp declines in exports to the United States due to the imposition of sectoral tariffs are: 72 Iron and steel, with a drop of 25.42% or \$744 million, while the chapter on iron and steel articles fell 17.47% or \$1.179 billion. As of November, both chapters paid

tariffs of 24.85% and 14.28%, respectively. Restrictions on livestock imports due to the corn borer also impacted exports, with shipments of live animals falling 75.00% or \$983 million, despite the low tariff of 0.83%.

The reconfiguration of Mexico's exports to the United States meant that, in 2025, the main chapter was 84, which includes computer equipment. As a result, exports in chapter 87 of the automotive sector fell to second place, after ranking first for 11 years (Figure 24).

Figure 24. Main Mexican exports to the United States.



Source: Grupo Financiero BASE with information from USA Trade.

Winning and losing countries

In addition to the reconfiguration of Mexican exports, their growth actually stems from a relative advantage, given the imposition of more severe tariffs on other key US trading partners, whose exports fell during the year.

World exports received by the United States (or total imports) accumulated annual growth of 5.10% as of November 2025, equivalent to an increase of \$152.013 billion compared to the same months in 2024. The countries that have contributed most to this growth are Taiwan, Switzerland, Vietnam, Ireland, Mexico, Thailand, and India. In contrast, the countries whose exports to the United States have fallen the most, measured in dollars, are China, Canada, Germany, South Korea, Singapore, Saudi Arabia, and Slovenia (Table 8).

Table 8. Growth in exports to the United States. Main countries.

Country	Annual growth %. January-November 2025	Growth in millions of dollars
World	5.10%	152,013
Taiwan	66.46%	70,561
Switzerland	106.22%	52,164
Vietnam	40.53%	50,557
Ireland	35.38%	33,899
Mexico	5.62%	26,209
Thailand	40.72%	23,491
India	19.28%	15,430
Slovenia	-45.97%	-2,555
United Kingdom	-4.89%	-3,042
Singapore	-9.72%	-3,848
Germany	-3.99%	-5,849
South Korea	-5.92%	-7,132
Canada	-6.68%	-25,140
China	-28.39%	-113,913

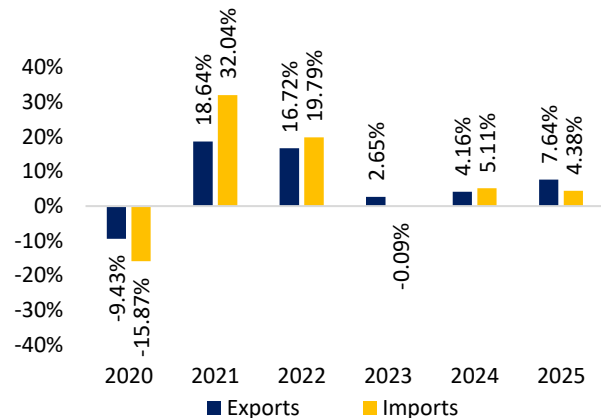
Source: Grupo Financiero BASE with information from USA Trade.

Mexico's trade balance in 2025. Focus based on Mexican statistics available as of December 2025.

Exports

In 2025, total exports grew by 7.64%, accelerating from the cumulative growth of 4.16% in 2024 (Figure 25). Growth was driven by non-oil exports, which rose by 9.30%. Domestically, manufacturing exports grew by 9.81%, driven by a 17.34% increase in non-automotive manufacturing exports (Figure 26). In contrast, automotive exports accumulated a contraction of 4.19%, the largest drop in a year since 2020 (-16.82%) and before that date since 2009 (-23.90%). It is worth mentioning that non-automotive manufacturing exports accounted for 63.6% of

Figure 25. Growth of exports and imports in 2025.



Source: Grupo Financiero BASE with information from INEGI.

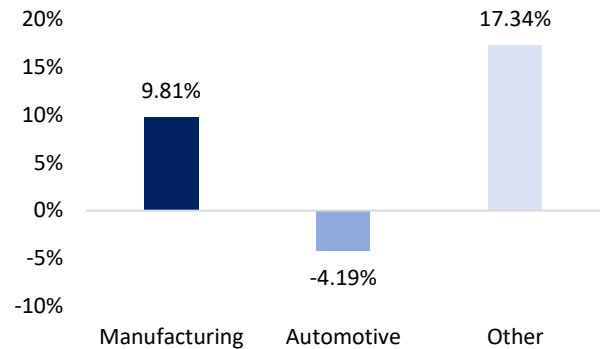
Mexico's total exports in 2025, up from 58.4% in 2024, the highest proportion since 2009 (64.1%), when automotive exports were affected by the Great Recession. This is because the tariffs that the United States imposed on Mexico under the International Emergency Economic Powers Act (IEEPA): 1) were not strictly enforced for several months, and 2) increased Mexico's compliance with the USMCA, in contrast to the sectoral tariffs applied to the automotive sector, which are being enforced. For this reason, automotive exports contracted in 2025, while non-automotive manufacturing exports grew and gained share in total exports.

In 2025, 83.70% of non-oil exports went to the United States and accumulated growth of 8.8%, explained by exports other than the automotive sector, which accumulated growth of 16.2%, while automotive exports accumulated a decline of 5.6%, as a result of tariffs imposed by the Donald Trump administration. For non-oil exports to the rest of the world, there was cumulative growth of 11.8% compared to 2024, exceeding the growth of exports to the United States. Domestically, exports other than those in the automotive sector grew by 14.8%, while those in the automotive sector grew by 4.6% (Figure 27).

In 2026, export growth will face new downside risks, notably:

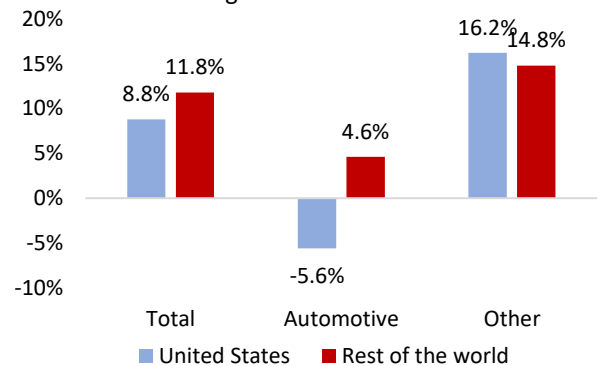
1. A high base effect for computer equipment exports, which have boosted Mexican exports in 2025.
2. The further deterioration of automotive production in Mexico due to sectoral tariffs, which could deepen the contraction of automotive exports.
3. Weak investment and limited installed capacity in computer equipment manufacturing, an industry that showed strong momentum in 2025 but will not be able to continue growing at high rates without further investment.
4. The possibility of new tariffs being imposed. It cannot be ruled out that the US Supreme Court will classify tariffs backed by the International Emergency Economic Powers Act (IEEPA) as illegal, which would increase the risk of new tariffs being announced under other laws, such as Section 232 on national security, which have a greater impact on Mexico.

Figure 26. Growth of manufacturing exports in 2025.



Source: Grupo Financiero BASE with information from INEGI.

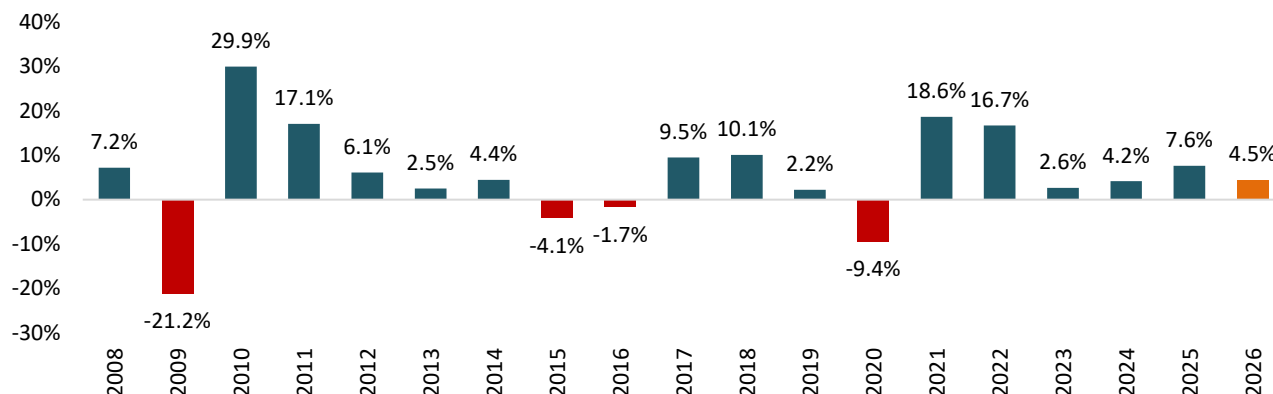
Figure 27. Non-oil exports to the United States and the rest of the world. Annual growth in 2025.



Source: Grupo Financiero BASE with information from

Assuming that the United States does not charge tariffs to the letter and does not impose new tariffs, it is estimated that in 2026 total exports will show a growth of 4.5% compared to 2025 (Figure 28).

Figure 28. Export growth and expectations.



Source: Grupo Financiero BASE with information from INEGI.

Imports

In 2025, total imports grew by 4.38%. Despite the rebound toward the end of the year, imports of consumer goods accumulated a decline of 1.25% in 2025, their worst performance since 2020 (-24.82%). Meanwhile, imports of intermediate goods accumulated growth of 7.24%, accelerating from 4.49% in 2024. Finally, imports of capital goods fell 8.66%, the largest decline since 2020 (-19.31%) and before that date since 2019 (-9.43%).

The weakness of imports of consumer and capital goods is consistent with weak economic growth in Mexico and the deterioration of the labor market, along with the deterioration of fixed investment in the country, which, according to data through October, accumulated a contraction of 7.15% compared to 2024.

Inflation and monetary policy

In 2025, inflation closed at 3.69%. Low inflation was due to the non-core component, which closed the year at 1.61% annually, falling below 2% in five of the last six months. Meanwhile, the core component has remained above 4% since May 2025.

Persistently high core inflation is due to its two components. **Goods** registered inflation of 4.30%, remaining above 4% for six consecutive months. Domestically, **food goods** registered annual inflation of 5.22%, interrupting two consecutive months of deceleration. In contrast, **non-food goods** stood at 3.51% annually and have remained below 4% since October 2023. However, **they show a clear upward trend**.

For its part, the **services** component registered inflation of 4.35% and, although it has gradually tended to decline, it shows reluctance to fall below this level. Domestically, inflation in **education services** (5.82%) has remained at this level for three consecutive months, while inflation in **other services** (5.11%) has remained above 5.11% in 14 of the last 15 months, showing that pressures on this sector have not eased. It is worth mentioning that **the World Cup is expected to push up inflation in services**.

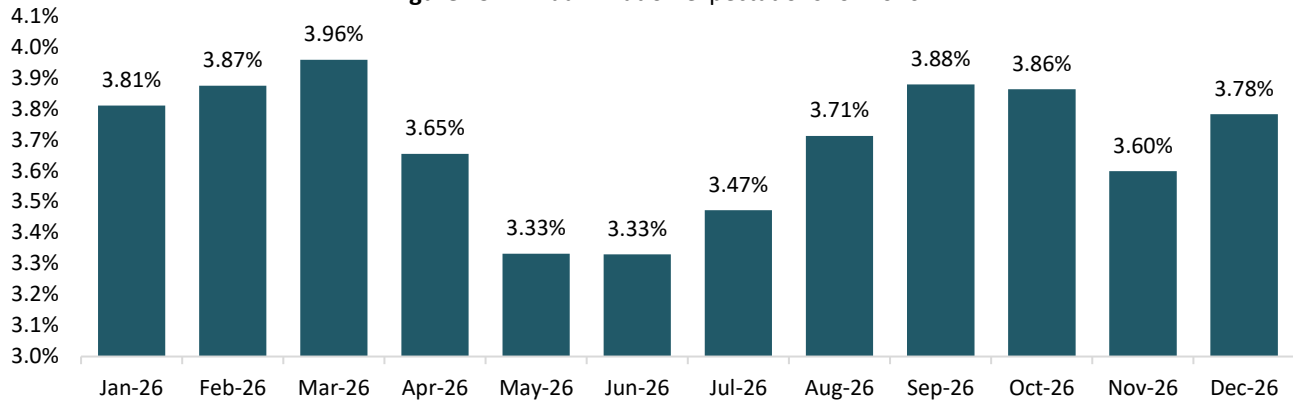
In the first half of January (latest data available), inflation showed renewed pressures in the core component. Both in its biweekly and annual measurements, core inflation accelerated, with both components on the rise. Part of the pressure comes from the 2026 Economic Package, due to the increase in the Special Tax on Production and Services (IEPS) on sugary drinks. This is evident in food inflation, which stood above 6% annually.

Regarding the tariffs included in the Economic Package, there is still no evidence that they have generated upward pressure on consumer prices in Mexico, which may be because there is still inventory of products purchased in anticipation of the tariffs and/or because the producers or sellers of these goods are absorbing most of the tariff, as happened in the United States with the tariffs imposed by the Donald Trump administration. However, these tariffs represent an additional risk to consumer inflation in Mexico, as they will eventually be passed on to consumers. With this, consumer inflation is expected to close January at 3.81% annually, February at 3.87%, and March at 3.96% (Figure 29), bringing the average inflation for the first quarter to 3.88%, the highest for a first quarter since 2024 (4.57%).

In this context, the Bank of Mexico has not finished fighting inflation, and the risks of a rebound remain skewed to the upside, so it would be imperative for the Bank to keep its interest rate unchanged. Considering an interest rate of 7.00% and an inflation expectation of 3.84% for the next 12 months, the ex ante real rate stands at 3.04%. This means that the real ex ante interest rate is below the upper range estimated by the Bank of Mexico for the real neutral rate, between 1.8% and 3.6%, which implies that monetary policy is neutral and therefore inflation is not being combated.

However, two or three interest rate cuts are expected in 2026. This will depend largely on the trajectory of interest rates in the United States.

Figure 29. Annual inflation expectations for 2026.



Source: Grupo Financiero BASE with information from INEGI.

Risks and GDP growth expectations

The environment facing the Mexican economy remains highly complex, with significant external and internal risks. In the external sector, the main source of risk continues to be the bilateral relationship with the United States. The trade, immigration, and security policies promoted by the Donald Trump administration represent a source of uncertainty for Mexico, particularly in a context in which the review of the USMCA will begin in July and could extend into at least the following year.

In terms of internal risks, weak fixed investment, falling public spending on infrastructure, and highly rigid public spending limit the capacity to boost growth and raise potential GDP. The sustained increase in the financial cost of debt and the growing proportion of the budget allocated to social programs, pensions, and debt servicing reduce the margin for spending in other areas such as physical investment.

Another latent risk is the reform of the judiciary. The changes approved generate uncertainty regarding judicial independence, respect for the rule of law, and the protection of property rights. This factor is particularly relevant for private investment, both domestic and foreign, as it increases the perception of regulatory and legal risk, affecting investment decisions. Legal uncertainty adds to other persistent problems such as insecurity, corruption, and institutional weakness, creating a less attractive environment for new investment.

For her part, Mexican President Claudia Sheinbaum has commented on the possibility of eliminating multi-member seats in Congress. There are 200 multi-member seats in the Chamber of Deputies and 32 in the Senate. This comes at a time when the president is planning to carry out electoral reform in Mexico and has created the Presidential Commission for Electoral Reform, which will be responsible for drafting a proposal. In addition to the elimination of multi-member seats, there will be a cut in the budget for financing political parties. Although there is still not much information available about this reform (), the president has repeatedly emphasized that the National Electoral Institute (INE) will maintain its autonomy. However, this still represents a risk, as the reform could lead to a greater concentration of political power, a

weakening of the opposition, and a reduction in confidence in the electoral system. This would generate greater uncertainty about Mexico, discouraging investment in the country.

Finally, the combination of external and internal risks increases the likelihood that economic stagnation will continue and that the Mexican economy will face episodes of contraction in the coming quarters, so the risk of recession remains high. Regardless of whether Mexico falls into recession or not, attention must focus on what is needed to escape the trap of stagnation.

For Mexico to emerge from stagnation, it is imperative that conditions of certainty be fostered: public safety in the country must be improved, rising labor costs for companies must be curbed, the creation of formal employment must be encouraged (not as a straitjacket, but with tax incentives, which, although they generate costs or lower tax revenues, would very soon yield favorable results), and, in general, conditions of certainty must be provided in relevant areas such as taxation. The government should invest more in infrastructure, improving the country's roads and expanding electricity and drinking water capacity. Increased government spending could unfreeze some private sector investment projects that are waiting to see when the economy might recover and what will happen in the future. Public sector investment projects must be efficient, with positive financial and social returns. New reforms should also be put on hold and efforts focused on reducing uncertainty.

With regard to trade with the United States, priority should be given in the review of the USMCA to the automotive industry, which has been seriously affected by sectoral tariffs in the United States. In addition, agreements should be promoted to ensure a second wave of *nearshoring* in Mexico in the computer equipment industry, which has substantially increased its exports because Mexican products have partially replaced what the United States used to buy from China, but which does not have the installed plant capacity to continue growing at high rates in the future.

In a central scenario, Mexico's economy in 2026 would show growth of 0.9%, and under an optimistic scenario, it would grow by 1.4%. Under a pessimistic scenario, growth would be 0.6% (Table 9).

Table 9. Economic growth expectations for 2026.

2026 Scenarios	Pessimistic		Central		Optimistic	
	Quarterly growth	Annual growth	Quarterly growth	Annual growth	Quarterly growth	Annual growth
1Q 2026	-0.10%	0.86%	0.15%	1.11%	0.25%	1.21%
2Q 2026	0.00%	0.41%	0.05%	0.71%	0.30%	1.06%
3Q 2026	0.20%	0.90%	0.20%	1.20%	0.50%	1.86%
4Q 2026	0.10%	0.20%	0.25%	0.65%	0.40%	1.46%
2026	0.6%		0.9%		1.4%	

Source: Grupo Financiero BASE.

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