Mexico Economic Outlook

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Texas-Mexico Energy Trade Workshop

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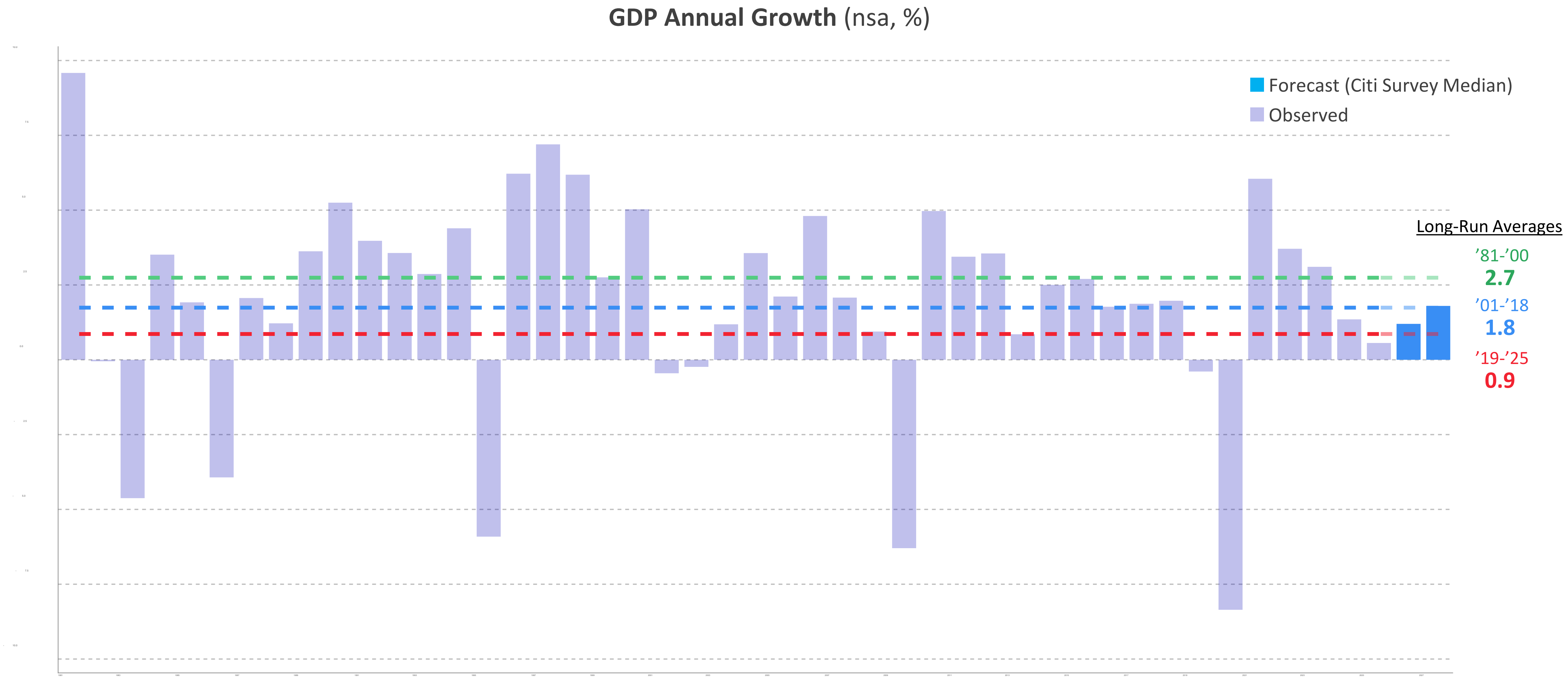
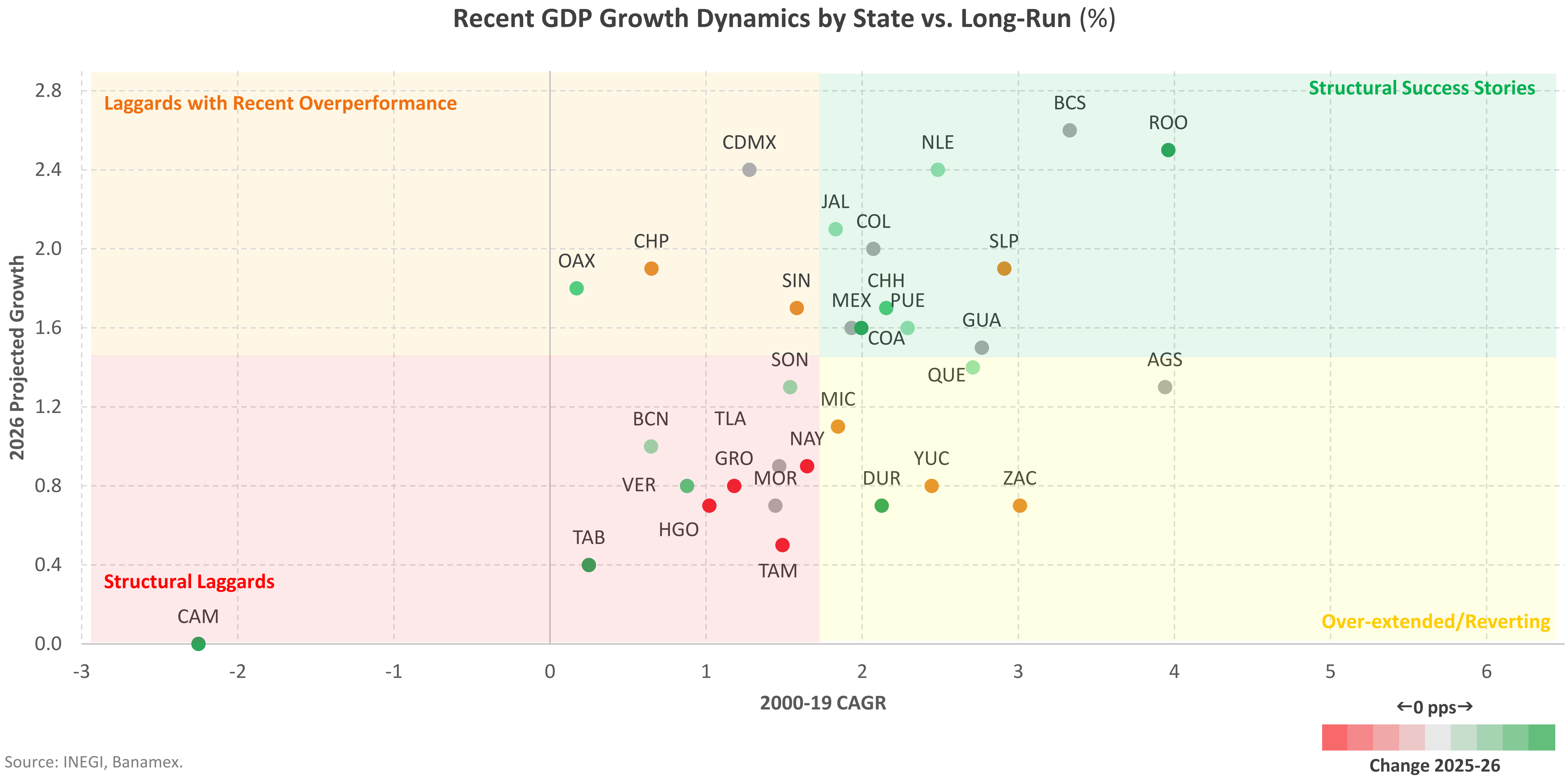
Mexico’s economic growth stuck in low gear



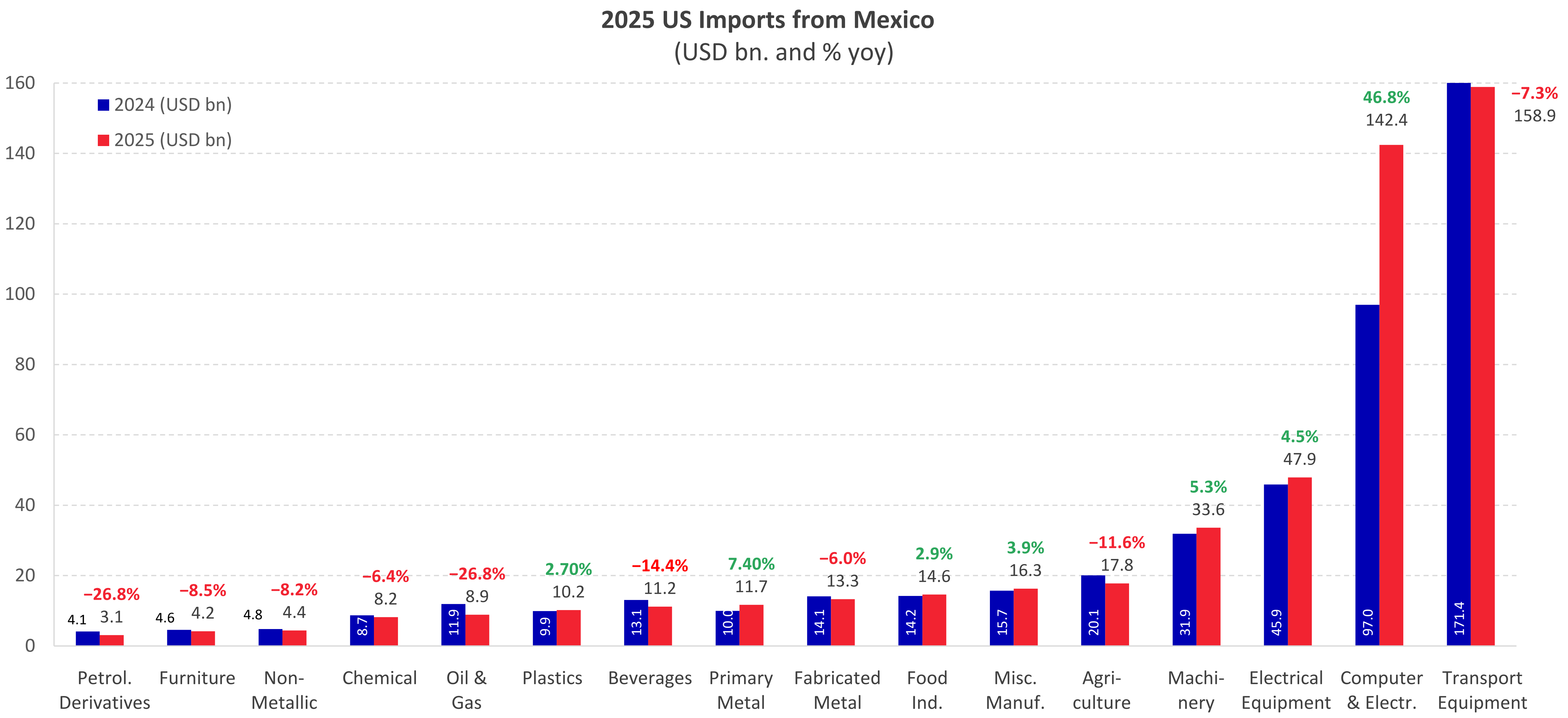
Source: INEGI, Citi Expectations Survey.

Aggregate growth figures mask diverging state-level dynamics



Source: INEGI, Banamex.

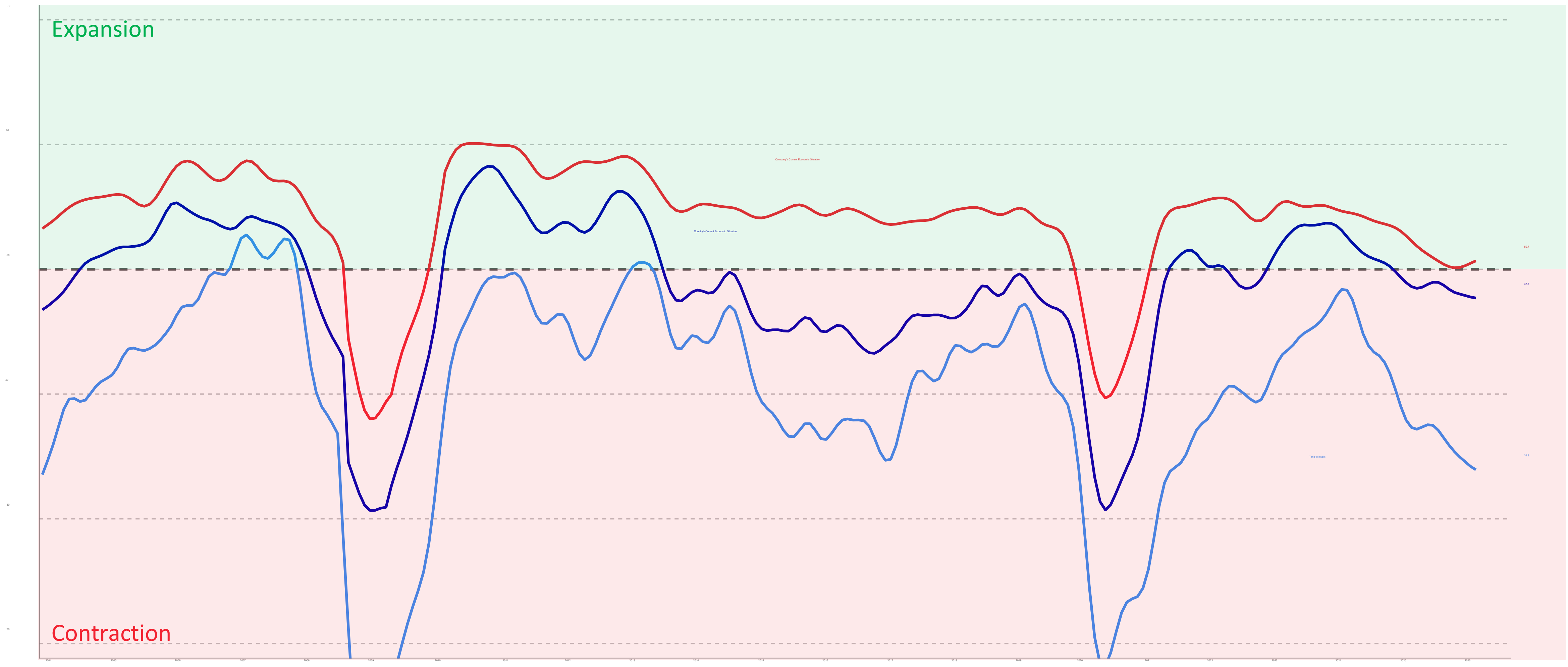
Mexico's exports to the U.S. remain strong despite (because of?) tariffs



Source: INEGI, BBVA.

Despite Mexico's "nearshoring" potential, the elevated uncertainty around USMCA and domestic reforms has curbed investment appetite

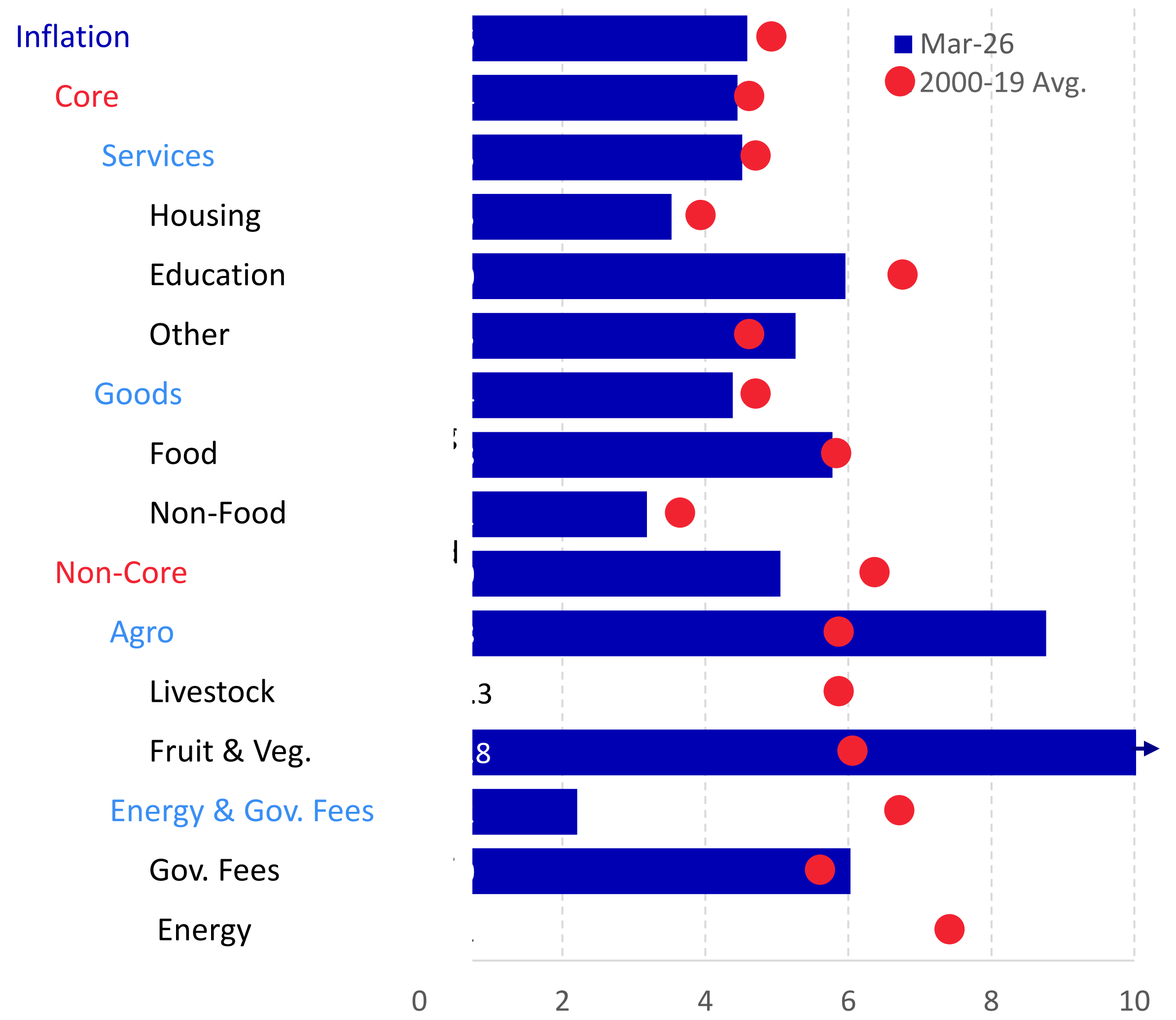
INEGI Producer Confidence Indicator Metrics (balance, trend adjusted)



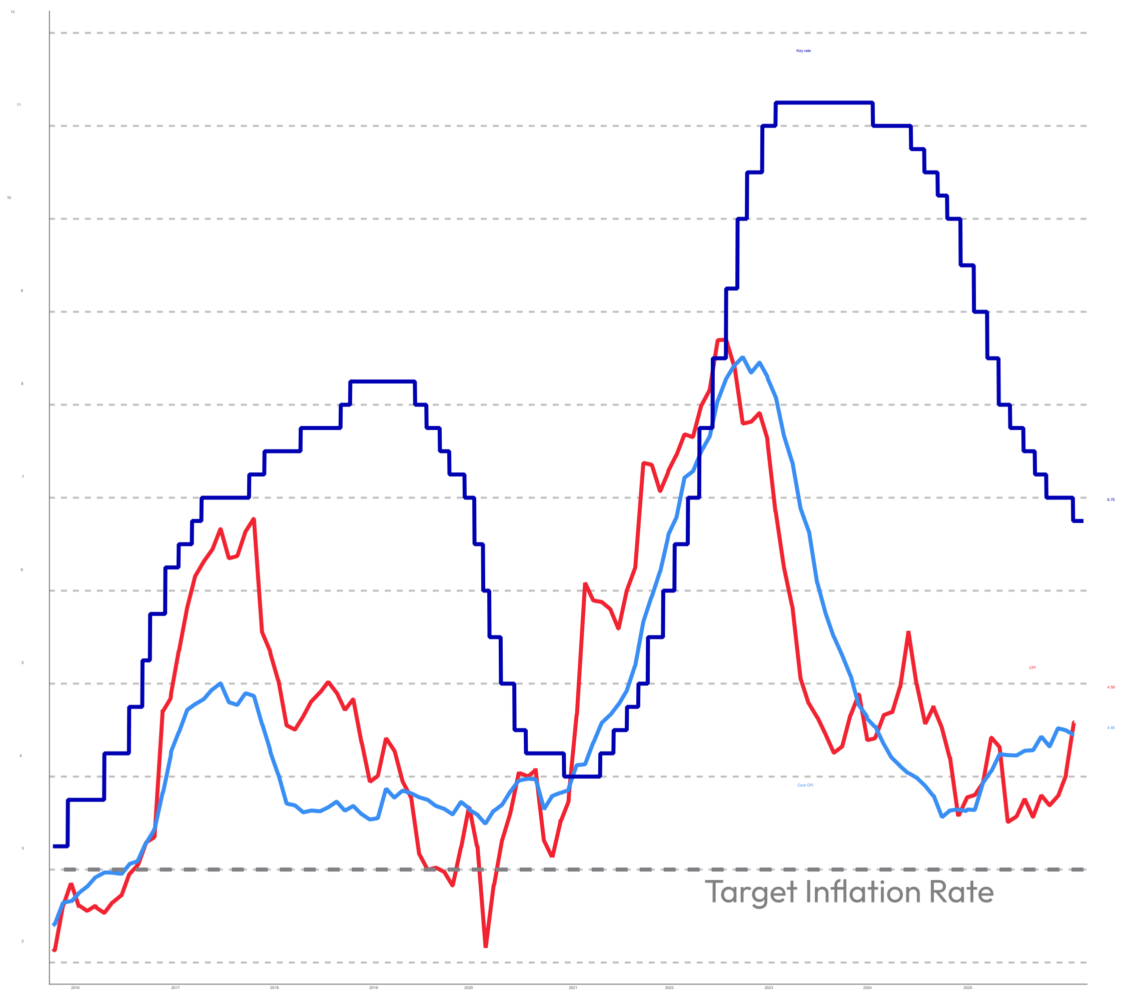
Source: INEGI.

Banxico remains unable (?) to tame inflation

Inflation Components vs Historical Average (%)



Inflation and Banxico's Target Interest Rate (%)



Source: INEGI, Banxico.

Hacienda's 2027 Pre-Criterios point to an even narrower room to maneuver in 2026-27 despite rosy macro assumptions

Macros: Optimistic & Inconsistent

Precriterios' projections look more like a best-case scenario, heavily reliant on uncertainty fading and private investment rebounding, a risky call amidst USMCA renegotiations.

Lower Revenues

Lower revenue projections are driven almost entirely by a 23% collapse in oil income, only partially offset by tax revenues projected to hit a historic high of 15.6% of GDP.

Lower Expenditure

Precriterios' lower expenditure path relies on cutting programmable spending by 6.8% in real terms, with social programs and strategic investment protected.

Higher Debt behind 'Fiscal Consolidation' Narrative

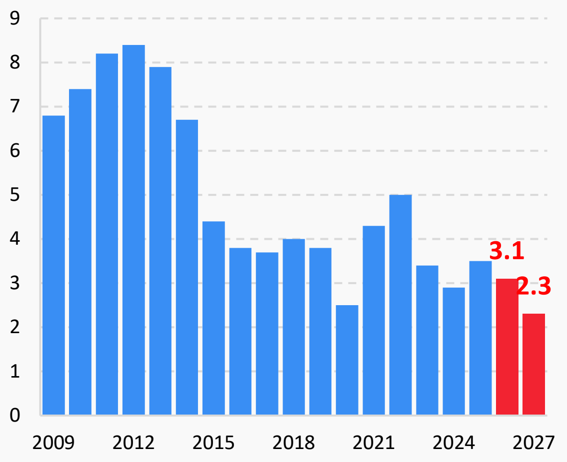
Despite the fiscal consolidation narrative, public debt is still projected to rise , suggesting the adjustment is more about slowing the pace of debt accumulation than reducing it.

Pre-Criterios vs Consensus Expectations (%)

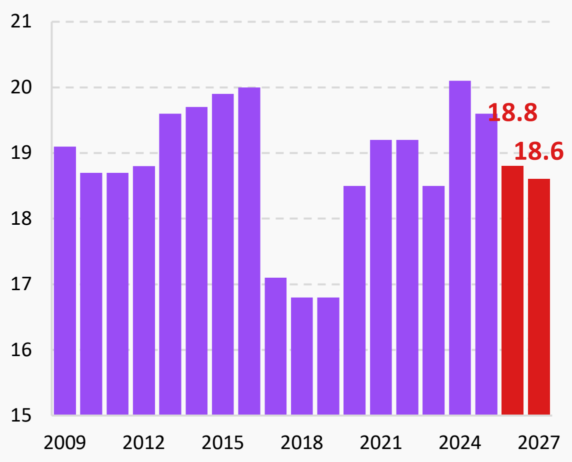
GDP Growth	2026	2027
Pre-Criterios*	2.3	2.4
Consensus	1.1	1.8

Inflation (EoP)	2026	2027
Pre-Criterios	3.7	3.8
Consensus	4.4	3.9

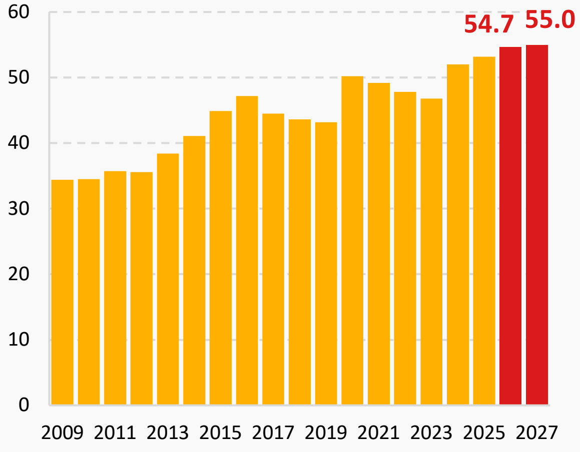
Oil Revenues (% of GDP)



Programmable Spending (% of GDP)



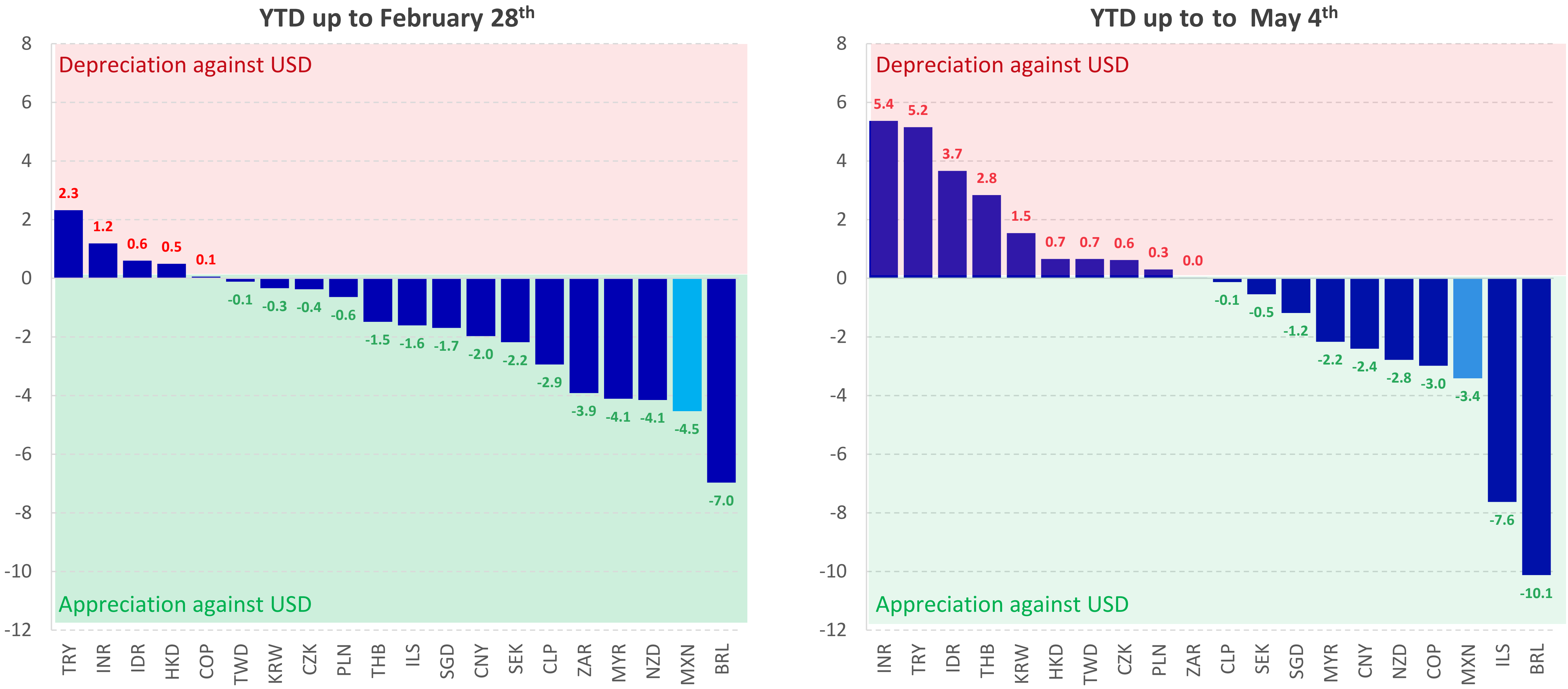
Historical Balance of Public Sector Financial Requirements (% of GDP)



Source: Hacienda, Citi, Banamex.

In the context of a somewhat stronger USD after the U.S./Israel attacks on Iran, the MXN continued to outperform peers

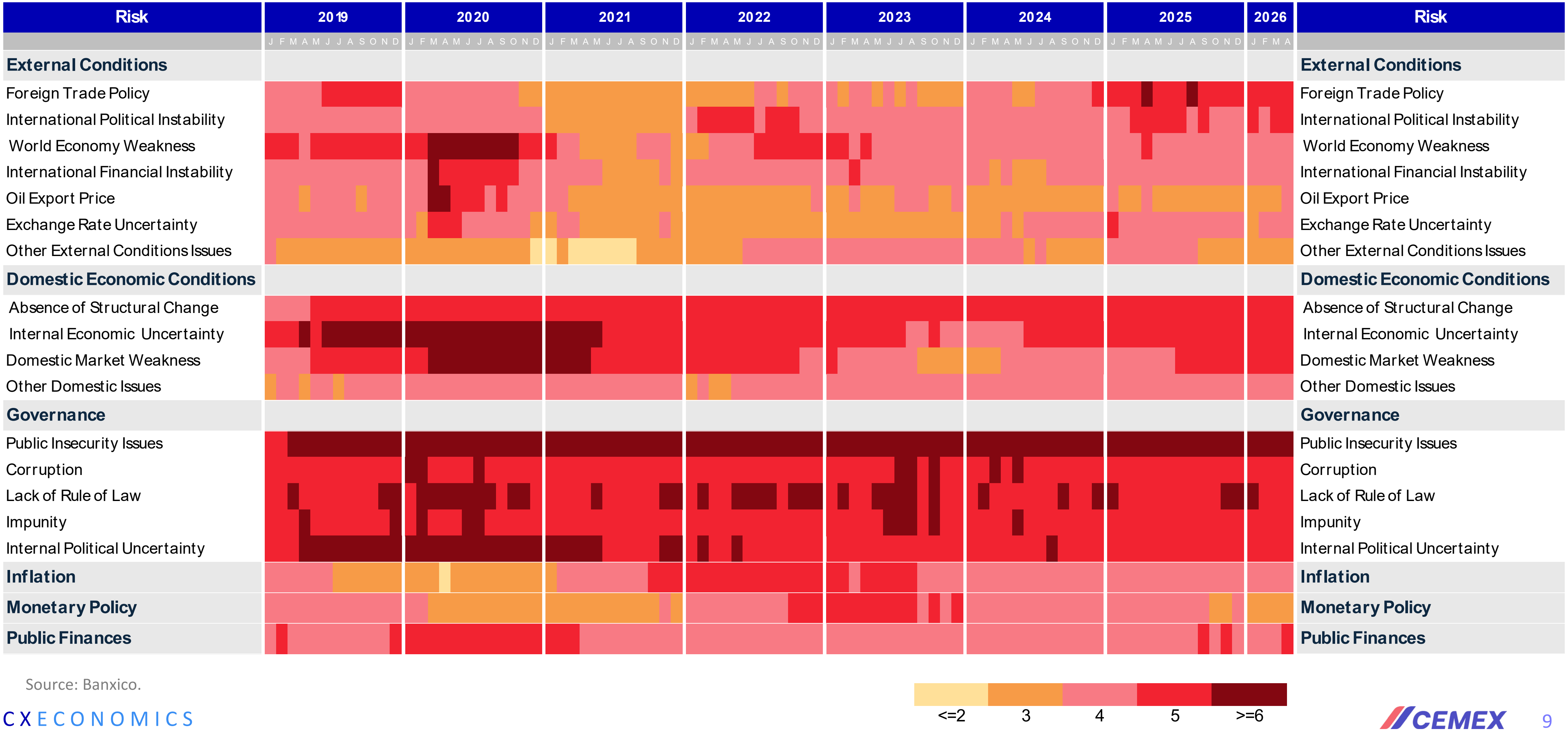
FX Performance (% change, LCY/USD)



Source: Macrobond.

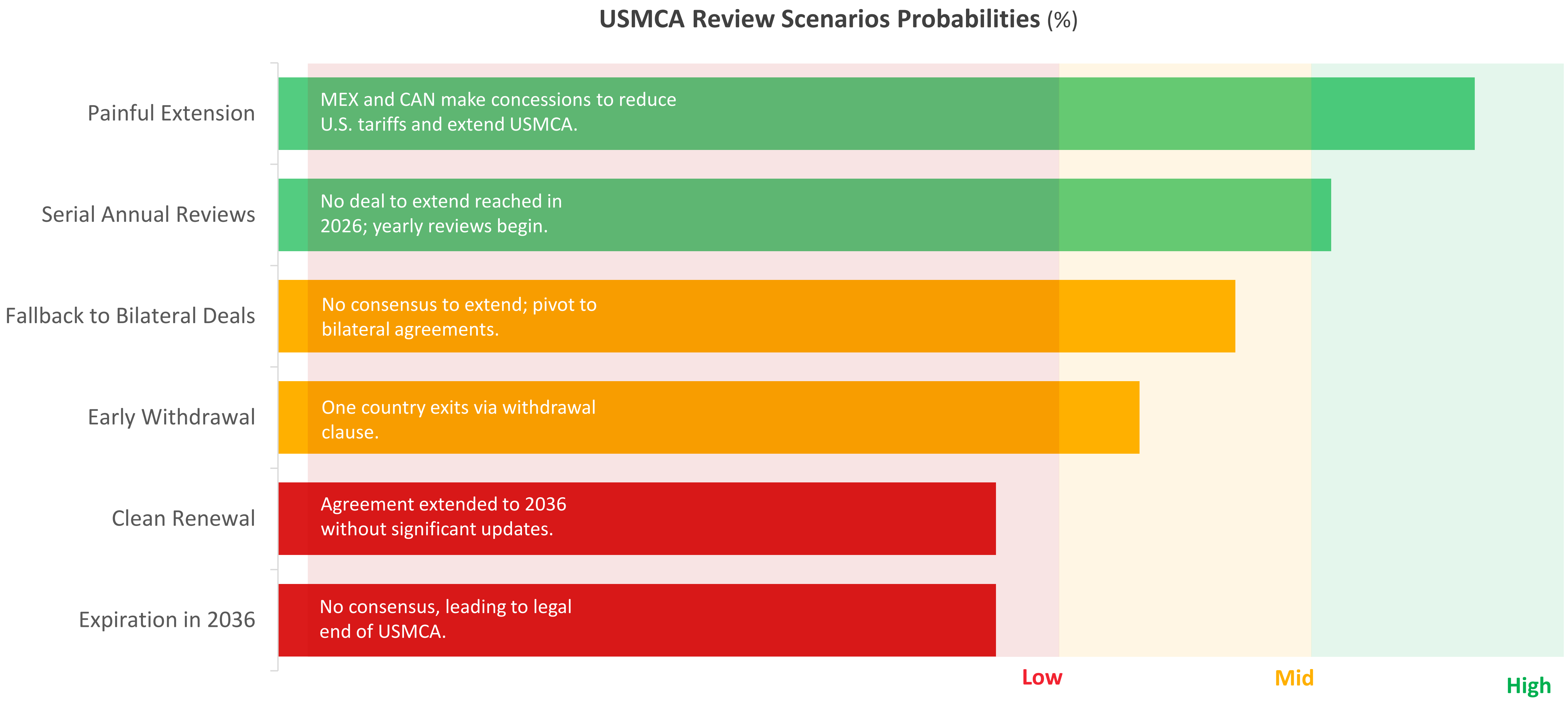
Foreign affairs have increasingly weighed on Mexico's activity prospects, adding to domestic uncertainties and governance issues as the most pressing obstacles for growth

Banxico Private Sector Expectation Survey: Factors that Could Hinder Growth (score, 1-7)



Source: Banxico.

USMCA uncertainty will likely continue to weigh on Mexico’s growth and investment dynamics



Source: CSIS.

Different factors could alter Mexico's growth trajectory

Favorable

1. Earlier-than-expected revision/renegotiation of USMCA
2. Relative strengthening of North American supply chains
3. Prompt resolution of Middle East conflict
4. Plan México
5. Housing National Plan
6. Infrastructure package

Unfavorable

1. Persistent trade uncertainty
2. Deterioration in US-MX bilateral relation
3. US slowdown
4. Fiscal deterioration / sovereign debt ratings downgrade
5. Non-resolution of structural bottlenecks (energy, water, infra…)
6. "Super Niño"
7. Public insecurity events
8. Institutional deterioration
9. Political Crisis

Source: CX Economics.

CEMEX

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