Scotiabank

GLOBAL ECONOMICS

LATAM FLASH

August 6, 2026

Contributors

Rodolfo Mitchell
Director of Economic and Sectoral Analysis
+52.55.3977.4556 (Mexico)
mitchell.cervera@scotiabank.com.mx

Miguel Saldaña
Economist
+52.55.5123.1718 (Mexico)
msaldanab@scotiabank.com.mx

Martha Cordova
Economic Research Specialist
+52.55.5435.4824 (Mexico)
martha.cordovamendez@scotiabank.com.mx

Mexico—Banxico Delivers No Surprises, Keeps Rate Unchanged

- **Banco de México's Governing Board decided to keep the reference interest rate at 6.50%, in a unanimous vote.**
- **The Governing Board noted that, despite the economic rebound during Q2-26, downside risks persist.**
- **Headline inflation forecasts were revised downward for year-end; however, the 2027 forecasts, including headline inflation, were revised upward, postponing convergence to the 3% target to Q4-27.**
- **We maintain our view that the target interest rate will close the year at 6.50%, subject to the path of inflation, the exchange rate level, and the interest rate differential between Mexico and the United States.**

Banco de México's Governing Board unanimously decided to leave the interest reference rate unchanged at 6.50%, marking two consecutive meetings without adjustments. This decision was in line with market expectations, which anticipate that the rate will remain at these levels for the rest of the year. The Board also revised upward its headline and core inflation forecasts for 2027 (table 1), as well as its estimate for convergence toward the 3.0% target to the fourth quarter of next year, from the second quarter of 2027.

The statement noted that, during the second quarter of 2026, global economic activity expanded at a pace similar to that of the previous quarter. Headline inflation declined in June across several advanced economies, driven by lower energy prices, while core inflation decreased only in some of these economies. The Board highlighted that the Federal Reserve kept its reference rate unchanged at its July meeting, that financial markets continued to show volatility, and that commodity prices increased amid the escalation of the conflict in the Middle East, alongside a depreciation of the dollar and increases in long-term U.S. Treasury yields. Finally, it reiterated the persistence of an uncertain outlook stemming from the Middle East conflict and its repercussions.

Domestically, the Governing Board noted that, since the last monetary policy decision, interest rates on Mexican government securities showed limited changes at the short and medium ends of the curve, while long-term rates increased. Meanwhile, the peso appreciated. The Board mentioned a rebound in the economy following the contraction in the first quarter, although it expects slack conditions to persist, along with continued downside risks going forward.

Table 1: Banxico's Headline and Core Inflation Forecasts (%)

Headline Inflation	26Q1	26Q2	26Q3	26Q4	27Q1	27Q2	27Q3	27Q4	28Q1	28Q2
Current (August 26) a.o.p.	4.1	3.9	3.5	3.5	3.4	3.3	3.2	3.0	3.0	3.0
Previous (June 26) a.o.p.	4.1	4.0	3.8	3.5	3.2	3.0	3.0	3.0	3.0	3.0
Var. Current - Previous	**0.0**	**-0.1**	**-0.3**	**0.0**	**0.2**	**0.3**	**0.2**	**0.0**	**0.0**	**0.0**
Core Inflation	**26Q1**	**26Q2**	**26Q3**	**26Q4**	**27Q1**	**27Q2**	**27Q3**	**27Q4**	**28Q1**	**28Q2**
Current (August 26) a.o.p.	4.5	4.2	3.8	3.5	3.4	3.3	3.2	3.0	3.0	3.0
Previous (June 26) a.o.p.	4.5	4.2	3.8	3.5	3.1	3.0	3.0	3.0	3.0	3.0
Var. Current - Previous	**0.0**	**0.0**	**0.0**	**0.0**	**0.3**	**0.3**	**0.2**	**0.0**	**0.0**	**0.0**

Average of Period (a.o.p.)
Sources: Scotiabank Economics, Banxico.

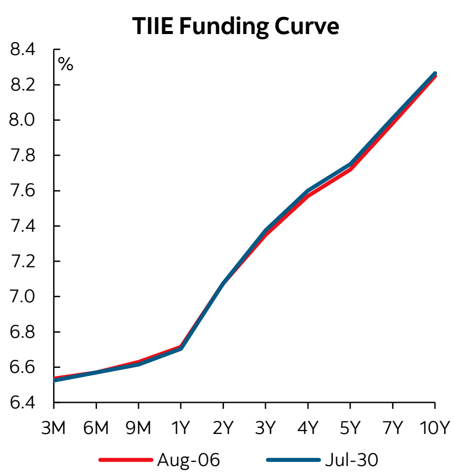
Regarding inflation, headline inflation declined from 3.55% to 3.10% between the first half of June and the first half of July, reflecting decreases in both the core component (from 4.12% to 3.95%) and the non-core component. Accordingly, short-term forecasts were revised downward, while longer-term forecasts remained stable and above the target.

Headline inflation is expected to converge to the target during the fourth quarter of 2027, subject to upside risks such as the persistence of core inflation, disruptions from trade policies, inflationary impacts from geopolitical conflicts, climate-related effects, cost pressures, and a tendency for the peso to depreciate. On the downside, the Board mentioned risks from economic activity below expectations, a lower pass-through from cost increases, and reduced pressures from the peso's appreciation since last year.

We believe the monetary policy decision reflects a neutral stance, although the Board remains cautious given an inflation risk balance skewed to the upside. Thus, the statement reiterates that the Governing Board believes it is appropriate to keep the reference rate at its current level to address the challenges of the macroeconomic environment. In this context, it will be important to monitor the evolution of inflation and developments in the Middle East conflict, as well as the impact of higher energy prices and potential second-round effects on goods and services, in addition to domestic and external economic weakness, exchange rate dynamics, and the relative monetary policy stance versus the Federal Reserve. We maintain our forecast for a 6.50% rate by the end of 2026, provided that these inflationary risks do not materialize. Finally, it will be relevant to analyze the minutes to be published on August 20th, 2026.

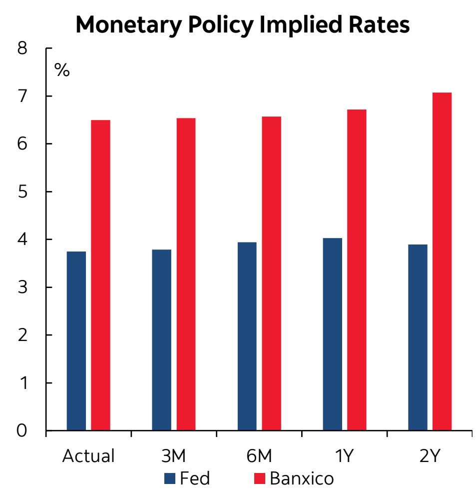
Regarding the market reaction, the exchange rate moved marginally and stands at MXN17.20 per U.S. dollar. Meanwhile, the TIIE Funding curve showed limited movements (chart 1). The short end of the curve (up to 1 year) rose between 0.5 and 5 bps, while the rest of the curve up to 30 years increased between 3.5 and 6 bps. The three-month implied curve stood at 6.54%, while the one-year rate stood at 6.72%, implying market expectations for upward adjustments within one year (chart 2).

Chart 1



Sources: Scotiabank Economics, Bloomberg.

Chart 2



Sources: Scotiabank Economics, Bloomberg.