

MNI Banxico Preview: February 2026

Rate Decision and Monetary Policy Statement: 1900GMT / 1400ET - Thursday, February 5, 2026.

MNI POV: Risk Of Extended Pause

Banxico is widely expected to remain on hold at 7.00% on Thursday, as it takes its time to assess incoming data amid concerns about persistent core CPI inflation pressures. The recent shift in the committee’s guidance, plus confirmation from an MNI interview with Deputy Governor Cuadra, has all but cemented an easing cycle pause. Further ahead, however, the weak growth backdrop keeps the door open to renewed rate cuts later this year, and in its recent 2026 monetary programme, the central bank said that it will evaluate the moment for further easing after assessing price adjustments. Economists see the next cut coming in May, according to latest survey data, but risks are skewed towards a longer pause into the second half of the year.

Clear Signal of Easing Cycle Pause

The recent shift in the committee’s guidance, plus confirmation from an MNI interview with Banxico Deputy Governor Gabriel Cuadra, has reinforced expectations for a pause in the easing cycle this week. Speaking to MNI last month, Cuadra indicated that the board needs to adopt a “wait-and-see” approach going forward, which from his point of view implies pausing the cutting cycle at the next meeting.

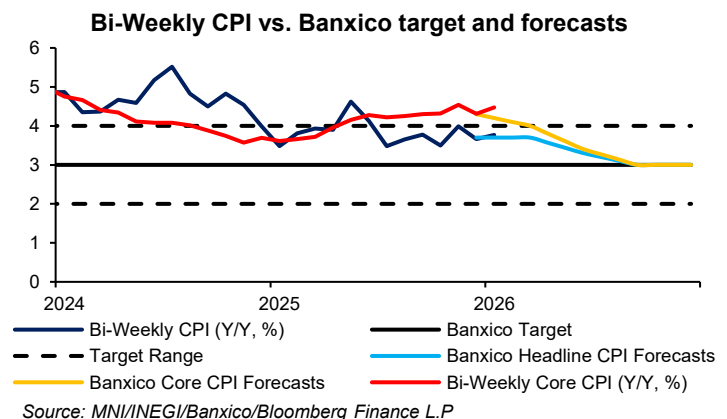
Cuadra said that Banxico is close to the historical averages for rates and to the midpoint of its range of estimates of the neutral level. "And we no longer have those levels of rates as high as we had a year ago, which is why I believe that we are not that far from the terminal rate," he said. The deputy governor also stressed that the central bank is aiming to reach inflation of 3%, not just the 2-4% variability range. (See MNI Policy Team Insights below.)

His remarks come after the Banxico Board amended the forward guidance last month to provide more optionality going forward. The board said that it will now “evaluate the timing for additional reference rate adjustments”, compared to the prior statement where the committee would “evaluate reducing the reference rate.” Despite this, the committee retained its easing bias, suggesting that renewed rate cuts are still likely later this year amid a weak growth backdrop.

More recently, the central bank gave a clear signal in last week’s 2026 Monetary Programme publication that it would pause its easing cycle, noting that it sees a more gradual approach to rate cuts ahead and that it will evaluate the moment for further easing after assessing price adjustments, and if prices avoid extra increases. Given this, analysts expect the Board to leave the forward guidance broadly unchanged this week.

Core CPI Inflation Stuck Above Target Range

The prospective pause in the easing cycle comes against a backdrop of persistent inflation pressures, which has seen core CPI inflation rising back towards recent two-year highs in the first half of January. Inflation rose on the back of the increase in excise taxes in January, which pushed up processed food prices. This resulted in an uptick in headline inflation to 3.77% y/y, while core inflation rose by 16bp to 4.47% y/y. The latter move came as core services inflation ticked up to 4.4% y/y amid higher housing costs and a seasonal increase in education prices.



Looking ahead, the increase in tariffs on some Asian imports this month is likely to feed through to non-food goods prices in the coming months, potentially lifting inflation higher in the near-term. However, weak domestic activity is still likely to weigh on services inflation later in the year, which should bring overall inflation gradually lower. For now, however, the central bank will take time to assess the incoming inflation data and consider whether this will allow for a convergence to the 3% target by Q3 26, as currently

projected. In light of the latest developments, however, this looks challenging, and the Board is likely to revise up its inflation forecasts this week, consistent with a later convergence to target. Indeed, hawkish dissenter Banxico Deputy Governor Jonathan Heath has emphasised the need to adjust the forecast to a more plausible trajectory. After the December meeting he also said that if, during a pause, it is determined that inflation convergence will not be attained, then the Board must “evaluate the possibility of increasing the target rate once again at a later stage.”

Inflation Expectations Rise Further

Against this backdrop, analysts' inflation expectations for this year have edged higher since December, bringing them to the top of Banxico's target range. Both headline and core inflation are expected to end this year at 4.00%, according to the latest Citi survey, up from 3.95% and 3.89%, respectively, in December. Further ahead, headline and core inflation estimates for end-2027 also remain elevated, currently residing at 3.70%. Given this, analysts expect Banxico to extend the easing cycle pause through the March MPC meeting as well, before resuming rate cuts in May. However, risks are skewed towards a longer pause into the second half of the year given uncertainty over the inflation outlook. The end-26 policy rate forecast remains unchanged, at 6.50%, according to the Citi survey. In contrast, latest market pricing is more cautious, with only one further 25bp cut fully priced for this year.

Investment Expected to Remain Weak at Least Until H2

Despite prospects for a pause, the subdued growth backdrop keeps the door open to further rate cuts later in the year. Investment, in particular, remains weak, amid uncertainty over the US tariff position and outlook for the USMCA, with gross fixed capital spending contracting by 5.5% y/y in November. Looking ahead, the central bank said recently that it sees investment remaining weak until at least the second half of this year. Meanwhile, credit growth also continues to slow, falling by 2.6% y/y in real terms in December. On the other hand, Banxico is more optimistic on the outlook for exports, and it believes that overall GDP growth should be faster than last year.

This comes after the flash Q4 GDP estimate surprised slightly to the upside, revealing a 0.8% q/q rebound in the economy last quarter, following a 0.3% q/q contraction in Q3. On an annual basis, real GDP rose by 1.6% y/y in Q4, improving from -0.2% y/y in Q3, supported by a pick-up in industry and service sector activity amid a still tight labour market. Overall, however, the economy grew by just 0.5% last year, the slowest pace since the pandemic. Looking ahead, growth is expected to pick-up slightly this year, supported by an improvement in consumption, with real GDP seen rising by 1.25%, according to the latest Banxico survey.

Clearly Defined Downward Sequence for USDMXN

Despite the recent sharp correction lower for precious metals, and an associated brief period of risk off across equity markets, the Mexican peso has maintained its resilient profile, with dips remaining extremely well supported. Relative peso outperformance in the face of recent market volatility should not be a surprise given the price action across the past few months, which has seen MXN rally over 7% from the November lows.

The plethora of risks surrounding US/Mex tensions, Mexico's pessimistic growth profile, the relatively dovish trajectory for Banxico policy and broader geopolitical risks, have all done little to alter the USDMXN trend. Furthermore, on a longer-term basis, the initial concerns following the 2024 election regarding the Morena supermajority and potential changes to the constitution/judiciary have never really manifested, further bolstering the peso as it continues to erode the sharp selloff from June 2024.

From a technical perspective, a dominant downtrend remains intact. This is clearly highlighted by moving average studies that are in a bear-mode position, which has assisted the pair's momentum to trade within close proximity of the 17.00 handle in recent sessions. On the downside, 16.8585 remains the next target (3.236 projection of the November 5 - 13 - 21 price swing), while 16.5282 remains a longer-term objective, the May 21 '24 low. On the other hand, initial key resistance is at 17.8268, the 50-day EMA, while in order to highlight a potential reversal, price will need to trade above 18.7706, the early November high.

Despite the strong trend conditions, analysts have cited that speculative long MXN positioning has been approaching the 2024 highs, which could obviously exacerbate short-term squeezes for USDMXN. Threats that could derail the peso momentum also do remain, and the market will remain particularly vigilant for a significant narrative shift on the Banxico terminal rate, US/Mex relations and global tariff developments.

USDMXN Daily Candle Chart



MEXN Currency (Mexican Peso Spot) Taso_Research Daily 07AUG2025-03FEB2026 Copyright© 2026 Bloomberg Finance L.P. 03-Feb-2026 13:45:09

MNI Banxico Data Watch List							2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Inflation		Current	3m ago	3m Chg	6m ago	6m Chg					
Bi-Weekly CPI	% y/y	3.77	3.5	↑	3.5	↑					-0.79
Core CPI	% y/y	4.33	4.3	↑	4.2	↑					0.67
CPI	% m/m	0.28	0.2	↑	0.3	→					-0.13
Oil Price (WTI Active)	\$	62.80	60.06	↑	65.53	↓					1.27
Economic Activity		Current	3m ago	3m Chg	6m ago	6m Chg					
PMI Manufacturing	Index	46.3	49.5	↓	49.1	↓					-1.20
GDP	% y/y	1.6	0.6	↑	2.1	↓					0.79
Industrial Man Prod	% y/y	-0.8	-3.3	↑	-0.6	↓					0.66
Economic Activity IGAE	% y/y	-0.08	-0.52	↑	0.03	↓					-0.13
Monetary Analysis		Current	3m ago	3m Chg	6m ago	6m Chg					
M3 Money Supply	% y/y	6.4	9.1	↓	10.3	↓					-2.47
Non-Fin Corp Credit	% y/y	-4.6	-2.5	↓	-1.0	↓					-1.52
Household Credit	% y/y	17.0	16.7	↑	16.2	↑					1.13
Consumer / Labour Market		Current	3m ago	3m Chg	6m ago	6m Chg					
Retail Sales	% m/m	4.4	3.3	↑	3.2	↑					0.19
Consumer Confidence (Q)	Index	44.7	46.3	↓	45.5	↓					-1.11
Unemployment Rate	%	2.4	3.0	↓	2.7	↓					-1.79
Nominal Wage Increase	% y/y	6.3	3.9	↑	8.5	↓					-0.44
Markets		Current	3m ago	3m Chg	6m ago	6m Chg					
Bolsa Mexicana	Index	69,405	62,769	↑	57,398	↑					1.58
10-Yr TIE Swap Yield	%	8.05	7.72	↑	8.25	↓					0.33

Note: For quarterly data the 3m ago column will display the previous data point and the 6m ago column will display the data point prior to that.
Source: MNI, Bloomberg

Analyst Views (Alphabetical Order):

All 22 analysts in the latest Bloomberg survey expect the central bank to remain on hold at 7.00% this week.

Banorte: Pause in February, with Next 25bp Cut in March

- Banorte believe that Banxico's more cautious tone in the recent monetary programme release is consistent with a pause in the rate-cutting cycle to assess the possible impacts of the latest adjustments on the price formation process, mainly those associated with fiscal changes.
- With this said, Banorte reaffirm their call that Banxico will not cut the reference rate in February, but continue to believe that more reductions will materialise, with a 25bp cut in March and a cumulative reduction of 50bp in the first half of this year.
- This would take the reference rate to 6.50%, which Banorte believe will be the terminal level in this cycle and will prevail for the rest of 2026.

BBVA: Board to Maintain Dovish Spin to Leave Room for Cuts Later in Year

- Banxico is likely to keep rates unchanged at 7.00% given the Fed's pause and the longer horizon for disinflation but maintain a dovish spin that leaves room for cuts later in the year.

BNY Mellon: Banxico to Remain Cautious Until There is US Trade Certainty

- The overnight rate is expected to remain at 7.0%, which should provide a large enough buffer to help Banxico manage inflation risks. For much of Latin America, the commodity rally has been a critical factor in boosting terms of trade, and Mexico itself will benefit as a large silver producer.
- However, CPI is running near 4%, offering little room for comfort, while domestic demand remains robust, with continued strength in retail sales and output. Until certainty is established in trade with the US, BNY Mellon expects Banxico to stick to caution as well.

BofA: Expect a Rate Hold, Risk of Split Decision

- BofA expects a hold, with a likely unanimous decision. They anticipate that the Board will maintain its forward guidance, emphasising a more gradual approach to further easing.
- In BofA's view, Banxico will highlight that overall economic activity remains weak. In addition, Banxico is likely to argue that subdued growth and a relatively strong peso should continue to support disinflation.
- Moreover, BofA expects that Banxico will continue to note easing services inflation. They also expect Banxico to underscore the need to monitor potential second round effects stemming from increases in IEPS and tariffs closely. Risks are to the downside, as there could be a split decision with at least one board member voting for a cut.

CIBC: On Hold this Week, But Anticipate Two 25bp Cuts this Year

- CIBC expects Banxico to maintain the overnight rate at 7.00% this week as it awaits further data following the taxes and tariffs implemented earlier this year. However, contrary to market expectations - which are currently pricing around 10bp of cuts for this year - CIBC believes that Banxico will leave the door open for further rate reductions this year. Specifically, they anticipate two 25bp cuts to the overnight rate in 2026.
- CIBC highlights that in its annual monetary policy programme, Banxico cited "temporary" inflationary pressures resulting from the recent taxes and tariffs. The central bank also noted that, "as long as the period of relative price adjustments passes without second-round effects materialising in the price formation process, and as macroeconomic conditions warrant, Banxico would consider continuing to make adjustments to the target rate."
- Banxico highlighted several factors supporting a dovish stance, including economic weakness and persistent slack, appreciation of the MXN, delayed effects from the restrictive monetary policy in place over the previous year, and within-target and relatively stable headline inflation over the last few months.

Goldman Sachs: Banxico on Hold in Feb and March, Forward Guidance Broadly Unchanged

- Goldman Sachs expects the MPC to hold the policy rate at 7.0%. GS anticipates that the previous forward guidance ("looking ahead, the MPC will evaluate the timing for additional policy rate cuts") will remain broadly unchanged, suggesting the continuation of the pause to give the bank additional time to evaluate the impact of the tax and import tariffs increases on inflation, relative prices, and price formation mechanisms.
- GS also expects an upward revision to the 2026 inflation forecasts to incorporate the impact of higher taxes/tariffs, the potential impact of the FIFA Soccer World Cup on selected services, and the double-digit increase in the minimum wage. These would delay the central bank's expected convergence of inflation the target from 3Q26 to possibly only 2H2027; another factor supporting a pause in the easing cycle at the beginning of 2026.
- GS expects the MPC to be on hold at the February and March meetings while looking for a window of opportunity to resume cutting. Pausing would be warranted by the fact that the ex-ante real rate is now close to 3.0%, core inflation remains high and sticky, inflation is expected to reaccelerate in 1Q2026 (higher taxes and import tariffs), headline/core inflation expectations for 2026 have been deteriorating, real activity has firmed at the margin, and the outlook for additional FOMC rate cuts is uncertain.

Itaú: Banxico to Favour Wait-and-See Approach

- Looking ahead, Q4 GDP data suggest a more favourable outlook for economic momentum, where Itaú expects Mexico to continue on a gradual path toward its potential growth rate. For 2026 and 2027, Itaú forecast GDP growth of approximately 1.5% and 2.0%, respectively. These figures also imply a narrowing negative output gap - an important consideration for Banxico's monetary policy calibration, as the output gap remains one of the key channels supporting disinflation this year.
- For the Feb 5 meeting, Itaú continues to expect Banxico to keep the policy rate unchanged at 7%, favouring a wait-and-see approach. The central bank will likely want to closely monitor the temporary uptick in inflation stemming from one-off shocks, such as tariff and tax adjustments, as well as evaluate whether inflation dynamics and expectations remain on track to converge toward the 3% target over the forecast horizon.

JP Morgan: See Banxico Resuming Rate Cuts in May

- Last week's Monetary Program for 2026 was pretty much in line with the Minutes from the December decision in which Banxico's MPC converged to the same conclusion: Some time is needed to assess the balance of risks - mainly to inflation - but the Board is not done yet with this easing cycle.
- Lingering economic slack and inflation expected to ease at the turn of 1Q26 should allow Banxico to resume cuts in May after a pause to assess the one-off effect from taxes. But a lot will depend on relative monetary conditions and currency dynamics, which so far have been essential for better news on inflation.
- JP Morgan's baseline scenario still has the terminal rate consistent with the high-end of the neutral corridor, at 6.5% by year-end (3.2% in real ex-ante terms) given core stubbornness - notably sticky wage-related pressures in services. In the context of the new, more gradual approach, limited cuts are still JPM's base case scenario, but they are closely monitoring upcoming inflation prints.
- With the staff providing an update to Banxico's monetary policy rules, in JPM's view the overnight policy rate could go as low as 5.5% by mid-2027. Yet, JPM still assign a relatively low probability to that scenario (10%), followed by slightly higher odds for the terminal rate reaching 6% this year (25%).

Natixis: On Hold This Week, but Lower Terminal Rate Forecast to 6.00%

- Natixis believes that Banxico will maintain the policy rate at 7.00% during the February monetary policy meeting. In previous meetings, it signalled that a pause was likely, and Natixis expects it to adhere to that stance. Banxico will evaluate a variety of information and events that have occurred in January, including geopolitical developments, the pause by the Federal Reserve, and, importantly, the first inflation report for Mexico. Natixis' view is that Banxico will gradually lower the policy rate as inflation trends downward.
- The clear downward trend in inflation, particularly in services, along with the strength of the Mexican peso, supports Natixis' view that Banxico will lower its policy rate to a terminal rate of 6.00%, rather than their previous forecast of 6.50%. However, Natixis believes that there will be pauses between each of the cuts.

Rabobank: On Hold at Upcoming Meeting, But Easing Cycle Not Over

- Rabobank expect Banxico to pause at the upcoming meeting, although they do not believe the cutting cycle is over. Recent comments from the Governing Board have strongly hinted that they intend to "wait and see" at the next decision, before continuing the cutting cycle.
- They maintain the view that there will be two more cuts from Banxico this year, bringing the overnight policy rate to a terminal level of 6.50%.

Scotiabank: Sticky Inflation Merits a Pause

- No one expects Banxico to change its overnight rate from 7% on Thursday. Markets only have one more cut priced over the coming year.
- 425bps of easing since early 2024 probably merits a pause. So does sticky inflation with headline at 3.7% and core at 4.3% versus Banxico's 3% +/-1% inflation target range. So does a sharp rebound in q/q non-annualised GDP growth.
- The prior statement injected more uncertainty into the timing of future rate moves by shifting from the affirmative of stating in November a desire to "evaluate reducing the reference rate" to then saying "will

evaluate the timing for additional reference rate adjustments.” Signals from the FOMC that indicate a nearer-term pause are somewhat of a constraint on Banxico.

SocGen: Raise Year-End Policy Rate Forecast to 6.50%

- In its recent Monetary Programme Report, Banxico indicated it may pause rate cuts in February before resuming a gradual easing cycle. It will evaluate the inflation impact of new tariffs on Asian imports and recent taxes on selected goods when assessing the timing of future cuts. While Banxico expects these measures to have limited and temporary price effects, it signalled that cuts could resume once the temporary adjustments pass without second-round effects.
- While a March rate cut remains possible, a May cut is equally likely. Reflecting the Fed's stance, SocGen now raise their year-end Banxico policy rate forecast to 6.50% (previously 6.25%), assuming one rate cut in each half of the year. Risks remain tilted to the downside, contingent on progress in disinflation.

Wells Fargo: Expect Banxico to Stay on Hold all Year

- Wells Fargo expects Banxico to keep the policy rate unchanged at 7.00%, in line with consensus expectations. At its December meeting, Banxico delivered a 25bp rate cut alongside a broadly dovish statement, signalling openness to further easing should incoming data align with its forecasts. However, parts of the forward guidance took on a slightly less dovish tone, with the board now set to “evaluate the timing for additional reference rate adjustments” rather than explicitly “reducing the reference rate,” a shift that could imply a likely pause at next week's upcoming meeting.
- Since then, headline and core inflation have cooled, while Q4 GDP rose 0.8% quarter-over-quarter, allowing Mexico to avoid a technical recession after Q3's contraction. With disinflation potentially nearing its limit and activity holding firm, WF expects Banxico to keep rates steady through 2026. While risks remain tilted toward more easing, the February monetary policy statement will be pivotal for gauging the forward policy path.

MNI Policy Team Insights

MNI EM INTERVIEW: Banxico To Make A Short Easing Pause - Sanchez

By Larissa Garcia
Jan 19, 2026

A shift in the Central Bank of Mexico's forward guidance suggests a pause in its easing cycle, but it could soon cut again if the inflationary impact from tax increases and tariffs turns out to be limited, former Banxico Deputy Governor Manuel Sanchez told MNI.

“The guidance suggests a pause. This could be as short as one or two meetings if the impact of the increase in the IEPS and the tariffs imposed by Mexico initially turns out to be insignificant,” Sanchez, now an economic advisor to Spruceview, said in an interview.

This month, Mexico implemented increases to the Special Tax on Production and Services (IEPS) in order to dampen consumption and boost revenue.

According to Sanchez, there was no significant change in tone in the minutes published two weeks ago, since most members of the board “continued to ignore the fact that inflation remains high.”

He noted that members are arguing that any inflation pressure is the result of a change in relative prices and base effects, and that they express confidence that upside risks will be transitory.

“The communication objective of the majority continued to be confirming that the easing cycle has not ended,” he stressed.

Banxico cut its overnight interbank interest rate by 25 basis points to 7.00% last month, as expected, with Deputy Governor Jonathan Heath voting to hold borrowing costs unchanged. The board did not signal a cut at the next meeting as it had done in previous meetings, and instead said it would “evaluate the timing for additional reference rate adjustments.”

6% RATE FOR 2026

Sanchez expects a likely rate of 6.00% by the end of 2026, slightly lower than market consensus. “Its apparent objective is to cut as much as possible, and the governing board seems intent on easing the federal government’s financial burden,” he said.

Banxico could continue cutting past 6%, he said, adding that most members of the governing board do not need government pressure to extend their inclination to cut.

Sanchez said that he agrees with Heath’s argument that core inflation is not heading toward target, though he disagrees with him that the exchange rate is no longer central to inflation dynamics and that structural factors such as insecurity or competition explain inflation persistence.

“Decisions on the board will likely remain split, except during pauses, and, if core inflation dips below 4% and briefly nears 3%, Heath might push for larger cuts, as in 2019–2020. Persistent convergence to the 3% target will remain mostly rhetorical, helped by confusion between the variability range and the actual target,” he concluded.

INFLATION DROP DRIVEN BY NON-CORE

During 2025, annual headline inflation showed no clear trend, with notable ups and downs around 3.8%, the former deputy governor emphasized.

“Banxico had good luck, because non-core inflation, which has little to do with monetary policy, registered a significant drop in July, and remained unusually low during the second half of the year. However, core inflation, which suggests the medium-term trend of inflation, was on the rise.”

To clearly push headline inflation downward, Banxico would need to regain credibility with regards to its commitment to the target, he stressed.

“It would appear that the governing board is more concerned with counteracting the impediments to economic growth imposed by the current administration and easing the federal public debt burden than with bringing inflation down to the 3.0% target,” Sanchez said.

For 2026, he sees economic growth around 1.5%, below the average of 1.9% from 2000–2018.

MNI EM INTERVIEW: Banxico To Pause Easing Next Meeting - Cuadra

*By Larissa Garcia
Jan 14, 2026*

The Central Bank of Mexico needs more time to assess incoming data before continuing to ease policy and will pause rate cuts at its February meeting, Deputy Governor Gabriel Cuadra told MNI, adding that in his view the bottom of the cycle is not far off.

“What we have to do going forward, as soon as in the February decision, is adopt a wait-and-see approach. And that implies, from my point of view, pausing the cutting cycle,” Cuadra, who started his term as deputy governor in February 2025, said in an interview at his office in Mexico City.

Banxico cut its overnight interbank interest rate by 25 basis points to 7.00% last month, as expected. The board did not signal a cut at the next meeting as it had done in previous meetings, and instead said it would "evaluate the timing for additional reference rate adjustments."

Cuadra said that Banxico is close to the historical averages for rates and to the midpoint of its range of estimates of the neutral level. "And we no longer have those levels of rates as high as we had a year ago, which is why I believe that we are not that far from the terminal rate," he said.

The nominal policy rate and the ex-ante real rate are not at the atypically high values observed at the beginning of 2025, the deputy governor noted.

INFLATION SHOCKS TEMPORARY

"There is the issue of the excise taxes that will be established this year, and tariffs to goods from countries with which Mexico does not have a trade agreement. In theory, these measures would represent a one-time increase in the price level and also a transitory effect on monthly inflation and on annual inflation," he said.

Monthly inflation, in principle, should increase during the period in which the change in relative prices occurs and afterwards decline, he said. Annual inflation should increase and, due to an arithmetic effect, remain elevated over the course of a year and then dissipate, as has occurred in the past, Cuadra said.

"I think it will take time to confirm that second-round effects will indeed not occur. We have to monitor, and that takes time," he argued, adding that these new shocks are happening in a context in which core inflation is already above its variability range, which allows 1 percentage point in each direction from the 3% target.

Cuadra said the board will make a complete assessment of the effects that these new shocks may have on the inflation outlook as a whole.

PURSUING 3% TARGET

The deputy governor also stressed that the central bank is aiming to reach inflation of 3%, not just the variability range.

"The 2% to 4% is a variability interval because there are shocks out the control of the monetary authority that influence inflation in the short run. These effects can influence inflation and can cause volatility. And to reflect that, we have that variability range, which is not a tolerance range."

After cutting 12 times in a row, Banxico's rates differential with the Federal Reserve has tightened.

"It is one factor among many that we take into account. There is no target for the differential. It is not that we have an objective for the differential between Mexico and the United States. It is simply one element among many others that we take into account in our deliberations," he said.

MNI EM INTERVIEW: Banxico To Pause, Cycle Low Depends On Prices

*By Larissa Garcia
Jan 9, 2026*

The Central Bank of Mexico signaled a pause at its next meeting in February, former Banxico director and advisor Federico Rubli Kaiser told MNI, adding that the board might deliver at most three 25-basis-point cuts this year depending on how inflation evolves.

"I think there is an indication of pause at the next meeting. I'm not sure about further ahead, but at the next meeting, yes. And I believe that pause would be driven by the inflation pressures we're going to see in January," Rubli, now an associate advisor at MAAT Consulting, said in an interview.

He mentioned that January will bring price shocks, some of which seasonal at the beginning of the year.

"The evolution of inflation in January will be key for that February decision," he said.

"The forward guidance was also expressed in a very cautious way, suggesting that over the course of the year they would probably do two, at most three 25-basis-point adjustments, but not more than that. In that sense, I think we can expect a pause at the next meeting."

The level of the terminal rate will depend on inflation data, he said.

Banxico cut its overnight interbank interest rate by 25 basis points to 7.00% last month, as expected, with Deputy Governor Jonathan Heath again dissenting in favor of holding steady. The board did not signal a cut at the next meeting as it had done in previous meetings, and instead said it would "evaluate the timing for additional reference rate adjustments."

DISSENT VOTE

In the minutes, Heath argued that Banxico needs to thoroughly evaluate the time required not only to reverse the increasing upward trend exhibited by core inflation in 2025, but also to calibrate the magnitude of a possible reversion in non-core inflation.

"I agree with what Jonathan Heath say, because he has always been very cautious and has always sent the signal that these kinds of adjustments must be handled with great care, especially because he analyzes core inflation very thoroughly," Rubli said.

Heath also said that if the board sees that convergence towards target will not be attained, it must evaluate the possibility of increasing the target rate once again at a later stage.

"I also agree with what Heath expressed in the minutes, conveying the message that a possible increase in the future shouldn't be ruled out," the former Banxico director noted, adding that he sees no real possibility of having to hike rates this year.

Market participants do not believe the central bank will bring inflation down to the 3% target in the third quarter of this year as projected by the board, he said. He expects inflation to reach 3.9% in 2026.

Over the longer-term, the U.S. incursion into Venezuela could eventually affect the Mexican oil market, since U.S. administration of the Venezuelan oil industry would lead to the displacement of Mexican exports, he said.

In addition, there could be a possible decline in international crude prices, with fiscal consequences for Mexico, as well as a potential weakening of Mexico's negotiating position in the USMCA.