MNI Banxico Preview: November 2025

Rate Decision and Monetary Policy Statement: 1900GMT / 1400ET - Thursday, November 6, 2025.

MNI POV: Board Majority to Maintain Easing Bias

Banxico is expected to deliver another 25bp rate cut on Thursday, bringing the overnight target rate down to 7.25%. Although core inflation remains stuck above the ceiling of the 2-4% target range, the majority of the Board continues to place more emphasis on the weakness of economic activity, highlighted by a contraction of the economy in Q3. Nonetheless, the vote is likely to be split once again, with Deputy Governor Heath continuing to focus on the stalling of the core disinflation process. Focus will therefore remain on the forward guidance, which is likely to keep the door open to further easing ahead given the backdrop of Fed rate cuts and a resilient Mexican peso.

Weakness in Activity Keeps Door Open to Further Easing

The Board of the central bank of Mexico continued to strike a dovish tone at its previous monetary policy meeting in September, emphasising that sluggish domestic growth and ongoing trade tensions continued to pose significant downside risks to the outlook. Despite some concerns about the persistence of core CPI inflation, the majority of the Board still felt comfortable that these downward pressures on growth would bring inflation back to target over the course of next year, allowing them to continue with the easing cycle. Against this backdrop, the Board kept its forward guidance unchanged, suggesting that the current easing pace should be expected to continue in the coming meetings, especially with the Fed back in easing mode.

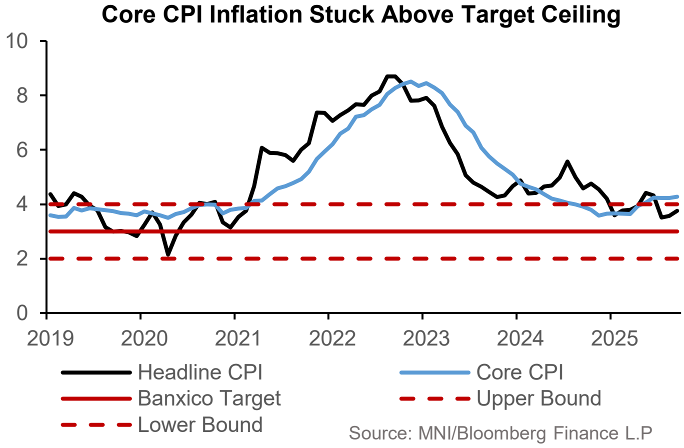
Subsequent economic data have reinforced those expectations, particularly the contraction of the economy in the third quarter, which added to concerns about a widening negative output gap. Real GDP fell by 0.3% q/q in Q3, following a 0.6% gain in Q2, bringing the annual rate of growth into negative territory (-0.2% y/y) for the first time since Q1 2021. The weakness was driven by a 2.9% y/y contraction in industrial output, offsetting a modest 1% y/y gain in services and 3.6% y/y expansion in the primary sector.

On the back of these data, the economy is expected to grow by just 0.5% this year, according to the latest Banxico analyst survey, down slightly from the previous estimate. Bank credit growth has also moderated, while the labour market is showing signs of weakening, albeit from a robust starting position. Formal job creation and nominal wage growth are slowing, and the unemployment rate rose to a 13-month high of 2.98% in September. Given Banxico's focus on weak activity through its easing cycle, these data strengthen the view that it will deliver another 25bp rate cut to 7.25% this week.

But Inflation Backdrop Remains Challenging

Nonetheless, the stickiness of core inflation above the ceiling of Banxico's 2-4% target range remains a source of concern, particularly for Deputy Governor Heath who dissented with another vote to remain on hold in September. The minutes to that meeting revealed that he remains concerned about high inflation as well as the mounting upside risks to the outlook, including possible tariffs on Chinese imports, which he believes are not being considered by the committee and warrant caution.

Core CPI Inflation Stuck Above Target Ceiling



Source: MNI/Bloomberg Finance L.P

In September, headline CPI inflation rose to 3.76% y/y, from 3.57%, while core inflation edged up to 4.28% y/y, from 4.23%, broadly in line with expectations. More recent mid-month CPI data put the headline rate at 3.63% y/y in the first half of October, while core inflation remained relatively stable at 4.24%. Within this, tradables inflation moderated to 4.06% y/y, but services inflation remained sticky at 4.42% y/y.

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Overall, core inflation has remained stuck around 4.2-4.3% for four months now, prompting the central bank to raise its year-end forecast by 30bp to 4.0% in September. Further ahead, it still sees both the headline and core rates converging to the 3.0% target in Q3 2026, although attention this week will be on further potential upward revisions to those forecasts. The minutes to the last meeting revealed that the majority of the Board still took comfort from the stability of both the headline and core inflation rates, with their emphasis remaining on the slack in the economy amid the weakness in consumption and investment.

Core Inflation Expectations Continue to Climb

Meanwhile, analysts headline inflation expectations have remained relatively stable, albeit above target, with inflation seen ending this year at 3.90%, according to the latest Citi survey (vs. 3.99% ahead of the September MPC meeting) and 3.80% in 2026 (vs. 3.79% previously). However, core inflation expectations have been creeping up, with analysts expecting the core rate to end this year at 4.20%, according to the Citi survey (up from 4.12% in September), and next year at 3.80% (vs. 3.70% previously). This week's Banxico survey showed a similar pattern, with headline expectations relatively stable even as core CPI forecasts continued to climb.

Against this backdrop, analysts expect Banxico to continue with the easing cycle into next year, with the policy rate still seen ending this year at 7.00%, before declining to 6.50% in 2026, unchanged from estimates ahead of the previous meeting. Speaking to MNI recently, former Banxico deputy governor Javier Guzman said that the central bank is likely to stick to 25bp rate cuts in upcoming meetings, although he said that it should condition forward guidance to a more data-dependent approach to avoid unsettling inflation expectations. Similarly, the former head of Banxico's industrial sector analysis, Pau Messenguer Gally, said that with monetary policy still restrictive, it is highly likely that Banxico will continue with 25bp cuts in its last two meetings of the year, with no short-term pauses expected. (See MNI Policy Team Insights below.)

Mexican Peso Remains Resilient to Broader USD Strength

The broad resilience of the Mexican peso since September also supports the case for continued rate cuts, with USDMXN holding relatively close to levels from just ahead of the previous Banxico rate decision. The peso has continued to benefit from an attractive carry buffer amid Fed rate cuts, as well as optimism over US-Mexico trade talks, which are said to be progressing well. Nonetheless, USDMXN has edged higher in recent sessions, resulting in a move above resistance around the 50-day EMA, at 18.5080. This move higher has also delivered a print above 18.6372, the October 10 high. A clear break of this hurdle would confirm a breach of the 50-day EMA and signal a possible short-term reversal. This would expose 18.8637 initially, the September 2 high. For now, the medium-term trend remains bearish, with the bear trigger lying at 18.2008, the September 17 low.

MNI Banxico Data Watch List

Inflation		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Bi-Weekly CPI	% y/y	3.63	3.5	↑	3.9	↓					-1.26
Core CPI	% y/y	4.28	4.2	↑	3.6	↑					0.93
CPI	% m/m	0.23	0.3	↓	0.3	↓					-0.30
Oil Price (WTI Active)	$	60.23	66.60	↓	56.60	↑					-0.28
Economic Activity		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
PMI Manufacturing	Index	49.5	49.1	↑	44.8	↑					0.05
GDP	% y/y	-0.2	0.4	↓	1.5	↓					-1.33
Industrial Man Prod	% y/y	-3.6	-0.7	↓	-1.3	↓					-0.96
Economic Activity IGAE	% y/y	-0.90	0.04	↓	-0.69	↓					-0.62
Monetary Analysis		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
M3 Money Supply	% y/y	9.3	10.3	↓	11.2	↓					-1.51
Non-Fin Corp Credit	% y/y	-4.6	-2.5	↓	-1.0	↓					-1.52
Household Credit	% y/y	16.7	16.5	↑	16.2	↑					1.25
Consumer / Labour Market		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Retail Sales	% m/m	2.4	3.2	↓	4.1	↓					-0.06
Consumer Confidence (Q)	Index	46.1	45.9	↑	45.4	↑					0.13
Unemployment Rate	%	3.0	2.7	↑	2.2	↑					1.24
Nominal Wage Increase	% y/y	3.9	8.5	↓	8.0	↓					-2.17
Markets		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Bolsa Mexicana	Index	62,153	57,398	↑	56,259	↑					1.33
10-Yr TIIE Swap Yield	%	7.73	8.25	↓	8.17	↓					-1.39

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 deliver another 25bp rate cut to 7.25% this week.

Banorte: Forecast 100bp of Rate Cuts Over Next Four Meetings

- Banorte expects Banxico to reduce its reference rate by 25bp to 7.25% this week. They also expect a dissent from Deputy Governor Jonathan Heath to remain on hold for a fourth time in a row.
- The dovish tone will continue, with the reduction supported by: (1) Economic weakness in Q3 25, impacting slack conditions; (2) greater room for manoeuvre when considering the relative stance with the Fed; (3) recent levels of the Mexican peso; and (4) the relative stability of headline inflation, which has been below 4% for almost four months. However, Banorte believes that challenges for core inflation persist, with higher risks towards 2026. In this backdrop, any revisions to inflation estimates will be relevant.
- Overall, Banorte believes that Board members will assess that the environment will remain conducive to further cuts, so they do not expect substantial changes in the statement's forward guidance.
- Banorte expects cuts to continue at the end of the year and in early 2026. Given the current outlook, they still anticipate 25bp cuts in each of the three subsequent meetings following this one, taking the rate to 7.00% at the end of the year and 6.50% at the end of Q1 2026. However, further adjustments will be more uncertain due to: (1) The expectation of an economic recovery, with several tailwinds for next year; and (2) a more challenging inflation outlook. Thus, Banorte believes that 6.50% will be the terminal level in this cycle.

BBVA: Likely to Keep Possibility of Further Cut in December Open

- Banxico is likely to cut its policy rate by 25bp on Thursday to 7.25%, probably in another split decision, with one member voting for a pause. Policymakers have defended the lower rates trajectory over the past few weeks given soft economic activity, although inflation has failed to converge more convincingly. A stable MXN at relatively strong levels has helped, so it may be relevant to follow the currency trajectory and eventual reaction.
- Expectations are that Banxico will maintain a relatively steady tone and keep open the possibility of an additional cut next month, before a reassessment in the new year. The market focus will therefore be on any relevant changes in the typically succinct forward guidance and the latest revisions to forecasts.
- Until now, the MXN has not reacted to rate differentials or the steady Banxico cuts but rather enjoyed the carry and the very low volatility. If the latter changes or a more consistent depreciation trend emerges, a heavier unwind of long positioning could drive sharper moves higher in USDMXN, towards 19.

BNY Mellon: Easing Provides Favourable Backdrop for Duration, Adds Hedging Pressures to MXN

- Banxico is expected to cut rates to 7.25% as the contracting economy will require additional support, especially with trade relations with the US still in a state of flux and weakness in the US itself likely to have a knock-on effect. The Fed's current stance is sufficient to give Banxico room to act while inflation continues to run below 4% on a headline basis, though core inflation is still higher at 4.28% for September.
- On a more favourable note, nominal wage growth fell sharply in September to 3.9% y/y from 7.3% y/y. The figure is one of the lowest in the last five years and should also give Banxico the confidence to act as the labour market is showing signs of softening enough to restrain demand.
- Conditions for duration remain favourable but additional easing will add to hedging pressures on MXN.

CIBC: Board to Signal Continuation of Easing Cycle into 2026, See Downward Pressure on Local Rates

- CIBC expects Banxico to cut the overnight rate by 25bp to 7.25%, in line with the consensus view, and to signal a continuation of the easing cycle into 2026.
- Excluding Jonathan Heath's cautious stance (who voted to hold rates in September), most members' comments suggest Banxico could bring the ex-ante real rate within their neutral real rate range estimate, likely toward the mid-point at 2.7%. This supports CIBC's view of a 6.5% terminal rate by Q2 2026 which should exert downward pressure on short-term local rates as the market continues to price the terminal rate near 7.0%.

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- The downside surprise in both headline and core CPI during the first two weeks of October further reinforces their forecast. CIBC expects USD/MXN to maintain its upward trajectory, consistent with their 18.85 forecast for Q4.

Goldman Sachs: Forward Guidance to be Shortened to Just the Next Meeting

- Goldman Sachs expects the MPC to cut the policy rate by 25bp to 7.25%, with likely one dissenting vote for no cut given persistent core inflation pressures. They anticipate that the forward guidance will be tweaked: suggesting that the rate normalisation cycle is likely to continue in December but no longer signalling that the MPC will "assess further adjustments to the policy rate".
- The shortening of guidance to just the next meeting (Dec) would be justified by the fact that with the expected cut to 7.25%, the ex-ante real rate will likely decline to around 3.45% and move within the r* 1.8%-3.6% band. In addition, inflation is expected to reaccelerate in Q1 2026, headline/core inflation expectations for 2026 have deteriorated since the Sept meeting, and the outlook for the FOMC rate decision in December became more uncertain.
- GS expects another upward revision to the 2026 inflation forecasts to incorporate the impact of higher taxes/tariffs, with inflation convergence to the target delayed from Q3 2026 to possibly H2 2027.

Itaú (Oct 10): Likely to Maintain Forward Guidance, Easing Cycle to Extend into 2026

- Itaú keep their year-end forecast for the monetary policy rate at 7.0% in December 2025 and 6.5% at the end of 2026. Banxico cut the policy rate by 25bp to 7.50% in the last meeting, with the forward guidance indicating additional adjustments ahead.
- Barring any shocks, if the current dynamics (strong USDMXN and overall declining CPI trajectory) remain, and in the context of a widening negative output gap, Banxico is likely to maintain its forward guidance (plural) in November as well, pointing towards an extension of the cycle into 2026.

JP Morgan: Statement to Remain Dovish for Now, but CPI Path Needs to Move Higher

- The widely anticipated 25bp cut to 7.25% would leave the real ex-ante rate around the upper end of the neutrality range (1.8% - 3.6%) according to JP Morgan's projections that see inflation at 3.7% in Q4 2026.
- The central bank's staff projections still assume convergence to 3% in Q3 2026 and hence, they still see policy as restrictive. Once the staff revises its inflation path higher (in JPM's view the Bank will release gradually higher inflation forecasts for the coming quarters, split between the November, December and February statements), it will be more evident that the road to neutrality is narrower.
- With inflation risks tilted to the upside, the Board will need to work on a different communication strategy soon, either in the Quarterly Inflation Report at the end of November, or in the Monetary Program in January.
- For now, with inflation on a well-behaved path for the rest of the year, a dovish statement should be expected even if the hawkish member continues to warn about the risks associated with sticky core services.

Natixis: Expect 25bp Cut, Despite Fed's Hawkish Bias

- Natixis believes that Banxico will most likely cut its policy rate by 25bp to 7.25% at its next monetary policy meeting and will not make any changes to the forward guidance paragraph from the previous communiqué.
- Despite the Fed's recent hawkish bias, Natixis still expects another cut in December, and they maintain their forecast for a terminal Fed rate of 3.0%. Consequently, they maintain their forecast for a 6.50% terminal rate in Mexico.
- Since the last meeting, growth has decelerated much more than anticipated. Fortunately, inflation, particularly core, has not accelerated that much, and it seems that four of the five board members aren't too worried yet about the stickiness of core. These developments support Natixis' view that the easing cycle will continue.

Rabobank: Forecast 7.00% Year-End Rate, Easing to Continue Next Year

- Rabobank expects Banxico to cut the policy rate 25bp to 7.25% this week, followed by one more 25bp cut in December, bringing the policy rate to 7.00% at year-end. They forecast at least two additional cuts in 2026 as well.

- Deputy Governor Heath has continued to highlight his concerns about the pressures driving core CPI inflation, and his fears that further cuts could send signals of complacency. Rabobank expects this to be yet another split decision from the Board of Governors with a dissent from Heath.
- Inflation continues to be a problem as underlying pressures keep core CPI inflation elevated, even as non-core prices cool. Economic activity has sunk in Q3, registering outright contraction for the first time since the Pandemic. Manufacturing and business investment have slowed given heightened trade uncertainty.

Scotiabank: Banxico Rate Cut to Prop up Growth After Mild Contraction in Q3 GDP

- Banxico is expected to cut its overnight rate by 25bp when it weighs in on Thursday. September's policy statement maintained an easing bias. It repeated that "the Board will assess further adjustments to the reference rate." Deputy Governor Heath dissented in favour of holding.
- The fact that the economy contracted mildly in Q3, with GDP falling 0.3% q/q sa non-annualised, may have the central bank choosing to prop up growth despite inflation still running above target at 3.6% y/y. Those residual inflation concerns and dissenting views are part of why the pace of easing was slowed from 50bp cuts until June to quarter point reductions since then.

SocGen: Policy Rate to Reach 6.25% in 2026, With Slight Upside Risks

- SocGen expect Banxico to cut the overnight rate by 25bp to 7.25% in November and to signal further easing in December (to 7.0%). Beyond December, where SocGen see some upside risk following Fed Chair Powell's recent comments, they anticipate that Banxico will implement sporadic rate cuts, depending on the progress of inflation, the state of the economy, and external factors. Their current projection for the end-2026 Banxico policy rate is 6.25%, with risks slightly skewed to the upside.
- Core inflation has remained above Banxico's target range for the past five months, and year-ahead core inflation expectations increased by one tick in September to 3.67%. Nevertheless, inflation expectations are still broadly in line with historical averages. Meanwhile, the economy contracted by 0.3% q/q in 3Q25 and appears set to remain weak in the coming quarters, despite some progress on trade and tariff negotiations. This ongoing weakness is expected to further soften the labour market.
- The point at which Banxico becomes concerned about persistently elevated core inflation will depend on several factors, including inflation expectations and broader economic conditions.
- Although the spread over the Fed rate has narrowed significantly in recent months - and the Fed remains undecided about its December rate move - the Federal Reserve's relatively accommodative stance should encourage Banxico to continue front-loading its own easing cycle.

MNI Policy Team Insights

MNI EM INTERVIEW: Banxico To Stick With 25bp Cuts Pace, No Pause

By Larissa Garcia
Oct 29, 2025

The Central Bank of Mexico is likely to stick to its pace of 25-basis-point cuts in upcoming meetings, with no pause expected, the former head of Banxico's industrial sector analysis told MNI, adding that the terminal rate might be around 6.50%.

"The policy rate is at 7.50% now, with headline inflation already within the target range. Even so, monetary policy remains restrictive, making it highly likely that Banxico will continue with 25bp cuts in its last two meetings of the year, with no short-term pauses expected," Pau Messenguer Gally, who left the central bank earlier this year and is now executive director of economic analysis at Banco Multiva, said in an interview.

Banxico cut rates by 25 basis points to 7.50% last month, with Deputy Governor Jonathan Heath dissenting for a third time, voting to hold at 7.75%. The board said it will continue evaluating "further adjustments" at upcoming meetings.

Messenguer noted that Banxico has aggressively and consistently cut its policy rate throughout 2025, while core inflation has shown no clear trend toward convergence to 3%, remaining above the central bank's variability range, which allows for a one-percentage-point deviation in either direction.

"In January, headline inflation stood at 3.59% with a policy rate of 10%, clearly a level of restriction that did not match the inflation reality. This justified the accelerated pace of rate cuts," he stressed. "The shift from 50- to 25-basis-point adjustments represents an initial signal of monetary policy calibration after several almost automatic cuts."

50BP CUT UNLIKELY

In his view, it is unlikely that 50bp reductions will return, as the rate is now close to the neutral threshold, and accelerating the pace again could limit the central bank's room for maneuver should inflation rebound or expectations become unanchored.

"Inflationary pressures remain, and the challenges heading into 2026 are still significant," he said.

Messenguer estimates the terminal rate for this cycle at 6.50%, still above the neutral level, meaning it would remain slightly restrictive. "From that point on, further moves will respond to new inflationary pressures rather than to the inertia of the easing cycle," he said.

"It's worth remembering that the 11.25% rate that was reached, or the 10% level at the beginning of 2025, reflected an inflationary episode with very particular characteristics, mainly supply-side pressures, associated with the pandemic and the subsequent economic reopening. We are no longer in that context," he added.

U.S. TARIFFS

He noted that Banxico sees U.S. tariffs potentially affecting Mexican inflation in two directions. "The effect most likely to dominate in the short term is the upward bias, particularly related to imports of intermediate and final goods, which could influence domestic price formation," he said.

"Regarding the demand channel, trade with the United States has remained strong and expanding, and Mexico continues to gain market share, so over the next few months it is likely that Mexican exports will grow faster than U.S. demand itself."

The interest rate differential with the United States can affect the exchange rate, Messenguer said, noting that the peso's recent strength largely reflects greenback weakness amid heightened uncertainty driven by shifts in trade policy, while Mexico has maintained a solid macroeconomic framework.

"This should not be seen as a permanent trend. The dollar's weakness is likely cyclical, and eventually it could regain strength. At the end of the day, the United States remains the world's largest and deepest market."

MNI EM INTERVIEW: Banxico To Keep To 25BP, Caution Needed - Guzman

By Larissa Garcia
Oct 1, 2025

The Central Bank of Mexico is likely to stick to 25-basis-point rate cuts in upcoming meetings, as signaled in its official communication, but the board should proceed cautiously, conditioning forward guidance to a more data-dependent approach to avoid unsettling inflation expectations, former Banxico deputy governor Javier Guzman told MNI.

"I believe that in the future it would be worth considering adjusting the forward guidance to send a more cautious message, conditioning decisions on the available data. I agree with most analysts that if circumstances allow, which is still unclear, rate adjustments would continue at 25 basis points per meeting," Guzman said in an interview.

Banxico cut rates by 25 basis points to 7.50% last week, with Deputy Governor Jonathan Heath dissenting for a third time, voting to hold at 7.75%. The board said it will continue evaluating “further adjustments” at upcoming meetings.

The former official stressed that although headline inflation and expectations remain above target, with core inflation particularly high, the board appears to be taking advantage of the room created by lower U.S. interest rates, weak economic activity in Mexico, and the peso’s appreciation to reduce the policy rate.

"On the other hand, because inflation and inflation expectations are above target, Banxico must proceed with great caution. The message conveyed in the statement is that they intend to continue cutting rates for the remainder of the year. However, there is a risk this will be interpreted as a virtually predetermined decision, which could affect inflation expectations," he added.

TERMINAL RATE

In his view, the terminal rate should be one which permits the maintenance or even strengthening of the credibility of monetary policy.

"The decline in inflation is likely to become more complicated in 2026, as the impact on prices of the fiscal measures proposed to Congress will materialize. In addition, it will be important to see how much uncertainty arises from the renegotiation of the USMCA and what adjustment will be made to the minimum wage," Guzman said.

The central bank’s inflation projections for 2026 are optimistic, he added.

"The combined effect of these factors will limit the possibility of continuing to adjust the rate."

Guzman pointed out that the board has always had the intention of bringing the interest rate to its neutral level at some point.

"The difficult part is determining when and at what pace. As communication places less emphasis on the need for monetary policy to remain in restrictive territory, the reasonable interpretation is that the board perceives it can move toward its neutral level," he said.

U.S. TRADE POLICY RISKS

While there is a high risk that U.S. President Donald Trump’s trade tariff policy creates a prolonged environment unfavorable to investment and economic growth, an unpredictable U.S. government means factors affecting Mexico’s exchange rate and inflation could change abruptly, Guzman said.

The strength of the peso has been largely determined by the behavior of the dollar, he noted, although a still-favorable interest rate differential for Mexico has also helped.

"This has created a trend whose duration has surprised everyone. No one expected that at this point we would have parity below 19 pesos per dollar. On the other hand, this is not a long-term trend. Considering inflation differentials and the greater relative vulnerability of the Mexican economy, sooner or later we will start to see a trend of the peso depreciating against the dollar," he concluded.