

Mexico: Staff Concluding Statement of the 2025 Article IV Mission

September 19, 2025

A Concluding Statement describes the preliminary findings of IMF staff at the end of an official staff visit (or 'mission'), in most cases to a member country. Missions are undertaken as part of regular (usually annual) consultations under [Article IV \(/external/pubs/ft/aa/aa04.htm\)](/external/pubs/ft/aa/aa04.htm) of the IMF's Articles of Agreement, in the context of a request to use IMF resources (borrow from the IMF), as part of discussions of staff monitored programs, or as part of other staff monitoring of economic developments.

The authorities have consented to the publication of this statement. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. Based on the preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF Executive Board for discussion and decision.

Washington, DC: An International Monetary Fund (IMF) mission, led by Mr. Gustavo Adler, visited Mexico City during August 18-29 and held virtual meetings during September 2-12 for the 2025 Article IV consultation. At the end of the discussions, the mission issued the following statement:

Key Messages

- Economic activity remains soft with the economy projected to grow by 1.0 percent this year, accelerating somewhat in 2026.
- Further deficit reduction, and policy measures to support that adjustment, are needed going forward to prevent further upward drifts in public debt and create fiscal space to respond to possible shocks.
- Monetary easing should continue once it becomes clearer that inflation is on a path to the 3 percent target.
- Financial stability risks appear low and plans to foster competition and financial deepening are welcome.
- Mexico's long-term economic success hinges on closing infrastructure gaps, strengthening the rule of law, and deepening integration with global trading partners.

Macroeconomic Outlook

Growth is expected to slow in 2025. Fiscal consolidation, still-restrictive monetary policy and trade tensions with the U.S. have all weighed on consumption and investment, while exports have shown resilience. Mexico's record of very strong policies and policy frameworks has also proved to be an important asset as the country navigates the uncertain economic environment. Growth is expected to accelerate somewhat in 2026 although the effect of tariffs and trade uncertainty will continue to be felt. Headline inflation is moderating and expected to converge to Banxico's 3-percent target in the second half of 2026.

Near-term risks to activity are broadly balanced. Escalating trade tensions, and tighter global financial conditions pose key downside risks. On the other hand, stronger-than-expected U.S. demand and a resolution of tariff uncertainties (including through a favorable review of the USMCA and greater use of

USMCA preferences) are key upside risks. Although inflation risks have moderated since the post-pandemic inflation episode, they remain tilted to the upside as services inflation could prove stubborn, disinflation in food prices could reverse, and global uncertainties could induce a depreciation of the peso boosting goods prices.

Fiscal Policy

While the fiscal expansion of 2024 is expected to be reversed in 2025, further efforts are needed to place public debt on a declining path. The 2025 deficit (Public Sector Borrowing Requirement) is projected to reach 4.3 percent of GDP—compared to a 3.9 percent programmed target—appropriately unwinding the 2024 spending increase. However, deficit targets for 2026 and beyond proposed in the 2026 draft budget would imply a steady rise in gross debt-GDP over time—reaching about 61.5 percent of GDP by 2030, under IMF staff’s macroeconomic assumptions—, leaving debt dynamics vulnerable to shocks. While public debt remains sustainable with high probability, a more front-loaded and ambitious consolidation path is needed to enhance credibility of fiscal plans, prevent a further upward drift in the public debt and create valuable fiscal space for a counter-cyclical response in the event that external risks are realized. A deficit of 2.5 percent of GDP by 2027—about 1 percent of GDP below the current budget target—would achieve these objectives.

Concrete measures of around 1½ are needed to underpin this consolidation. Undertaking this fiscal adjustment while preserving essential social spending and growth-enhancing public investment will require the mobilization of tax revenues through both administrative improvements and tax policy changes. Recent improvements in revenue administration are commendable and there is scope for further gains, including tackling informality and VAT leakages. However, this should be complemented with a broader, revenue-increasing tax policy reform. Policy options include increasing the progressivity of the personal income tax, eliminating tax expenditures, raising and broadening the coverage of the carbon tax and mining royalties. Strengthening property and vehicle taxation at state and municipal levels could also contribute to freeing up resources at the federal level.

Durably strengthening SOEs’ finances and profitability will be key to lowering the public debt-GDP ratio. Plans to put Pemex on a stronger footing, including by fostering private partnerships—which would bring needed capital and expertise to the energy sector—, reducing operational costs and smoothing the debt maturity profile are welcome. Transparent and judicious implementation will be key, as the financial operations are creating contingent liabilities for the sovereign. A strong commitment to commercial objectives—including by divesting non-core assets and scaling back unprofitable activities—will also be key. Pemex and the *Comisión Federal de Electricidad*’s newly instituted social objectives should be clearly separated from their commercial activities and reported transparently as a fiscal activity.

Strengthening the medium-term fiscal framework would enhance the credibility of fiscal plans, anchor expectations about the path for debt and deficits, and lower sovereign financing costs. Introducing a binding medium-term debt anchor and corrective mechanisms for deviations from the associated PSBR path would strengthen fiscal sustainability. An independent fiscal council—that would assess macro-fiscal forecasts and fiscal rules methodologies as well as compliance with the fiscal rules—would support clarity and credibility of the framework. Expanding the coverage of the structural current spending rule and holistically calibrating the size and functions of the stabilization funds would help enhance the stabilization function of fiscal policy, while safeguarding debt sustainability.

Monetary Policy

Core inflation and inflation expectations remain stable but above target. Inflationary pressures have decreased substantially since the post-pandemic inflation episode, and slower increases in food prices have brought headline inflation toward Banxico's target in recent months. However, some price pressures remain as the gradual easing of core services prices has been more-than-offset by rising core goods inflation in recent months. While stable, near-term inflation expectations also remain above Banxico's target.

Further monetary easing should be implemented once it becomes clearer that inflation is on a path to the 3 percent target. With inflationary pressures declining, weakening economic activity and the strengthening of the peso, the monetary easing of recent months has been appropriate. Additional interest rate cuts should follow clear signs that core inflation and inflation expectations are moving towards the 3 percent inflation target.

There is scope for improving monetary policy communications. While Banxico's current framework has effectively addressed post-pandemic inflation and integrated some elements of forward guidance into policy communication, greater clarity on its policy reaction function would help strengthen policy transmission and better anchor inflation expectations. Publishing alternative scenarios with macroeconomic assumptions and associated interest rate paths (framed as indicative and conditional, not a policy commitment), stating when the interest rate would reach neutral, and explaining how inflation expectations inform decisions would all help provide clarity. Tailoring messages to different audiences would also enrich Banxico's communication toolkit and help guide the formation of expectations, while advancing plans to expand household surveys would provide insights into the broader population's understanding of monetary policy and inflation.

The exchange rate should continue to be a shock absorber. The peso is supported by healthy external buffers and an external position that is broadly in line with fundamentals. With a deep and liquid FX market, limited balance sheet currency mismatches, sound macroprudential policies, and low exchange rate passthrough, the Foreign Exchange Commission has appropriately shown a strong commitment to exchange rate flexibility, intervening in FX markets only to address disruptions. Continued flexibility will be key in this highly uncertain external context.

Financial Sector Policies

Mexico's banking system remains sound. Banks continue to have robust capital and liquidity positions. Stress tests indicate that banks can withstand a sharp economic slowdown—comparable to severe episodes experienced in the past two decades—and bank exposure to exporting firms appears low. Corporate and household leverage is low, and there are no signs of stretched asset valuations.

Efforts to foster financial inclusion and expand lending should focus on promoting competition among intermediaries. Plans to boost mortgage and SME lending via increased loans and guarantees from development banks and INFONAVIT should be transparent, mindful of fiscal implications, and ensure space for private sector participation. Initiatives to promote competition, including through the entry of new private institutions, should focus on ensuring a level playing field between new and traditional financial institutions, including by advancing open finance initiatives and addressing fragmented supervisory responsibilities and interagency coordination gaps. Capital risk weights should continue to be calibrated to ensure financial stability while preserving room for credit expansion. Strengthening creditor rights will also be key to foster loan extension by commercial banks.

Continued implementation of the 2022 Financial System Stability Assessment would strengthen the macroprudential and supervisory frameworks. Establishing principles for activating countercyclical capital buffers would provide guidance to financial institutions. Setting limits on and monitoring household debt-service-to-income and loan-to-value ratios would allow for the timely identification of credit risks over time and help guide and promote credit extension. Improving inter-agency coordination, updating disclosure requirements for financial conglomerates, and addressing pending recommendations on the bank resolution framework would enhance financial oversight.

Efforts to address weaknesses in the AML/CFT framework, especially related to organized crime, should continue. Despite progress, there is further scope for strengthening interagency coordination (between supervisory, intelligence, and law enforcement agencies) and risk-based supervision to ensure effective investigation and prosecution of financial crime and associated money laundering. Building on the 2023 National Risk Assessment, efforts should continue on identifying and addressing emerging threats, including the infiltration of organized crime in productive sectors. The authorities promptly took control of financial institutions that were recently designated by the U.S. for alleged facilitation of money laundering, safeguarding financial stability and promoting orderly operation of markets. AML/CFT investigations should be quickly brought to a conclusion, and national and international coordination efforts should be strengthened to allow for more proactive and coordinated cross-border supervisory and investigative actions, and subsequent prosecution.

Supply-Side Reforms

Preserving trade openness is key for sustaining growth. Resolving tensions with the U.S. –including through a favorable review of the USMCA–would support investor confidence and supply chain continuity. Trade-distorting measures, such as recent product-specific import duties, should be avoided as they risk creating a misallocation of resources. Expanding and diversifying partnerships with a range of trading partners would further strengthen Mexico’s position in global supply chains.

Unlocking stronger growth, including to continue reducing poverty rates, requires addressing long-standing supply-side constraints. Priority should be given to closing infrastructure gaps—especially in energy, transport, telecommunications and water. Given fiscal constraints, private sector participation will be key which will require improving the investment climate. The focus should be on streamlining business procedures and clarifying regulations, especially following recent legal reforms and the elimination of independent regulatory bodies. Support to strategic sectors, including under Plan Mexico, should be narrowly targeted and focused on addressing market failures. Raising human capital and addressing low female participation and informality remains essential. Given the rise of labor costs in recent years, plans to further increase the minimum wage and reduce the working week should carefully consider the potential impacts on employment and informality, particularly for lower income workers.

Strengthening the rule of law is essential. Crime remains a key constraint on growth and should be tackled, including through stronger international cooperation and more effective action against drug trafficking. Governance reforms also need to advance. The replacement of the *Instituto Nacional de Transparencia, Acceso a la Información y Protección de Datos Personales* with the *Anticorruption and Good Governance Secretariat* (formerly known as *Secretaría de la Función Pública*) and the *Secretaría de Transformación Digital*, executive agencies, should be followed by steps to dispel concerns about autonomy. At the same time, the resource constraints and the need of developing institutional capacity of the *Secretaría Ejecutiva del Sistema Nacional Anticorrupción*, the obstacles to asset declaration verification, and the still ongoing development of whistleblower protection legislation highlight the need to strengthen

legal frameworks, enhance enforcement resources, and ensure stronger guarantees of institutional independence. With the judicial reform marking a major shift toward broader democratic participation, the transition from career-based appointments to popular elections should be accompanied by safeguards to ensure transparency, professionalism, and accountability—all of which are critical for investor confidence.

The IMF staff team would like to thank the Mexican authorities and other counterparts for their support, hospitality, and constructive discussions.

Table 1. Mexico: Selected Economic, Financial, and Social Indicators

I. Social and Demographic Indicators

GDP per capita (U.S. dollars, 2024)	14,034.2	Poverty headcount ratio (% of population, 2024) 1/	29.6
Population (millions, 2024)	132.3	Income share of highest 20 perc. / lowest 20 perc. (2022)	8.4
Life expectancy at birth (years, 2024)	75.5	Adult literacy rate (2020)	95.2
Infant mortality rate (per thousand, 2023)	13.6	Gross primary education enrollment rate (2022) 2/	102.0

II. Economic Indicators

Proj.

2021 2022 2023 2024 2025 2026

(Annual percentage change, unless otherwise indicated)

**National Accounts (In
Real Terms)**

GDP	6.0	3.7	3.4	1.4	1.0	1.5
Consumption	7.1	4.4	4.0	2.6	0.5	1.8

Private	8.4	4.8	4.3	2.8	0.4	1.7
Public	-0.5	2.0	2.3	1.6	1.1	2.4
Investment	11.4	7.3	15.7	3.3	-5.1	1.2
Fixed	10.5	7.5	16.7	3.4	-5.0	1.2
Private	12.6	7.5	15.7	4.5	-3.6	1.1
Public	-3.5	7.2	24.5	-5.1	-16.6	1.4
Inventories 3/	0.2	0.0	-0.2	0.0	0.0	0.0
Exports of goods and services	7.1	9.5	-7.2	3.3	6.6	1.0
Imports of goods and services	15.7	8.6	3.7	2.8	1.6	2.6
GDP per capita	5.4	2.9	2.4	0.6	0.2	0.8

External Sector

External current account balance (in percent of GDP)	-0.3	-1.3	-0.7	-0.9	-0.2	-0.3
Exports of goods, f.o.b. 4/	18.6	16.7	2.6	4.2	3.5	0.8
Imports of goods, f.o.b. 4/	32.0	19.8	-0.1	5.1	1.6	1.4
Net capital inflows (in percent of GDP) 5/	-1.1	-0.9	-0.9	-1.4	-0.8	-0.8
Terms of trade (goods, improvement +) 6/	-1.0	-3.3	14.2	-0.5	-3.0	1.0
Gross international reserves (in billions of U.S. dollars)	207.7	201.1	214.4	232.1	242.7	252.5

Exchange Rates

Real effective exchange rate (avg, appreciation +) 6/	5.9	5.4	16.3	0.2	...	...
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Nominal exchange rate (MXN/USD) (eop, appreciation +)	-3.2	5.7	12.8	-19.8	...	...
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Inflation and Employment

Consumer prices (end-of- period)	7.4	7.8	4.7	4.2	3.7	3.0
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Core consumer prices (end-of-period)	5.9	8.3	5.1	3.7	3.6	3.0
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National unemployment rate (annual average)	4.1	3.3	2.8	2.7	2.9	3.1
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Money and Credit

Financial system credit to non-financial private sector 7/	4.2	10.9	8.7	11.3	4.0	5.0
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Broad money	9.5	7.3	11.0	13.8	5.5	5.8
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Public sector finances (In percent of GDP) 8/

General government revenue	22.9	24.2	24.2	24.6	24.2	24.2
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General government expenditure	26.7	28.5	28.5	30.3	28.5	28.3
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Overall fiscal balance	-3.7	-4.3	-4.3	-5.7	-4.3	-4.1
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Structural primary balance	1.1	1.0	1.3	-0.1	1.4	1.5
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Fiscal impulse 9/	0.3	0.0	-0.3	1.4	-1.5	-0.1
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Gross public sector debt 10/	56.7	53.8	52.6	58.3	58.9	59.9
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Memorandum Items

Nominal GDP (billions of pesos)	26,690	29,526	31,936	33,981	36,085	38,299
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Output gap (in percent of potential GDP)	-2.0	0.0	1.4	0.7	-0.2	-0.1
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Sources: World Bank Development Indicators, ENIGH, National Institute of Statistics and Geography, National Council of Population, Bank of Mexico, Secretariat of Finance and Public Credit, and Fund staff estimates.

1/ ENIGH.

2/ Percent of population enrolled in primary school regardless of age as a share of the population of official primary education age.

3/ Contribution to growth. Excludes statistical discrepancy.

4/ Excludes goods procured in ports by carriers.

5/ Excludes reserve assets

6/ Based on IMF staff calculations.

7/ Includes domestic credit by banks, nonbank intermediaries, and social housing funds.

8/ Data exclude state and local governments and include state-owned enterprises and public development banks.

9/ Negative of the change in the structural primary fiscal balance.

10/ Corresponds to the gross stock of public sector borrowing requirements, calculated as the net stock of public sector borrowing requirements as published by the authorities plus public sector financial assets. It does not include arrears on Pemex's supplier debt, which stood at 0.6 percent of GDP at end-2024 and 0.1 percent of GDP as of September 12, 2025.

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