BANCO DE MÉXICO

March 26, 2026

Press release

Monetary policy statement

Banco de México's Governing Board decided to lower the target for the overnight interbank interest rate by 25 basis points to 6.75%, effective March 27, 2026.

World economic activity is expected to grow in the first quarter of 2026 at a higher rate than in the previous quarter. In the major advanced economies, headline and core inflation have decreased with respect to the levels observed at the end of 2025. The Federal Reserve kept the federal funds rate unchanged in its March meeting. In the face of the Middle Eastern conflict, international financial markets registered volatility and lesser appetite for risk, and the prices of several commodities rose. The US dollar appreciated. US government interest rates increased. The impact that the Middle Eastern conflict will have on the global economy is uncertain and will depend on its duration and intensity.

Since the previous monetary policy decision, Mexico's medium- and long-term government interest rates increased. The Mexican peso depreciated slightly. Economic activity showed significant weakness at the beginning of 2026. Although the outcome of the Middle Eastern conflict is difficult to anticipate, the environment of uncertainty continues posing downward risks.

Between the first fortnight of January and the first fortnight of March 2026, headline inflation rose from 3.77 to 4.63% due to an increase in its non-core component. Core inflation remained practically unchanged, by shifting from 4.47 to 4.46% during the same period. As anticipated, there is no evidence of second-round effects from the fiscal measures adopted at the beginning of the year. Headline inflation expectations for the end of 2026 rose while those for longer terms remained relatively stable at levels above target.

Headline and core inflation forecasts were revised upwards between the first and third quarter of 2026. This adjustment responds mainly to a higher trajectory for non-core inflation and a more-gradual-than-anticipated decline in services inflation. Headline inflation is still expected to converge to the target in the second quarter of 2027 (see table). Forecasts are subject to various risks. On the upside: i) disruptions due to foreign trade policies or to an inflationary impact from geopolitical conflicts; ii) cost-related pressures; iii) persistence of core inflation; iv) a trend towards depreciation by the Mexican peso, and v) climate-related impacts. On the downside: i) lower-than-anticipated economic activity in Mexico and/or the United States; ii) a lower pass-through from increased costs, and iii) lower pressures stemming from the appreciation the national currency has been registering since last year. The risks for the trajectory of inflation remain biased to the upside. The changes in economic policy by the US administration and the escalation of geopolitical conflicts add uncertainty to the forecasts. Their effects could imply pressures on inflation on both sides of the balance.

The Governing Board deemed appropriate on this occasion to continue the rate-cutting cycle, consistent with the assessment of the current inflationary outlook. It took into account the observed levels of the exchange rate, the weakness of economic activity, and the level of monetary restriction implemented. It also deemed that the monetary policy stance attained is adequate to face the challenges posed by an extension and escalation of the Middle Eastern conflict and its outcome. Thus, with the presence of all its members, the Board decided by majority to lower the target for the overnight interbank interest rate by 25 basis points to 6.75%.

Looking ahead, depending on the evolution of macroeconomic and financial conditions, the Board will evaluate the appropriateness and timing for an additional reference rate cut. It will take into account the effects of all determinants of inflation and will monitor the evolution of external conditions. Actions will be implemented in such a way that the reference rate remains consistent at all times with the trajectory needed to enable an orderly and sustained convergence of headline inflation to the 3% target during the forecast period. The central bank reaffirms its commitment to its primary mandate and the need to continue its efforts to consolidate an environment of low and stable inflation.

Voting in favor of the decision were Victoria Rodríguez, Gabriel Cuadra, and Omar Mejía. Galia Borja and Jonathan Heath voted in favor of maintaining the target for the overnight interbank interest rate at 7.00%.

Forecasts for headline and core inflation

Annual percentage change of quarterly average indices

	2025			2026				2027				2028
	II	III	IV	I	II	III	IV	I	II	III	IV	I
Headline (CPI)												
Current (03/26/2026)1/	**4.2**	**3.6**	**3.7**	**4.1**	**4.0**	**3.7**	**3.5**	**3.2**	**3.0**	**3.0**	**3.0**	**3.0**
Previous (02/05/2026)2/	4.2	3.6	3.7	4.0	3.8	3.6	3.5	3.2	3.0	3.0	3.0	
Core												
Current (03/26/2026)1/	**4.1**	**4.2**	**4.3**	**4.5**	**4.1**	**3.7**	**3.4**	**3.1**	**3.0**	**3.0**	**3.0**	**3.0**
Previous (02/05/2026)2/	4.1	4.2	4.3	4.4	4.0	3.6	3.4	3.1	3.0	3.0	3.0	
Memo												
Annualized seasonally adjusted quarterly variation in percent3/												
Current - Headline1/	5.2	3.0	3.7	4.8	4.2	2.6	3.0	3.1	3.2	2.6	3.1	3.0
Current - Core1/	4.9	4.3	4.0	4.6	3.3	2.9	3.1	3.0	3.1	2.8	3.0	3.0

1/ Forecast starting in March 2026.
2/ Forecast starting in January 2026. See monetary policy statement of February 5, 2025. Forecast presented in the Quarterly Report October-December 2025.
3/ See methodological note on the seasonal adjustment process.
Source: INEGI for observed annual variation figures and Banco de México for seasonally adjusted figures and forecasts.
Note: Shaded areas correspond to observed figures.