

360° Economic View: January

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Written by: Janneth Quiroz
Rosa Rubio Kantún
analisis@monex.com.mx

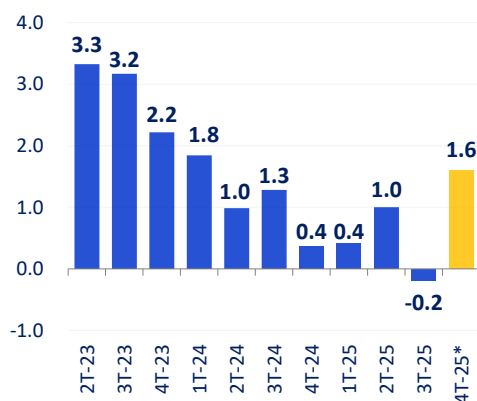
- In Q4-25, Mexico's GDP grew 1.6% year-on-year, after contracting by 0.2% in Q3-25. At a quarterly rate, GDP advanced 0.8% (vs -0.3%).
- In the 1st half of January, the annual inflation rate rose to 3.77% from 3.66% previously, amid persistent pressures from the core component.
- In the US, the Fed opted for a pause for its first monetary policy decision of 2026 and kept the target range of the federal funds rate unchanged at 3.50% – 3.75%.

The edition of this monthly report provides an overview of the performance of the main macroeconomic indicators of Mexico and the United States, to offer economic monitoring of the current situation, relevant events in the region, as well as the main challenges for the coming months.

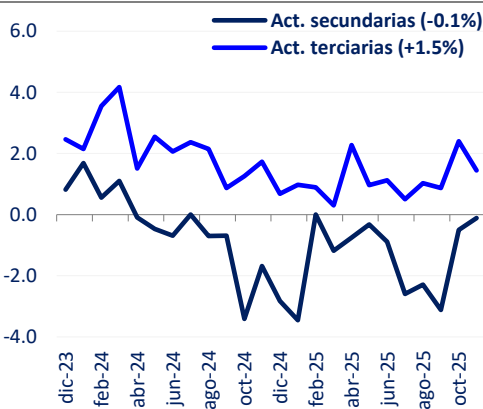
Economic outlook

At the beginning of 2026, the economic environment remains conditioned by a high degree of commercial and geopolitical uncertainty, which continues to limit visibility on global growth. The volatility in U.S. trade policy and the permanence of tariffs in force continue to represent a relevant risk for international trade and supply chains, particularly in productive sectors such as manufacturing. In this context, the USMCA framework remains a key anchor, although it will be subject to a rigorous and strategic review for the region. In the case of Mexico, this environment translates into challenges for foreign trade, investment and the exchange rate, in a context of limited growth and greater dependence on the evolution of external demand, remittances and the stability of the trade environment. During 2025, Mexican exports served as a lifeline for domestic growth, so their continuity will be a determining factor for the balance of growth risks in 2026. For the US, signs of lower economic dynamism, together with still-sensitive inflation and a weak labor market, point to a more moderate growth scenario.

GDP, annual rate (%)



IGAE, annual rate (%)



Source: Author's elaboration with data from INEGI. Seasonally adjusted figures.

For 2026, the International Monetary Fund (IMF) anticipates Mexico's GDP growth of 1.5% per year.

According to preliminary GDP figures, in 2025, secondary sector contracted 1.3% annually, stringing together two consecutive years in contractionary territory.

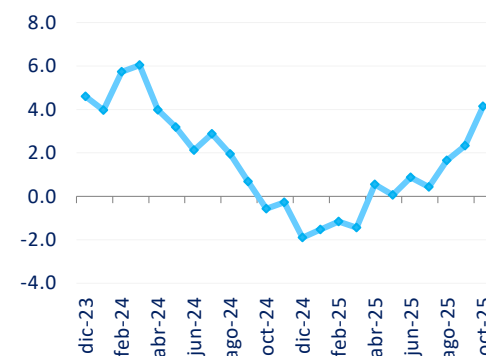
From January to December 2025, Mexican exports grew 7.6% YoY, reflecting a solid dynamic, supported by manufacturing shipments (+9.8% YoY).

Mexico: Growth and Economic Environment

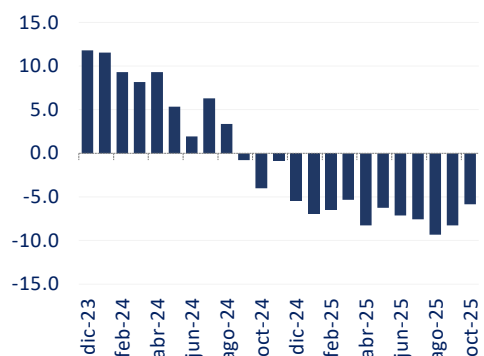
In Q4-25 (with preliminary and seasonally adjusted figures), Mexico's [GDP](#) grew 1.6% annually (YoY). In its quarterly comparison (QoQ), GDP expanded 0.8% QoQ, recovering from the contraction recorded in Q3-25 (-0.3% QoQ). During this period, it was observed that the main activities showed a moderate reactivation, but with an advance that remains limited and heterogeneous between sectors. Secondary activities increased 0.9% QoQ, after a decrease of 1.5% QoQ in the previous quarter. For its part, the tertiary sector showed an advance of 0.9% QoQ (vs +0.2% previously), while primary activities fell 2.7% QoQ, halting its streak of three consecutive quarters of increases. During 2025 and with original figures, the Mexican economy grew 0.5% YoY, compared to 1.4% in 2024, marking its lowest growth rate since 2020.

In relation to the indicators of aggregate demand ([consumption and investment](#)), the October figures point to a close of the year with low momentum. On the one hand, private consumption exhibited a modest improvement, accumulating a marginal growth of 0.5% YoY, driven by imported goods, since spending on goods of national origin remained practically stagnant, which suggests that the strength of domestic consumption remains moderate. At the same time, gross fixed investment accentuated its downward trajectory, accumulating a contraction of 7.4% YoY. This performance reflected lower investment spending on construction, particularly in the non-residential sector, while investment in machinery and equipment weakened again.

Private consumption, annual rate (%)



Gross fixed investment, annual rate (%)



Source: Author's elaboration with data from INEGI. Seasonally adjusted figures.

Regarding the [external sector](#), in December, total exports fell 0.5% m/m, extending the low dynamism of the previous month (-3.2%). Manufacturing decreased 0.4% m/m, weighed down by automotive shipments (-5.2%), while non-automotive exports increased 1.5% m/m. On the other hand, imports increased 0.4% m/m, recovering from the fall recorded in the previous month (-0.1%). Domestically, consumer goods (+5.9%) and capital goods (+2.0%); while intermediate-use goods contracted 0.8% m/m.

In the 1st half of January 2026, the CPI in México increased 0.31% after a 0.02% decline in the second half of December.

With figures from the 1st half of January, core inflation accumulated 16 fortnights above 4.0%

By the end of 2026, we expect the benchmark interest rate to stand at 6.50%, which would imply two cuts of 25 bps.

Although Mexican exports showed a slowdown in December, compared to 2024, Mexico closed 2025 with an outstanding performance.

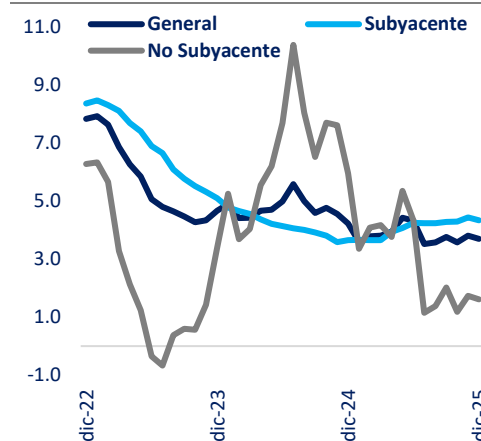
At the same time, the [unemployment rate](#) in December closed at historically low levels (2.6% on a seasonally adjusted basis), reflecting partial stability in the labor market. However, this performance takes place in an environment of softer economic momentum, marked by lower labor force participation and sector-specific pressures on employment, particularly in manufacturing and construction. Against this backdrop, a more vulnerable labor market is emerging, with increasing pressures on formal job creation, amid the challenges stemming from the recent increase in the minimum wage and its impact on labor-intensive activities, as well as on industries linked to the external sector.

Overall, the results point to a limited improvement in the economy, where secondary activities, which represent about 30.0% of GDP, remained in contraction for the second consecutive year. The 2026 period will be characterized by an environment of fragility, which will continue to be conditioned by the changing shifts in U.S. tariff policy. In addition, within the framework of the revision of the USMCA, structural changes could be made, such as in the percentage of regional content of manufactured shipments to the US.

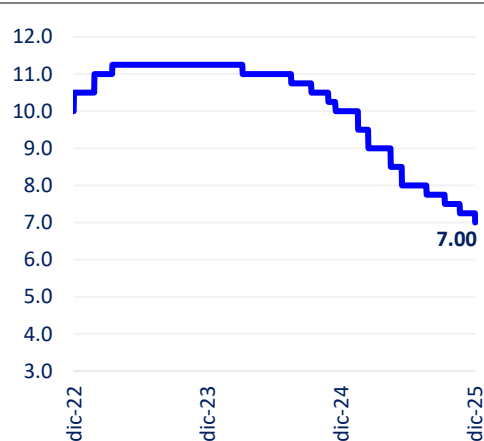
Inflation

In the 1st half of January, [annual inflation rate](#) increased to 3.77% annually (YoY) from 3.66% previously, which remained within Banxico's variability interval (plus/minus 1 percentage point around the 3.0% target) for the thirteenth consecutive fortnight. This increase was explained by an acceleration in core inflation, going to 4.47% YoY from 4.31% previously, which represented its second highest level since the 1st half of March 2024. For its part, the non-core component fell to 1.43% YoY (vs 1.51% previously), supported by the moderation in the agricultural and energy category.

CPI inflation, annual rate (%)



Benchmark interest rate in Mexico, (%)



Source: Author's elaboration with data from INEGI and Banxico.

During Q3-25, U.S. net foreign trade contributed 1.62 pp to growth in the period, consolidating itself as one of the main engines of the economy.

In January 2026, the International Monetary Fund revised upwards its expectation for U.S. GDP growth to 2.4% annually from 2.1% previously.

In the US, December's unemployment rate stood at 4.4%, declining from November's downwardly revised 4.5% (initial 4.6% estimate, which had represented its highest level since September 2021).

The first figures for 2026 show pressures on the inflation trajectory, given the persistent rigidity of the core component, both in goods and services. It also highlights that among the generics that contributed the most to the biweekly increase were cigarettes and packaged soft drinks, products subject to the reform of the IEPS increase. Going forward, upside risks remain for inflation, associated with the entry into force of tariffs on countries without a free trade agreement, as well as the previously mentioned tax reform.

Monetary policy

Despite a challenging inflationary outlook – during 2025 – the benchmark interest rate concluded with a cumulative decrease of 300 basis points (bps). However, the [minutes](#) of the last [monetary policy decision](#) of 2025 show caution and point to a "wait and see" approach, depending on the evolution of the data. In this context, the Bank of Mexico adjusted its forward-looking guidance, suggesting a pause in the cycle of cuts for the first months of 2026. Thus, we expect that, for its meeting on February 5, Banxico will keep its interest rate unchanged at a level of 7.00%.

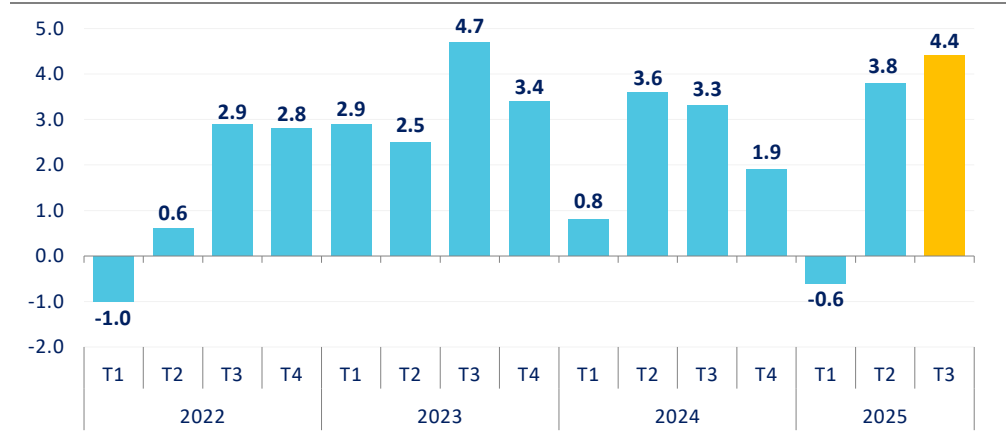
Exchange rate

The [peso closed January](#) with a price of \$17.46 *spot*, which implied a monthly appreciation of 1.6%. In the month, the price reached a maximum of \$18.04 (09-Jan) and a minimum of \$17.11 (28-Jan) in the interbank market. At the beginning of the period, geopolitical tensions moderated global risk appetite, although the easing of these tensions ended up restoring investor confidence in the local currency.

USA: Evolution of the macroeconomic environment

In [Q3-25](#), the U.S. economy expanded 4.4% at a quarter-on-quarter annualized rate (QoQ), accelerating from the advance of Q2-25 (+2.5%), which represented its highest growth rate since Q3-23. This figure was published with a lag, derived from the government shutdown that occurred from October 1 to November 12, 2025.

Evolution of U.S. GDP, annualized rate (%)



Source: Author's elaboration with data from the U.S. Bureau of Economic Analysis.
Seasonally adjusted figures.

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Despite the lag in the publications of economic indicators, the GDP figures show resilient growth in the US economy, supported by consumer spending (+3.5% QoQ). However, there is still a notorious sluggishness in fixed investment, derived from the slowdown in business investment, as well as the prolonged deterioration in investment in residential construction. For its part, the U.S. trade balance continues with pronounced monthly fluctuations, due to the constant adjustments in President Donald Trump's tariff policies. However, the outlook remains favorable for Mexico, as it consolidates itself as the main supplier of goods to the United States, with a solid participation in its accumulated 15.7% in its total imports and 15.4% in total exports (second largest buyer of goods).

Regarding the inflationary outlook, in November, [PCE inflation](#) accelerated to 2.8% YoY from 2.7% in October, reflecting pressures in both the core component (+2.8% YoY) and the energy category (+4.1%). In this period, services inflation remained somewhat high, consistent with still resilient domestic demand, supported by solid economic growth during Q3-25 and consumer spending. Under this environment, characterized by persistent inflationary pressures and a still-tight labor market – with the unemployment rate at 4.4% in December – FOMC members opted to maintain a cautious stance at their first meeting of 2026 (January 28), leaving the target range of the [federal funds rate](#) unchanged at 3.50% – 3.75%.

Going forward, the slowdown in PCE inflation and the stabilization of the U.S. labor market will be determining factors for future Fed decisions. Despite the cooling in [job creation](#) during H2-25, the reduction in the unemployment rate in December suggests a limited deterioration of the U.S. labor market. This gives FOMC members more time before deciding whether to extend the cuts, considering the lag in economic information resulting from the government shutdown and persistent upward pressures on inflation, which stresses both objectives of the dual mandate. Based on the above, we estimate that, for its March 18 meeting, the Fed will keep the target range of the federal funds rate unchanged.

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