Banxico: we expect the policy rate to remain at 6.50%

MX Economics

October 28, 2026

Enrique Covarrubias, PhD
ecovarrubias@actinver.com.mx
Ext. 1061

Ramón de la Rosa
jdelarosa@actinver.com.mx
Ext. 1117

Samuel Martínez
samartinez@actinver.com.mx
Ext. 1227

Actinver: +52 55-1103-6600

In this note we explain why we expect the Bank of Mexico to keep its target rate at 6.50% at its next decision, on November 5, and why we do not anticipate hikes in the coming months.

- Economic activity grew 3.5% year over year in August, its strongest increase since October 2023, which narrows the negative output gap that Banxico identified in its minutes.
- Headline inflation rebounded from levels close to 3.2% in July and August to 3.6% in the first half of October, and we expect it to end 2026 at 3.9%.
- Banxico could keep its rate at 6.50% even if the Federal Reserve raises its rate once or twice more, since the differential would remain close to 200 basis points.

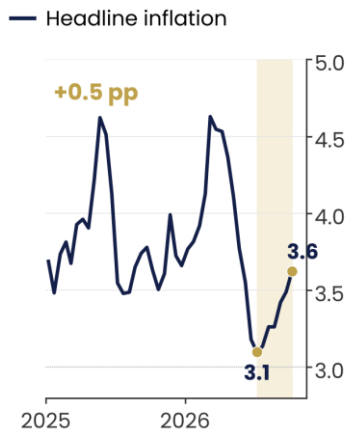
1.- Faster activity is closing the negative output gap

The IGAE grew 0.6% month over month in August, after 0.8% in July, and 3.5% year over year, its strongest increase since October 2023, as shown in the chart in the middle. The momentum comes mainly from industrial activity, which grew 3.6% year over year, with increases of 7.9% in construction and 3.2% in manufacturing. With these data we will raise our 2026 growth forecast from 1.7% to 1.9%. Under this scenario, the negative output gap that Banxico identified in the minutes of its September decision would be closing, which weakens one of the main arguments for continuing to cut.

2.- The rebound in inflation limits the room for cuts

Headline inflation has rebounded from levels close to 3.2% in July and August to 3.6% in the first half of October, while core inflation stood at 3.8%. The chart on the left shows that headline inflation remains above the 3% target. We expect headline inflation to keep rising toward 3.9% at the end of 2026, close to the upper limit of the variability range, so we consider that Banxico does not have room to continue cutting.

MX: Headline inflation
(% change y/y; biweekly);
1H Oct – 26



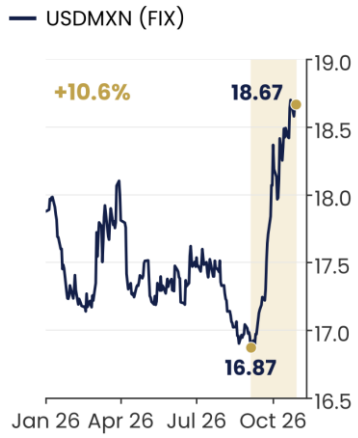
Source: Actinver with information from INEGI.

MX: Monthly GDP (IGAE)
(% change y/y; seas. adj.);
Aug – 26



Source: Actinver with information from INEGI.

MX: Exchange rate
(Pesos per dollar, FIX; daily);
Oct – 28



Source: Actinver with information from Bank of Mexico.

3.- The peso's depreciation is another argument against cutting the rate

The FIX exchange rate moved from 16.87 pesos per dollar on September 4 to 18.67 on October 28, a depreciation of 10.6%, as shown in the chart on the right. Part of this move is explained by the narrowing of the interest rate differential after the Federal Reserve's September hike and by the mention of possible cuts in Banxico's minutes. In this sense, an additional cut would narrow the differential against the Federal Reserve even further and could put pressure on the exchange rate, which in turn would add pressure to inflation that is already rising. Therefore, we consider that keeping the rate at 6.50% is consistent with the stability of the peso. With a prolonged pause by Banxico, we expect the exchange rate to return to levels below 18.50 pesos per dollar.

4.- Banxico can absorb one or two Federal Reserve hikes

We think Banxico could keep its rate at 6.50% even if the Federal Reserve raises its rate once or twice more. Our scenario assumes Federal Reserve hikes in December and in March 2027, with which the differential against the upper bound of its rate would narrow from 250 to 200 basis points.

Disclaimer

October 15, 2026 | Update

The information contained in this electronic communication and in any attached document is confidential and intended solely for the use of the addressee. The information and material presented are provided for informational purposes only. Disseminating, disclosing or copying the information contained herein is prohibited. If you have received this communication in error, please notify the sender immediately. Actinver and/or any of its subsidiaries do not guarantee that the integrity of this e-mail or its attachments has been maintained, nor that it is free from interception, interference or viruses; therefore, reading, receiving or transmitting it is the responsibility of whoever does so. It is accepted on the condition that errors or omissions shall not constitute grounds for any claim, lawsuit or cause of action.

Guide to investment recommendations on covered issuers inside or outside the Price and Quotation Index (S&P/BMV IPC).

Our recommendations are set on the basis of an estimated, but not guaranteed, return; readers should therefore be aware that a number of qualitative factors have also been taken into account in determining each analyst's final recommendation. These include the specific risk profile, the financial position, pending corporate actions and the degree of certainty of the financial projections, among others.

OUTPERFORM: Total Return [TR] (including dividends) through the end of 2027 above the TR of the IPC.
MARKET PERFORM: Total Return [TR] (including dividends) equal (+/- 3.5%) to the TR of the IPC.
UNDERPERFORM: Total Return [TR] (including dividends) below the TR of the IPC.

Important Disclosures:
a) From the Analysts:
"We, the analysts who prepare Research Reports: Enrique Baez Valbuena, Enrique Covarrubias Jaramillo, José Ramón De la Rosa Flores, Abraham Gutiérrez Barreto, Antonio Hernández Vélez Leija, Enrique López Navarro, Samuel Martínez Aranda, Gustavo Alejandro Muñoz Avilés, Marcela Muñoz Moheno, Ramón Ortiz Reyes, Héctor Javier Reyes Argote, Mariana Bernardette Rodríguez Ramírez, Helena Ruiz Aguilar, Josemaría Sañudo Domínguez and Juan Antonio Villarreal Garza, declare":

1) "All views on the issuers under coverage belong exclusively to the analyst responsible for them and faithfully reflect his or her opinion. All recommendations issued by the analysts are prepared independently of any entity, including the institution where they work or legal entities belonging to the same financial or business group. The compensation scheme is not based on or related, directly or indirectly, to any specific recommendation, and compensation is received only from the entity for which the analysts work."
2) "None of the analysts covering the issuers mentioned in this report holds any employment, position or commission at the issuers under coverage, nor at any of the companies that form part of the Business Group or Consortium to which they belong. Nor have they held such positions during the twelve months prior to the preparation of this report."
3) "Recommendations on issuers, made by the analyst who covers them, are based on public information, and there is no guarantee of their accuracy with respect to the actual performance of the securities subject to the recommendation."
4) "The analysts hold investments in the following issuers covered in their research reports:
ACTINVR B, ALTERNA B, AZTECA CPO and LALA B."

b) From Actinver Casa de Bolsa, S.A. de C.V. Grupo Financiero Actinver

1) Actinver Casa de Bolsa, S.A. de C.V. Grupo Financiero Actinver may in no case guarantee the direction of the recommendations contained in research reports in order to secure a future business relationship.
2) All business units of Actinver Casa de Bolsa, S.A. de C.V. Grupo Financiero Actinver may seek to do business with any company mentioned in the research documents. Any compensation for services, past or future, received by Actinver Casa de Bolsa, S.A. de C.V. Grupo Financiero Actinver from any company mentioned in this report has not had and will not have any effect on the compensation granted to the analysts. However, as with any other employee of Grupo Actinver and its affiliates, the compensation our analysts may receive will be affected by the profitability of Grupo Actinver and its affiliates.
3) At the close of each of the three previous months, Actinver Casa de Bolsa, S.A. de C.V. Grupo Financiero Actinver has NOT held investments, directly or indirectly, in Securities or derivative financial Instruments whose underlying are Securities covered by the Research Reports, representing one percent or more of its Securities portfolio, investment portfolio, of the outstanding Securities or of the underlying of the Securities in question, except for the following: AHMSA *, ALTERNA B, CADU A, FINN 13, FORION 20, FPLUS 16, NEXT 25, PLIFE 26, SARE B, SPORT S, TRAXION A, VASCONI * and VINTE *.
4) Certain Board members and officers of Actinver Casa de Bolsa, S.A. de C.V. Grupo Financiero Actinver hold a similar position at the following issuers: ACTINVR, ALTERNA, CIE, FUNO, NEXT, SPORT, VASCONI, WALMEX.

The date on the cover of this report is its distribution date. This report will be distributed to all persons who may meet the profile for acquiring the type of securities recommended in it; the concentration in each contract by profile type is detailed at the following link: Concentration Limit by Profile Type: click here

Privacy Notice
Grupo Financiero Actinver S.A. de C.V. (including the entities it controls), better known as Grupo Financiero Actinver (hereinafter the Group), with offices at Montes Urales 620, 2nd floor, colonia Lomas de Chapultepec, Miguel Hidalgo, C.P. 11000, Mexico City, Mexico, and website www.actinver.com, is responsible for the use and protection of your personal data, and in this regard we inform you of the following: in addition, we will use your personal information for the following secondary purposes, which are not necessary for the requested service but allow and help us to serve you better:

- Promotion of financial services provided by the Group.
- Information on contracting financial products offered by the Group.
- Marketing or advertising
- Business prospecting

If you have accepted the use of this means of communication, you are understood to have accepted the processing of your personal data for the purposes described above. If you do not want your personal data to be used for these secondary purposes, do not accept the use of this means of communication and do not use it.
For more information on the terms and conditions under which your personal data will be processed, such as the third parties with whom we share your personal information and how you may exercise your ARCO Rights, you may consult the full privacy notice at: www.actinver.com