Economic and Financial Markets Research
Economic Research, Mexico

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Analysis of the 2026 Preliminary Budget Criteria

- **The Ministry of Finance (MoF) published on Tuesday their preliminary macroeconomic forecasts for 2026 and updates for 2025**
- **Growth estimates for both years were revised lower, with the range for 2025 between 1.5% and 2.3% (previous: 2.0% to 3.0%) and the interval for 2026 between 1.5% and 2.5% (previous: 2.0% to 3.0%)**
- **Among the remaining estimates, we highlight a more depreciated MXN in both years, with inflation and interest rates unchanged. Oil prices were mixed –with 2025 higher, but 2026 to the downside– and lower production in both years**
- **Fiscal revenues and spending were revised marginally for this year. For 2026, total revenues would fall 0.9% y/y in real terms, with spending even lower (-2.7% y/y in real terms)**
- **All in all, the PSBR deficit for the end of this year would be between -4.0% and -3.9% of GDP (previous: -3.9%). On the other hand, the Historical Balance (HBPSBR), which is the broadest measure of public debt, would stand at 52.3% of GDP (previous: 51.4%). For 2026, these variables would be in a range between -3.5% and -3.2%, as well as 52.3% of GDP, in the same order**

Updates to macroeconomic and fiscal estimates. The Ministry of Finance (MoF) published yesterday the *2026 Preliminary Economic Policy Criteria* (PCGPE in Spanish), in which they also updated its macroeconomic framework for 2025. This complies with Article 42 of the *Federal Budget and Fiscal Responsibility Law*. We highlight the revision lower of GDP growth for both years, a weaker Mexican peso against the dollar, and stability in the forecasts of inflation and interest rates. Regarding oil, changes were mixed, albeit skewed to the downside, as detailed below. As a result, the MoF sees marginal changes to revenues and expenses this year. Nevertheless, there is a relevant adjustment to projections of public debt, mainly driven by the changes in the exchange rate. For 2026 they see a marginal decline in total income but coupled with a more meaningful adjustment lower to spending in the annual comparison. Hence, this would result in an additional year of fiscal consolidation, along with a stabilization of the Debt/GDP ratio.

Macroeconomic framework and fiscal variables
Selection

	2025		2026	
	Actual	Previous	Actual	Previous
GDP* (% y/y)	1.5 to 2.3	2.0 to 3.0	1.5 to 2.5	2.0 to 3.0
Exchange rate (USD/MXN, period average)	20.2	18.7	19.9	18.5
Inflation (% y/y, end of period)	3.5	3.5	3.0	3.0
Interest rate (28-day CETES) (%, end of period)	8.0	8.0	7.0	7.0
Oil price (US$/bbl, period average)	62.4	57.8	55.3	61.7
Oil production (kbpd, period average)	1,762	1,891	1,775	1,902
PSRB (% of GDP)	-4.0 to -3.9	-3.9	-3.5 to -3.2	-3.2
HBPSBR (% of GDP)	52.3	51.4	52.3	51.4
Primary balance (% del GDP)	0.6	0.6	0.5	0.5

Note: Estimates refer to the ones included in the 2025 Economic Policy Criteria.
Source: MoF


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Updated macro assumptions. As shown in the previous table, GDP growth forecasts were revised to the downside. We note that 2025, between 1.5% and 2.3%, remains significantly below analysts' expectations. For example, the median forecast in Banxico's latest survey, published yesterday, stands at 0.5%. In other estimates, the exchange rate shows further peso weakness, with the average for this year at USD/MXN 20.2 (previous: 18.7). For 2026, it was modified to 19.9 (previous: 18.5). We recall that the net effect of a weaker peso is positive for the deficit on the back of higher gains from oil exports when expressed in local currency relative to higher spending because of payments related to the external debt outstanding. Inflation stands at 3.5% and 3.0% for the same periods, unchanged when compared to the previous forecasts. Interest rates were not modified either, with this year-end at 8.0% and an additional reduction of 100bps in 2026 to 7.0% (28-day CETES). Oil prices were mixed. Specifically, 2025 is expected at 62.4 US$/bbl (previous: 57.8), but 2026 at 55.3 US$/bbl (previous: 61.7). Production was modified to the downside in both cases relative to the *Economic Policy Criteria*, with an average this year of 1,762kbpd (previous: 1,891) and the next at 1,775 kbpd (previous: 1,902).

Marginal changes to revenues and spending in 2025. With the adjustments mentioned above, along with other changes, the MoF now expects revenues of $8.1 trillion this year. This is $7.2 billion higher than approved and equivalent to 22.4% of GDP. This would be largely explained by the oil component –adding $12.8 billion–, in turn influenced by a higher USD price and exchange rate. On the contrary, non-oil non-tax would be lower by $5.8 billion. Income from government-controlled entities and taxes would be virtually unchanged. Centering our attention on the latter, they expect higher revenues from value-added taxes and import duties, although revenues from excise taxes on fuels would be lower. Spending would also be higher by 7.2 billion, reaching a total of $9.2 trillion in the period (equivalent to 25.7% of GDP). The increase would be centered in the programmable component (+$21.4 billion), albeit with few details on its distribution by category. Within non-programable spending, financial costs would be marginally higher (+$2.3 billion), albeit with participations (-$6.5 billion) and ADEFAS (-$10.0 billion) lower.

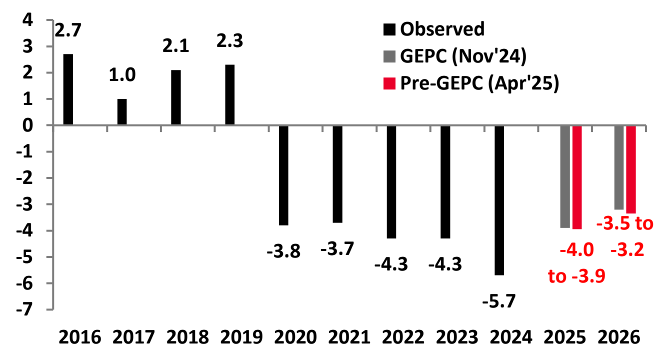
Slight decline in income in 2026 in real terms… The document considers revenues of $8.3 trillion next year (21.7% of GDP), -0.9% y/y in real terms vs. updated figures for 2025. Oil income would fall 12.1% on expectations of lower prices. Tax revenues would climb 1.7%, with the MoF arguing some boost "*…driven by trend growth in economic activity, permanent effects from improvements in collection efficiency and a higher base of comparison from the performance observed in 2024…*". Income corresponding to government-controlled entities and CFE would grow 0.6%. Nevertheless, non-oil non-tax would fall by 3.3%.

…with spending also lower. Outlays would come in at $9.3 trillion (24.4% of GDP), a 2.7% y/y decline in real terms relative to the new estimates for 2025. The MoF mentions that "*…this reduction will not compromise social spending priorities, nor will it affect the provision of public services, the fulfillment of legal or contractual obligations, or strategic projects that contribute to the well-being of the population and the economic development of the country.…*". We see mostly adjustments to the downside, highlighting the programmable component (-1.3%) and financial (-15.3%). However, they see expansions in participations (+1.0%) and ADEFAS (+112.8%).

Range of forecasts for the deficit, with the *Historical Balance of Public Sector Borrowing Requirements* (HBPSBR) higher than previously anticipated. The total amount of *Public Sector Financial Requirements* (PSBR) –the broadest measure of the public balance– incorporates a deficit of $1.4 trillion in 2025, equivalent to a range between -4.0% and -3.9% of GDP (previous: -3.9%). The deficit for 2026 would come in at $1.2 trillion, which translates to a range of -3.5% to -3.2% of GDP (previous: -3.2%).

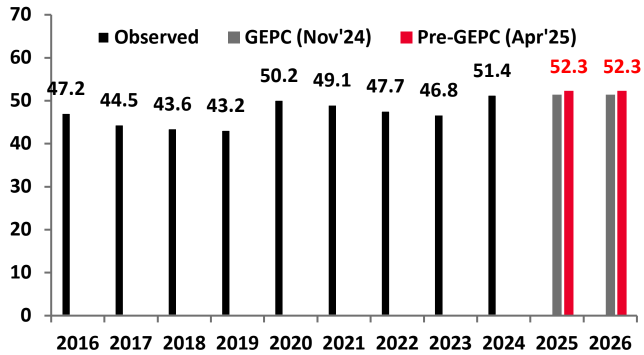
Regarding debt, the *Historical Balance of Public Sector Borrowing Requirements* (HBPSBR) would stand at 52.3% of GDP at the end of the current year, increasing vs the previous estimate of 51.4%. The latter would be mostly explained by the depreciation of the MXN and its effect on the principal amount of external debt when expressed in local currency. For 2026, it would remain stable at the same level, as seen in the chart below on the right.

Public Sector Borrowing Requirements
% GDP



Source: PGEPC 2026, MoF

Historical Balance of Public Sector Borrowing Requirements
% of GDP



Source: PGEPC 2026, MoF

Additional comments on the conference call. The call was led by the MoF's Head of the Economic Planning Unit, Rodrigo Mariscal, as well as the Head of the Public Credit and International Affairs Unit, María del Carmen Bonilla. On the global outlook, they acknowledged higher uncertainty because of the protectionist policies pursued by the US, impacting growth, inflation and monetary policy forecasts worldwide. As a result, they see a moderation in local activity, albeit with GDP still growing, supported by domestic demand, especially consumption. The slowdown in public investment should not have a substantial impact. Mariscal emphasized that their estimates do not contemplate tariffs of any kind –including those currently being applied–, awaiting the announcement from President Trump later today, along with our country's response. In any case, he stated that they would be more concerned about their effects on the labor market than in GDP growth if they materialize. On the possible impact on revenues, they pointed out that it is highly uncertain, but that resources in the stabilization funds can be used in case of a shock. In addition, they pointed out that estimates do not contemplate any additional measures that our country could impose against China. Finally, they do not expect any revenue from Banxico's Operational Surplus. But if they were to materialize, its use will be subject to the provisions of the *Fiscal Responsibility Law*.

The next step will be the *2026 Budget Proposal*. Going forward, and as required by law, the *2026 Budget Proposal* should be delivered to the Lower House no later than September 8th. This includes: (1) The *General Economic Policy Criteria* –which states the macroeconomic projections used to estimate the budget–; (2) the Revenue Law; and (3) the Spending Budget. In the first two cases, they must be approved by both the Lower House (October 20th) and the Senate (October 31st), while the spending budget should be approved only by the Lower House no later than November 15th (see table below).

Deadlines for the 2026 Budget Process

Date	Process
April 1st	Preliminary Economic Policy Criteria
September 8th	2026 Budget Proposal
October 20th	Approval of the Revenue Law by the Lower House
October 31st	Approval of the Revenue Law by the Senate
November 15th	Approval of the Spending Budget by the Senate

Source: MoF

Analyst Certification.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Santiago Leal Singer, Víctor Hugo Cortes Castro, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, José De Jesús Ramírez Martínez, Daniel Sebastián Sosa Aguilar, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Marcos Saúl García Hernandez, Juan Carlos Mercado Garduño, Ana Gabriela Martínez Mosqueda, Ana Laura Zaragoza Félix, Jazmin Daniela Cuautencos Mora, Andrea Muñoz Sánchez and Paula Lozoya Valadez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
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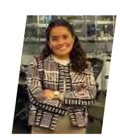
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