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MEXICO

Growth is expected to strengthen from 0.5 to 2.2 percent over 2025–28, supported by recovering domestic demand and exports. Fiscal policy is expected to narrow the deficit and stabilize debt over the medium term, driven by expenditure restraint and lower interest costs despite spending pressures. Poverty at US$ 8.3 (2021 PPP) is projected to fall to 18.7 percent by 2028 through expanded social programs and resumed growth.

Population[1]	Poverty[2]
million	millions living on less than $8.30/day
131.9	28.0
Life expectancy at birth[3]	**School enrollment[4]**
years	primary (% gross)
75.3	102.3
GDP[5]	**GDP per capita[6]**
current US$, billion	current US$
1835.4	13910.0

Sources: WDI, MFMod, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2024. 4/ 2024. 5/ 2025. 6/ 2025.

Key conditions and challenges

Mexico's long-term growth has averaged 2 percent over the past three decades, reflecting weak productivity and investment. Despite integration into North American value chains and a large domestic market, productivity gains remain limited, as infrastructure and energy bottlenecks, insecurity, regulatory uncertainty, limited finance, and skills gaps constrain private investment, particularly in small- and medium-size firm.

Mexico is marked by pronounced regional disparities. More productive regions are integrated into North American value chains, while lagging regions rely on less productive activities. Plan México seeks to broaden investment geographically through development poles and infrastructure, but success depends on mobilizing private investment, strengthening local suppliers, and creating formal jobs in lagging regions.

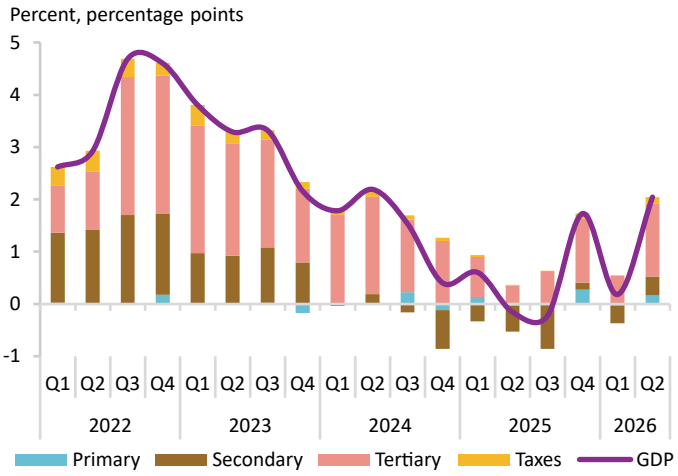
Regional disparities shape poverty and inclusion. Official estimates of multidimensional poverty fell from 43.2 to 29.6 percent in 2016–24, supported by higher minimum wages, transfers, and non-contributory pensions. However, state poverty rates ranged from 9.9 percent in Baja California to 66 percent in Chiapas. Informality has remained above 50 percent of employment and unequal access to public services, especially health, limits inclusion. Further gains will depend on raising labor productivity and formal job creation.

Alongside these structural challenges, fiscal space has narrowed as spending on pensions, debt interest payments, and support to Petróleos Mexicanos (PEMEX) has risen. Credible macroeconomic institutions, a flexible exchange rate, and financial and external buffers provide a stable environment, but preserving debt sustainability while protecting social- and growth-enhancing spending remains a challenge.

Recent developments

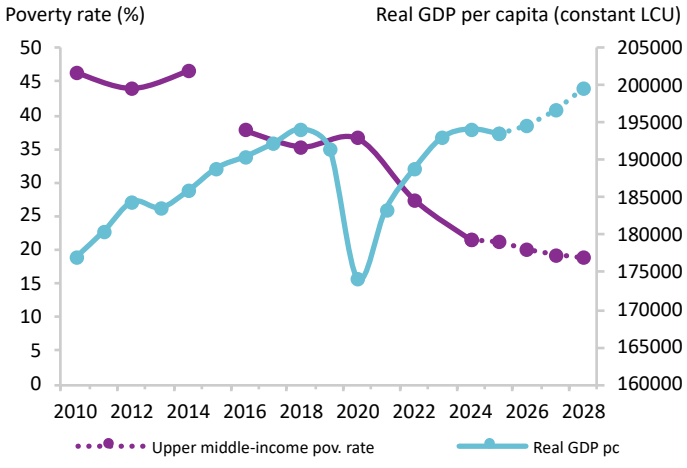
After growing 0.5 percent in 2025, real GDP expanded 1.1 percent in 2026H1. The rebound in 2026Q2 reflected recovering industry and stronger services, partly supported by World Cup-related activity. Rising real labor incomes and earlier monetary easing supported domestic demand, but trade uncertainty and fiscal restraint weighed on investment.

FIGURE 1 / GDP growth



Source: National Institute of Statistics and Geography (Instituto Nacional de Estadística y Geografía).

FIGURE 2 / Actual and projected poverty rate and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the next page.

The current account deficit stood at 0.9 percent of GDP in 2026H1. Wider oil and services deficits, reflecting higher refined-petroleum import prices and transport and travel costs, were offset by stronger non-oil merchandise and primary-income balances. Merchandise exports rose 24.6 percent y-o-y, led by non-auto manufacturing, and remittances increased 3.1 percent y-o-y. Reserves reached US$258.6 billion at end-August, equivalent to 4.2 months of imports.

Headline inflation eased to 3.1 percent y-o-y in July, while core inflation remained at 4.0 percent amid persistent services inflation of 4.4 percent. Fuel-price stabilization measures limited energy pass-through and peso appreciation moderated goods inflation, while wage pressures kept services inflation elevated. Banxico held the policy rate at 6.5 percent in August.

Labor market conditions improved modestly. Job losses in agriculture were offset by gains in manufacturing, construction, and hospitality. Nominal hourly labor income grew 6.2 percent y-o-y in Q2 2026, despite slowing from previous quarters. Rising real labor incomes and expanded social programs contributed to an estimated poverty decline at the US$ 8.30 line from 21.4 percent in 2024 to 21.1 in 2025 and 20.0 in 2026.

Fiscal adjustment remained gradual in 2026H1: revenues were flat in real terms, while spending rose 2.1 percent as higher current spending offset lower investment. Net public debt was 50.8 percent of GDP, with about 80 percent in domestic currency and an average residual maturity of 8 years, limiting exchange-rate and refinancing risks.

Outlook

GDP growth is projected at 1.4 percent in 2026, rising to 2.2 percent by 2028, as lower inflation and interest rates support domestic demand and continued export growth bolsters activity. The recovery is expected to strengthen as trade-policy uncertainty gradually eases.

Inflation is projected at 3.9 percent in 2026, easing to 3.5 percent by 2028, as fuel-price stabilization measures contain energy pressures and well-anchored inflation expectations help limit underlying inflation, with fading energy shocks supporting further disinflation.

The current account deficit is expected to widen from 0.7 percent of GDP in 2026 to 1.4 percent in 2028, as recovering domestic demand supports faster import growth. Foreign direct investment inflows are expected to remain slightly below 2 percent of GDP amid the United States-Mexico-Canada Agreement (USMCA)-related uncertainty.

The overall fiscal deficit is projected to narrow from 4.2 percent of GDP in 2026 to 3.8 percent by 2028, driven by spending restraint and lower interest costs. The primary balance is expected to reach equilibrium, stabilizing public debt around 59 percent of GDP, although pensions and PEMEX support will continue to constrain fiscal space.

Monetary poverty is expected to decline from 21.4 percent in 2024 to 20.0 in 2026, and to 18.7 percent in 2028 (at the US$8.30/day line, 2021 PPP). Further social gains will depend on lower inflation, increased labor productivity, and expansions in social programs.

Downside risks include weaker U.S. growth and prolonged USMCA uncertainty, which could weaken exports and investment. Energy-price pressures could raise inflation, while spending pressures could slow fiscal consolidation. El Niño could disrupt agricultural production and raise food prices.

Recent history and projections

	2023	2024	2025	2026e	2027f	2028f
Real GDP growth, at constant market prices	3.1	1.5	0.5	1.4	1.8	2.2
Private consumption	4.2	2.8	1.0	1.3	2.0	2.5
Government consumption	2.4	3.7	1.3	0.7	0.4	0.2
Gross fixed capital investment	-17.2	10.5	7.5	1.6	2.9	3.1
Exports, goods and services	-7.1	3.5	6.9	3.6	4.6	5.0
Imports, goods and services	4.8	3.8	3.7	3.0	4.6	5.0
Real GDP growth, at constant factor prices	3.1	1.4	0.5	1.4	1.8	2.2
Agriculture	-1.1	0.6	2.4	1.5	1.8	2.1
Industry	3.0	-0.6	-1.2	1.0	2.0	2.5
Services	3.4	2.6	1.2	1.6	1.7	2.0
Employment rate (% of working-age population, 15 years+)	60.0	60.0	60.0	60.0	60.0	60.1
Inflation (consumer price index)	5.5	4.7	3.8	3.9	3.5	3.5
Current account balance (% of GDP)	-0.6	-0.9	-0.5	-0.7	-1.0	-1.4
Net foreign direct investment inflow (% of GDP)	-1.7	-1.8	-1.7	-1.6	-1.7	-1.9
Fiscal balance (% of GDP)	-4.3	-5.8	-4.3	-4.2	-3.9	-3.8
Revenues (% of GDP)	22.1	22.3	23.3	23.3	23.2	23.1
Debt (% of GDP)	47.3	53.9	55.2	56.8	57.9	58.5
Primary balance (% of GDP)	-1.0	-2.3	-0.4	-0.1	0.0	0.0
Upper middle-income poverty rate ($8.30 in 2021 PPP)[1,2]	..	21.4	21.1	20.0	19.2	18.7
GHG emissions growth (mtCO2e)	-1.8	-1.4	-2.0	0.0	0.5	1.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.
1/ Calculations based on SEDLAC harmonization, using 2024-ENIGHNS. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.
2/ Projections using microsimulation methodology.