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Lower Rates, Higher Risk:
Urgent Decisions for
SMEs

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Lower Rates, Higher Risk: Urgent Decisions for SMEs

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- Lower interest rates do not necessarily translate into cheaper credit for SMEs.
- A higher-risk environment has tightened financing conditions and increased the cost of credit.
- SMEs should strengthen liquidity, reassess their debt structure, and diversify funding sources to preserve financial flexibility.

Despite Banxico's rate cuts, access to credit for SMEs remains constrained by risk perception, bank performance, and contractual conditions. As a result, companies must strengthen liquidity and diversify funding sources to avoid hidden costs and loss of financial flexibility.

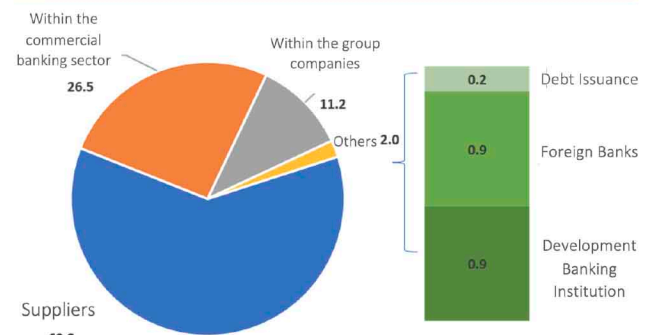
Monetary Policy Shift

Since March 2024, Banco de México has implemented a monetary easing cycle by reducing its benchmark interest rate. The objective has been to ease monetary conditions and provide some support to economic activity. At first glance, this sends a favorable signal to the business sector: **lower borrowing costs could make it easier to finance operations, refinance liabilities, or pursue new investment opportunities.**

However, for small and medium-sized enterprises, the impact is not necessarily straightforward. **The cost and availability of capital are not determined solely by the central bank's reference rate. They also depend on broader macroeconomic risk, banks' lending appetite, and each company's individual financial position.**

As a result, while Banxico's rate cuts may ease financial conditions in principle, companies continue to face a more selective credit environment, where markets and financial institutions remain alert to higher credit risk.

Business Outlook Amid Rising Credit Risk: Strategic Priorities for 2025



Source: Competimex, S.C., based on data from Banco de México's Quarterly Survey of Credit Market Conditions, October–December 2025. Totals exceed 100% due to multiple responses.

How Businesses Are Financing Operations

Recent market dynamics confirm that lower benchmark interest rates do not automatically translate into broader or more favorable access to financing for businesses.

Banco de México's Quarterly Survey on Credit Market Conditions shows that **supplier credit remains the primary source of financing for companies (62.2%)**, while access to bank lending continues to be materially more limited (26.5%).

This highlights a key issue: the pass-through of monetary policy to the real economy remains partial and uneven. For SMEs, a lower reference rate does not necessarily mean improved lending conditions, greater flexibility, or immediate access to credit.

Country Risk Also Becomes Business Risk

Credit rating actions and shifts in sovereign risk perception are often viewed as matters affecting governments, financial markets, or large institutional investors. However, their impact eventually extends to companies of all sizes.

When macroeconomic uncertainty increases, financial institutions tend to adopt more conservative lending criteria, investors demand higher risk premiums, and credit allocation becomes

more selective. Even in the absence of a formal downgrade, heightened risk perception can influence financing decisions.

For SMEs, this may result in longer approval processes, reduced credit lines, higher collateral requirements, or less favorable contractual terms. **In practice, sovereign risk gradually filters into business operations, affecting liquidity planning, investment decisions, and overall financial flexibility.**

The Paradox of "Cheaper" Credit

Traditional economic logic suggests that a higher benchmark interest rate is used to contain inflationary pressures. Conversely, lowering interest rates is typically associated with central banks that operate under a dual mandate: preserving purchasing power while also supporting economic growth—a mandate Banco de México does not have.

In practice, however, financial institutions consider a broader set of variables when assessing credit conditions, including macroeconomic uncertainty, regulatory risk, fiscal outlook, borrower credit quality, and growth expectations. These factors are shaped by the broader risk environment and can ultimately offset the expected benefit of lower borrowing costs.

The result is a business paradox: lower rates do not necessarily translate into cheaper or more accessible credit for companies.



A company may see reductions in the benchmark interest rate and still find that its bank is offering financing under more restrictive terms, shorter maturities, or higher overall costs than expected. Even if the TIE declines, the spread applied by financial institutions — for example, TIE plus additional percentage points — may increase. **For this reason, interpreting the monetary easing cycle as an automatic source of relief can lead to an incomplete assessment of the actual financing environment.**

Business Decisions That Cannot Be Postponed

In an environment of declining rates but rising risks, SMEs need greater financial discipline, diversification, and proactive planning.

- **Review debt structure:** Identify the share of liabilities exposed to variable rates and upcoming maturities to avoid unnecessary financial pressure.

- **Strengthen liquidity:** Shorten collection cycles, control non-essential expenses, and build strategic liquidity reserves.
- **Refinance strategically:** Take advantage of market opportunities while carefully assessing hidden costs and inflexible contractual terms.
- **Diversify funding sources:** Avoid relying exclusively on traditional bank credit. Alternative financing platforms may provide useful options, particularly for preserving liquidity and operational flexibility.
- **Reassess investment decisions:** Review projects and commitments made under previous financing conditions, especially when current terms may no longer offer the same advantage.

Companies that anticipate these challenges and strengthen their financial position while preserving strategic flexibility will be better prepared to benefit from lower borrowing costs in a higher-risk environment.

At Competimex, S.C., we have more than 25 years of experience supporting companies in administrative and financial management. Our integrated approach helps organizations assess financial impact, reorganize cost structures, and align accounting, tax, and financial processes to adapt to the business and economic environment in an orderly, efficient, and sustainable manner.

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