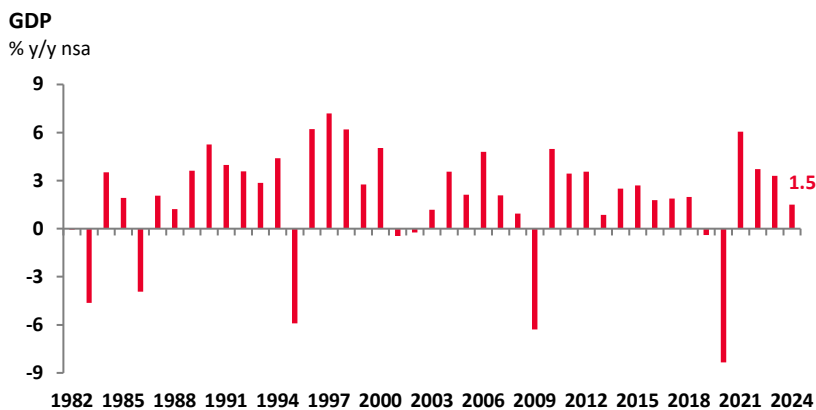


## 4Q24 GDP – Downward surprise drives 2024's full-year growth to 1.5%

- Gross Domestic Product (4Q24 P, nsa): 0.6% y/y; Banorte: 1.0%; consensus: 1.0% (range: 0.4% to 1.6%); previous: 1.6%
- Gross Domestic Product (4Q24 P, sa): -0.6% q/q; Banorte: -0.2%; consensus: -0.2% (range: -0.5% to 0.1%); previous: 1.1%
- As a result, the economy grew 1.5% in full-year 2024, driven by services (2.3%) and to a lesser extent by industry (0.3%)
- This is the first sequential decline in activity since 3Q21, with relevant setbacks in agriculture (-8.9% q/q) and industry (-1.2%), which were not compensated by an additional uptick in services (0.2%)
- These figures imply that the economy contracted around 0.6% m/m in December (0.4% y/y) with widespread losses, noting industry (-0.8% m/m) and services (-0.4%)
- Starting on a negative carry-over and with different challenges on both the external and local fronts, we keep expecting activity to expand by 1.0% in 2025
- Revised figures will be published on February 21<sup>st</sup>

**GDP grew 1.5% in 2024.** The report showed a 0.6% y/y expansion in 4Q24 ([Chart 1](#)), below consensus (1.0%), which matched our estimate. It should be noted that this was below previous quarters, recognizing: (1) A slowdown in external demand, with greater uncertainty after Donald Trump's victory; and (2) the contraction in construction which impacted investment. Nevertheless, the resilience of consumer fundamentals was key in supporting growth. By sector, primary activities returned to negative territory at -4.6%, with industry also to the downside at -1.7%. However, services managed to stay positive at 2.1% ([Chart 2](#)). With these results, full-year 2024 GDP grew 1.5% in, moderating relative to the previous three years (see graph below) and suggesting that the post-pandemic recovery has ran out of steam. In this respect, activity seems to have returned to a more modest trend. Dynamics were characterized by three quarters of relative weakness, with momentum concentrated in 3Q24. At the sectoral level, the push came from services, up 2.3%. Industry was just positive at 0.3%, while primary activities fell 4.6% ([Table 1](#)).



Source: Banorte con data from INEGI

**Sequential performance dragged down by industry and agriculture.** GDP declined 0.6% q/q ([Chart 3](#)), its first decline since 3Q21. This follows a strong expansion in the previous quarter (1.1%), occurring after a period of sluggishness. At the sectoral level, results were again heterogeneous, although this time broadly skewed to the downside.



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Primary activities contracted 8.9% q/q, facing a challenging base effect. At the margin, drought conditions worsened, consistent with the end of the rainy season. As a result, prices were slightly higher compared with the last quarter. Meanwhile, industry fell 1.2% ([Chart 4](#)) after increasing in the second and third quarters. Inside, practically all items would have been weaker, most evident in construction—dragged down by both edification and civil engineering works—and mining—with persistent declines in the oil component. Meanwhile, manufacturing would have been somewhat mixed, impacted by the sideways trend in the same sector in the US as well as the more uncertain environment.

On the contrary, services advanced 0.2% ([Table 2](#)), adding 13 quarters to the upside. Performance would have been bolstered by both the resilience of fundamentals—with employment relatively stable and remittances recovering at the margin—as well as positive cyclical factors, highlighting relatively favorable results from promotions such as *El Buen Fin* and other year-end purchases. Although we do not yet have all the details, available data through November suggests a good behavior in commerce—both wholesale and retail—, health, and lodging. However, entertainment, business support, and ‘others’ would have declined and likely worsened in the last month of the quarter.

**Contraction in December.** Considering an average for the GDP-proxy IGAE of 0.6% y/y, today’s result implies a reading of around 0.4% y/y in the last month of the year (nsa figures). This is consistent with -0.6% m/m, with [November as the only positive month in the quarter](#). By sectors, services would have fallen 0.4% m/m despite year-end sales and stronger tourism flows. Industry (-0.8%) and primary activities (-2.5%) would have been even weaker, with relevant challenges present for both.

**We expect sluggishness to extend into the beginning of the year on the back of greater external challenges.** Today’s result implies a carry-over for 2025 of around -0.2%, which would be significantly lower than in recent years. Moreover, we must contemplate the negative arithmetic effect because of the leap year in 2024, which typically subtracts about 20bps from the total. Building on this, it is important to recognize other challenges for activity, both external and domestic.

On the international front, the main headwinds come from the protectionist policies of the new US administration. Following his inauguration, President Trump threatened to impose 25% tariffs on imports from Canada and Mexico—although these would be linked to security and migration issues—starting February 1<sup>st</sup>. In addition, he ordered the USTR to investigate these country’s trade flows, which we believe could result in the imposition of some tariffs or even restrictions on certain goods with other nations—expecting the results of that analysis on April 1<sup>st</sup>. While our base case is that trade flows will maintain a positive trend—either with levies avoided or only being targeted and implemented gradually—uncertainty in these months will likely dampen economic performance. Moreover, we believe that Mexico’s exports will remain competitive, with the depreciation of the MXN in 2H24 helping in this regard.

Locally, the main challenge will be the effect from fiscal consolidation efforts due to lower government spending. However, we note that the *Spending Budget* did contemplate some continuity in infrastructure outlays, which should help mitigate the impact. In this sense, some programs—such as *Plan México*—could be a positive factor for investment. More favorably, we keep expecting some strength in consumption, helped by resilient fundamentals—notably jobs and remittances—as well as a boost from social program transfers.

In this regard, we reiterate our call of a 1.0% y/y GDP expansion in 2025. As we have mentioned in previous publications, the trajectory contemplates a relatively modest performance in the first half of the year, with a more noticeable acceleration in the second semester (see [Table 3](#) and [Table 4](#)). This is based both on our view of lower uncertainty and on the first effects of global and local monetary easing, which would help activity.

**Table 1: GDP**

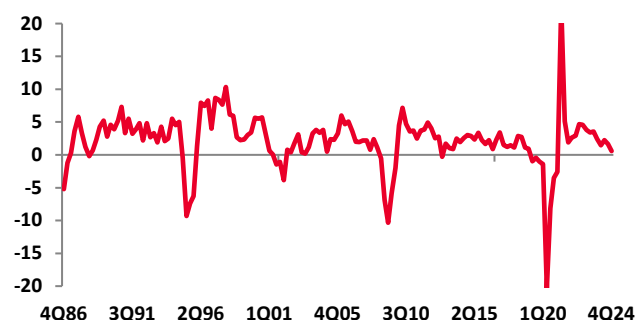
% y/y nsa, % y/y sa

	nsa					sa						
	4Q24	3Q24	4Q23	3Q23	2024	2023	4Q24	3Q24	4Q23	3Q23	2024	2023
<b>Total</b>	<b>0.6</b>	<b>1.6</b>	<b>2.4</b>	<b>3.5</b>	<b>1.5</b>	<b>3.3</b>	<b>0.6</b>	<b>1.6</b>	<b>2.4</b>	<b>3.5</b>	<b>1.3</b>	<b>3.3</b>
Agriculture	-4.6	4.1	-5.9	0.3	-2.5	-1.4	-4.6	3.7	-6.1	-0.2	-2.2	-1.1
Industrial production	-1.7	0.5	3.5	3.9	0.3	3.4	-1.7	0.4	3.3	3.9	0.1	3.4
Services	2.1	2.2	2.4	3.5	2.3	3.4	2.2	2.1	2.5	3.4	2.2	3.4

Source: INEGI

**Chart 1: GDP**

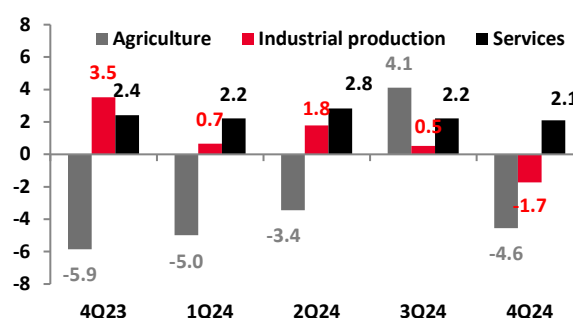
% y/y nsa



Source: INEGI

**Chart 2: GDP by sectors**

% y/y nsa



Source: INEGI

**Table 2: GDP**

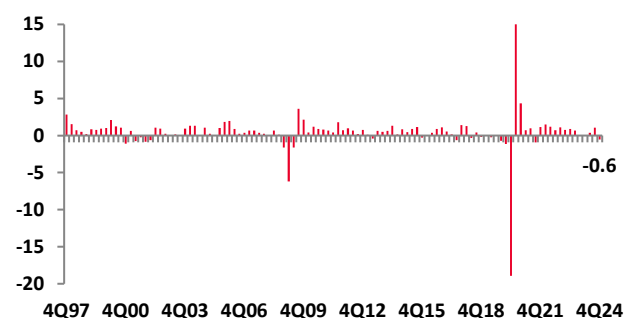
% q/q sa, % q/q saar

	% q/q				% q/q saar			
	4Q24	3Q24	2Q24	1Q24	4Q24	3Q24	2Q24	1Q24
<b>Total</b>	<b>-0.6</b>	<b>1.1</b>	<b>0.4</b>	<b>0.1</b>	<b>-2.2</b>	<b>4.4</b>	<b>1.5</b>	<b>0.3</b>
Agriculture	-8.9	4.9	1.2	-0.9	-31.1	21.2	5.0	-3.6
Industrial Production	-1.2	0.9	0.3	-1.0	-4.8	3.6	1.1	-3.8
Services	0.2	1.1	0.4	0.6	0.9	4.3	1.6	2.5

Source: INEGI

**Chart 3: GDP**

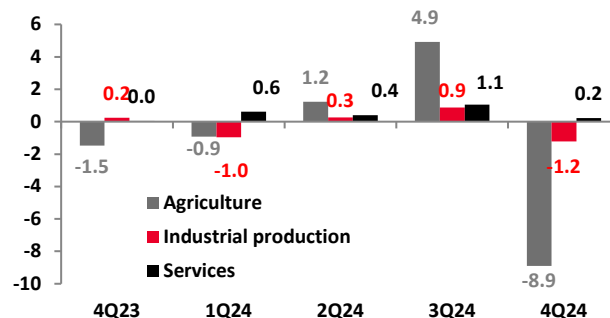
% q/q sa



Source: INEGI

**Chart 4: GDP by sectors**

% q/q sa



Source: INEGI

**Table 3: GDP 2025: Supply**

% y/y nsa; % q/q sa

% y/y	1Q25	2Q25	3Q25	4Q25	2025
<b>GDP</b>	<b><u>0.9</u></b>	<b><u>-0.3</u></b>	<b><u>0.8</u></b>	<b><u>2.6</u></b>	<b><u>1.0</u></b>
Agricultural	<u>-2.6</u>	<u>1.6</u>	<u>-1.0</u>	<u>7.9</u>	<u>1.8</u>
Industrial production	<u>-0.5</u>	<u>-1.7</u>	<u>-0.3</u>	<u>2.4</u>	<u>0.0</u>
Services	<u>1.8</u>	<u>0.3</u>	<u>1.3</u>	<u>2.3</u>	<u>1.4</u>
<b>% q/q</b>					
<b>GDP</b>	<b><u>0.3</u></b>	<b><u>0.5</u></b>	<b><u>0.8</u></b>	<b><u>0.9</u></b>	<b>--</b>

\*Note: Underlined figures indicate forecasts

Source: INEGI, Banorte

**Table 4: GDP 2025: Demand**

% y/y nsa; % q/q sa

% y/y	1Q25	2Q25	3Q25	4Q25	2025
<b>GDP</b>	<b><u>0.9</u></b>	<b><u>-0.3</u></b>	<b><u>0.8</u></b>	<b><u>2.6</u></b>	<b><u>1.0</u></b>
Private consumption	<u>2.3</u>	<u>0.9</u>	<u>1.6</u>	<u>2.3</u>	<u>1.8</u>
Investment	<u>-0.5</u>	<u>-3.5</u>	<u>-1.2</u>	<u>1.7</u>	<u>-0.9</u>
Govt. spending	<u>-0.7</u>	<u>-3.2</u>	<u>-3.6</u>	<u>-2.6</u>	<u>-2.5</u>
Exports	<u>4.3</u>	<u>3.5</u>	<u>-0.1</u>	<u>1.8</u>	<u>2.3</u>
Imports	<u>2.0</u>	<u>-1.6</u>	<u>-0.3</u>	<u>-0.3</u>	<u>-0.1</u>
<b>% q/q</b>					
<b>GDP</b>	<b><u>0.3</u></b>	<b><u>0.5</u></b>	<b><u>0.8</u></b>	<b><u>0.9</u></b>	<b>--</b>

\*Note: Underlined figures indicate forecasts

Source: INEGI, Banorte

## 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 Thalia 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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