

March 5, 2025

Domestic demand – Broad slowdown at the end of 2024

- **Gross fixed investment (December): -4.0% y/y (nsa); Banorte: -2.8%; consensus: -2.5% (range: -5.9% to -0.1%); previous: -0.9%**
- **Private consumption (December): -0.7% y/y (nsa); Banorte: -0.2%; consensus: 0.6% (range: -0.2% to 0.9%); previous: 0.4%**
- **Investment fell 2.6% m/m, adding five months lower with the revisions. Inside, declines were widespread, with machinery and equipment down 3.8%, and with construction slightly more moderate at -1.8%**
- **Consumption backtracked 1.1% m/m, also with declines in both of its components. The imported item contracted 4.2%, while the domestic component had a more limited move at -0.8%**
- **We keep expecting domestic demand to remain as the engine of growth this year, particularly consumption. However, we will be watching the effect that the imposition of tariffs on our exports by the US may have on investment**

Substantial decline in investment in the sequential comparison. GFI came in at -4.0% y/y ([Chart 1](#)), below consensus (-2.5%), and our estimate (-2.8%). With seasonally adjusted figures the result was -4.1% y/y, with the holidays impacting the result despite one more working day in the annual comparison. Back to original figures, machinery and equipment strung a third month in positive territory at 2.5%. Inside, both items advanced, with the domestic branch again leading by 4.0%, with the imported one more modest at 1.5%. Construction remained in negative territory at -9.4%, with the non-residential component remaining as the main drag (-16.4%), although with the residential item still positive (3.2%). Additional details are presented in [Table 1](#).

In the monthly comparison investment contracted 2.6% m/m ([Chart 3](#)), adding five months down with the revised figures. The decline was broad. Machinery and equipment came in at -3.8%, its sixth decline in all of 2024. The domestic component fell 4.6%, facing a challenging base, while the imported component had a more limited decline at 3.2%. Regarding the former, we highlight the weakness in both transportation (-5.7%) and 'others' (-3.0%). Construction also added a fifth consecutive month down at -1.8%. This is in line with the results seen in the [industrial production](#) report. Within the latter, the non-residential sector rebounded at the margin at 0.2%. On the other hand, the residential sector accelerated its decline at -3.9%. For more details see [Table 2](#).

Consumption fell after a modest gain in November. In annual terms, the indicator stood at -0.7% ([Chart 5](#)), despite positive base and calendar effects. With seasonally adjusted figures, the result was lower at -0.8% y/y ([Table 3](#)). Fundamentals were skewed lower, highlighting: (1) A loss of jobs –with a relevant seasonal component behind them–, although with wages maintaining a high rate of growth; (2) a [moderation in remittances](#), with the uncertainty surrounding the immigration issue impacting figures; and (3) a [slight acceleration in consumer credit](#). At the margin, inflation decelerated, with part of the performance explained by a more favorable base. Inside, the domestic item came in at -0.1%, with services being the main support, at +2.3%. In contrast, goods retreated 2.1% –with non-durables concentrating losses (-2.7%). Imports fell 1.5% –with weakness in durables (-15.5%).

Sequentially, consumption contracted 1.1% ([Chart 7](#)). In the detail, a negative base effect predominated. The domestic item fell 0.8%, with goods concentrating the decline (-1.8%) and with services more resilient (0.4%). Imports backtracked 4.2%, as shown in [Table 4](#), also reflecting an additional depreciation of the Mexican peso.



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Consumption will maintain its role as the engine of growth, with additional doubts for investment. The confirmation of tariffs on Mexican goods by the US implies new headwinds for investment in the short-term. Although we do not rule out a modification to these measures in coming weeks or months –in light of improvements in border security and immigration issues–, the fact is that companies have reacted in different ways, with some rethinking their production chains and others weighing comparative advantages over these trade challenges. Considering this, we believe that the arrival of new investments in the country will not stop, although it could moderate. In this sense, and given the nature of decisions regarding productive investments, it is likely that a long-term approach will prevail. This does not minimize our recognition of a weak investment outlook, but it does acknowledge that there are important factors that continue to be attractive within our economy.

In this context, and focusing on the short-term, we believe that the impact will be more immediate on the industrial production (e.g. manufacturing), but not on private investment, since the projects that were already underway will most likely continue, providing some support to the total. Furthermore, given the high possibility that USMCA will be revised or renegotiated this year, there is room for agreements to be reached in various sectors, such as steel and auto industries, where the voices of US businesspeople have not ceased to be critical of these tariffs. According to the New York Times, the president of the *American Automotive Policy Council*, Matt Blunt, continues to assure that the sector should be exempt from tariffs, arguing that “...our American automakers, who have invested billions in the US to meet these requirements, should not have their competitiveness undermined by tariffs that will raise the cost of building vehicles in the United States and stymie investment in US labor...”.

Regarding consumption, as we discussed in our last edition of the [View from the Top](#), it is showing more positive signs. With the ‘January slope’ behind us, we believe that household spending can accelerate, supported by a growth trend in nominal and real wages, as well as by an increase in government transfers via social programs. In addition, our trajectory contemplates resilience in fundamentals throughout the year, as well as other positive variables –such as lower interest rates– which could allow for an acceleration in consumption in the second half of the year.

Gross fixed investment

Table 1: Gross fixed investment

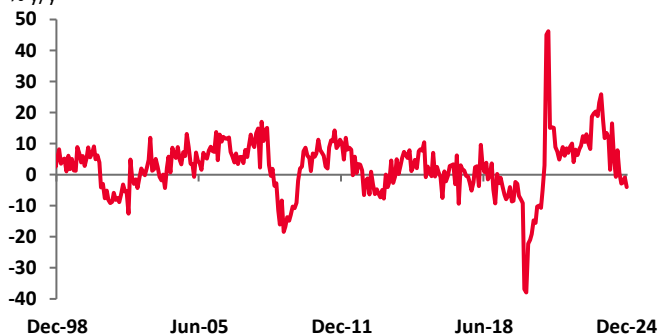
% y/y nsa

	nsa				sa	
	Dec-24	Dec-23	2024	2023	Dec-24	Dec-23
Total	-4.0	11.8	3.4	16.5	-4.1	13.7
Construction	-9.4	23.1	1.8	18.5	-9.5	23.2
Residential	3.2	-1.7	4.8	2.2	4.3	-0.1
Non-residential	-16.4	43.5	-0.4	34.1	-17.1	42.1
Machinery and equipment	2.5	0.6	5.3	14.3	1.9	5.2
Domestic	4.0	-2.1	5.2	13.1	4.3	1.2
Transportation Equipment	10.7	4.1	13.2	25.2	11.6	9.2
Other machinery and equipment	-3.8	-8.3	-2.8	3.2	-3.3	-6.4
Imported	1.5	2.7	5.3	15.2	0.0	8.0
Transportation Equipment	29.7	22.1	24.1	48.9	31.3	24.4
Other machinery and equipment	-2.7	0.3	2.5	11.4	-4.7	6.4

Source: INEGI

Chart 1: Gross fixed investment

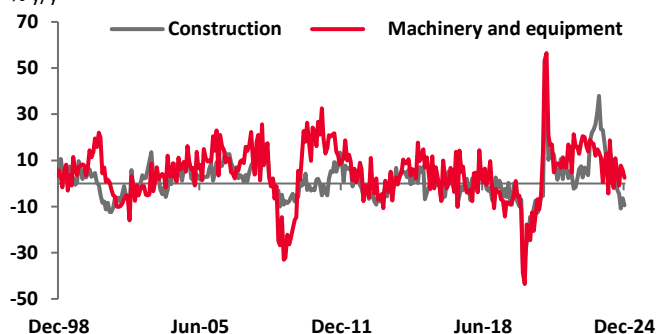
% y/y



Source: INEGI

Chart 2: Gross fixed investment by sector

% y/y



Source: INEGI

Table 2: Gross fixed investment

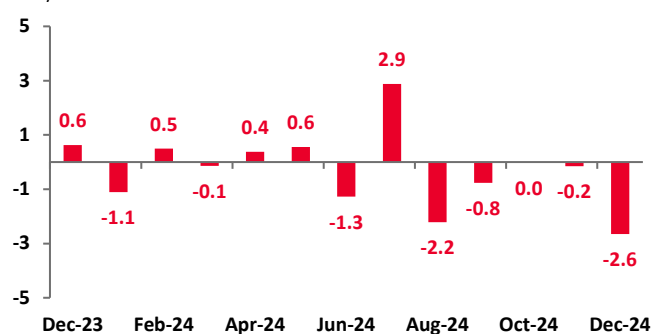
% m/m sa; % 3m/3m sa

	% m/m			% 3m/3m	
	Dec-24	Nov-24	Oct-24	Oct-Dec'24	Sep-Nov'24
Total	-2.6	-0.2	0.0	-2.2	-1.4
Construction	-1.8	-1.3	-0.7	-3.6	-2.7
Residential	-3.9	-2.0	1.6	0.6	3.6
Non-residential	0.2	-0.7	-2.5	-6.1	-6.6
Machinery and equipment	-3.8	1.5	1.0	0.0	0.5
Domestic	-4.6	3.3	-1.6	-0.7	1.0
Transportation Equipment	-5.7	4.0	-1.6	0.1	2.9
Other machinery and equipment	-3.0	1.8	-2.0	-2.4	-1.7
Imported	-3.2	0.1	3.2	0.4	-0.3
Transportation Equipment	7.8	1.5	1.1	1.2	-1.3
Other machinery and equipment	-5.1	-0.3	3.9	0.4	0.2

Source: INEGI

Chart 3: Gross fixed investment

% m/m sa



Source: INEGI

Chart 4: Gross fixed investment

Index sa



Source: INEGI

Private consumption

Table 3: Private consumption

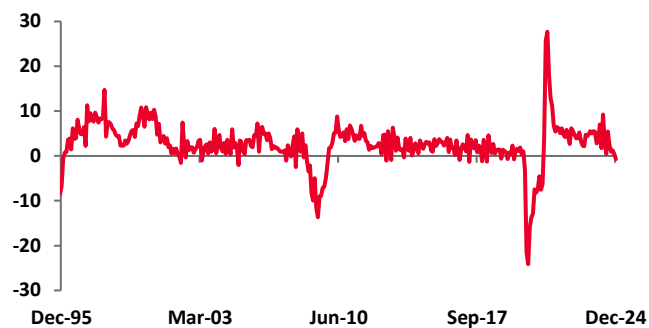
% y/y nsa

	nsa				sa	
	Dec-24	Dec-23	2024	2023	Dec-24	Dec-23
Total	-0.7	2.8	2.8	4.3	-0.8	4.4
Domestic	-0.1	0.1	1.2	2.1	0.1	1.1
Goods	-2.1	-0.3	0.4	0.6	-1.9	1.3
Durables	0.2	3.6	9.6	10.3	-	-
Semi-durables	-0.4	-3.6	0.1	3.5	-	-
Non-durables	-2.7	-0.3	-0.7	-1.1	-	-
Services	2.3	0.6	2.1	3.8	2.3	1.0
Imported goods	-1.5	18.2	13.4	15.5	-5.1	24.2
Durables	-15.5	46.5	12.6	27.6	-	-
Semi-durables	8.9	20.0	22.3	12.2	-	-
Non-durables	3.3	4.1	10.0	10.3	-	-

Source: INEGI

Chart 5: Private consumption

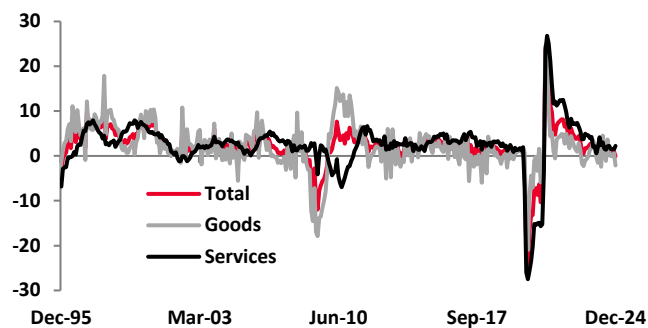
% y/y



Source: INEGI

Chart 6: Domestic consumption: Goods and services

% y/y



Source: INEGI

Table 4: Private consumption

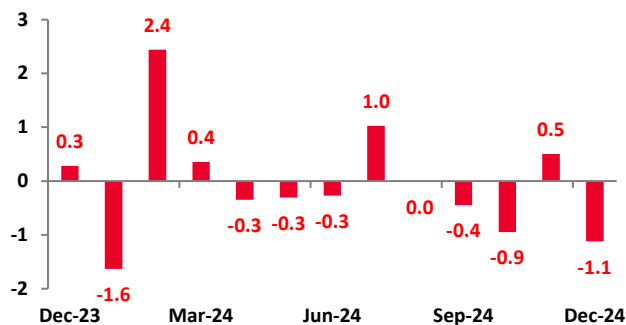
% m/m sa; % 3m/3m sa

	% m/m			% 3m/3m	
	Dec-24	Nov-24	Oct-24	Oct-Dec'24	Sep-Nov'24
Total	-1.1	0.5	-0.9	-1.3	-0.6
Domestic	-0.8	0.4	-0.7	-0.6	0.1
Goods	-1.8	0.4	-1.0	-1.0	0.0
Services	0.4	0.2	-0.3	0.0	0.1
Imported goods	-4.2	2.2	-0.6	-3.0	-2.8

Source: INEGI

Chart 7: Private consumption

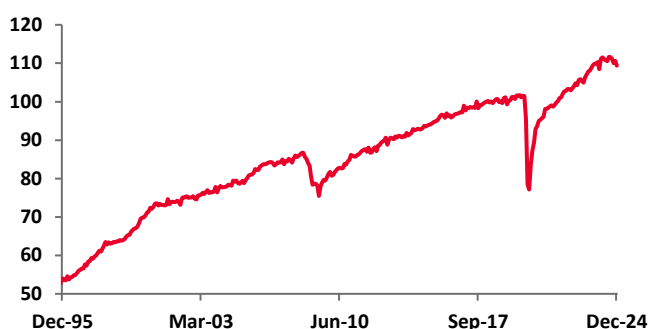
% m/m sa



Source: INEGI

Chart 8: Private consumption

Index sa



Source: INEGI

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

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