

## Industrial production – Rough start to the year, with declines in manufacturing and mining

- **Industrial production (January): -2.9% y/y nsa; Banorte: -1.7%; consensus: -1.7% (range: -3.2% to -1.0%); previous: -2.7%**
- **Industrial activity fell 0.4% m/m, adding four months to the downside and pointing to lingering challenges for the sector, with specific drivers for each of the categories in play**
- **By sectors, manufacturing contracted 0.3% m/m, with 10 of its 21 items declining –highlighting the 0.8% fall in transportation. Mining contracted 1.8%, marking two consecutive months to the downside and once again impacted by oil. Construction, rebounded at the margin at 0.1%, with gains in civil engineering**
- **Headwinds for industry will continue, with the largest impact expected in the first half of the year. Latent trade uncertainty will remain key, on top of other domestic factors**

**Industrial production remained negative at the beginning of 2025 in annual terms.** Activity fell 2.9% y/y (see [Chart 1](#)), below consensus (-1.7%) which matched our estimate. Both mining (-8.8%) and construction (-6.7%) added another month lower, reaching 19 and 6 months, respectively. However, manufacturing also fell, now at -0.8%, bumping its negative streak to 3 months ([Chart 2](#)). January had one less working day in the annual comparison. However, with seasonally adjusted data, the result was similar at -2.8% y/y. For further details, see [Table 1](#).

**Further declines in the monthly comparison.** Industrial production contracted 0.4% m/m ([Chart 3](#)), expanding upon the 1.4% loss of the previous month. Weakness was broad-based, with uncertainty from the Trump administration weighing on several categories. The result was somewhat surprising considering trade flows in the month, which suggested manufacturing growth. Nevertheless, considering other domestic challenges, figures for the remaining sectors (mainly mining and construction) were broadly in line with expectations.

Manufacturing fell 0.3% ([Table 2](#)), adding three months of declines. The result contrasted with exports (2.2%), although it was in line with the sector's performance in the US, which fell by 0.1% due to lower auto production. In detail, 10 of the 21 categories contracted. We highlight transportation (-0.8%) –at odds with AMIA's report–, machinery and equipment (-5.8%) and electrical equipment (-1.4%). The most important upticks were in rubber and plastics (3.1%), beverages and tobacco (2.3%), and electronic equipment (2.0%).

Mining had the largest decline at -1.8%. Inside, the negative trend prevailed in the oil component (-1.3%), in line with timely figures of lower production by Pemex. The non-oil component was positive at 0.9% despite a slight moderation in industrial metals prices. Lastly, 'related services' contracted 13.2%, maintaining its streak of volatility.

Construction came in at 0.1%. Within, civil engineering expanded 1.4%, ending with six consecutive months of declines, possibly aided by fresh resources as the new fiscal year began. Edification moderated its pace to the downside at -0.7%, although extending its negative trend, not ruling out a slowdown due to the uncertainty surrounding activity in the short-term. On the other hand, specialized works rose 0.9%.

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**Risks to industrial production will continue in the first half of the year.** Industry will continue to face headwinds in the short term. Nevertheless, we think there is room for improvement in the second half of 2025. The reasons for the current weakness are diverse, affecting each sector differently. However, we classify unpredictability in US trade policy as the main obstacle in general –even with the February and March furlough of tariffs agreed between both governments. Thus, the lack of dynamism would be more pronounced in some sectors, while others could prove more resilient.

The negative impact of President Donald Trump's changing decisions regarding tariffs on Mexican goods will fall mainly on manufacturing. For now, it is very difficult to quantify the final effect given the high level of uncertainty. Some of the immediate impacts will likely include: (1) Lower business confidence; (2) the cancellation and/or delay of factory orders for exports; and (3) supply chain disruptions, with businesses prolonging their production and/or transportation decisions until they have more certainty. On the latter point, according to the *National Chamber of Freight Transportation* (Canacar in Spanish), the crossing of goods at customs both in Ciudad Juárez and Tijuana would have decreased at the beginning of March. In the former, it was estimated that US\$70 million in goods were waiting for what eventually became the second pause in the implementation of US import taxes. In this backdrop, we believe that a drop in orders could materialize in the coming months, which in turn would translate into declines in manufacturing activity.

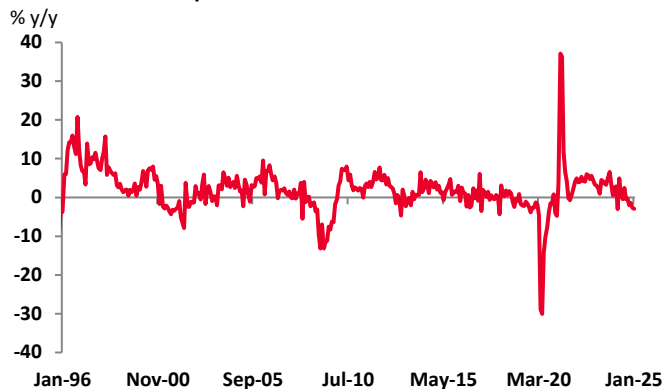
In mining, we see a slight decrease in industrial metal prices in the short-term based on the view of a slowdown in global demand amid trade tensions. We expect the oil sector to continue deepening its downward trend, with structural factors also weighing. Finally, challenges persist for construction also. Performance could be dampened by lower dynamism in government projects following fiscal consolidation efforts, except for those related to trains. In addition, resilience could be determined by private spending, particularly industrial construction, compensating for the sluggishness in housing.

**Table 1: Industrial production**

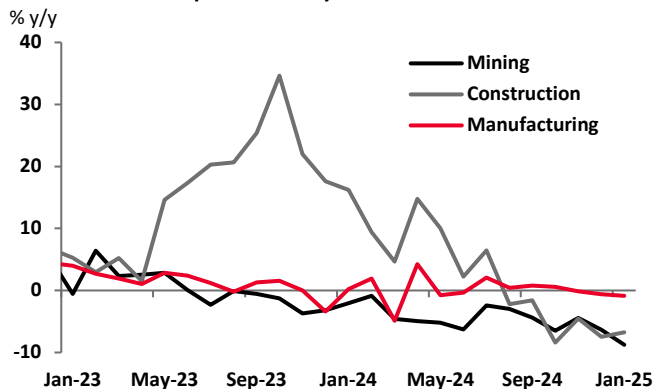
% y/y nsa, % y/y sa

	nsa				sa	
	Jan-25	Jan-24	2024	2023	Jan-25	Jan-24
<b>Industrial Production</b>	<b>-2.9</b>	<b>2.5</b>	<b>0.2</b>	<b>3.4</b>	<b>-2.8</b>	<b>1.8</b>
<b>Mining</b>	<b>-8.8</b>	<b>-2.1</b>	<b>-4.3</b>	<b>0.1</b>	<b>-8.6</b>	<b>-2.1</b>
Oil and gas	-10.7	-2.9	-6.1	1.9	-10.5	-2.7
Non-oil mining	-0.4	-0.2	1.3	-4.3	-0.5	-0.3
Services related to mining	-20.5	-1.2	-7.9	1.6	-19.7	-1.3
<b>Utilities</b>	<b>0.8</b>	<b>-2.7</b>	<b>1.6</b>	<b>-2.4</b>	<b>1.0</b>	<b>-2.6</b>
<b>Construction</b>	<b>-6.7</b>	<b>16.2</b>	<b>2.7</b>	<b>15.6</b>	<b>-6.4</b>	<b>16.3</b>
Edification	-1.6	10.8	6.9	7.1	-1.2	10.5
Civil engineering	-27.5	45.0	-8.7	64.9	-26.5	48.5
Specialized works for construction	-3.4	12.6	-1.4	8.9	-3.7	11.5
<b>Manufacturing</b>	<b>-0.8</b>	<b>0.2</b>	<b>0.3</b>	<b>1.3</b>	<b>-0.9</b>	<b>-0.9</b>
Food industry	0.0	-0.4	-0.3	-0.1	0.1	-1.5
Beverages and tobacco	0.1	1.7	1.0	-3.9	0.4	-0.8
Textiles - Raw materials	-5.0	-10.2	-6.0	-8.9	-4.8	-11.5
Textiles - Finished products ex clothing	-2.3	-4.0	-5.6	-3.1	-2.0	-6.5
Textiles - Clothing	-7.5	-3.4	-9.3	-6.5	-6.9	-5.5
Leather and substitutes	-7.4	-13.9	-13.5	-2.0	-7.1	-15.7
Woodworking	-2.4	-11.1	-4.8	-10.7	-2.1	-11.9
Paper	4.6	-6.0	-2.7	-5.0	4.5	-7.4
Printing and related products	4.7	2.7	-1.3	-0.3	5.2	1.9
Oil- and carbon-related products	-8.2	12.0	11.5	-2.5	-7.8	11.9
Chemicals	-1.6	4.1	2.3	-2.3	-1.3	2.2
Plastics and rubber	3.9	-2.4	0.1	-2.6	3.8	-3.7
Non-metallic mineral goods production	-6.5	-3.6	-1.9	-2.1	-6.6	-4.2
Basic metal industries	-3.5	-1.1	-5.2	0.2	-4.1	-1.9
Metal-based goods production	-3.2	1.8	-2.1	2.9	-3.0	-0.8
Machinery and equipment	-6.9	-7.4	-4.7	1.3	-8.0	-9.0
Computer, communications, electronic, and other hardware	1.7	1.5	-1.1	1.3	0.9	-0.2
Electric hardware	2.4	-0.9	0.8	2.1	2.5	-1.9
Transportation equipment	-0.9	1.4	1.3	8.9	-1.7	0.1
Furniture, mattresses, and blinds	-3.9	-3.1	-3.0	-9.4	-3.4	-3.8
Other manufacturing industries	14.8	-2.9	14.0	-0.5	15.9	-2.5

Source: INEGI

**Chart 1: Industrial production**

Source: INEGI

**Chart 2: Industrial production by sector**

Source: INEGI

**Table 2: Industrial production**

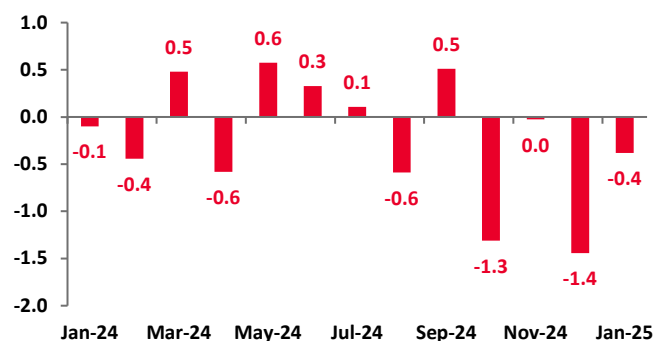
% m/m sa; % 3m/3m sa

	Jan-25	% m/m Dec-24	Nov-24	% 3m/3m Nov'24-Jan'25	Oct-Dec'24
<b>Industrial Production</b>	<b>-0.4</b>	<b>-1.4</b>	<b>0.0</b>	<b>-1.8</b>	<b>-1.7</b>
<b>Mining</b>	<b>-1.8</b>	<b>-1.2</b>	<b>0.4</b>	<b>-2.6</b>	<b>-2.6</b>
Oil and gas	-1.3	-1.9	-1.9	-4.4	-3.5
Non-oil mining	0.9	0.2	-1.7	-1.5	-1.1
Services related to mining	-13.2	3.4	42.3	11.0	-6.8
<b>Utilities</b>	<b>-0.8</b>	<b>-1.9</b>	<b>0.7</b>	<b>-1.1</b>	<b>-0.4</b>
<b>Construction</b>	<b>0.1</b>	<b>-2.1</b>	<b>-2.0</b>	<b>-3.1</b>	<b>-3.1</b>
Edification	-0.7	-2.6	-2.5	-2.7	-1.0
Civil engineering	1.4	-1.7	-3.7	-8.6	-11.5
Specialized works for construction	0.9	-0.4	4.1	2.8	-0.5
<b>Manufacturing</b>	<b>-0.3</b>	<b>-1.3</b>	<b>0.7</b>	<b>-1.2</b>	<b>-1.2</b>
Food industry	0.0	-0.8	0.4	-0.8	-0.8
Beverages and tobacco	2.3	-0.3	-0.3	-0.3	-0.6
Textiles - Raw materials	-1.2	-1.2	-0.1	-3.4	-3.8
Textiles - Finished products ex clothing	1.0	0.4	1.4	1.0	-0.3
Textiles - Clothing	2.1	-1.0	-0.1	-2.3	-3.9
Leather and substitutes	-1.5	-0.9	0.3	-0.7	0.1
Woodworking	-5.5	2.8	0.6	-0.4	0.8
Paper	2.0	-0.6	1.5	1.4	0.6
Printing and related products	-3.1	5.0	1.9	4.6	3.4
Oil- and carbon-related products	-3.9	13.7	-6.2	-5.3	-9.8
Chemicals	0.9	-0.7	1.3	0.0	-1.1
Plastics and rubber	3.1	-1.9	-0.3	-1.5	-2.0
Non-metallic mineral goods production	0.2	-1.7	-0.2	-3.8	-4.3
Basic metal industries	2.0	-0.3	-3.9	-0.8	1.4
Metal-based goods production	2.9	-3.4	0.8	-2.9	-3.9
Machinery and equipment	-5.8	0.3	0.9	-2.2	-1.2
Computer, communications, electronic, and other hardware	2.0	-0.9	0.5	1.0	1.0
Electric hardware	-1.4	2.0	-1.7	-0.5	0.0
Transportation equipment	-0.8	-6.7	3.5	-3.6	-2.8
Furniture, mattresses, and blinds	-1.0	-4.3	5.3	0.6	0.4
Other manufacturing industries	-12.5	9.7	9.2	10.6	9.5

Source: INEGI

**Chart 3: Industrial production**

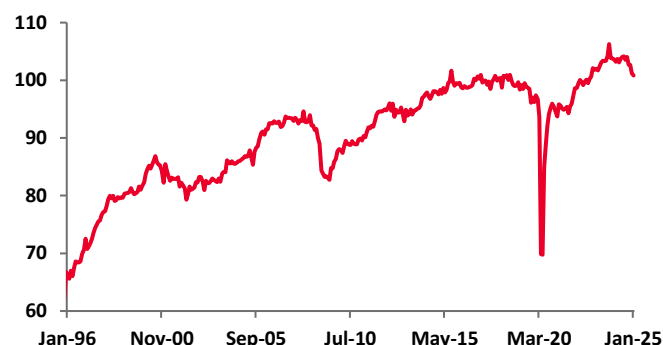
% m/m sa



Source: INEGI

**Chart 4: Industrial production**

Index sa



Source: INEGI

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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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