

GDP-proxy IGAE – The slowdown extended to the first month of 2025

- **Monthly GDP-proxy IGAE (January): -0.1% y/y; Banorte: -0.2%; consensus: 0.0% (range: -0.7% to 0.8%); previous: -0.4%**
- **Activity fell 0.2% m/m, marking two months of declines. Performance by sector was mixed, although with overall signs of weakness. Thus, figures are consistent with a more challenging backdrop**
- **Services came in at 0.0% m/m –with 5 of its 14 categories lower. On the other hand, primary activities grew 3.1%, mainly explained by a more favorable base effect. Finally, industry fell 0.4%, dragged by manufacturing and mining**
- **Uncertainty surrounding Mexico's trade relationship with the US has definitely been a substantial headwind. We believe this will weigh on activity at least through the first half of the year. However, timely figures for the rest of 1Q25 give slightly more encouraging signals, at least in domestic sectors**

The economy declined in annual terms, falling 0.1% y/y in January. The result was below consensus (0.0%), although a bit higher than our estimate (-0.2%). The calendar effect in the period was negative, with one working day less in the annual comparison. However, with seasonally adjusted figures, the result was similar at 0.0%, as shown in [Chart 1](#). Returning to original data, industry maintained its negative performance at -2.9% ([Chart 3](#)), stringing five months of losses. Primary activities remained volatile, now at 14.8% ([Chart 2](#)). Finally, services stayed positive at 0.8%, although already with signs of a loss of momentum ([Chart 4](#)). For more details by sector, see [Table 1](#).

Clear signs of moderation in sequential data. Activity fell 0.2% m/m ([Chart 5](#)), extending the previous month's 1.1% decline. Some factors to highlight in the month include: (1) The start of the Trump administration and its protectionist narrative, although with uncertainty stemming from this weighing for some months now; (2) a further depreciation of the Mexican peso; (3) higher trade flows; and (4) relative stability in fundamentals for consumption, including a slight recovery in remittances.

Looking at the breakdown, services came in at 0.0%. Consumption fundamentals maintained some momentum, albeit with the 'January slope' effect more evident in some figures. On the positive side, [remittances rebounded slightly](#) –albeit only after an exceptionally low December– while [consumer loans](#) accelerated again. Another bright spot was inflation as its downward trend could be interpreted as additional room for more discretionary household spending. On a more mixed note, the [unemployment rate](#) increased at the margin, albeit with significant job creation. Wages continued to advance, but at a more modest pace. Inside, we note that five of the fourteen categories declined. The most relevant contractions were in wholesales (-1.5%), lodging (-0.7%) and government services (-0.7%). Conversely, professional (3.8%), entertainment (2.9%) and retail sales (1.4%) showed the largest expansions. On the latter, we are waiting for its own report tomorrow, although ANTAD's same-store sales came in at -2.2% y/y in real terms. For additional details, see [Table 2](#).

[Industry](#) fell 0.4% ([Chart 6](#)), consistent with the greater headwinds. Within, manufacturing (-0.3%) and mining (-1.8%) fell. In manufacturing, 10 of its 21 items declined, with weakness in transportation along with machinery and equipment standing out. In mining, the negative trend prevailed in the oil component. Regarding construction (+0.1%), civil engineering and specialized works drove the result.

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Primary activities maintained high volatility, now with a 3.1% uptick in a context of lower prices –consistent with their seasonal pattern– and with marginally better drought levels than in the previous year.

Headwinds for the economy have increased throughout 1Q25, although we do not rule out some glimmers of resilience. Considering results for the first month of the year along with some timely figures, we believe that challenges to activity have increased and will likely persist throughout the first half of the year. However, the same data suggests that some resilience could prevail in certain areas, key to sustaining performance.

As we have already addressed in several notes, the key element is tariffs on goods exported to the US, which directly impacts business confidence and investments in Mexico. During this first quarter, their application or coverage has been postponed, frozen or reduced. Nevertheless, the situation is far from being positive. The sense of doubt for industry will continue weighing and could be reflected relatively quickly. Private investment would –at least– be waiting for a more concrete definition of trade policies. It is important to highlight that April 2nd will be important to clarify what could be the new scenario for international trade under the concept of ‘reciprocal tariffs’ by the US, albeit with uncertainty likely persisting. This could also be the starting point for the revision of USMCA. By way of summary, other elements in play for activity in the short-term include: (1) The reactivation of public investments in infrastructure across various levels of government; (2) the progress of Banxico’s easing cycle; (3) an additional slowdown of the global economy, also as a result of protectionist policies; and (4) the performance of the Mexican peso.

In this context, we remain with a more optimistic outlook on services. On the one hand, international tourism has been favorable. Timely figures indicate that the growth trend continues, while other factors such as MXN depreciation and a change of preferences in destinations (replacing the US for Mexico, due to different factors, including costs) could be encouraging in the short-term. On the first point, INEGI calculated an 18.6% expansion in visitors in January, with a 6.5% increase in foreign exchange income per international visitor. On the second point, the Ministry of Tourism recorded a 12% increase in visitors from Canada in the first months of the year, so we do not rule out that Mexico could continue attracting tourism from other countries under the same premise. Regarding domestic consumption, the resilience of fundamentals in 1Q25 will be key, including: (1) Higher public spending for social programs (with greater coverage and higher transfer amounts); (2) lower inflation; and (3) the lighthouse effect of the [minimum wage](#) increase. These could help limit upward adjustments in the unemployment rate and the moderation in the pace of job creation.

Table 1: GDP-proxy IGAE

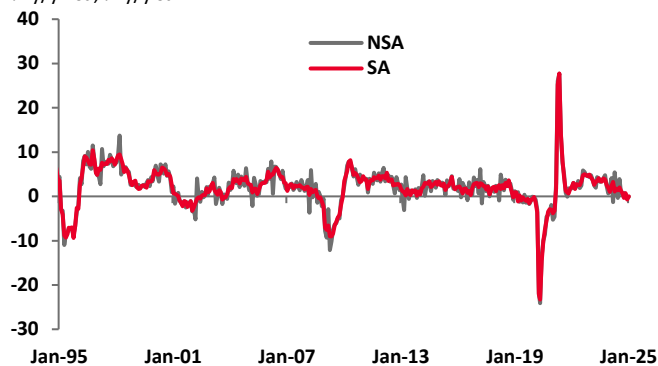
% y/y nsa, % y/y sa

	y/y, nsa				y/y, sa	
	Jan-25	Jan-24	Jan-Dec'24	Jan-Dec'23	Jan-25	Jan-24
Total	-0.1	1.8	1.4	3.3	0.0	1.0
Primary activities	14.8	-14.5	-2.5	-1.6	14.6	-14.0
Agriculture	22.4	-21.5	-4.7	-3.1	-	-
Livestock	1.3	2.2	2.1	1.6	-	-
Industrial production	-2.9	2.5	0.2	3.4	-2.8	1.8
Mining	-8.8	-2.1	-4.3	0.1	-8.6	-2.1
Utilities	0.8	-2.7	1.6	-2.4	1.0	-2.6
Construction	-6.7	16.2	2.7	15.6	-6.4	16.3
Manufacturing	-0.8	0.2	0.3	1.3	-0.9	-0.9
Services	0.8	2.4	2.3	3.6	1.0	1.5
Wholesales	-5.6	3.6	1.3	4.0	-4.7	1.6
Retail sales	2.9	3.0	2.6	4.7	3.2	0.8
Transportation and logistics	0.2	4.1	4.0	3.6	0.3	2.3
Mass media	4.3	6.7	2.3	7.4	4.6	6.5
Financial services	2.2	4.7	3.5	10.6	2.2	4.7
Real estate	1.8	0.4	0.8	2.2	1.9	0.4
Professional services	14.2	18.6	15.8	5.5	13.5	16.8
Business support	9.3	-11.5	-6.6	-4.7	9.9	-10.8
Education	0.3	0.6	0.8	1.2	0.8	0.5
Healthcare	4.5	1.5	3.5	0.3	4.6	1.6
Entertainment	1.1	-3.5	1.9	4.2	1.9	-1.7
Lodging and restaurants	-0.3	-3.7	-1.7	3.1	0.1	-2.8
Others	-0.9	3.4	2.2	3.7	-0.9	3.2
Government services	-1.2	-2.3	1.3	0.2	-1.1	-2.4

Source: INEGI

Chart 1: GDP-proxy IGAE

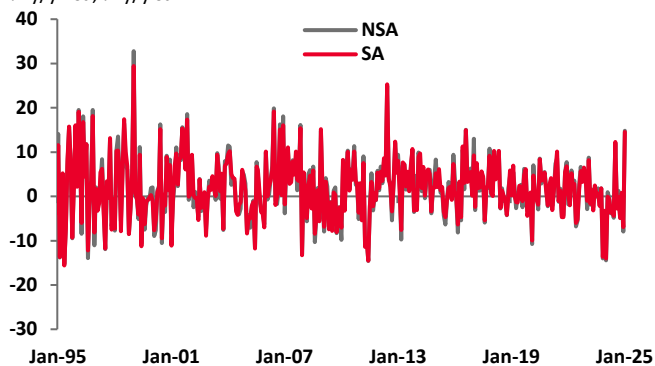
% y/y nsa, % y/y sa



Source: INEGI

Chart 2: Primary activities

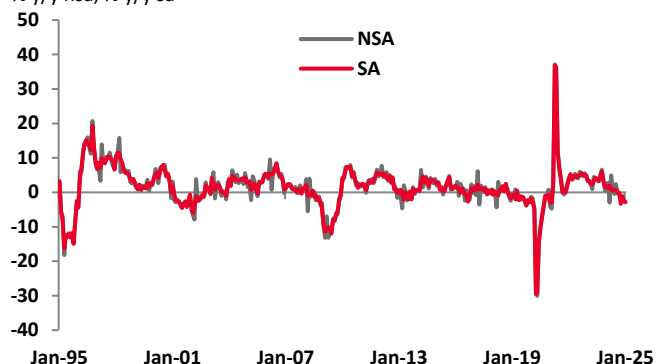
% y/y nsa, % y/y sa



Source: INEGI

Chart 3: Industrial production

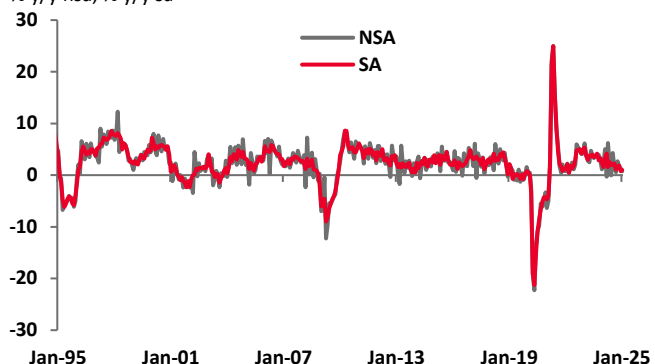
% y/y nsa, % y/y sa



Source: INEGI

Chart 4: Services

% y/y nsa, % y/y sa



Source: INEGI

Table 2: GDP-proxy IGAE

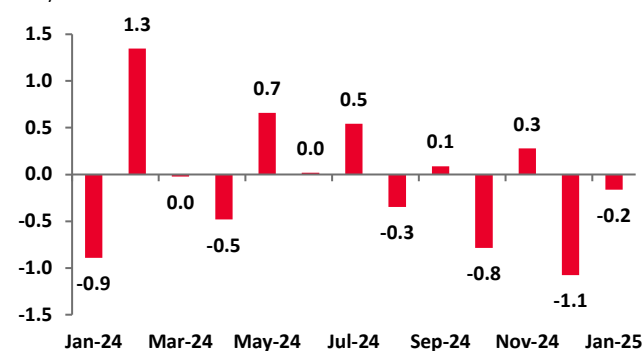
% m/m sa, % 3m/3m sa

	% m/m			% 3m/3m	
	Jan-25	Dec-24	Nov-24	Nov'24-Jan'25	Oct-Dec'24
Total	-0.2	-1.1	0.3	-1.0	-1.0
Primary activities	3.1	0.9	-3.8	-3.5	-7.3
Industrial production	-0.4	-1.4	0.0	-1.8	-1.7
Mining	-1.8	-1.2	0.4	-2.6	-2.6
Utilities	-0.8	-1.9	0.7	-1.1	-0.4
Construction	0.1	-2.1	-2.0	-3.1	-3.1
Manufacturing	-0.3	-1.3	0.7	-1.2	-1.2
Services	0.0	-0.8	0.3	-0.3	-0.2
Wholesales	-1.5	-3.3	2.3	-0.7	-0.4
Retail sales	1.4	-1.7	0.6	0.1	0.4
Transportation and logistics	-0.5	-1.3	0.7	-0.6	-0.2
Mass media	0.0	4.0	-1.5	1.5	0.7
Financial services	0.2	0.8	0.5	0.4	-0.5
Real estate	0.2	-0.2	0.3	0.3	0.3
Professional services	3.8	0.5	-2.7	0.3	1.4
Business support	0.1	-1.5	-2.3	-3.0	-1.3
Education	-0.3	0.1	0.0	-0.4	-0.5
Healthcare	0.2	0.1	0.6	1.4	1.7
Entertainment	2.9	-2.2	-1.8	-2.9	-2.7
Lodging and restaurants	-0.7	-0.1	1.4	0.9	1.1
Others	0.2	-0.5	-0.7	-1.3	-1.2
Government services	-0.7	-0.4	0.9	-0.5	-1.2

Source: INEGI

Chart 5: GDP-proxy IGAE

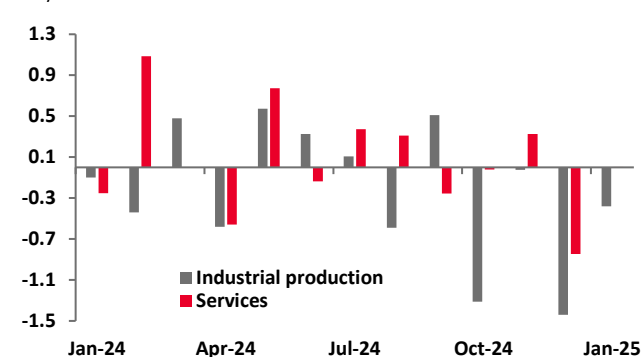
% m/m sa



Source: INEGI

Chart 6: Industrial production and services

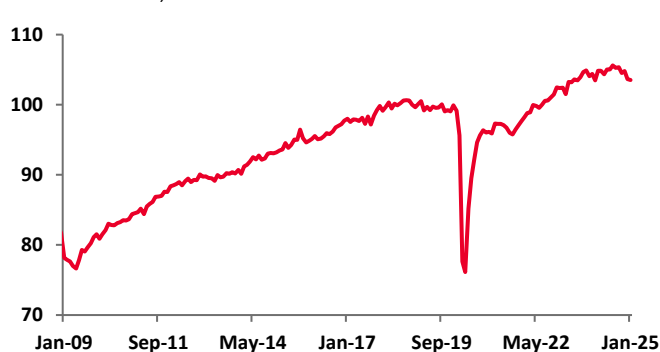
% m/m sa



Source: INEGI

Chart 7: Global economic activity indicator

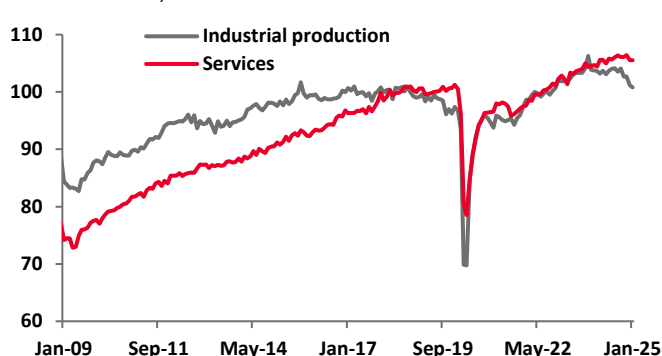
Index 100 = 2018, sa



Source: INEGI

Chart 8: Industrial production and services

Index 100 = 2018, 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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