

Domestic demand – Investment climbed in March despite uncertainty, with a pause in consumption

- Gross fixed investment (March): -0.2% y/y (nsa); Banorte: -1.3%; consensus: -0.5% (range: -2.5% to 2.4%); previous: -7.3%
- Private consumption (March): 1.2% y/y (nsa); Banorte: 1.2%; consensus: 1.2% (range: 1.0% to 3.5%); previous: -1.9%
- Investment came in at +0.3% m/m, advancing for a second consecutive month. Construction was positive, up 0.8% on a greater push from the residential sector. On the other hand, machinery and equipment fell 0.7%, dragged by the domestic component
- Consumption was negative at -0.2% m/m, not entirely surprising considering the 1.4% uptick in the previous month. Inside, the domestic item contracted 0.5%, while imported goods climbed 0.4%
- In our view, risks to domestic demand persist for 2Q25, with distortions and uncertainty stemming from trade continuing. However, we are more optimistic for the second half of the year, expecting both business and consumer confidence to improve

Investment advances again in the monthly comparison, still with negative annual figures. GFI came in at -0.2% y/y ([Chart 1](#)), higher than consensus (-0.5%) and our estimate (-1.3%). The bias was negative, with construction adding an eighth month of losses at -0.1%. The non-residential component remained as the main drag at -15.9%. Residential construction was much better at 20.5%. With seasonally adjusted figures, the result was -4.7% y/y, with two more days in the annual comparison due to differences in the Easter holiday. Additional details are presented in [Table 1](#).

In the monthly comparison, investment advanced 0.3% m/m ([Chart 3](#)), adding two months to the upside. Construction was positive again at 0.8%. [Industrial production](#) data are consistent with this report, highlighting a lower impact from 'mining-related services'. The residential sector grew 1.7%, with the non-residential component down 0.8%. For its part, machinery and equipment came in at -0.7%, with the domestic component explaining the decline at -2.7%. However, the imported branch expanded by 1.2%. On the former, the main drag was transportation (-6.3%), with the latter boosted by 'others' (2.1%). For more details see [Table 2](#).

Marginal decline in consumption. The indicator came in at 1.2% y/y ([Chart 5](#)) after three months in negative territory. However, with seasonally adjusted figures consumption fell by 1.3% y/y ([Table 3](#)), extending its downtrend. Fundamentals were largely positive. In the [labor market](#), 175.8 thousand jobs were created, while wages growing further. Thus, total payrolls remained somewhat stable. [Remittances were also encouraging](#), crossing the US\$5 billion threshold. Another positive point was [consumer credit](#), advancing at a double-digit pace for 26 consecutive months. In annual terms, both items grew, with the imported branch up 1.6% –with semidurable goods (4.0%) as the main driver–, and the domestic component also at 1.6%.

In the monthly comparison, it fell 0.2%, although after a 1.4% uptick in the previous month ([Chart 7](#)). Imports grew 0.4%, quite positive considering the expansion in February. In our view, this was supported by MXN gains. Meanwhile, the domestic total fell 0.5%, with both goods and services down by the same magnitude, as shown in [Table 4](#).



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Domestic demand will continue to face challenges in 2Q25, although it will probably improve during the second half of the year. Timely figures for the second quarter suggest that the moderation of domestic demand will extend further, without ruling out another slowdown. Some risks that prevailed remain in place (e.g. uncertainty about Trump's trade policies, impacting both business and consumer sentiment), while others may become more noticeable (e.g. slowdown in industrial activity). In this sense, we recognize relevant challenges for both investment and consumption. This does not forget some ongoing catalysts, particularly for the latter.

Moving into the second half of the year, we believe investment could retake a more positive trend. The key pillar lies in our call that the review of USMCA will begin towards the end of 3Q25, providing greater certainty about the country's trade situation. With this in mind, we think that momentum around nearshoring-related foreign direct investment could be renewed, again driven by the construction of industrial parks. In addition, public investment is also likely to pick up pace, in line with the accelerated goals of *Plan Mexico*, including projects that may be carried out under the re-launched 'mixed investment' figure. Finally, we believe that the additional decline in interest rates will be a further incentive. For consumption, the main support will continue to come from fundamentals, which we expect to strengthen ahead, benefiting also from the positive spillover of advances in investment and an acceleration in manufacturing. On prices, we think the latest shocks should fade soon despite their [recent rebound](#), supporting real household income. All in all, progress on both fronts will be key for a turning point in activity, underpinning our view of 0.5% GDP growth this year.

Gross fixed investment

Table 1: Gross fixed investment

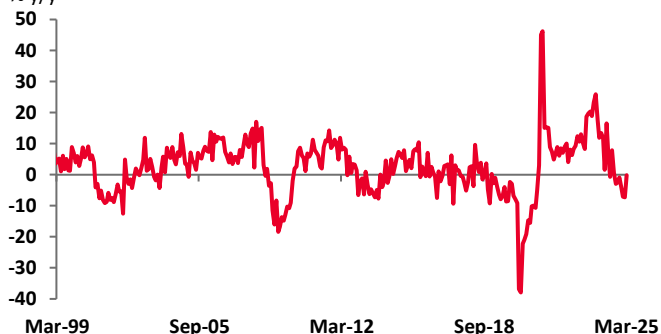
% y/y nsa

	nsa				sa	
	Mar-25	Mar-24	Jan-Mar'25	Jan-Mar'24	Mar-25	Mar-24
Total	-0.2	1.6	-4.9	8.7	-4.7	9.0
Construction	-0.1	7.6	-5.0	11.9	-3.1	11.3
Residential	20.5	-4.4	10.8	1.5	14.7	-1.7
Non-residential	-15.9	19.1	-16.4	20.9	-17.1	24.7
Machinery and equipment	-0.4	-4.4	-4.7	5.5	-7.5	8.5
Domestic	-0.7	-3.8	-2.4	1.3	-6.6	6.2
Transportation Equipment	-3.9	7.3	-0.5	10.9	-10.0	20.7
Other machinery and equipment	3.1	-14.4	-4.4	-7.2	-2.2	-7.5
Imported	-0.1	-4.7	-6.3	8.5	-8.0	11.0
Transportation Equipment	-9.5	9.7	-13.7	33.8	-14.8	23.9
Other machinery and equipment	1.6	-7.0	-5.1	5.1	-7.7	9.7

Source: INEGI

Chart 1: Gross fixed investment

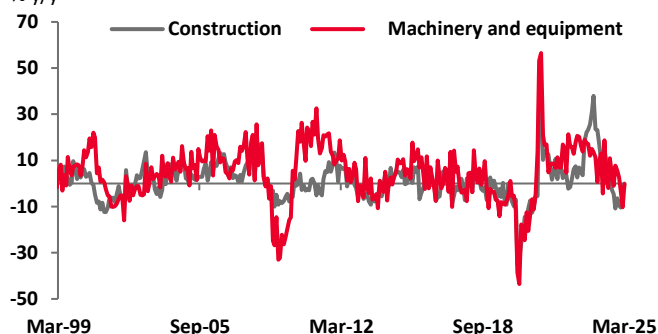
% y/y



Source: INEGI

Chart 2: Gross fixed investment by sector

% y/y



Source: INEGI

Table 2: Gross fixed investment

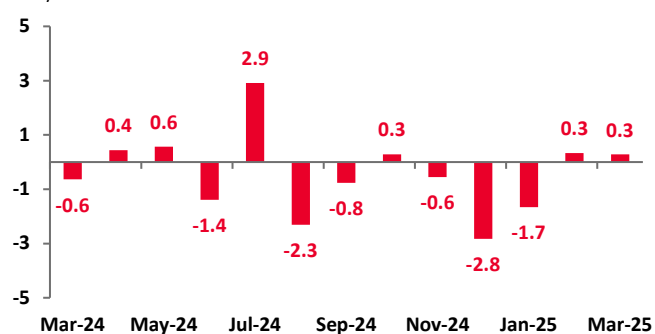
% m/m sa; % 3m/3m sa

	% m/m			% 3m/3m	
	Mar-25	Feb-25	Jan-25	Jan-Mar'25	Nov'24-Jan'25
Total	0.3	0.3	-1.7	-3.4	-4.1
Construction	0.8	2.4	-1.4	-1.1	-2.8
Residential	1.7	6.0	1.5	2.7	-1.6
Non-residential	-0.8	-0.9	-3.7	-4.8	-4.1
Machinery and equipment	-0.7	-1.3	-2.0	-5.6	-5.1
Domestic	-2.7	2.5	-5.1	-6.8	-6.5
Transportation Equipment	-6.3	3.7	-6.5	-9.3	-8.0
Other machinery and equipment	1.0	1.4	-3.2	-3.6	-4.6
Imported	1.2	-3.6	0.6	-3.9	-3.6
Transportation Equipment	-5.0	2.3	-16.6	-12.7	-3.4
Other machinery and equipment	2.1	-4.7	3.4	-2.8	-3.6

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

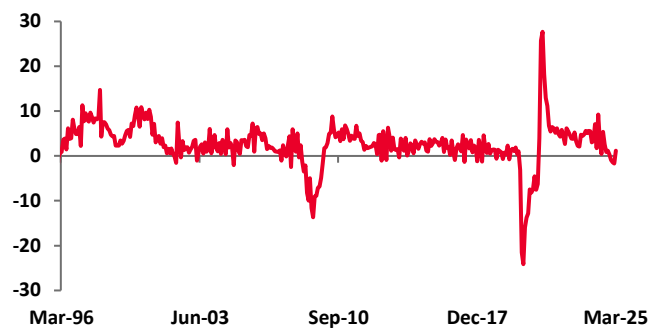
% y/y nsa

	nsa				sa	
	Mar-25	Mar-24	Jan-Mar'25	Jan-Mar'24	Mar-25	Mar-24
Total	1.2	1.8	-0.6	4.0	-1.3	6.3
Domestic	1.6	-0.1	0.6	1.0	-0.4	3.4
Goods	2.7	-2.3	0.5	-0.6	-1.0	3.6
Durables	5.4	15.2	5.9	10.0	-	-
Semi-durables	8.3	-11.4	1.7	-2.5	-	-
Non-durables	1.2	-2.7	-0.6	-1.7	-	-
Services	0.4	2.4	0.8	2.9	0.5	2.6
Imported goods	1.6	13.0	-5.2	24.0	-6.1	27.0
Durables	-0.5	14.0	-8.6	23.4	-	-
Semi-durables	4.0	18.4	0.0	25.3	-	-
Non-durables	1.8	10.2	-5.4	23.8	-	-

Source: INEGI

Chart 5: Private consumption

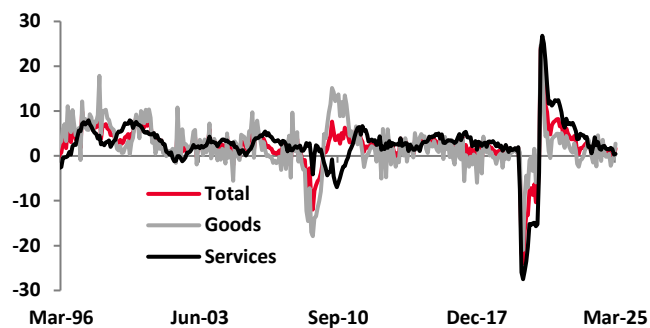
% y/y



Source: INEGI

Chart 6: Domestic consumption: Goods and services

% y/y



Source: INEGI

Table 4: Private consumption

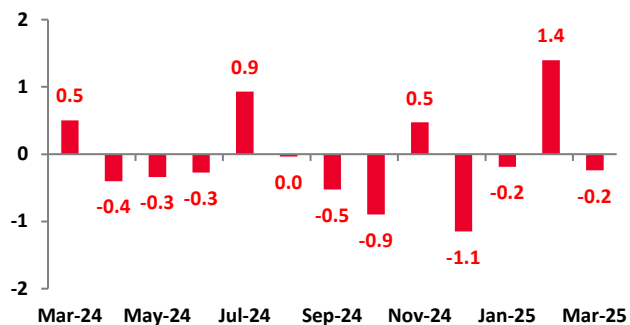
% m/m sa; % 3m/3m sa

	% m/m			% 3m/3m	
	Mar-25	Feb-25	Jan-25	Jan-Mar'25	Dec'24-Feb'25
Total	-0.2	1.4	-0.2	0.0	-0.8
Domestic	-0.5	1.3	-0.1	0.2	-0.4
Goods	-0.5	2.2	-0.3	0.0	-1.2
Services	-0.5	0.3	0.2	0.4	0.4
Imported goods	0.4	3.2	-0.5	-0.4	-2.2

Source: INEGI

Chart 7: Private consumption

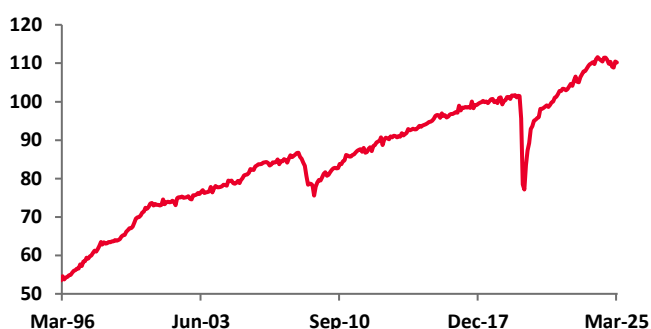
% m/m sa



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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