

## GDP-proxy IGAE – Stalling in May despite some positive news at the margin

- **Monthly GDP-proxy IGAE (May): -0.2% y/y; Banorte: 0.5%; consensus: 0.4% (range: -0.8% to 0.9%); previous: -1.7%**
- **The economy posted null growth (0.0% m/m). Although industry advanced, services took a step back**
- **Specifically, services fell by 0.4% –with 6 of its 14 sectors to the downside. Industrial production grew 0.6%, with construction standing out and manufacturing more modest. Agriculture rebounded by 3.6% despite mixed signals for prices and drought levels reaching their worst levels of the year**
- **Results so far indicate that activity probably advanced in 2Q25. However, the outlook in June was more challenging, with more adverse signals in services and industry facing a slowdown due to supply chain adjustments and a challenging base effect**

**The economy fell 0.2% y/y in May.** The result was lower than consensus (0.4%) and our estimate (0.5%). Seasonally adjusted figures were better at 0.4%, as shown in [Chart 1](#), with an additional working day accounting for much of the difference. Returning to original figures, industry declined by 0.8% ([Chart 3](#)), with services also negative at -0.2% ([Chart 2](#)). In contrast, primary activities expanded 5.4% ([Chart 4](#)). For more details, see [Table 1](#).

**Mixed figures in sequential terms result in null growth.** Activity came in at 0.0% m/m ([Chart 5](#)), not as negative considering the 0.4% expansion seen in April –with a marginal downward revision in the latter relative to the [first print](#). Some challenges prevailed, especially the disruption in trade flows, albeit to a lesser extent. Other relevant drivers in May included: (1) Further USD weakness, including against the MXN; (2) signs of a slowdown in the labor market, albeit with other fundamentals for consumption showing resilience; and (3) an acceleration of inflation.

Industry came in at +0.6%, with construction as the driving force ([Chart 6](#)). The latter advanced 2.8%, with edification providing the greatest impetus –in part due to a more challenging base. Manufacturing grew 0.1%, with six of its 21 sectors to the upside. Export-oriented industries adjusted further to tariffs and external demand conditions, while sectors more closely linked to the domestic market benefited from easier base effects.

Services contracted by 0.4%, with the [labor market](#) showing some signs of moderation. Wages improved, but the unemployment rate ticked higher (noting negative data on employment associated to IMSS). [Remittances](#) rebounded strongly on seasonal factors, while [credit](#) remained positive. Finally, [inflation](#) accelerated again. In detail, six of the fourteen categories backtracked. The largest contractions were in entertainment (-3.4%), wholesales (-2.6%), and professional services (-1.1%). We were also somewhat surprised by retail sales, down 0.3% and contrasting with the 1.8% m/m expansion in their stand-alone report. We believed the *Hot Sale* online sales campaign –with six of the nine days of the promotion in May– would provide a relevant push, with sales of \$42.7 million (+23.7% y/y), 87% in retail sectors (+20.9%). Finally, primary activities rebounded 3.6% despite pressures on livestock prices and drought levels reaching some of their worst levels of the year, although marginally better than in 2024. For more details, see [Table 2](#).



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**A better-than-expected 2Q25, but June could be a headwind for the final figure.** The results support our view that 2Q25 GDP will be positive. More importantly, figures in April and May leave room for a better-than-expected result than forecasted just a few months ago. As mentioned in [our latest Quarterly Outlook](#), we maintain a positive estimate for the second half of the year, albeit slightly more modest. In this regard, resilience in some services will be key, while the outlook for industry is more uncertain. However, an additional acceleration in construction could be the difference that keeps the sector positive.

Looking more closely at the end of 2Q25, June shows mixed signals. On formal employment, 46.4 thousand jobs were lost (-6.8 thousand sa), but real wages are still rising. Light vehicle production and exports accelerated relative to May (+2.3% m/m and +10.3%, respectively), although heavy vehicles were negative. Other elements to consider for the period included: (1) A weaker USD; (2) a 50bps cut in Banxico's reference rate; (3) mixed performance in airport passenger traffic, with ASUR reporting -2.8% y/y in total traffic, while GAP backtracked 4.9%; (4) the entry into force and subsequent postponement (until August 11<sup>th</sup>) of the new export regulation for the "Automatic Export Notice" with implications for specific goods, logistics and transportation services.

For the second half of the year, we will remain attentive to potential trade agreements with the US that improve the country's relative position, along with preparations for the USMCA review. On the other hand, we consider that a new upward cycle in construction may be in the cards, which could shore up industry. Regarding services and as mentioned earlier, we see room for moderate growth, even if a slowdown in household consumption materializes. Furthermore, we anticipate that a wide range of categories will begin to gain momentum with preparations for the World Cup in mid-2026.

**Table 1: GDP-proxy IGAE**

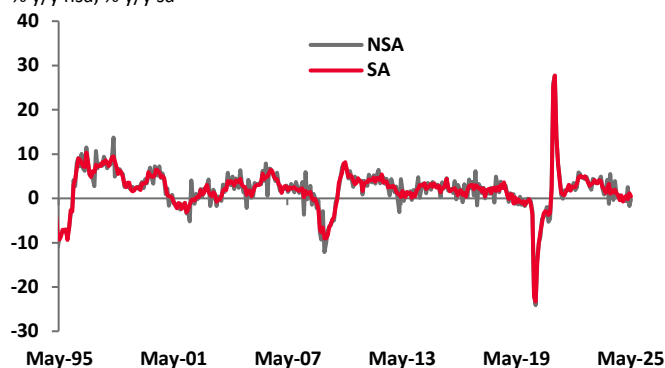
% y/y nsa, % y/y sa

	y/y, nsa				y/y, sa	
	May-25	May-24	Jan-May'25	Jan-May'24	May-25	May-24
<b>Total</b>	<b>-0.2</b>	<b>1.7</b>	<b>0.0</b>	<b>2.4</b>	<b>0.4</b>	<b>1.8</b>
<b>Primary activities</b>	<b>5.4</b>	<b>-4.1</b>	<b>5.3</b>	<b>-4.7</b>	<b>5.4</b>	<b>-4.3</b>
Agriculture	5.9	-6.8	7.1	-8.2	-	-
Livestock	4.5	2.5	1.9	2.5	-	-
<b>Industrial production</b>	<b>-0.8</b>	<b>1.0</b>	<b>-1.4</b>	<b>1.7</b>	<b>-0.4</b>	<b>0.6</b>
Mining	-8.4	-5.2	-8.8	-3.6	-8.4	-5.2
Utilities	-3.7	4.1	-1.7	0.7	-3.8	3.9
Construction	0.0	10.0	-1.6	10.9	-1.0	8.3
Manufacturing	0.5	-0.7	0.0	0.2	1.4	-1.0
<b>Services</b>	<b>-0.2</b>	<b>2.5</b>	<b>0.5</b>	<b>3.2</b>	<b>0.6</b>	<b>2.7</b>
Wholesales	-9.9	2.6	-6.4	5.2	-7.8	3.5
Retail sales	2.4	2.3	3.0	2.8	3.9	2.7
Transportation and logistics	0.9	3.6	-0.1	4.4	1.3	3.7
Mass media	6.1	-3.9	2.3	3.7	5.8	-4.2
Financial services	1.3	4.1	2.0	4.5	0.9	3.6
Real estate	1.2	0.9	1.6	0.3	1.2	0.9
Professional services	5.8	26.0	11.4	20.1	6.4	24.5
Business support	16.5	-7.6	13.1	-8.1	15.9	-7.8
Education	0.8	0.3	0.8	0.4	1.3	0.6
Healthcare	4.4	3.4	3.8	2.9	4.3	3.0
Entertainment	-0.2	5.3	3.2	4.0	-0.1	5.5
Lodging and restaurants	-1.6	-3.5	-1.8	-0.8	-1.0	-2.6
Others	-3.1	2.2	-2.9	3.6	-2.7	2.1
Government services	0.6	1.7	0.5	1.5	0.5	1.4

Source: INEGI

**Chart 1: GDP-proxy IGAE**

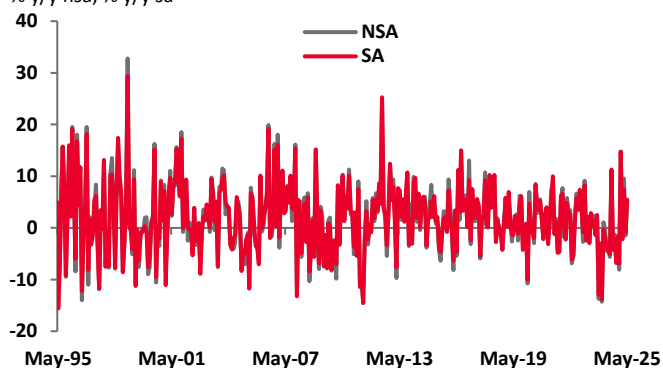
% y/y nsa, % y/y sa



Source: INEGI

**Chart 2: Primary activities**

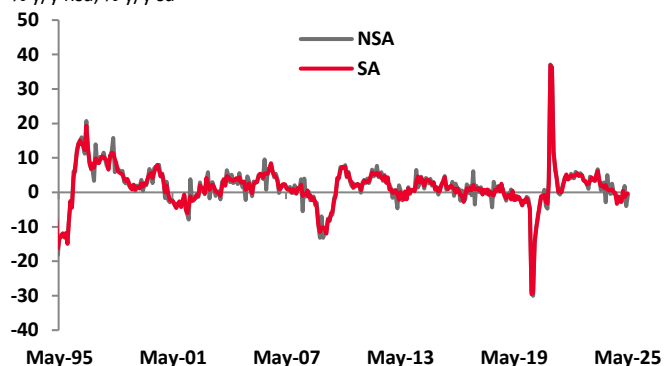
% y/y nsa, % y/y sa



Source: INEGI

**Chart 3: Industrial production**

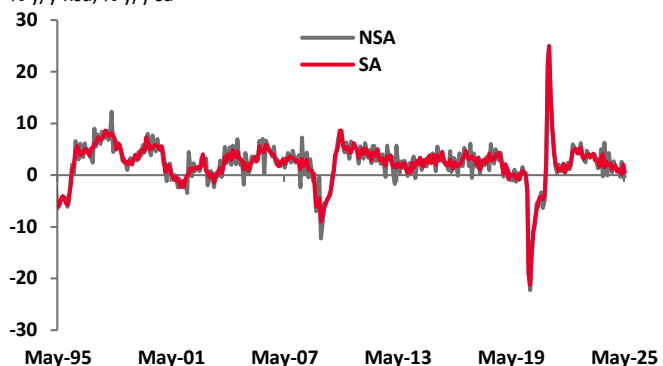
% y/y nsa, % y/y sa



Source: INEGI

**Chart 4: Services**

% y/y nsa, % y/y sa



Source: INEGI

**Table 2: GDP-proxy IGAE**

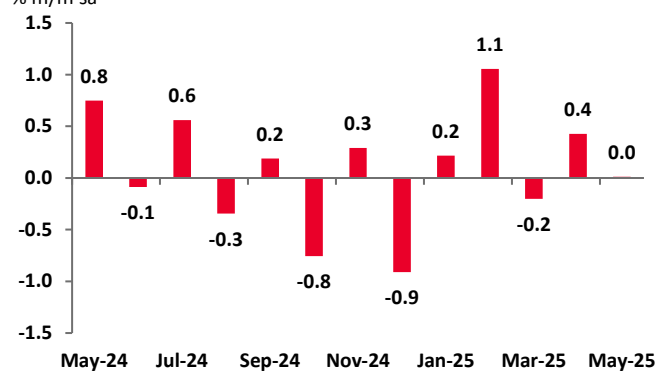
% m/m sa, % 3m/3m sa

	% m/m				% 3m/3m	
	May-25	Apr-25	Mar-25	Mar-May'25	Feb-Apr'25	Jan-Mar'25
<b>Total</b>	<b>0.0</b>	<b>0.4</b>	<b>-0.2</b>	<b>0.9</b>	<b>0.9</b>	<b>0.3</b>
<b>Primary activities</b>	<b>3.6</b>	<b>-6.2</b>	<b>4.2</b>	<b>3.9</b>	<b>5.5</b>	<b>6.0</b>
<b>Industrial production</b>	<b>0.6</b>	<b>0.2</b>	<b>-1.2</b>	<b>0.6</b>	<b>1.0</b>	<b>0.1</b>
Mining	-1.1	1.3	-2.6	-2.7	-2.8	-3.2
Utilities	0.4	0.2	-1.1	-1.4	-2.3	-2.5
Construction	2.8	-2.0	0.5	2.3	2.5	0.7
Manufacturing	0.1	0.8	-1.1	0.9	1.1	0.1
<b>Services</b>	<b>-0.4</b>	<b>0.7</b>	<b>-0.2</b>	<b>0.6</b>	<b>0.6</b>	<b>0.1</b>
Wholesales	-2.6	-0.5	-0.3	-1.4	-1.4	-2.4
Retail sales	-0.3	0.4	0.0	1.9	2.5	2.0
Transportation and logistics	0.1	1.3	0.3	1.0	-0.1	-0.8
Mass media	1.6	0.6	-0.2	0.3	0.4	1.3
Financial services	-0.7	1.7	-0.9	0.2	0.7	0.8
Real estate	0.1	0.3	0.0	0.3	0.1	0.1
Professional services	-1.1	4.4	-5.1	1.5	5.3	4.9
Business support	1.8	1.8	2.3	7.0	6.7	4.1
Education	0.2	0.4	0.3	0.5	0.2	-0.1
Healthcare	0.6	0.2	0.4	0.9	0.6	0.8
Entertainment	-3.4	4.0	-2.4	3.3	6.1	3.8
Lodging and restaurants	0.0	-0.7	-1.4	-1.6	-1.1	-0.6
Others	-0.5	0.7	-0.3	-0.5	-0.8	-1.1
Government services	0.1	-1.4	1.9	1.2	0.9	0.6

Source: INEGI

**Chart 5: GDP-proxy IGAE**

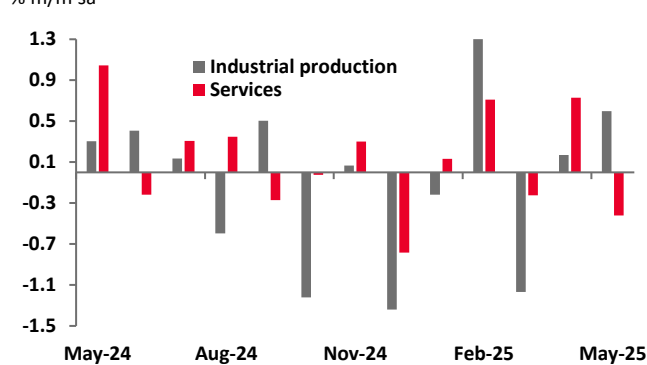
% m/m sa



Source: INEGI

**Chart 6: Industrial production and services**

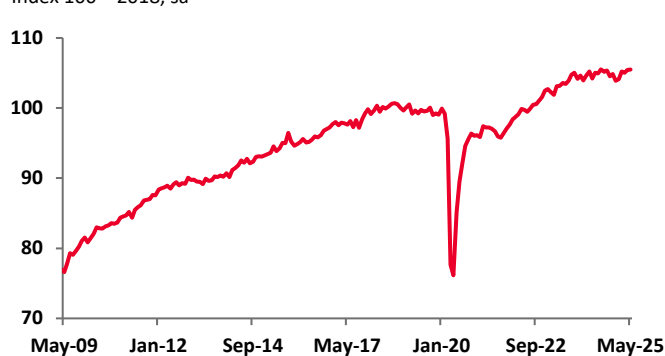
% m/m sa



Source: INEGI

**Chart 7: Global economic activity indicator**

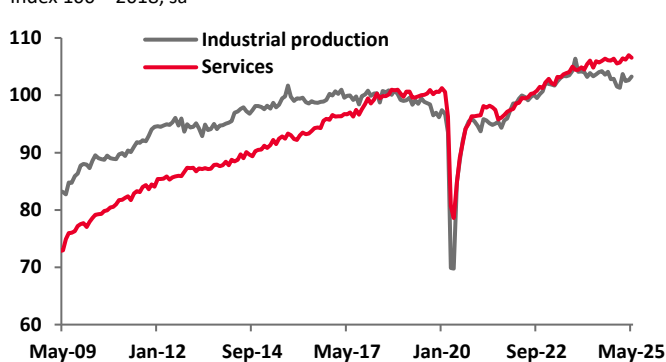
Index 100 = 2018, sa



Source: INEGI

**Chart 8: Industrial production and services**

Index 100 = 2018, sa



Source: INEGI

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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, 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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