Economic and Financial Markets Research
Economic Research, Mexico

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2Q25 GDP – Upside surprise on a larger push from both industry and services

- **Gross Domestic Product (2Q25 P, nsa): 0.1% y/y; Banorte: -0.3%; consensus: 0.1% (range: -0.6% to 1.1%); previous: 0.8%**
- **Gross Domestic Product 2Q25 P, sa): 0.7% q/q; Banorte: 0.4%; consensus: 0.4% (range: -0.2% to 0.7%); previous: 0.2%**
- **In our view, the result is very positive considering that the external environment remained highly uncertain. On the other hand, signals in the domestic front were mixed**
- **By sectors, momentum concentrated in industry (+0.8%) and services (+0.7%), rebounding after modest declines in the previous quarter. In contrast, agriculture fell 1.3%, in part due to a challenging base effect**
- **Figures imply that the economy grew around 0.7% m/m in June (2.1% y/y). Performance inside would have been positive, noting a 0.9% m/m uptick in services, with industry more modest (0.3%)**
- **We believe that the cumulative performance in the first half of the year was favorable when factoring-in a clearly difficult backdrop. Looking ahead, we think that modest expansions could materialize in 2H25, driving our call of 0.5% GDP growth this year**
- **Revised figures will be published on August 22nd**

GDP manages slight growth in annual terms, with calendar effects skewing down the print. The economy grew by 0.1% in 2Q25 (Chart 1). The period was impacted by a negative seasonal effect, bearing in mind that *Easter* was celebrated in April this year vs. March in 2024. Thus, with seasonally adjusted figures, the result was considerably better at 1.2% y/y (Table 1). Returning to original figures, two of the three categories were positive, which were agriculture at 4.1% and services at 0.7%, as shown in Chart 2. In contrast, industry came in at -1.5%, adding three consecutive quarters in negative territory.

Sequential growth for a second consecutive quarter, driven by industry and services. GDP came in at 0.7% q/q (Chart 3), improving from +0.2% in the previous quarter. In our opinion, this is quite positive considering that many of the challenges since the beginning of the year have extended, especially those on the external front due to high trade uncertainty. Locally, signals were more mixed, with some sectors resilient, but others slowing down.

Primary activities declined 1.3% q/q, facing a very challenging base effect after growing 7.8% in the previous quarter. The result is relatively consistent with higher drought conditions and some price shocks in certain categories.

Meanwhile, industry advanced 0.8% (Chart 4), breaking two quarters of declines. Within, performance was likely mixed once again, with momentum concentrated in construction, especially in edification. Manufacturing would also have grown, with some support from transportation and other export categories. On the contrary, mining would have continued to decline, dragged down by the non-oil component and 'related services', despite a slight improvement in the oil sector.

Services came in at 0.7% (Table 2). Fundamentals remained relatively mixed, with ups and downs throughout the month. Formal employment continued to moderate –albeit with total figures much better–, while wages kept rising. Remittances showed greater volatility and consumer credit stayed strong.


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While we do not have all the details yet, figures accumulated up to May suggest a positive performance in most sectors, particularly transportation, retail sales, and recreation. However, there is some weakness in wholesales and lodging and restaurants, so we will be waiting for more clarity about their performance in the last month of the quarter.

Relevant progress in June. Considering an average of -1.0% y/y for the monthly GDP-proxy IGAE in April and May, today's result implies a reading of around 2.1% y/y in the last month of the quarter (original figures). This is consistent with +0.7% m/m, accelerating after a pause in May. By sectors, services would have rebounded 0.9% m/m, with resilient fundamentals. Industry would have expanded 0.3%, with evidence of greater dynamism in manufacturing and despite a challenging base effect for construction. Finally, primary activities would have come in at +0.7%.

Challenges remain, although the results so far this year provide a cause for some optimism about coming quarters. As in 1Q25, we believe the result is quite positive given the current context for the Mexican economy, with both external –associated with trade uncertainty– and domestic challenges. Despite several factors continuing in the second half of the year (as we discuss below), we maintain our call of 0.5% GDP growth this year (see Table 3 and Table 4).

As discussed in our latest *View from the Top*, we believe that the outlook for 2H25 will remain mixed, with some driving factors continuing and others emerging. So far, the main headwind continues to be the US trade stance. At the time of this publication, no agreement had been announced between Mexico and the US to avoid the imposition of a 30% tariff on August 1st. According to several experts, it is not entirely clear whether this measure would cover all our exports or only those not traded under the USMCA. Our baseline scenario contemplates the second option, which would imply a 5% increase over the tariff currently applied. Although an interim agreement may be reached, we believe that uncertainty will truly be behind us until the USMCA review next year, so the preparatory work for this –which could begin in the coming months– will be key to an improvement relative to current conditions.

Regarding other factors more closely linked to the domestic economy, we believe that the acceleration of non-residential construction will provide substantial support. Specifically, construction is scheduled to begin on several railway lines in coming months, which should add to other efforts under the umbrella of *Plan Mexico*. Meanwhile, manufacturing could continue growing at a more moderate pace. For services, domestic sectors will remain highly dependent on consumption fundamentals. Overall, these have shown some signs of resilience, although other individual indicators –such as employment affiliated to IMSS and remittances– have slowed, introducing downside risks for the category.

Overall, we believe that conditions have been generally stronger than investor expectations at the beginning of the year and even at the start of the Trump administration. With that in mind, we maintain a relatively constructive view on activity for the coming quarters.

Table 1: GDP

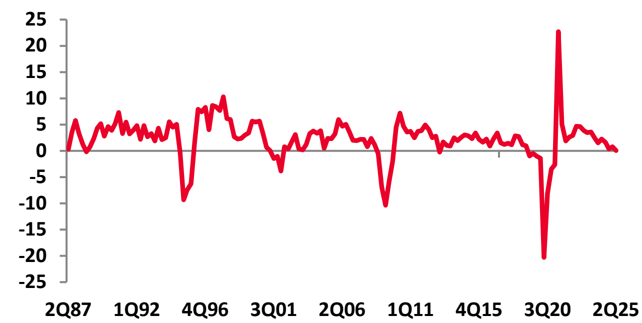
% y/y nsa, % y/y sa

	nsa						sa					
	2Q25	1Q25	2Q24	1Q24	Jan-Jun'25	Jan-Jun'24	2Q25	1Q25	2Q24	1Q24	Jan-Jun'25	Jan-Jun'24
Total	**0.1**	**0.8**	**2.2**	**1.5**	**0.4**	**1.9**	**1.2**	**0.6**	**1.2**	**1.8**	**0.9**	**1.5**
Agriculture	4.1	7.2	-4.5	-4.8	5.5	-4.6	4.5	6.7	-3.9	-5.1	5.6	-4.5
Industrial production	-1.5	-0.7	1.8	0.8	-1.1	1.3	-0.2	-1.3	0.6	1.6	-0.7	1.1
Services	0.7	1.3	2.9	2.3	1.0	2.6	1.7	1.1	2.0	2.5	1.4	2.2

Source: INEGI

Chart 1: GDP

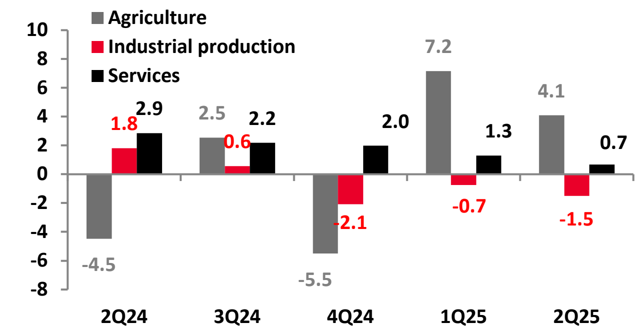
% y/y nsa



Source: INEGI

Chart 2: GDP by sectors

% y/y nsa



Source: INEGI

Table 2: GDP

% q/q sa, % q/q saar

	% q/q				% q/q saar			
	2Q25	1Q25	4Q24	3Q24	2Q25	1Q25	4Q24	3Q24
Total	**0.7**	**0.2**	**-0.7**	**0.8**	**2.7**	**0.8**	**-2.6**	**3.4**
Agriculture	-1.3	7.8	-6.5	4.5	-5.0	35.2	-23.7	19.5
Industrial Production	0.8	-0.1	-1.5	0.3	3.3	-0.5	-6.0	1.3
Services	0.7	-0.1	0.0	0.9	3.0	-0.3	0.1	3.5

Source: INEGI

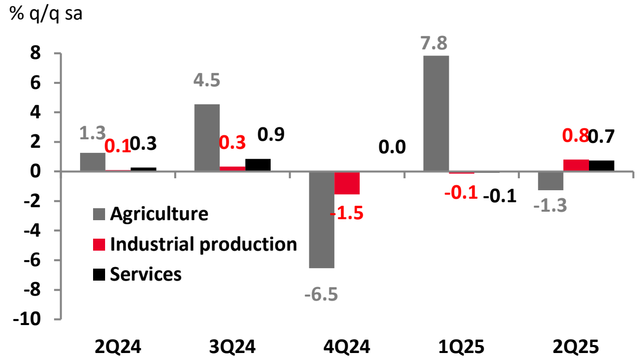
Chart 3: GDP

% q/q sa

Source: INEGI

Chart 4: GDP by sectors

% q/q sa



Source: INEGI

Table 3: GDP 2025: Supply

% y/y nsa; % q/q sa

% y/y	1Q25	2Q25	3Q25	4Q25	2025
GDP	**0.8**	**0.1**	**0.2**	**1.2**	**0.5**
Agricultural	7.2	4.1	-1.6	8.0	4.6
Industrial production	-0.7	-1.5	-1.2	0.7	-0.7
Services	1.3	0.7	0.9	1.0	1.0
% q/q					
GDP	**0.2**	**0.7**	**0.2**	**0.3**	--

*Note: Underlined figures indicate forecasts

Source: INEGI, Banorte

Table 4: GDP 2025: Demand

% y/y nsa; % q/q sa

% y/y	1Q25	2Q25	3Q25	4Q25	2025
GDP	**0.8**	**0.1**	**0.2**	**1.2**	**0.5**
Private consumption	-0.6	-1.4	-1.1	0.8	-0.6
Investment	-5.2	-7.9	-6.3	-3.4	-5.7
Govt. spending	1.5	-0.8	-0.9	-1.0	-0.3
Exports	12.8	9.6	4.6	2.1	7.0
Imports	-2.3	-2.7	-1.4	-1.5	-2.0
% q/q					
GDP	**0.2**	**0.7**	**0.2**	**0.3**	--

*Note: Underlined figures indicate forecasts

Source: INEGI, Banorte

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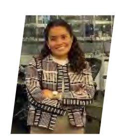

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