

Domestic demand – Mixed again in May, with investment up on higher construction

- **Gross fixed investment (May): -7.1% y/y (nsa); Banorte: -8.7%; consensus: -7.0% (range: -9.5% to -5.5%); previous: -12.6%**
- **Private consumption (May): -1.6% y/y (nsa); Banorte: -0.3%; consensus: -0.2% (range: -1.6% to 0.2%); previous: -1.8%**
- **Investment rebounded 0.9% m/m. Results were somewhat mixed, with construction up 1.4%, driven by the residential component. Meanwhile, machinery and equipment was unchanged (0.0%) after five months of declines**
- **Consumption fell by 1.0% m/m, erasing the previous month's expansion (0.9%). The domestic total was the main drag at -1.3% –noting weakness in goods–, while the imported branch rose by 0.3%**
- **We recognize that the environment will remain complex in 2H25. However, we anticipate modest growth in domestic demand. We expect resilience in consumption –despite possible disruptions in imports– and mixed dynamics in investment –with construction more positive**

Sequential uptick in investment in May. In the annual comparison, gross fixed investment contracted 7.1% y/y ([Chart 1](#)). Inside, machinery and equipment came in at -10.3%, highlighting the decline in the imported component (-13.7%). Construction posted ten consecutive months of negative rates at -4.3%, dragged once again by the non-residential sector (-17.5%). Seasonally adjusted figures showed a slightly better print at -6.7% y/y. For more details, see [Table 1](#).

Sequentially, investment expanded 0.9% m/m ([Chart 3](#)) after a 1.6% contraction in April. Construction recovered some ground at 1.4% –consistent with the [industrial production](#) report. Inside, the residential sector remained as the driving force at 7.8%, with the non-residential reverting down (-4.4%). Meanwhile, machinery and equipment was unchanged (0.0%). For more information, see [Table 2](#).

Consumption moderated despite positive results in some related indicators. The metric came in at -1.6% y/y ([Chart 5](#)). Seasonally adjusted, it was better at -0.9% y/y ([Table 3](#)). Fundamentals were mixed. In the [labor market](#), only 71.7 thousand jobs were created, although with a positive trend in wages. [Remittances](#) exceeded the US\$5 billion threshold for the first time this year, while [consumer loans](#) remained favorable. Imported goods fell 7.1%, while domestic items declined by 0.4%, dragged by goods (-1.9%).

In the monthly comparison, consumption decreased by 1.0% ([Chart 7](#)). The domestic sector contracted 1.3%, with weakness concentrated in goods (-2.4%), albeit with services also down (-0.1%). Imported goods stood at +0.3%, a modest rebound and materializing after the recent appreciation of the Mexican peso. ([Table 4](#)). The headline result was somewhat surprising given that sales reported by ANTAD and the *Hot Sale* discount campaign showed positive signs.

We expect domestic demand to continue growing, with resilience in consumption but more mixed in investment. We maintain our call of somewhat limited growth in domestic demand for the remainder of the year, which is not so negative considering the prevailing environment of trade uncertainty, which has had an impact on investment.

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On the latter, machinery and equipment would continue to be affected by trade uncertainty, although we do not rule out that incentives –such as a stronger peso against the US dollar and a reduction in financing costs with Banxico cutting the reference rate in the rest of its decisions for 2025– could provide some momentum. Regarding construction, we believe that it will end its negative streak, supported mainly by government infrastructure projects. In this regard, CEMEX noted in its latest quarterly report that its baseline scenario envisages greater momentum for construction in the second half of the year. CEO Jaime Muguero said he has “...quite a lot of confidence in this implied sequential growth for Mexico. We are talking to customers and they tell us that they do see the government moving forward with its social housing program”. In the same vein, the start of work on two of the four new railway projects between August and September will also be reflected in this area. In addition, there will be (1) Investment in road and port projects, which involve mixed investment; (2) federal waterworks; and (3) infrastructure spending to host the 2026 World Cup.

On consumption, a possible downside risk could come from the new *de minimis* import policies (low-value goods imported through parcel services by consumers). Although these taxes had already been established at the beginning of the year, it was announced on July 29th that the tariff rate would increase from 19% to 33.5% as of August 15th for goods from countries without a trade agreement –mainly from China. Imports of the same type from the US and Canada will be taxed at 17% when the value is between US\$50 and US\$117 and at 19% for items above US\$117. This policy is part of the federal government’s efforts to increase consumption of domestically produced goods. However, we will be monitoring closely the effects on imported goods going forward.

Gross fixed investment

Table 1: Gross fixed investment

% y/y nsa

	nsa				sa	
	May-25	May-24	Jan-May'25	Jan-May'24	May-25	May-24
Total	-7.1	5.4	-7.0	9.6	-6.7	5.1
Construction	-4.3	8.9	-5.8	11.8	-5.0	7.6
Residential	9.6	12.6	7.4	5.9	7.9	9.9
Non-residential	-17.5	5.6	-16.2	17.0	-17.1	6.0
Machinery and equipment	-10.3	1.8	-8.2	7.2	-8.2	2.7
Domestic	-4.8	-0.7	-5.3	2.1	-3.4	0.7
Transportation Equipment	-6.9	4.8	-6.1	11.4	-5.5	6.9
Other machinery and equipment	-2.4	-6.0	-4.5	-6.4	-1.9	-6.1
Imported	-13.7	3.5	-10.2	10.9	-10.6	4.4
Transportation Equipment	-28.6	34.3	-17.3	36.4	-26.7	35.1
Other machinery and equipment	-10.6	-1.3	-8.9	7.3	-7.2	0.2

Source: INEGI

Chart 1: Gross fixed investment

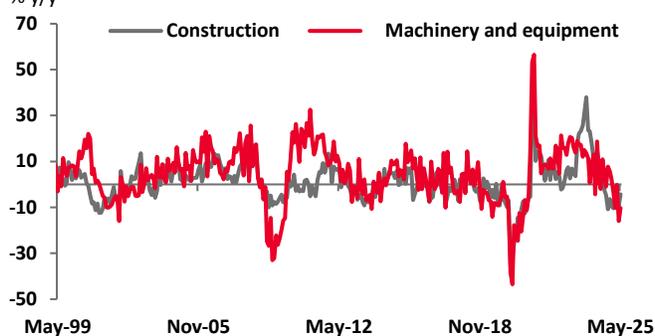
% y/y



Source: INEGI

Chart 2: Gross fixed investment by sector

% y/y



Source: INEGI

Table 2: Gross fixed investment

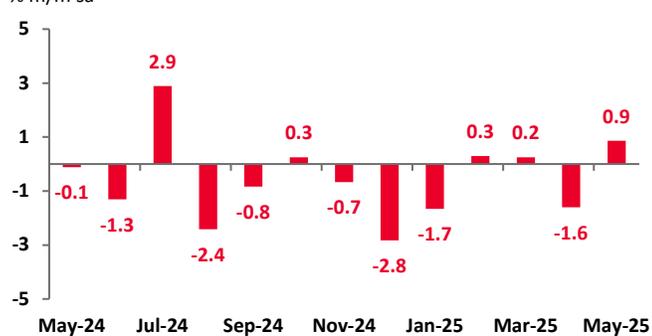
% m/m sa; % 3m/3m sa

	% m/m				% 3m/3m	
	May-25	Apr-25	Mar-25	Apr-May'25	Mar-Abr'25	Jan-Mar'25
Total	0.9	-1.6	0.2	-0.9	-2.1	-3.5
Construction	1.4	-1.0	0.7	1.6	1.0	-1.1
Residential	7.8	-5.4	1.6	4.9	4.9	2.8
Non-residential	-4.4	2.4	-0.8	-2.7	-3.2	-4.9
Machinery and equipment	0.0	-2.2	-0.7	-3.7	-5.4	-5.8
Domestic	3.4	-2.5	-2.6	-3.2	-5.2	-6.8
Transportation Equipment	5.8	-5.0	-6.7	-8.1	-9.2	-9.7
Other machinery and equipment	0.3	0.2	1.1	1.2	-1.0	-3.5
Imported	-1.8	-1.7	1.2	-3.0	-4.6	-4.4
Transportation Equipment	-13.6	10.4	-5.9	-8.6	-8.3	-13.5
Other machinery and equipment	-0.1	-2.5	1.9	-2.0	-4.0	-3.1

Source: INEGI

Chart 3: Gross fixed investment

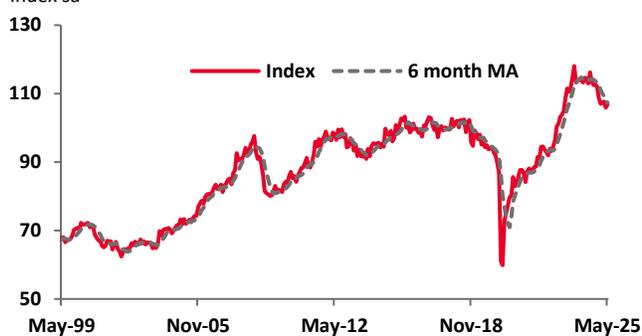
% m/m sa



Source: INEGI

Chart 4: Gross fixed investment

Index sa



Source: INEGI

Private consumption

Table 3: Private consumption

% y/y nsa

	nsa				sa	
	May-25	May-24	Jan-May'25	Jan-May'24	May-25	May-24
Total	-1.6	3.3	-1.1	4.9	-0.9	3.6
Domestic	-0.4	1.4	0.5	1.6	0.3	1.6
Goods	-1.9	1.1	0.0	0.7	-0.7	1.5
Durables	-0.8	14.5	4.1	13.6	-	-
Semi-durables	-1.7	-2.5	0.8	-0.5	-	-
Non-durables	-2.1	0.2	-0.7	-0.7	-	-
Services	1.3	1.6	1.0	2.7	1.3	1.6
Imported goods	-7.1	15.2	-7.6	26.7	-5.3	17.3
Durables	-11.6	14.6	-11.6	27.6	-	-
Semi-durables	-12.8	34.1	-4.1	30.9	-	-
Non-durables	-1.4	8.4	-6.6	24.2	-	-

Source: INEGI

Chart 5: Private consumption

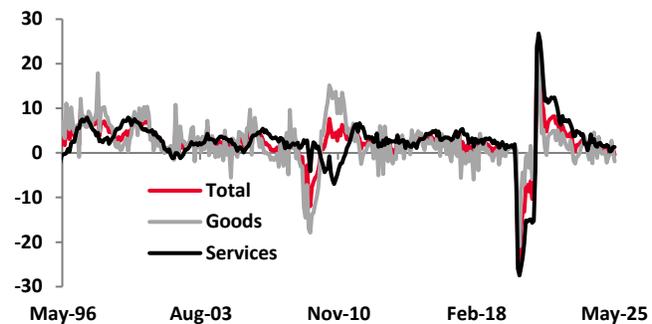
% y/y



Source: INEGI

Chart 6: Domestic consumption: Goods and services

% y/y



Source: INEGI

Table 4: Private consumption

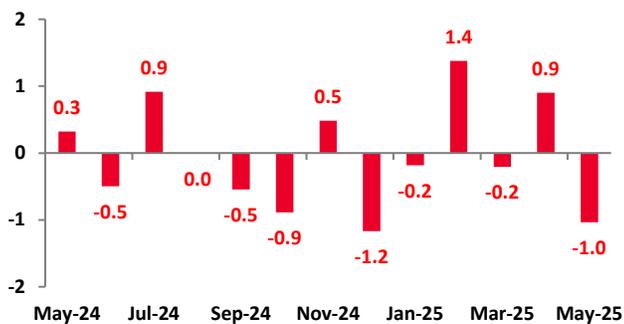
% m/m sa; % 3m/3m sa

	% m/m				% 3m/3m	
	May-25	Apr-25	Mar-25	Mar-May'25	Feb-Apr'25	Jan-Mar'25
Total	-1.0	0.9	-0.2	0.9	1.0	0.0
Domestic	-1.3	1.3	-0.5	0.8	1.1	0.2
Goods	-2.4	1.6	-0.4	1.2	1.7	0.1
Services	-0.1	0.7	-0.5	0.2	0.4	0.5
Imported goods	0.3	-0.9	0.3	1.7	1.1	-0.5

Source: INEGI

Chart 7: Private consumption

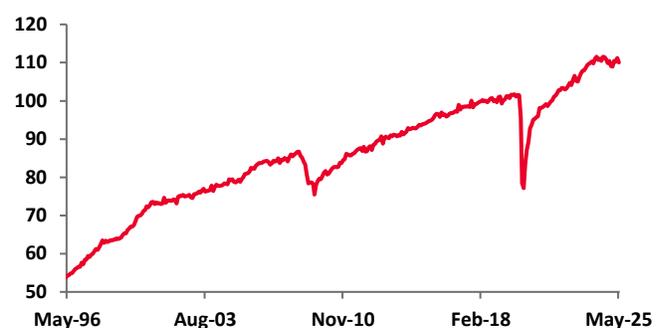
% m/m sa



Source: INEGI

Chart 8: Private consumption

Index sa



Source: INEGI

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