September 11, 2025

Industrial production – Weakness at the start of 3Q25 driven by manufacturing and construction

- **Industrial production (July): -2.7% y/y nsa; Banorte: -1.0%; consensus: -0.9% (range: -2.1% to -0.1%); previous: -0.4%**
- **Industrial activity contracted by 1.2% m/m, adding two consecutive months of declines. This occurred amid persistent uncertainty on the external front, with other domestic factors also at play**
- **Manufacturing fell 1.6% m/m, with 13 of its 21 categories down. Construction declined by 1.2% with broad losses inside. In contrast, mining increased by 1.9%, boosted by the oil sector and a more favorable base effect for 'related services'**
- **We believe that industry will be resilient in the remainder of 2025. We expect construction to manage sustained, albeit moderate, progress. Meanwhile, manufacturing is likely to be more volatile, still facing external challenges**

Four consecutive months in negative territory in the annual comparison. Industry contracted 2.7% y/y in July (see Chart 1), facing a challenging base and a negative calendar effect. Thus, the skew was to the downside (Chart 2). Construction declined by 3.5% –despite job gains. Mining remained negative at -5.8%, while public services came in at -3.7% –their sixth month in negative territory. Finally, manufacturing backtracked 1.9% –with a mixed performance within. With seasonally adjusted figures industry fell 2.8% y/y. For more details, see Table 1.

Decline for a second consecutive month, with manufacturing and construction dragging down the total print. Industrial production fell 1.2% m/m (Chart 3). Thus, the start of 3Q25 showed signs that the backdrop will continue to be impacted by external challenges. In this regard, it is important to note that tariff uncertainty persisted throughout the period –achieving the delay of new taxes on flows to the US until the end of the month. On the other hand, some favorable aspects were improved momentum in employment in manufacturing and construction, as well as growth in oil and gas production and an upward trend in metal prices.

Thus, manufacturing declined 1.6% (Table 2), with many of the drivers from previous months prevailing. Manufacturing exports fell by 0.7% –with June being their second-best result so far this year and continuing the volatility that has marked flows since February. In detail, 13 of the 21 categories declined, with oil and carbon standing out at -4.7%. In addition, we highlight that transportation contracted by 4.1%, with heavy vehicle production falling sharply. Other relevant categories to the downside included electrical (-3.6%) and electronic equipment (-2.6%), along machinery and equipment (-1.5%).

Construction came in at -1.2%. Inside, edification declined again, this time by -0.8%. Meanwhile, civil engineering reverted back by 2.8%, consistent with an additional moderation in physical investment by the federal government. In this context, 'specialized works' contracted by 1.4%.

Finally, mining increased by 1.9%. As mentioned above, this result would be explained by higher crude oil and gas production –with the oil sector increasing by 1.2%– and higher industrial metal prices –with non-oil up by 2.0%. In addition, 'related services' rebounded by 15.0% on a very favorable base.


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We anticipate some resilience in industry through the remainder of 2025. We believe that challenges for manufacturing will continue, reflecting greater volatility. However, we foresee a better outlook for construction, which could keep industry positive in 2H25. It should be noted that this path is better than what we had anticipated at the beginning of the year, helped in large part by favorable results in the first half. In this regard, our view of resilience is mainly based on construction projects already budgeted for 2025, which we have detailed in previous notes. However, doubts remain for manufacturing in the absence of a definitive agreement with the US, where we remain attentive to any progress during the 90-day pause that is currently in effect.

Moving on to the medium-term, the recent delivery of the *2026 Budget Proposal*, as well as the federal strategy to impose tariffs on certain imported products or the rethinking of import schemes for manufacturing inputs, suggests that the country's industrial policy will seek to protect traditional industries (*e.g.* footwear, textiles) while developing others. In this regard, according to recent statements by Finance Minister Edgar Amador Zamora, the plans involve adding more value to manufacturing in the aerospace, pharmaceutical, electromobility, and semiconductor industries. Along these lines, tax incentives would amount to around US$30 billion under public-private partnership schemes. On the other hand, various statements from industrial groups maintain that this approach will allow for market recovery at the domestic level and even abroad. Thus, in response to the decree that temporarily restricts imports of finished footwear via the Manufacturing, Maquiladora, and Export Services Industry Program (IMMEX) program, the president of the Guanajuato Footwear Industry Chamber mentioned that it was a triumph for the domestic industry, as "*...more than 500 exporters will be subject to these measures, which guarantees fairer competition, equal conditions, and the defense of thousands of Mexican jobs and families...*".

Continuing with the *Budget Proposal*, resources allocated for priority infrastructure projects amount to $536.8 billion, representing a 173.6% y/y increase in real terms compared to the budget for 2025. The focus of the works remains on railway projects, but there is also a significant allocation for PEMEX, which should have a favorable spillover on both construction and mining. If we eliminate the resources for the latter company both this year and for 2026, growth would be at 47.6%.

Table 1: Industrial production

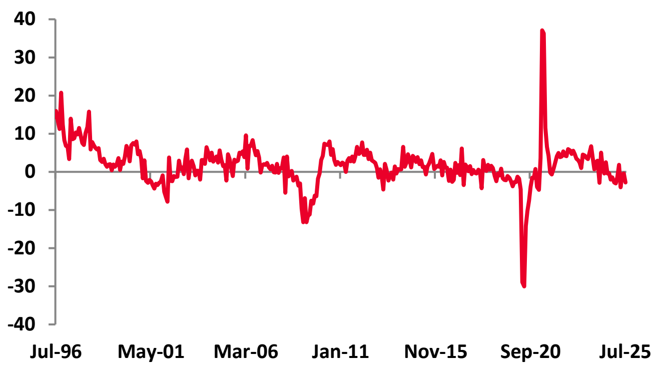
% y/y nsa, % y/y sa

	nsa				sa	
	Jul-25	Jul-24	Jan-Jul'25	Jan-Jul'24	Jul-25	Jul-24
Industrial Production	**-2.7**	**2.5**	**-1.5**	**1.5**	**-2.8**	**1.0**
Mining	**-5.8**	**-2.4**	**-8.3**	**-3.8**	**-5.9**	**-2.4**
Oil and gas	-5.6	-4.8	-8.4	-5.0	-5.7	-5.0
Non-oil mining	0.6	1.2	-2.2	1.0	0.6	1.2
Services related to mining	-30.3	5.8	-29.5	-9.7	-30.4	6.9
Utilities	**-3.7**	**2.9**	**-2.4**	**1.4**	**-3.7**	**2.9**
Construction	**-3.5**	**6.5**	**-1.4**	**9.0**	**-4.1**	**5.5**
Edification	1.1	13.3	4.3	8.9	0.5	12.5
Civil engineering	-21.8	-11.4	-24.3	13.5	-22.3	-13.2
Specialized works for construction	-2.2	1.1	0.4	3.3	-2.4	-0.3
Manufacturing	**-1.9**	**2.2**	**-0.2**	**0.4**	**-1.8**	**0.3**
Food industry	0.6	1.2	0.3	-0.3	0.5	-0.6
Beverages and tobacco	-0.8	2.7	-0.9	2.1	-0.6	0.6
Textiles - Raw materials	-9.0	-0.1	-5.4	-7.5	-9.1	-3.1
Textiles - Finished products ex clothing	-0.8	-4.2	-0.8	-5.8	-0.5	-7.2
Textiles - Clothing	-9.9	-2.6	-6.7	-8.6	-10.0	-6.1
Leather and substitutes	-1.6	-13.7	-5.5	-14.6	-2.4	-17.2
Woodworking	-5.0	-2.8	-6.9	-7.1	-5.5	-6.1
Paper	-0.6	-0.4	0.7	-4.3	-0.5	-2.2
Printing and related products	-5.1	0.4	0.7	-2.0	-4.7	-2.2
Oil- and carbon-related products	5.7	16.7	1.9	12.2	4.7	15.6
Chemicals	-4.8	5.3	-3.8	3.6	-4.0	2.6
Plastics and rubber	-1.9	4.2	-0.1	-0.7	-1.8	1.1
Non-metallic mineral goods production	-4.5	0.3	-5.3	-2.5	-5.0	-0.5
Basic metal industries	2.4	-5.8	-0.2	-4.7	2.4	-5.6
Metal-based goods production	-5.9	0.7	-2.4	-0.8	-4.8	-2.2
Machinery and equipment	0.7	-2.3	-0.5	-5.0	1.1	-5.2
Computer, communications, electronic, and other hardware	-0.8	-1.3	2.2	1.2	0.0	-1.4
Electric hardware	-2.9	5.5	2.5	-0.5	-2.5	3.8
Transportation equipment	-7.0	3.1	-2.8	1.3	-7.8	0.1
Furniture, mattresses, and blinds	1.3	-2.4	-1.8	-4.7	0.9	-5.1
Other manufacturing industries	14.6	12.8	25.6	9.4	17.0	13.2

Source: INEGI

Chart 1: Industrial production

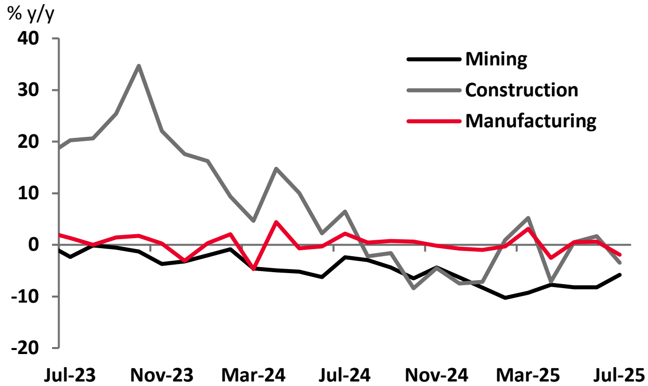
% y/y



Source: INEGI

Chart 2: Industrial production by sector

% y/y



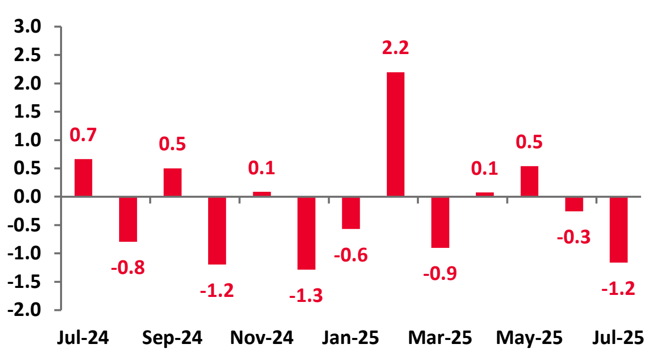
Source: INEGI

Table 2: Industrial production
% m/m sa; % 3m/3m sa

	% m/m			% 3m/3m		
	Jul-25	Jun-25	May-24	May-Jul'25	Apr-Jun'25	Mar-May'25
Industrial Production	**-1.2**	**-0.3**	**0.5**	**-0.3**	**0.5**	**0.8**
Mining	**1.9**	**-1.1**	**-1.0**	**-1.2**	**-1.5**	**-2.8**
Oil and gas	1.2	-0.5	0.6	0.5	-0.1	-1.6
Non-oil mining	2.0	2.5	-2.4	-0.7	-2.3	-0.6
Services related to mining	15.0	-9.5	-13.7	-11.8	-11.1	-20.1
Utilities	**-0.1**	**-0.3**	**0.4**	**-0.1**	**-0.6**	**-2.3**
Construction	**-1.2**	**-0.4**	**3.0**	**1.0**	**0.9**	**2.2**
Edification	-0.8	-0.5	5.2	2.5	2.0	3.0
Civil engineering	-2.8	0.7	-5.5	-4.6	-1.9	-0.8
Specialized works for construction	-1.4	-0.2	0.5	0.1	0.2	0.1
Manufacturing	**-1.6**	**0.0**	**0.0**	**-0.4**	**0.8**	**1.1**
Food industry	0.0	0.1	0.1	0.2	0.4	0.7
Beverages and tobacco	-0.7	-0.2	-1.1	-1.4	-0.8	1.2
Textiles - Raw materials	-0.8	-0.4	-3.7	-4.5	-2.6	0.2
Textiles - Finished products ex clothing	-2.1	1.3	-2.3	-0.8	0.7	0.9
Textiles - Clothing	0.7	-3.3	0.4	-3.5	-4.2	-1.8
Leather and substitutes	1.4	-0.4	-3.2	-1.6	-0.2	-1.3
Woodworking	3.1	0.0	-2.3	-4.1	-5.9	-4.9
Paper	-0.1	-0.5	-1.0	-2.1	-2.2	-0.2
Printing and related products	-0.7	-4.0	-1.0	-3.5	-2.0	-1.9
Oil- and carbon-related products	-4.7	5.9	6.7	11.6	11.2	5.1
Chemicals	0.5	-1.6	1.1	-1.7	-2.6	-0.9
Plastics and rubber	-0.1	0.8	-2.0	-1.5	-1.3	0.5
Non-metallic mineral goods production	0.5	0.5	-1.3	-0.2	0.1	-0.8
Basic metal industries	1.0	5.0	-6.4	-2.6	-2.2	1.6
Metal-based goods production	-0.5	-1.1	-1.9	-4.2	-2.9	3.1
Machinery and equipment	-1.5	0.7	0.0	0.8	3.7	3.0
Computer, communications, electronic, and other hardware	-2.6	-0.1	-1.5	-0.6	1.6	1.6
Electric hardware	-3.6	2.8	-1.1	-0.7	0.2	0.7
Transportation equipment	-4.1	-0.7	1.8	-0.7	0.8	-0.6
Furniture, mattresses, and blinds	1.0	1.2	-1.8	-0.6	-0.5	-1.6
Other manufacturing industries	-1.1	-2.9	-3.4	-3.7	6.1	12.7

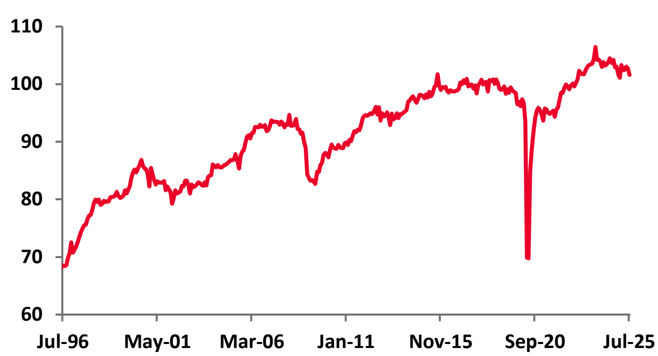
Source: INEGI

Chart 3: Industrial production
% m/m sa



Source: INEGI

Chart 4: Industrial production
Index sa



Source: INEGI

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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
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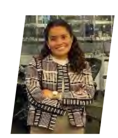

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