September 23, 2025

GDP-proxy IGAE – Activity stalls in July after a positive 2Q25

- **Monthly GDP-proxy IGAE (July): -1.1% y/y; Banorte: -1.0%; consensus: -0.5% (range: -1.4% to 1.7%); previous: 1.3%**
- **The economy contracted by 0.9% m/m, with weakness in both industry and services and highlighting a relatively challenging base effect**
- **Services fell 0.4%, with 9 of its 14 sectors declining. Industrial production contracted 1.2%, with manufacturing and construction dragging it down. Agriculture dropped 3.0% despite better weather conditions and lower prices**
- **We believe that activity will be sustained mainly by services towards the end of the year due to resiliency in consumption. For its part, industry will continue navigating months of uncertainty ahead of the USMCA review in 2026**

The economy contracted 1.1% y/y in July. The result was below consensus (-0.5%), but practically in line with our estimate (-1.0%). Seasonally adjusted figures were similar at -1.2% (as shown in Chart 1), even though there was one less working day in the annual comparison. Returning to original figures, industry declined by 2.7% (Chart 3), while primary activities fell 12.3% –its largest decline so far this year (Chart 2). Finally, services grew by just 0.4% (Chart 4). For more details, see Table 1.

3Q25 began with some weakness in industry and services. Activity came in at -0.9% m/m (Chart 5), after gains in the previous quarter –noting some downward revisions in specific months. The period was characterized by modest consumption amid a slight recovery in job creation, although with wages moderating. In turn, the Mexican peso remained favorable, which may have boosted non-oil consumption goods imports, while manufacturing exports were dragged by the auto sector –noting that the latter remains highly volatile.

Industry contracted by 1.2% (Chart 6) on significant declines in both manufacturing (-1.6%) and construction (-1.2%). The former was mixed, while there were widespread declines in the latter. Contrary to this performance, employment for both of them was positive, which may be interpreted as an early sign of short-term improvement.

Services came in at -0.4%. Consumption fundamentals showed a somewhat negative bias. Labor demand increased in the period, albeit wages lost momentum and there was a slight deterioration in the unemployment rate. Meanwhile, remittances declined for the third consecutive month. Credit was more encouraging as growth accelerated. Finally, inflation was marginally lower in its annual comparison. Nine of the fourteen categories lost ground. The most significant declines were in lodging and restaurants (-1.3%) and entertainment (-1.0%). On the other hand, retail sales (-0.4%) contrasted with the stand-alone report (where it climbed 0.1% m/m, with 6 of 9 items higher). We will remain attentive to the full quarter, highlighting the impact of both new seasonal campaigns (*e.g. Hot Fashion Sale*) and the extension of the summer holiday period for basic education. Finally, primary activities contracted 3.0%, with prices falling. For more details, see Table 2.

Generalized –but modest– improvements for the remainder of the year. We believe that moderate progress will be seen during the second half of the year, based on: (1) A better-than-expected second quarter, both for industry and services; and (2) early signs from 3Q25 pointing to a slowdown. However, we could see greater momentum in the last quarter. All in all, we reaffirm our forecast of 0.5% GDP growth in full-year 2025, which we have maintained since April.

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Looking more closely to the end of the year, we trust that consumer fundamentals will play a key role, especially as services are shaping up to be the most dynamic sector of the economy in those last months. We do not rule out the possibility that remittances will receive an additional boost in December, prior to the entry into force of the 1% tax on cash remittances from the US. In addition, we expect credit to remain buoyant, with double-digit growth rates in some months. The labor market remains more uncertain in terms of job creation, although we expect conditions to improve gradually, while the positive side will remain in the total payroll.

On the other hand, the outlook for industry faces even greater challenges due to the global trade backdrop and interaction with the US (with issues pending in the very short-term). Last week, the rules were established for the domestic consultation process that has already started ahead of the USMCA review in 2026. In addition, the 90-day extension of 30% tariffs ends in late October, with Mexican government representatives having planned a meeting already with their US counterparts in mid-October to continue to work on them. Furthermore, we do not rule out the possibility that other economic issues will continue to unfold between both countries (*e.g.* the end of the commercial alliance between Delta Airlines and Aeroméxico). Finally, we remain attentive to the approval of the *2026 Budget Proposal*, as well as the presidential initiative on the *General Import and Export Tax Law*, with the latter potentially causing disruptions for certain domestic industries (especially in the medium term), both in terms of input costs and availability.

Table 1: GDP-proxy IGAE

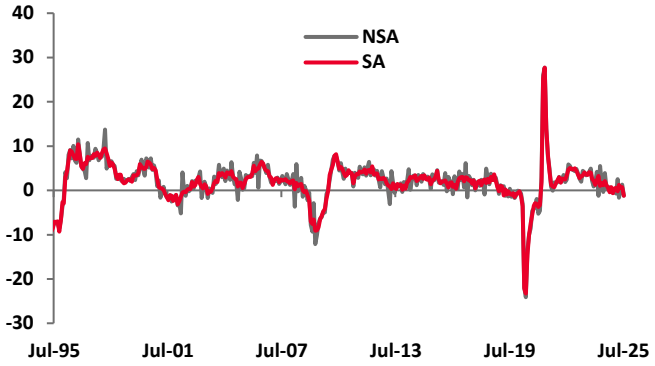
% y/y nsa, % y/y sa

	y/y, nsa				y/y, sa	
	Jul-25	Jul-24	Jan-Jul'25	Jan-Jul'24	Jul-25	Jul-24
Total	**-1.1**	**3.9**	**0.1**	**2.2**	**-1.2**	**2.1**
Primary activities	**-12.3**	**11.0**	**2.0**	**-2.6**	**-12.2**	**11.9**
Agriculture	-19.9	15.4	1.8	-5.1	-	-
Livestock	3.4	2.8	2.4	2.4	-	-
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
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
Manufacturing	-1.9	2.2	-0.2	0.4	-1.8	0.3
Services	**0.4**	**4.3**	**0.8**	**2.9**	**0.4**	**2.2**
Wholesales	-6.6	7.0	-6.1	4.2	-6.7	1.4
Retail sales	4.3	5.3	3.7	2.5	4.4	1.0
Transportation and logistics	-0.8	6.7	0.0	4.2	-0.5	4.8
Mass media	2.5	1.7	2.2	3.2	2.1	1.4
Financial services	0.6	3.5	1.8	4.3	0.5	3.4
Real estate	1.2	1.2	2.2	0.5	1.3	1.2
Professional services	12.1	15.9	12.0	18.7	12.7	14.7
Business support	18.1	-5.0	14.7	-7.6	17.0	-6.4
Education	0.3	3.8	1.0	0.5	0.3	2.1
Healthcare	6.7	3.0	4.4	2.9	6.7	3.1
Entertainment	2.8	1.3	3.0	3.9	2.8	1.2
Lodging and restaurants	-5.6	-4.4	-2.8	-1.4	-4.9	-3.2
Others	-1.6	3.4	-1.6	3.3	-1.7	2.3
Government services	0.3	2.9	0.8	1.6	-0.1	2.4

Source: INEGI

Chart 1: GDP-proxy IGAE

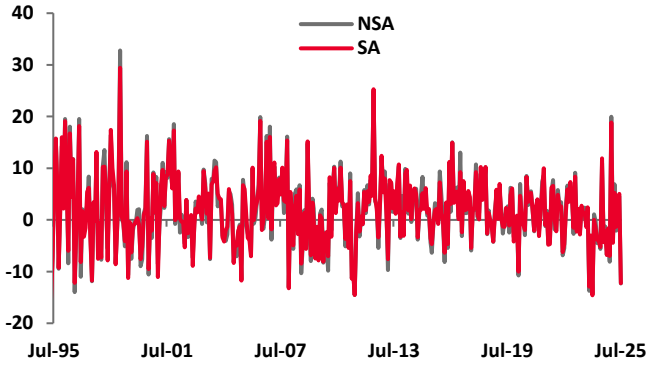
% y/y nsa, % y/y sa



Source: INEGI

Chart 2: Primary activities

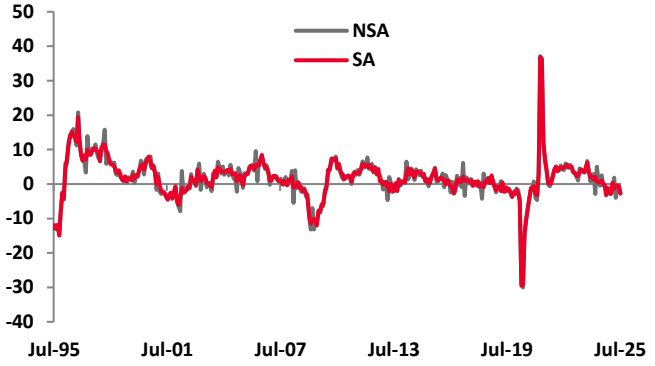
% y/y nsa, % y/y sa



Source: INEGI

Chart 3: Industrial production

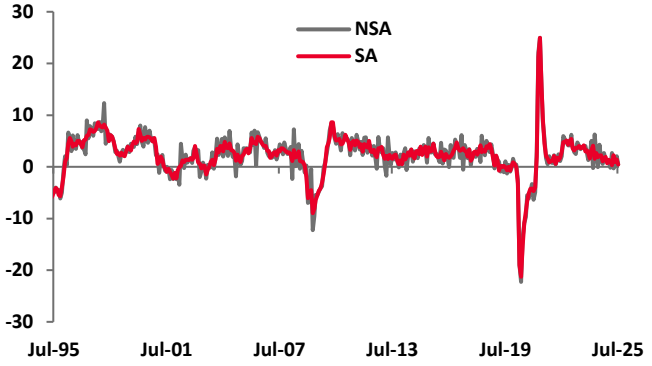
% y/y nsa, % y/y sa



Source: INEGI

Chart 4: Services

% y/y nsa, % y/y sa



Source: INEGI

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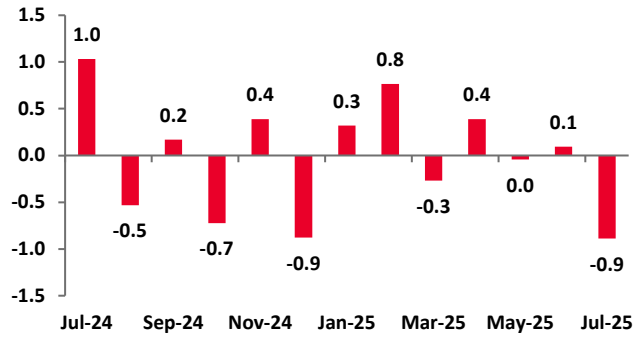
Table 2: GDP-proxy IGAE
% m/m sa, % 3m/3m sa

	% m/m			% 3m/3m		
	Jul-25	Jun-25	May-25	May-Jul'25	Apr-Jun'25	Mar-May'25
Total	**-0.9**	**0.1**	**0.0**	**-0.1**	**0.5**	**0.6**
Primary activities	**-3.0**	**0.0**	**3.0**	**-0.3**	**-0.9**	**2.8**
Industrial production	**-1.2**	**-0.3**	**0.5**	**-0.3**	**0.5**	**0.6**
Mining	1.9	-1.1	-1.0	-1.2	-1.5	-2.6
Utilities	-0.1	-0.3	0.4	-0.1	-0.6	-1.5
Construction	-1.2	-0.4	3.0	1.0	0.9	2.1
Manufacturing	-1.6	0.0	0.0	-0.4	0.8	0.8
Services	**-0.4**	**0.3**	**-0.4**	**0.1**	**0.7**	**0.6**
Wholesales	-0.3	0.6	-2.6	-2.8	-2.0	-1.5
Retail sales	-0.4	0.8	-0.4	0.3	1.0	1.8
Transportation and logistics	-1.0	0.4	0.0	0.8	1.4	0.7
Mass media	0.7	-0.9	1.6	1.5	0.8	0.2
Financial services	0.1	-1.2	0.0	0.0	0.7	0.4
Real estate	-0.2	0.1	0.0	0.2	0.4	0.4
Professional services	1.6	-0.9	-0.3	1.2	2.5	2.3
Business support	0.8	1.8	2.0	5.6	6.7	7.4
Education	0.0	0.2	0.2	0.7	0.9	0.6
Healthcare	1.2	0.6	0.8	2.0	1.4	1.1
Entertainment	-1.1	1.4	-3.4	-1.3	1.6	2.9
Lodging and restaurants	-1.3	-1.4	-0.3	-2.7	-2.5	-2.1
Others	-0.9	0.1	0.4	1.1	1.5	0.6
Government services	-0.4	0.6	0.0	-0.1	0.3	1.2

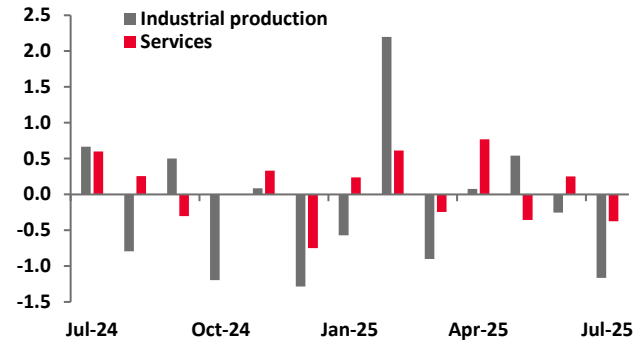
Source: INEGI

Chart 5: GDP-proxy IGAE
% m/m sa



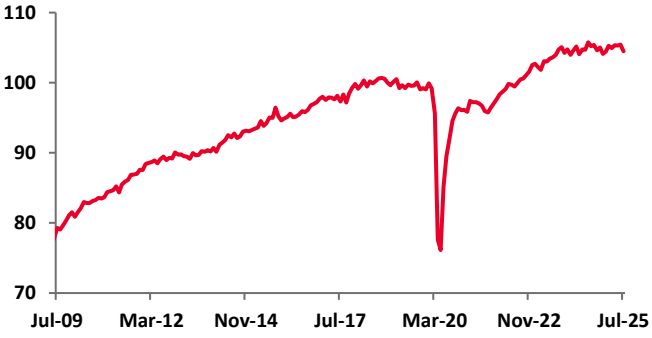
Source: INEGI

Chart 6: Industrial production and services
% m/m sa



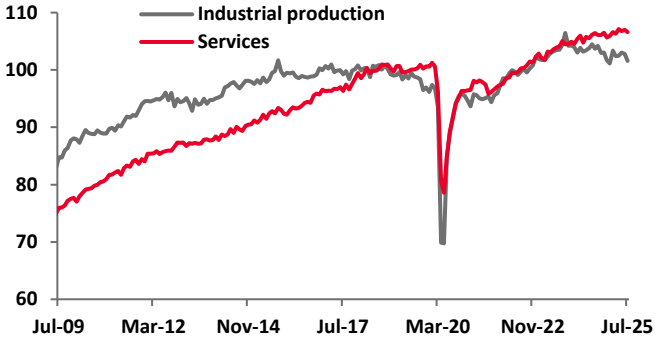
Source: INEGI

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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