

# Regional Economic Report

## April – June 2025

BANCO DE MÉXICO®

# Outline

I. Regional Economic Report

II. Results April – June 2025

A. Economic activity

B. Inflation

C. Economic outlook

(based on data collected between June 30 and July 24, 2025)

III. Final remarks

# Regional Economic Report

- The Regional Economic Report is a quarterly publication that includes Banco de México's indicators and analysis on the trends in economic activity, inflation and business agents' perspectives in Mexico's regions.

- The information presented herein is taken into account by Banco de México's Governing Board as part of the information used to evaluate the economic situation and the forecast for the national economy.

- The economic performance and inflation in the regions during Q2-2025 and the prospects of business executives surveyed between June 30 and July 24, 2025 on regional economic activity and prices over the following twelve months are analyzed herein.

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I. Regional Economic Report

II. **Results April – June 2025**

   A. **Economic activity**

   B. Inflation

   C. Economic outlook

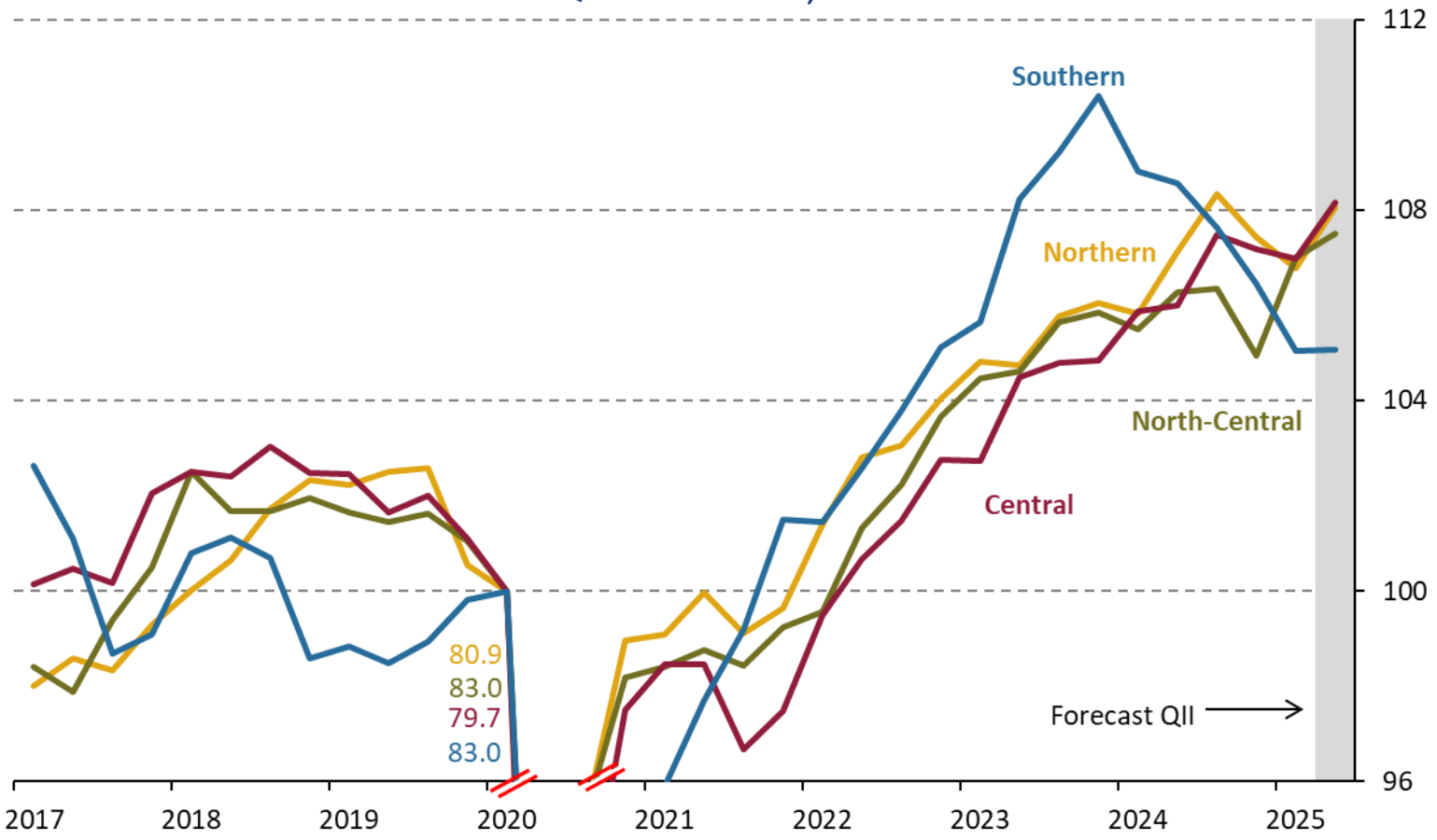
      (based on data collected between June 30 and July 24, 2025)

III. Final remarks

# In Q2-2025, economic activity is estimated to have likely grown in the Northern, North-Central, and Central regions, while in the South it likely continued showing weakness.

## Quarterly Indicator of Regional Economic Activity

Index Q1 2020=100, s. a.




s. a. / Seasonally adjusted data.

Source: Estimated by Banco de México with seasonally adjusted series of the Quarterly Indicator of State Economic Activity by INEGI.

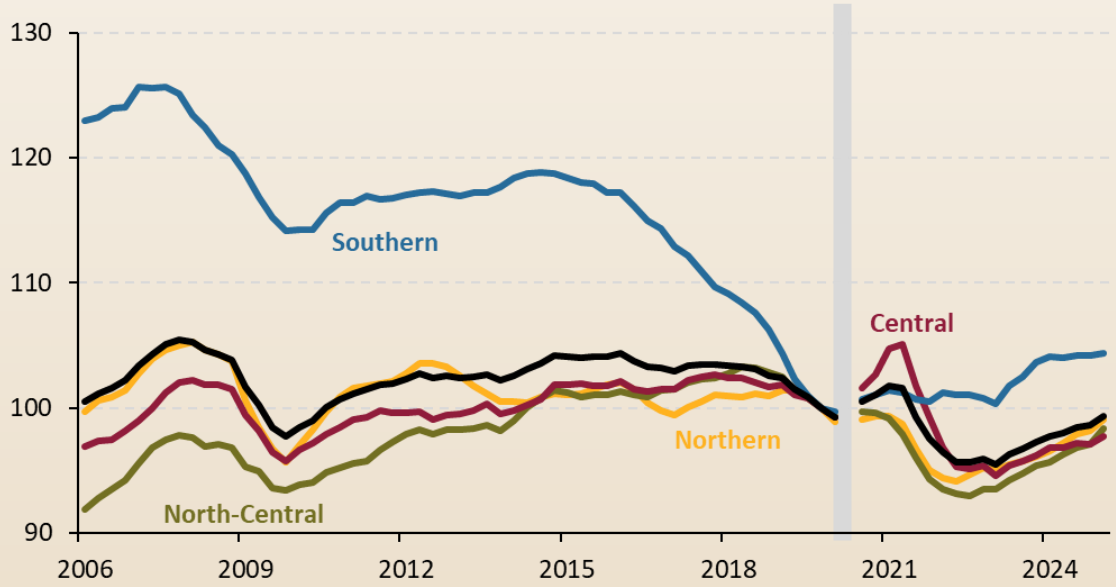
# Labor productivity trends from a regional and sector perspective

Between **2006** and **2025**, **labor productivity** registered **low growth across all regions,** which was mostly associated with the performance of the **tertiary sector**. **Manufacturing** also contributed positively in the **Northern and North-Central regions**, while its **impact was negative** in the **Central** and in the **Southern** regions of Mexico. The **adverse effect** of **mining** stood out in the **South**, although it was **partially offset** by the **construction sector**.

## Regional labor productivity

Index 2019 = 100, s. a.

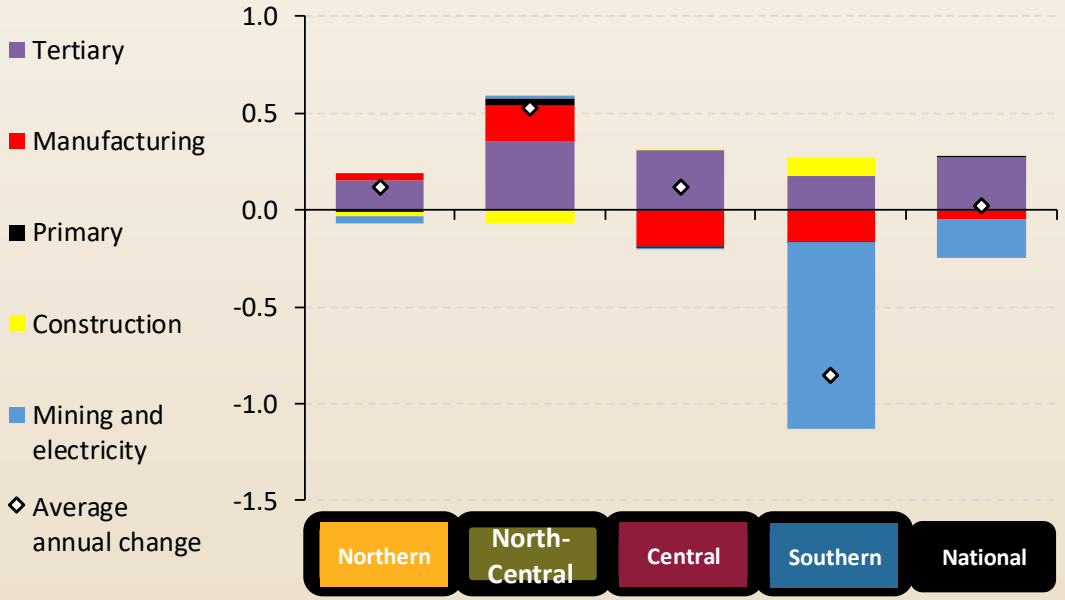
Four-quarter moving average




s. a./ Seasonally adjusted figures.
Note: Data for Q2-2020 (gray bar) is excluded because the ENOE survey was not conducted during that quarter due to the onset of the COVID-19 pandemic.
Source: Prepared by Banco de México with data from ENOE, INEGI.

## Sectoral contributions to average annual growth in labor productivity, by region, 2006-2025

Percentage points

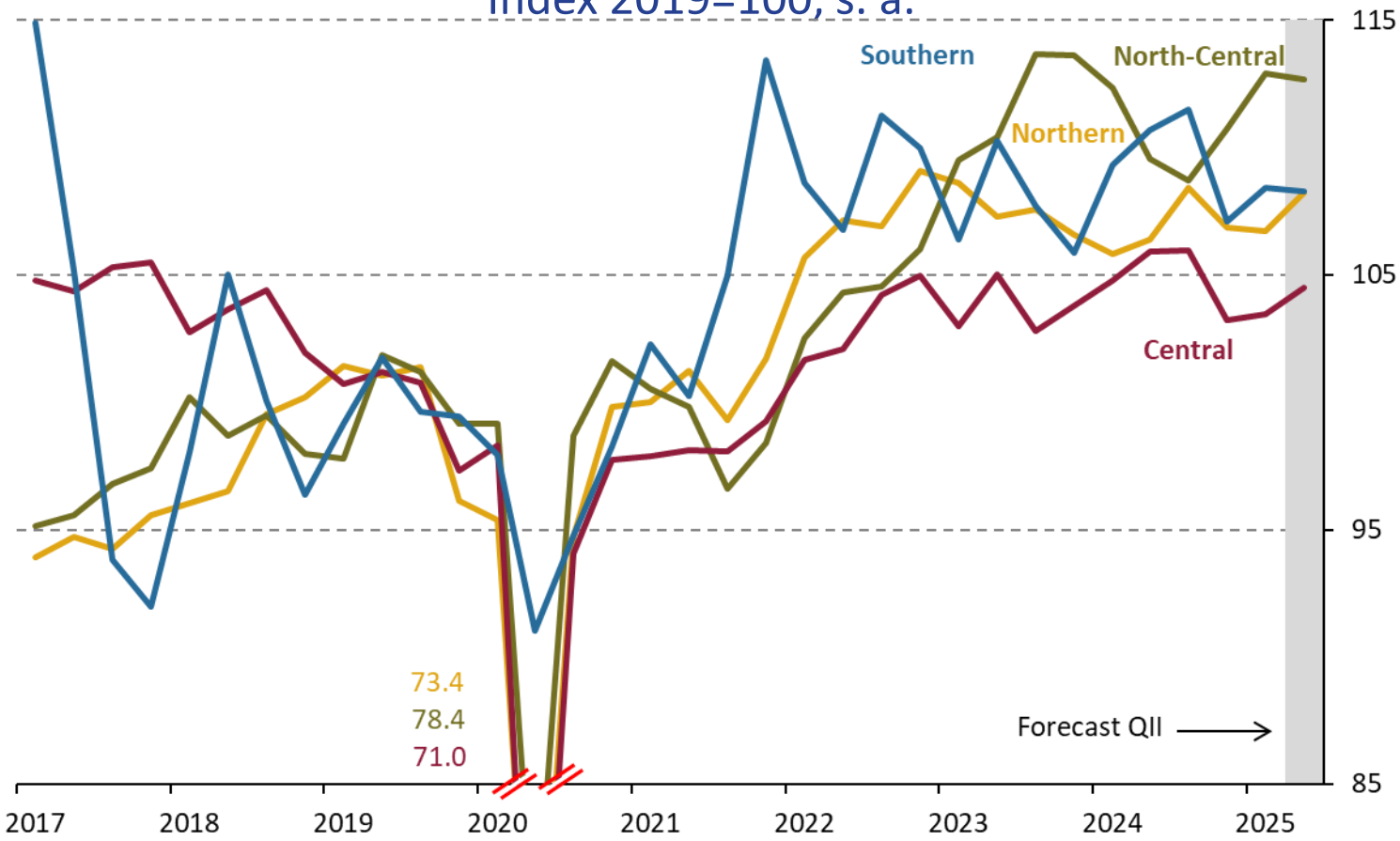



Note: Growth rates for Q2-2020 and Q2-2021 are excluded from the calculation due to the unavailability of productivity index data for Q2-2020, which is required to compute these variations. Absence of data is because the ENOE survey was not conducted in Q2-2020 due to the pandemic.
Source: Prepared by Banco de México with data from ENOE, INEGI.

**Regional manufacturing output is estimated to have remained weak, although with a mixed performance across regions at the margin. In Q2-2025, the Northern and Central regions likely experienced growth, while the North-Central and Southern regions contracted.**

## Regional Manufacturing Indicator

Index 2019=100, s. a.




s. a. / Seasonally adjusted data.

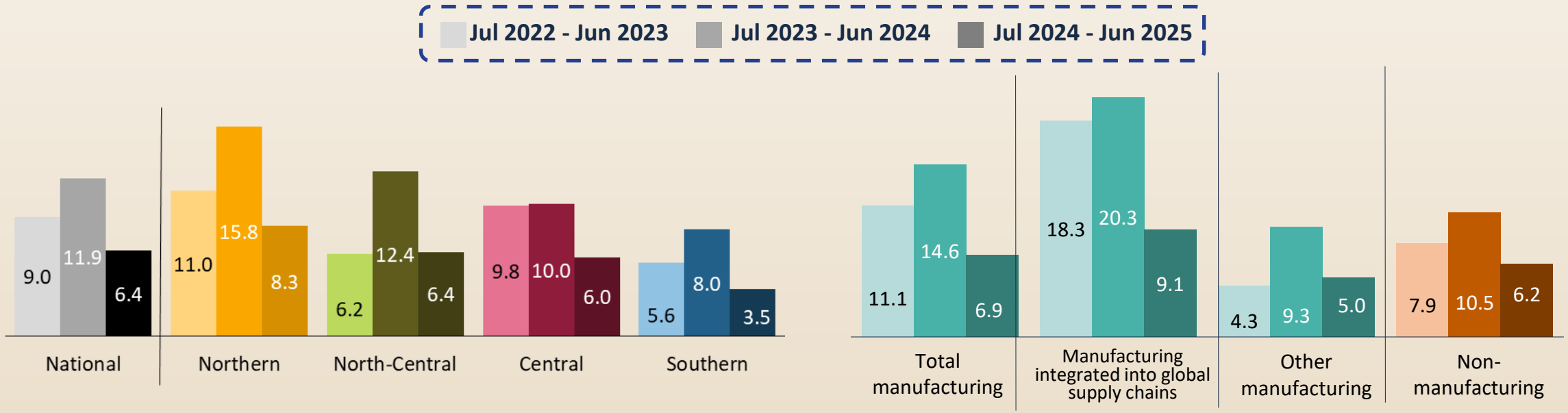
Source: Estimated by Banco de México with seasonally adjusted series of the Monthly Indicator of Manufacturing Activity by state from INEGI.

# Business perception of the evolution of nearshoring in Mexico in the context of global trade tensions

- This Box presents the views of business contacts who indicate that, in the current environment of trade tensions, nearshoring in Mexico continues, although it has lost momentum.

**Companies that reported increases in production, sales, or investment as a result of nearshoring during different periods**

Percentage of businesses with over 100 workers



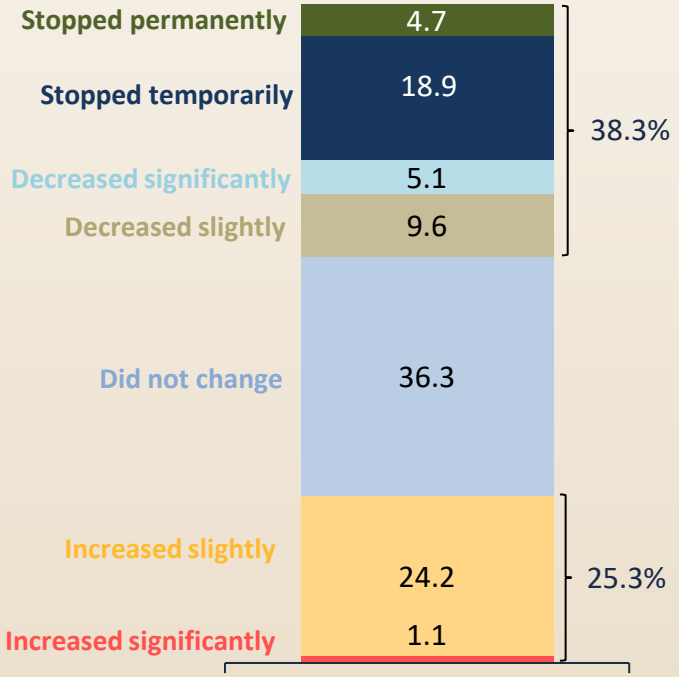

Source: Prepared by Banco de México using data from the Monthly Survey of Regional Economic Activity (EMAER, for its acronym in Spanish), which is representative of establishments with over 100 workers in the manufacturing and non-manufacturing sectors at both national and regional levels. Results for groups with greater disaggregation are presented for illustrative purposes and are not statistically representative. The manufacturing sector integrated into global value chains includes NAICS subsectors whose share of global manufacturing export value added in total production in 2019 exceeded 10%, according to INEGI.

# Business perception of the evolution of nearshoring in Mexico in the context of global trade tensions

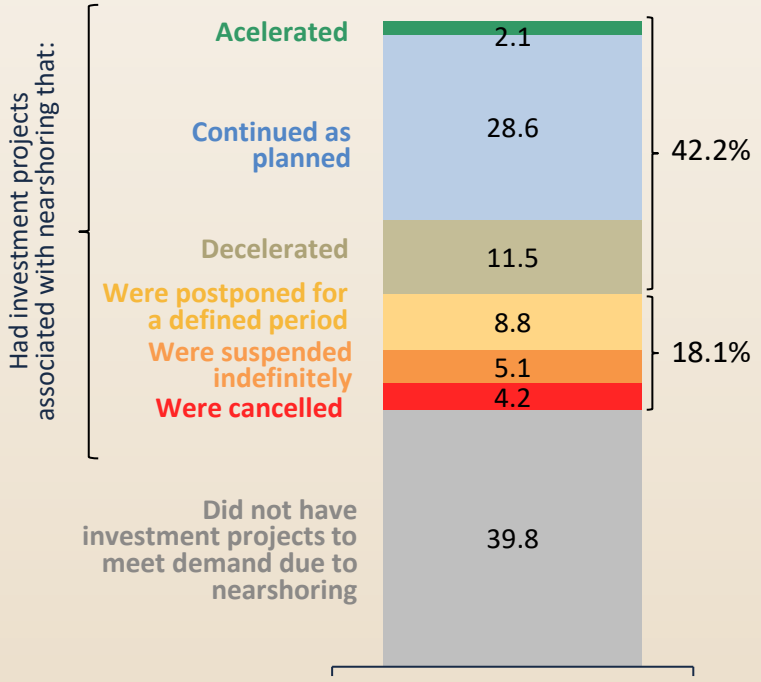
## Business opinion on the changes perceived during 2025 in the context of trade tensions

Percentage of businesses in each category that perceived increased demand or investment due to nearshoring between 2019 and 2024

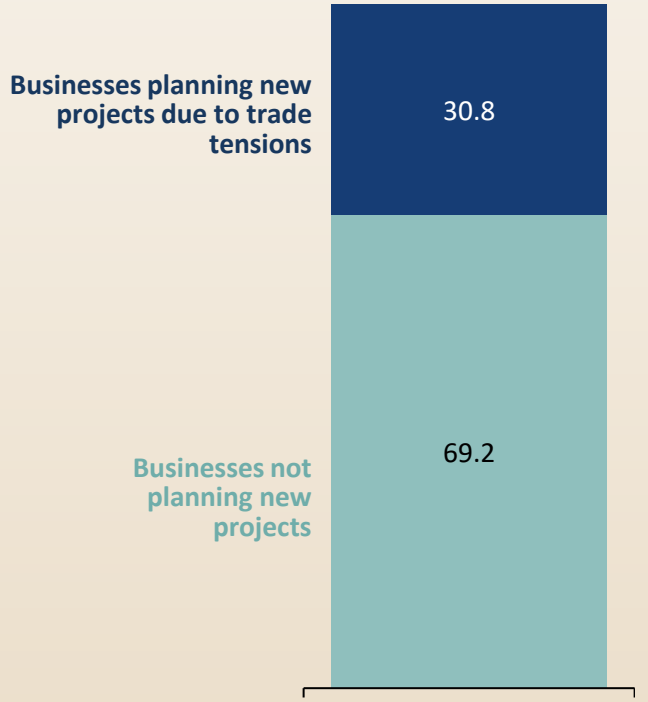
**US demand attributable to nearshoring**
Relative to 2019-2024




**Investment projects that were underway prior to 2025 to meet the demand due to nearshoring**
Relative to 2019-2024




**New investment projects planned by businesses to meet the demand due to nearshoring**

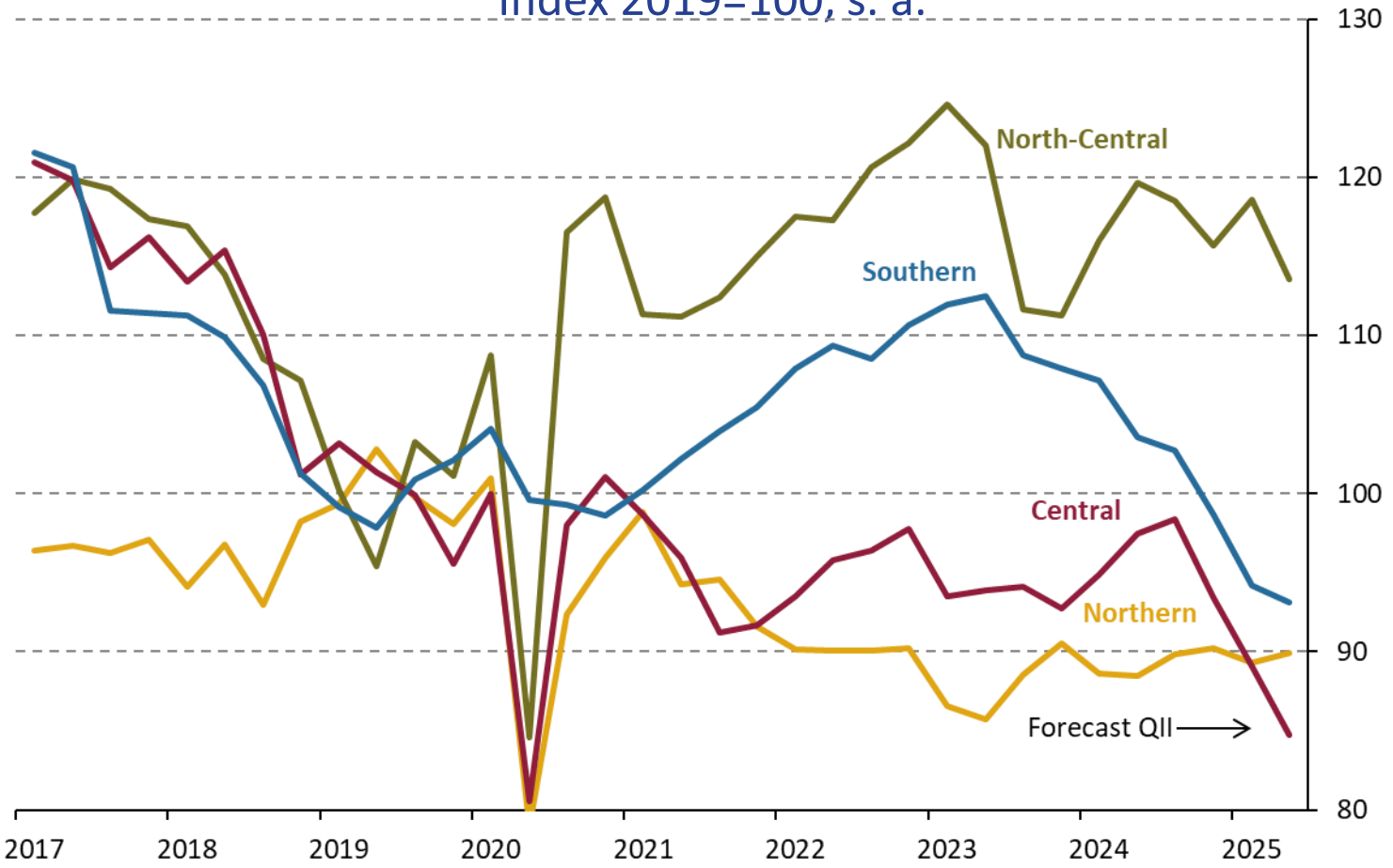



Source: Prepared by Banco de México using information from the Monthly Survey of Regional Economic Activity (EMAER, for its acronym in Spanish), which is representative of businesses with more than 100 workers in the manufacturing and non-manufacturing sectors at national and regional levels. Results for groups with greater disaggregations are shown for illustrative purposes and are not statistically representative.

**In Q2-2025, mining activity in the Northern region is estimated to have expanded, although its overall performance remained weak. In contrast, mining activity in the Central and Southern regions likely continued trending downwards, while in the North-Central region it slightly contracted.**

## Regional Indicator of Mining, Quarrying, and Oil and Gas Extraction

Index 2019=100, s. a.



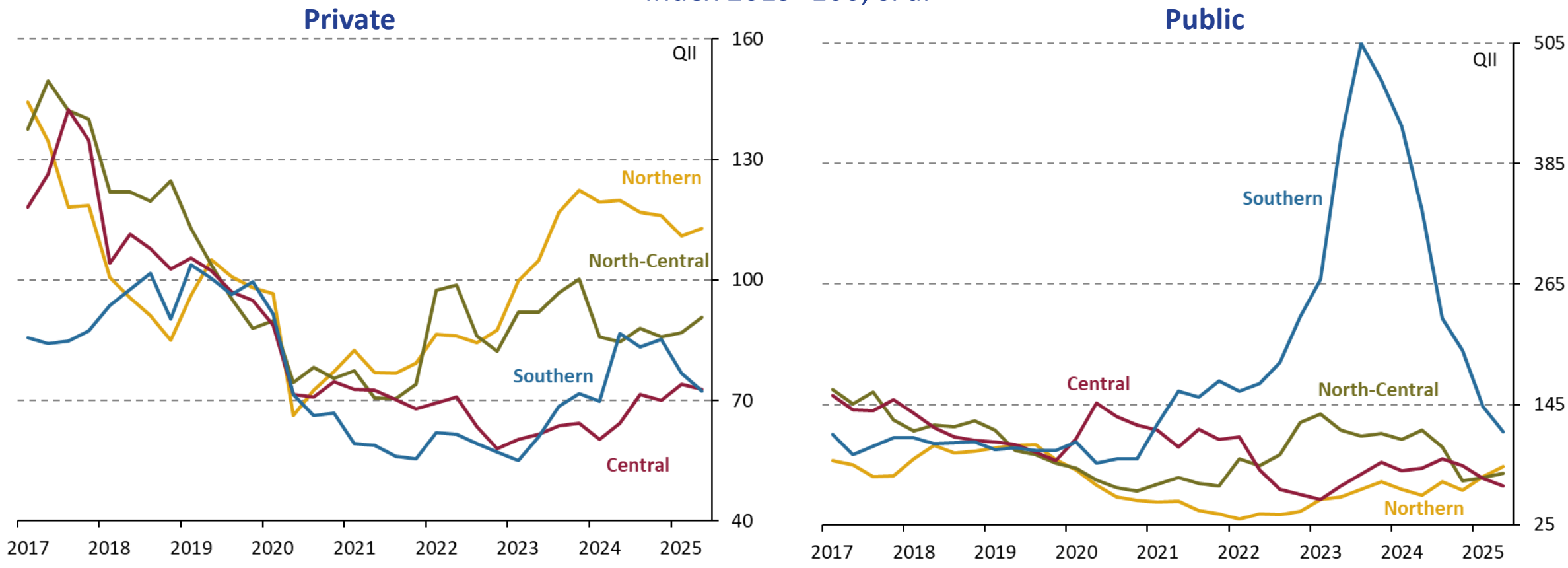

s. a. / Seasonally adjusted data.

Source: Prepared and seasonally adjusted by Banco de México based on series of the Monthly Mining Activity Indicator by State from INEGI.

**The growth in construction in the Northern and North-Central regions during Q2-2025 was attributed to the evolution of its public and private components. In contrast, the decline in the Central and Southern regions was the result of a decrease in both public and private construction.**

## Real value of production in the construction industry

Index 2019=100, s. a.



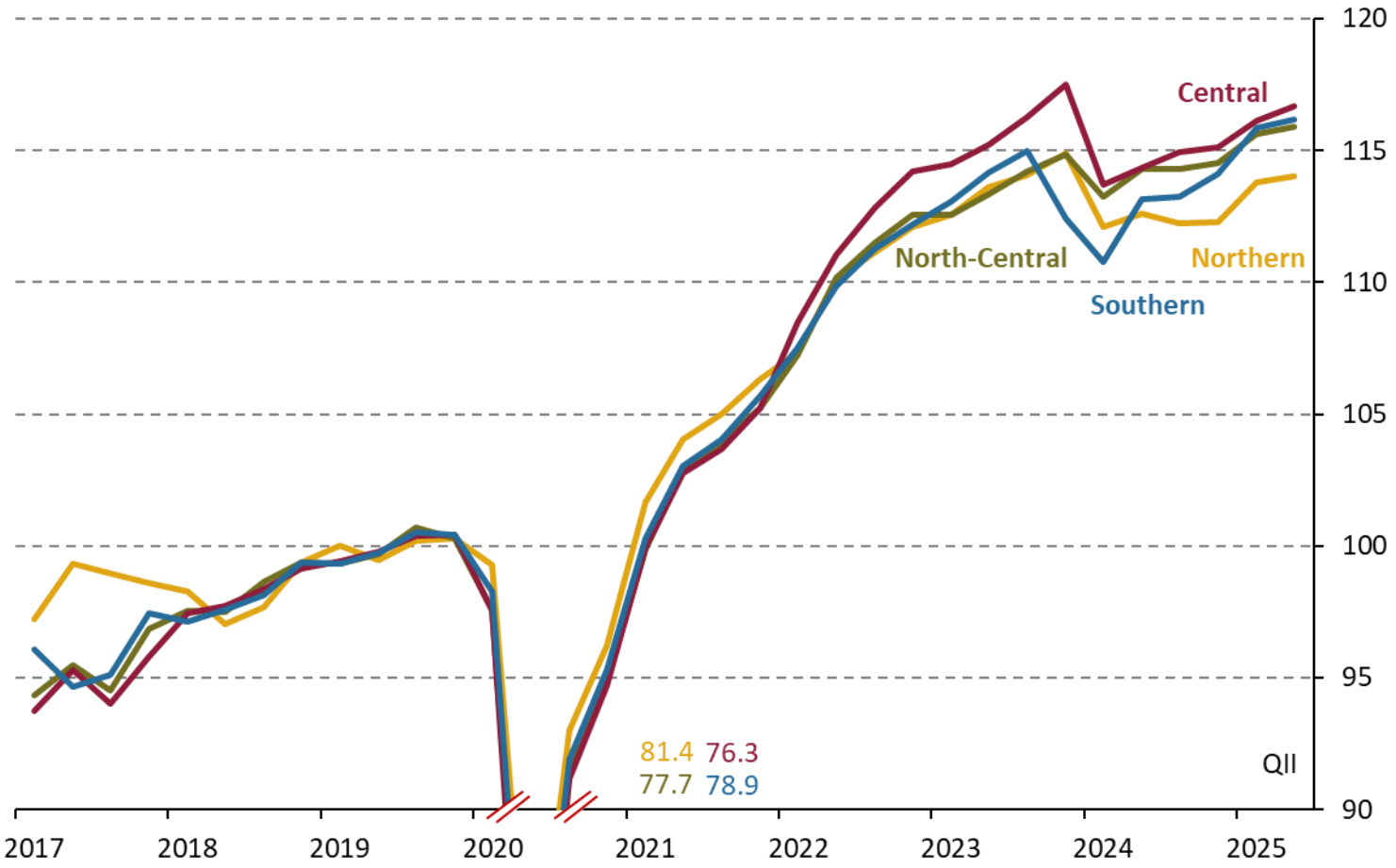

s. a. / Seasonally adjusted data.

Source: Prepared and seasonally adjusted by Banco de México with data from the National Survey of Construction Companies by INEGI.

**In Q2-2025, sales in retail establishments continued increasing in all four regions, albeit at a slower rate than in the previous quarter.**

## Regional Commercial Activity Indicator

Index 2019=100, s. a.



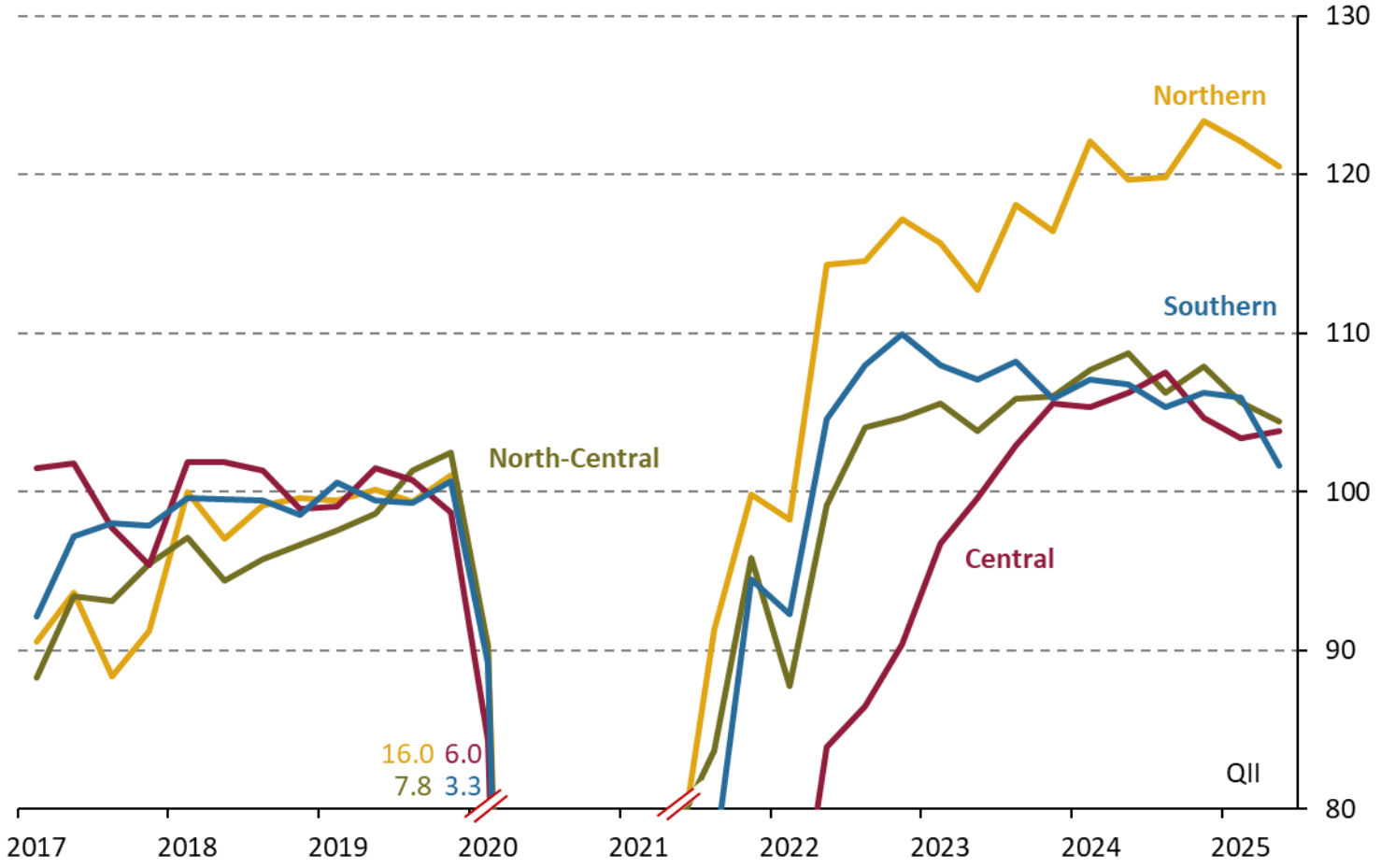

s. a. / Seasonally adjusted data.

Source: Prepared and seasonally adjusted by Banco de México with the series of Revenues of Retailers' Supply of Goods and Services by state from INEGI.

**In Q2-2025, tourism activity, measured by indicators of hotel occupancy, contracted in all regions except for the center, although the Northern region remained at relatively higher levels.**

## Regional Indicator of Hotel Occupancy

Index 2019=100, s. a.

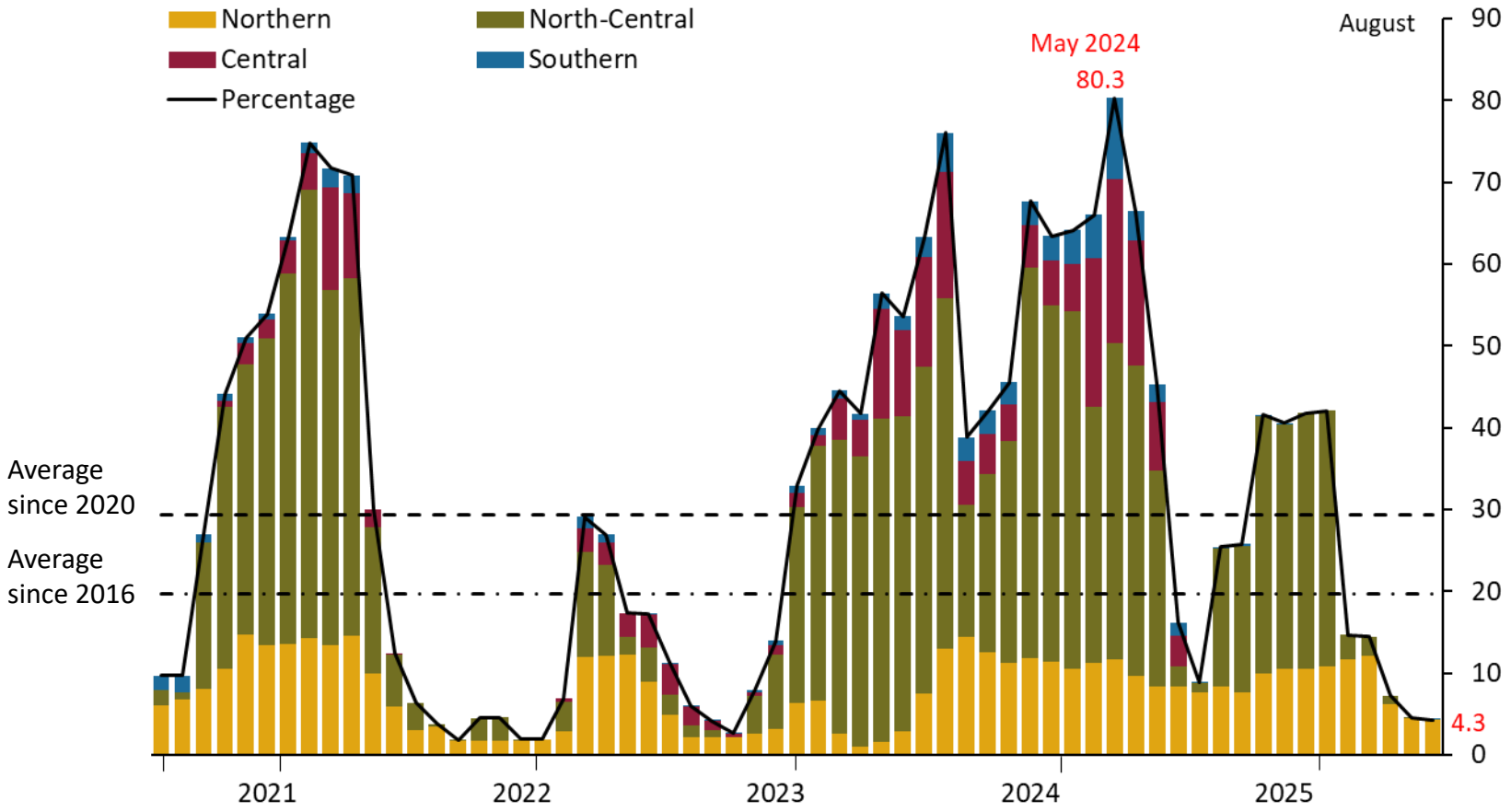



s. a. / Seasonally adjusted data.
Source: Prepared and seasonally adjusted by Banco de México with data from the Mexican Ministry of Tourism.

# In Q2-2025, a smaller proportion of agricultural production concentrated in municipalities affected by droughts.

## Percentage of Mexican agricultural production exposed to droughts

Data in percent

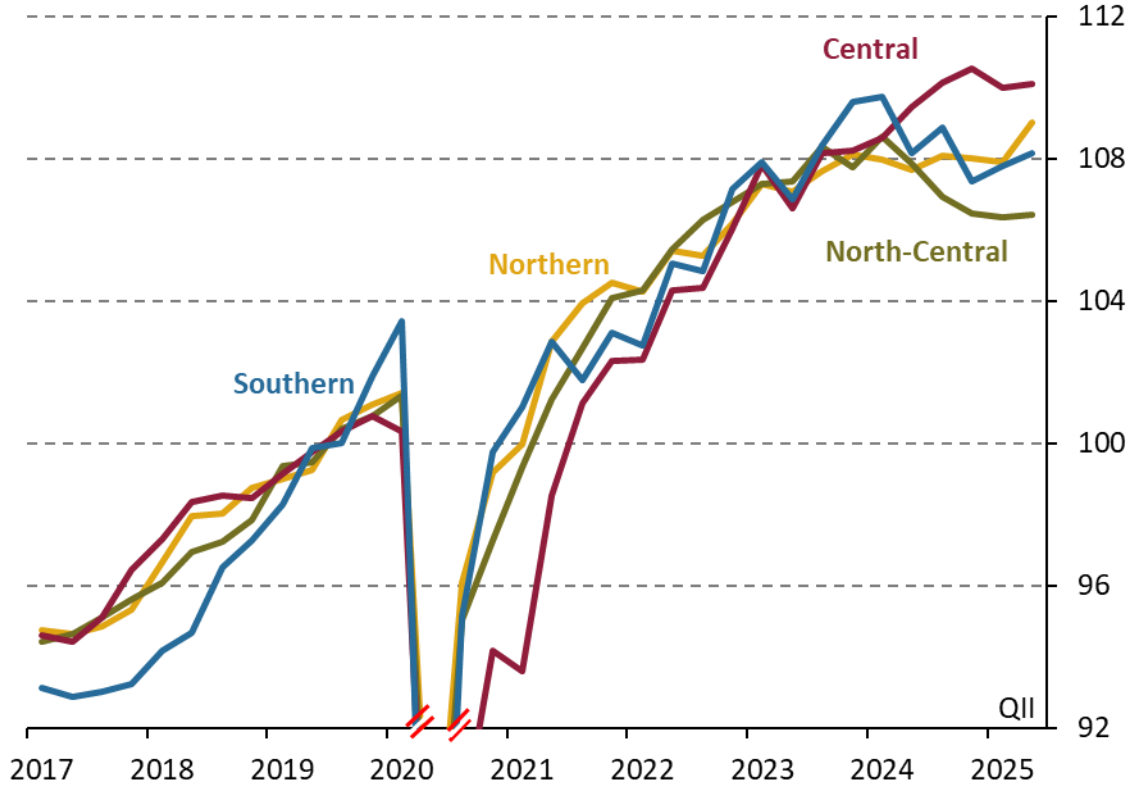



Note: The percentage shown in both charts is the weighted sum of the drought exposure index of 16 agricultural products, with each product weighted according to its share in the total production of the goods considered.
Source: Prepared by Banco de México based on data from SIAP (Servicio de Información Agroalimentaria y Pesquera) and CONAGUA (Comisión Nacional de Agua).

# During Q2-2025, job creation remained weak in all regions except for the north, while the unemployment rate remained low across the board.

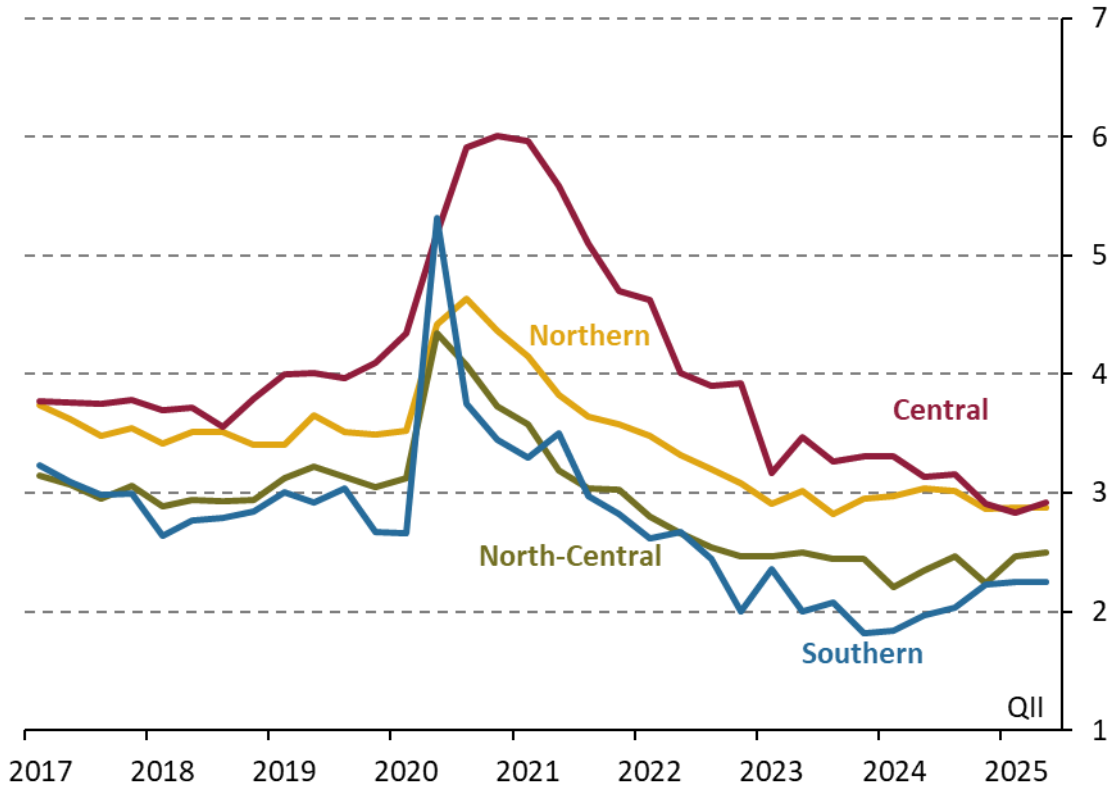
## Employed population

Index 2019=100, s. a.




## Unemployment rate

Percent, s. a.




s. a. / Seasonally adjusted data.
Source: Prepared and seasonally adjusted by Banco de México with data from INEGI.

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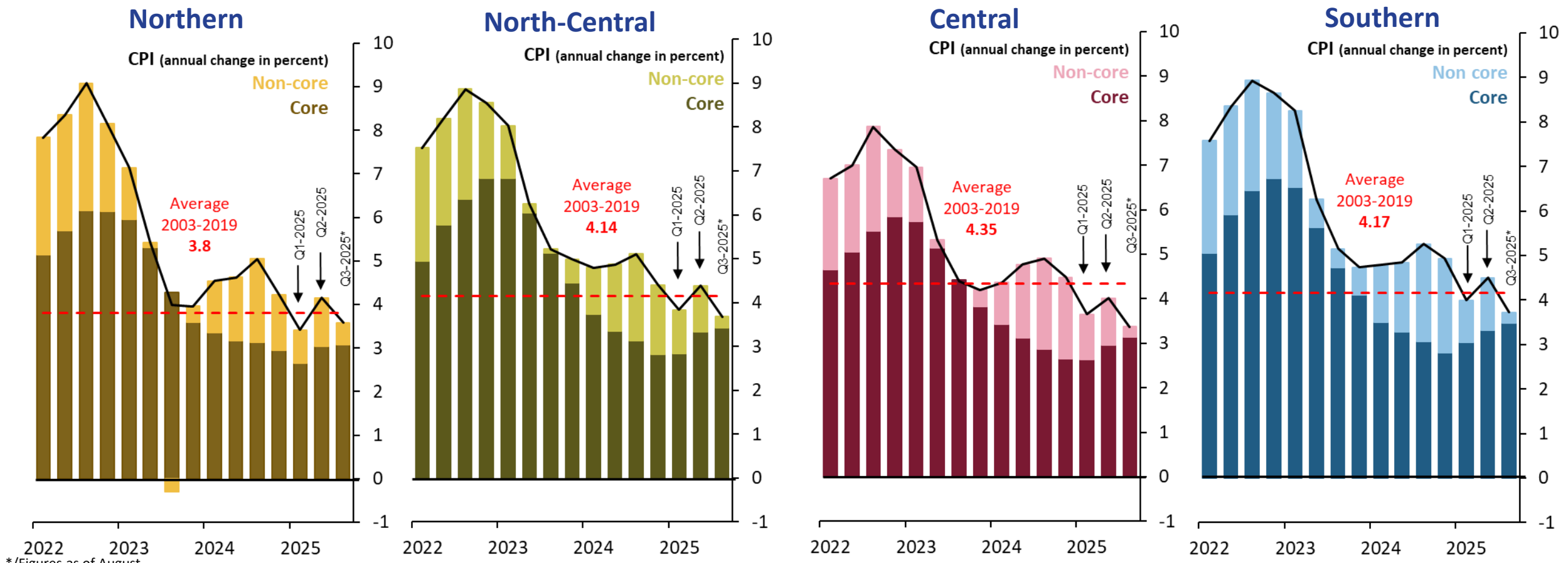
(based on data collected between June 30 and July 24, 2025)

III. Final remarks

**Annual headline inflation increased in all regions between Q1-2025 and Q2-2025. This result was mainly driven by the increase in core inflation across all regions. So far in Q3-2025, headline inflation has decreased in all regions.**

## Incidence on anual headline inflation by region

Figures in percent



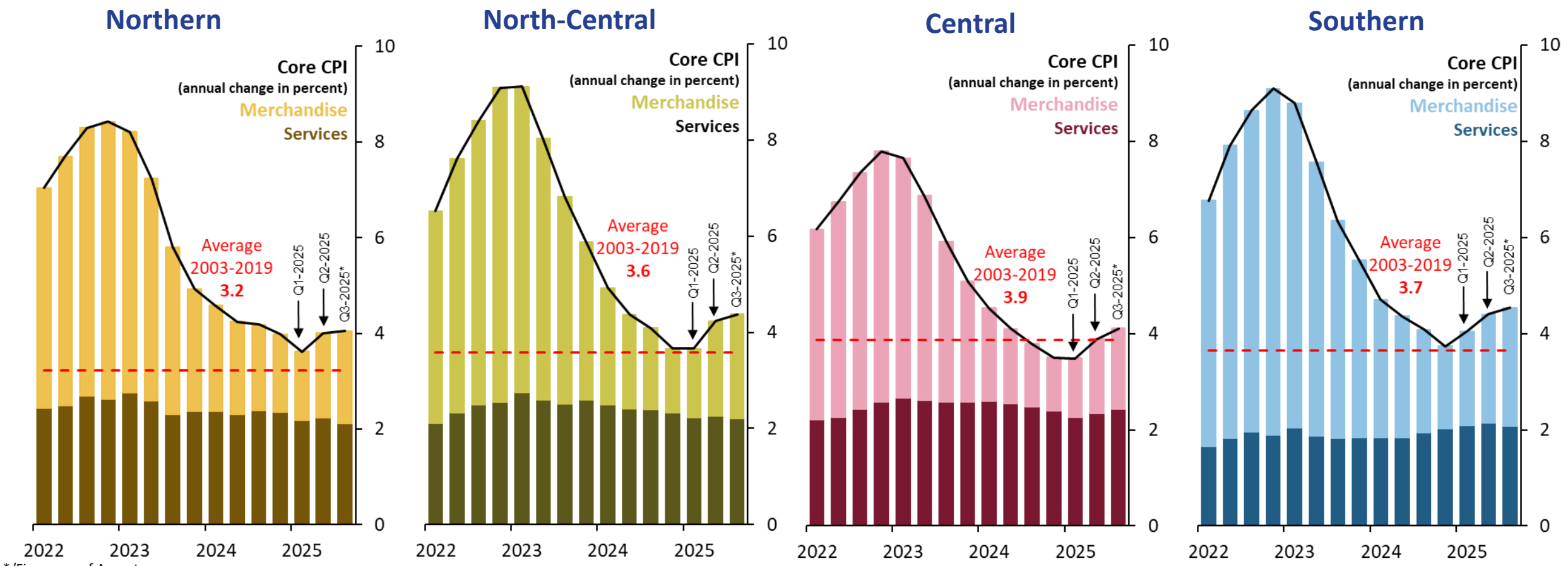

*/Figures as of August.

Source: Prepared by Banco de México with data from INEGI.

**In all regions, the upward trend in core inflation was driven by higher merchandise inflation, while services inflation continued showing persistence, albeit remaining below the levels observed in 2024.**

## Incidence on annual core inflation by region

Figures in percent



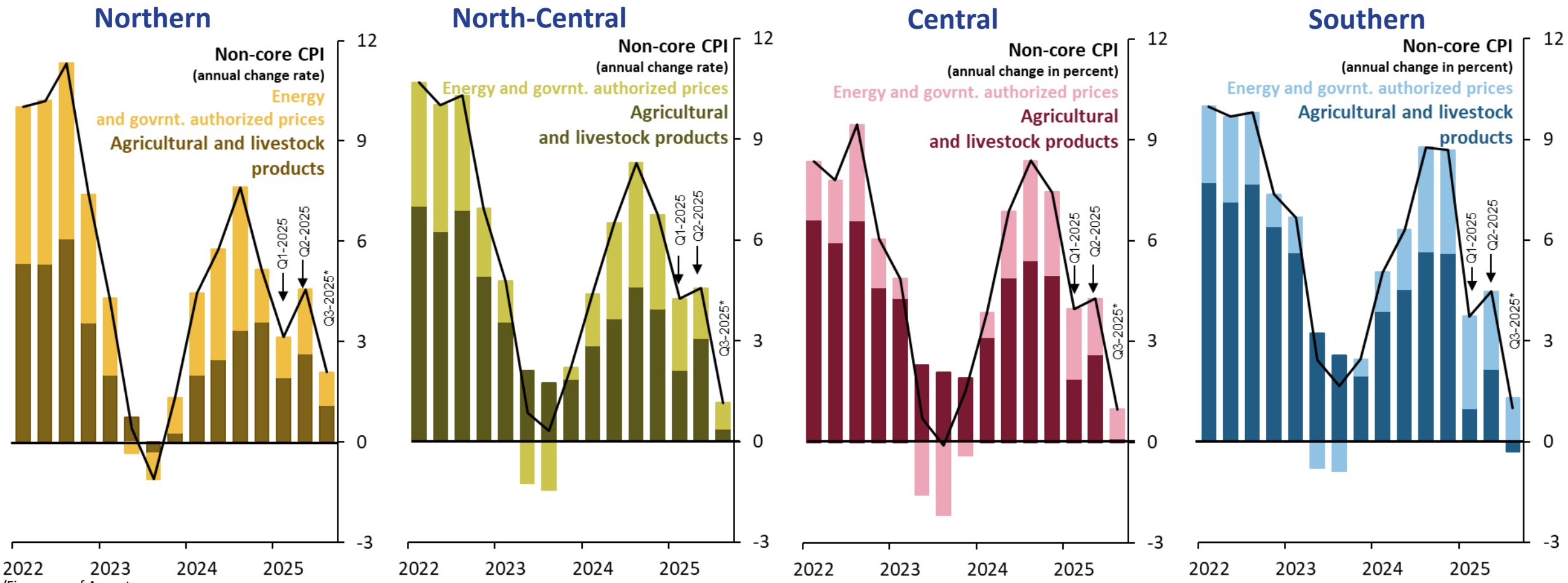

*/Figures as of August.

Source: Prepared by Banco de México with data from INEGI.

**In Q2-2025, non-core inflation increased in all regions due to higher prices in agricultural and livestock products. So far in Q3-2025, non-core inflation has decreased significantly.**

## Incidence of annual non-core inflation by region

Figures in percent



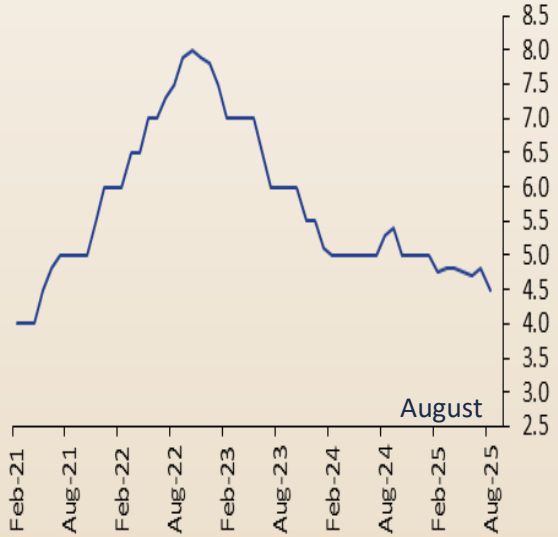

*/Figures as of August.

Source: Prepared by Banco de México with data from INEGI.

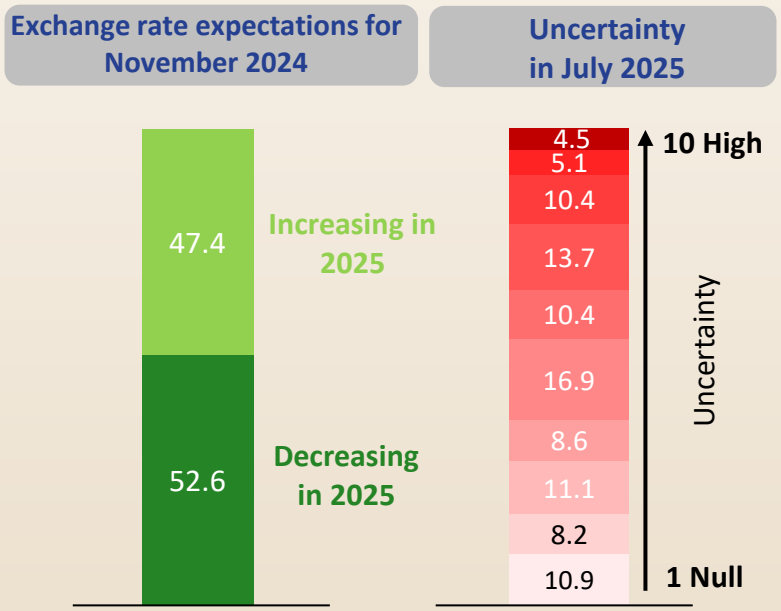
# Businesses' short-term inflation expectations based on their exchange rate estimate and perception of uncertainty

- This box illustrates that businesses anticipating a depreciation of the Mexican peso tend to expect higher levels of inflation. In contrast, the uncertainty perceived by businesses in recent months has not had a significant impact on their short-term inflation expectations.

**Median of businesses' expectations for headline inflation over the next 12 months**
Percentage




**Business opinion**
Percentage of responses




**Estimated difference in businesses' inflation expectations**
Percentage points

| | Effect of anticipating an increase in the **exchange rate (ER)** | Effect of **uncertainty** increasing by one unit |
|---|---|---|
| National | 0.32 | 0.01 |
| By regions | | |
| Northern | 0.40 | 0.03 |
| North-Central | 0.11 | 0.02 |
| Central | 0.35 | -0.00 |
| Southern | 0.29 | 0.02 |
| By sector | | |
| Manufacturing | 0.51 | 0.02 |
| Non-manufacturing | 0.23 | 0.01 |

$\pi^e$ if expects ↑ in ER

$\pi^e$ if ↑ uncertainty

Note: All estimates referring to the exchange rate are statistically significant. For uncertainty, no estimate is statistically significant, except for the Northern region and the manufacturing sector.

Source: Prepared by Banco de México with data from the Monthly Survey of Regional Economic Activity (EMAER).

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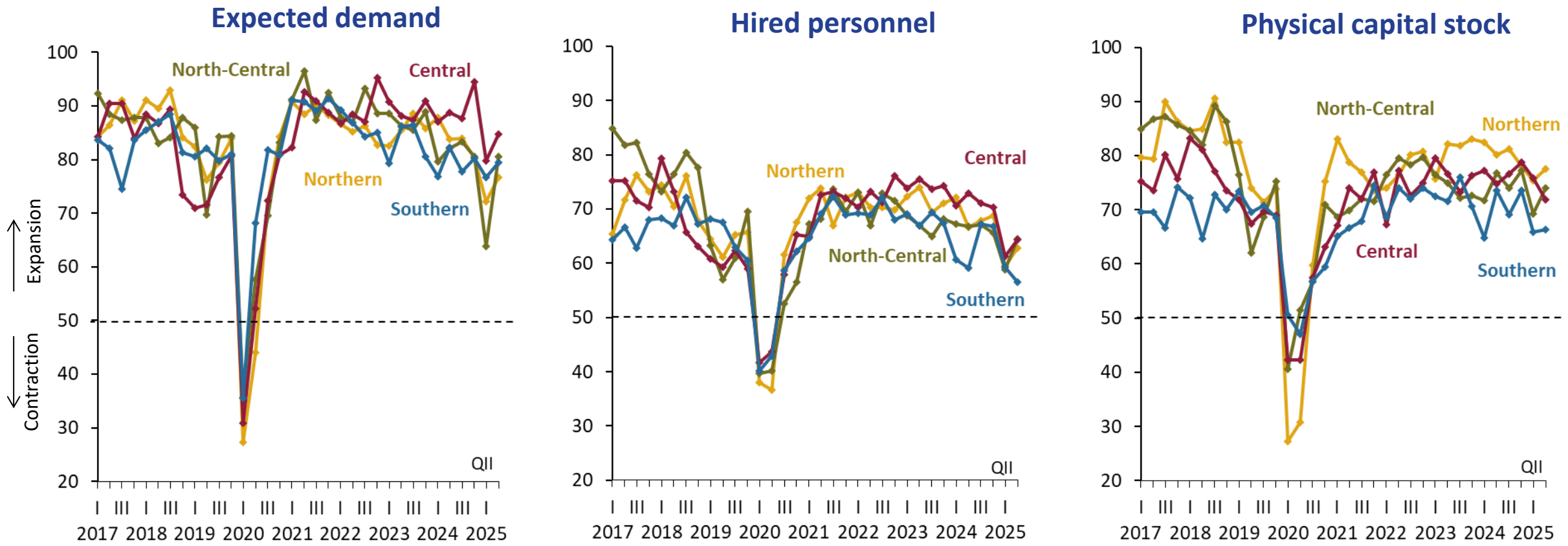
**(based on data collected between June 30 and July 24, 2025)**

III. Final remarks

**Business executives continued anticipating an increase in demand, employment, and investment in the next twelve months. Despite recent positive changes, the indices are generally below the levels reached in 2024.**

## Business executives' expectations: demand, hired personnel, and physical capital stock; next 12 months[1/]

Diffusion indices



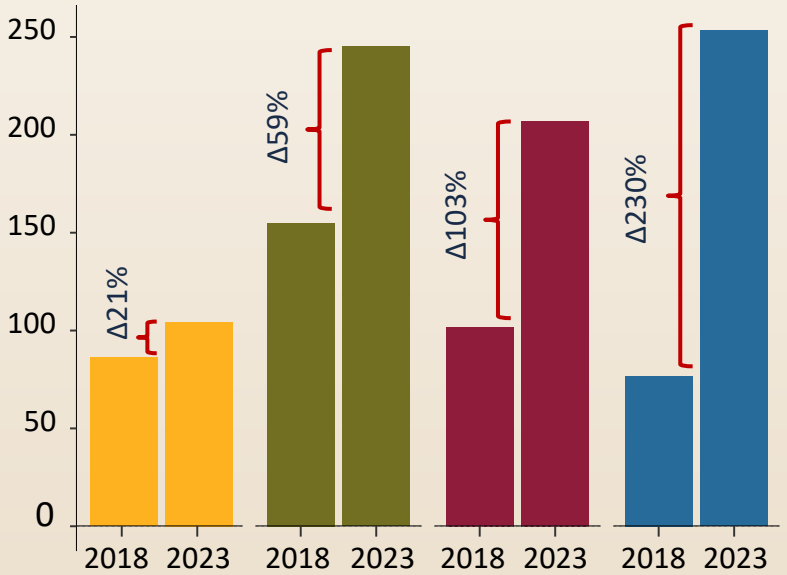

1/ Results obtained from the questions: "With respect to the previous 12 months, how do you expect your sales volume to change over the next 12 months, how do you expect the total number of workers in your company to change over the next 12 months?" and "With respect to the investment in fixed assets made by your company during the previous 12 months, how do you expect the level of investment to change over the next 12 months?", included in the interviews conducted by Banco de México. Expectations corresponding to each Report were collected during the four weeks following the end of the reported quarter. In the case of Q2-2025, they were obtained between June 30 and July 24, 2025.

# Regional changes in the profile of Mexican migrants to the United States, 2013-2023

- This box shows the **change in the flows** of individuals who **migrated** to the United States between **two five-year periods** covered by the **ENADID** in its 2018 and 2023 surveys, from a regional perspective.

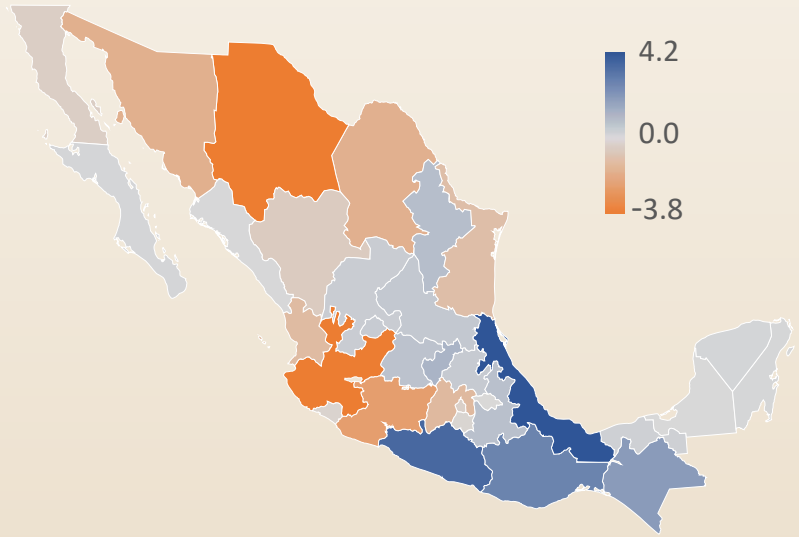
## Migration to the United States in the five-year periods 2013-2018 and 2018-2023

Number of migrants
In thousands




Note: Individuals considered were those that migrated in the last five years and at the time the interview was conducted in their origin homes were in the United States.
Source: Prepared by Banco de México with information from INEGI-ENADID 2018 and 2023.

Change in percentage share with respect to the national total
Percentage points




Source: Prepared by Banco de México with information from INEGI-ENADID 2018 and 2023.

## Changes in the share of US destination states

2018-2023 vs. 2013-2018
Percentage points

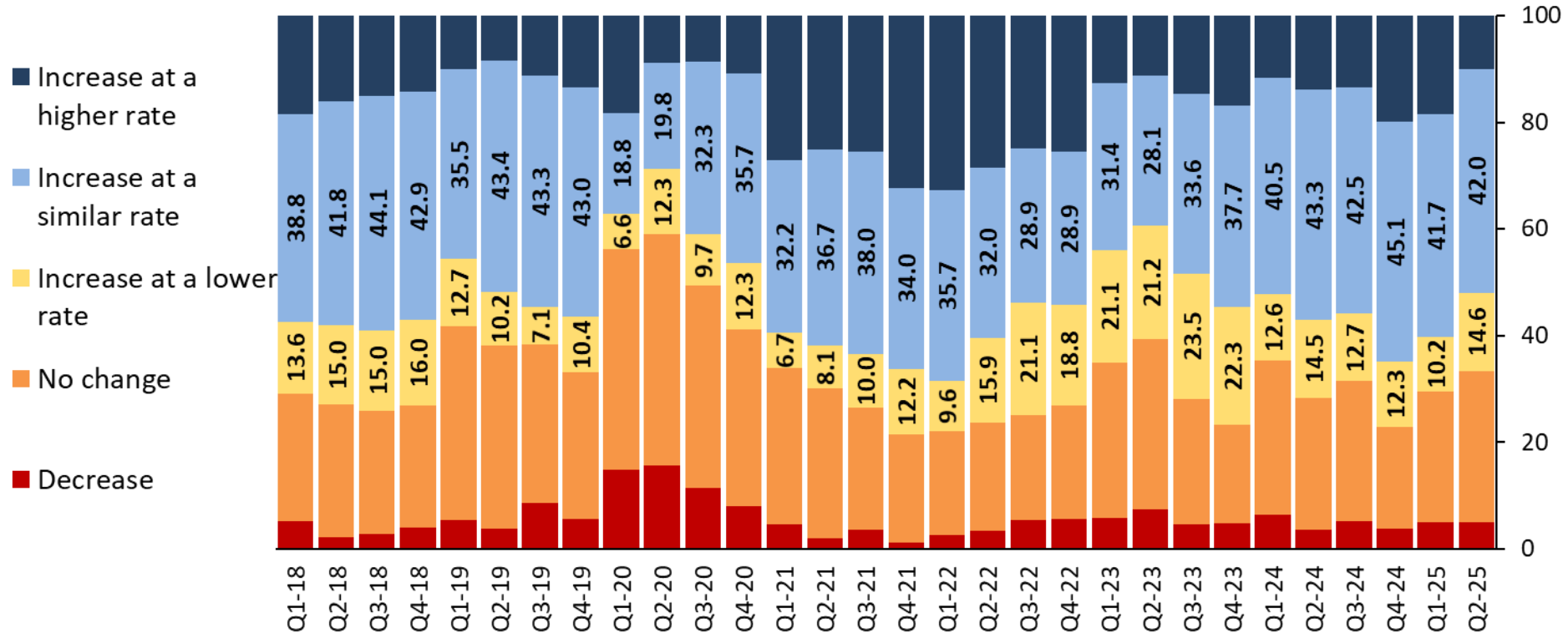
| US state | Region of origin in Mexico | | | |
|---|---|---|---|---|
| | **Northern** | **North-Central** | **Central** | **Southern** |
| California | 6.2 | -8.0 | 4.3 | -3.3 |
| Texas | -7.5 | 1.4 | -3.9 | 2.3 |
| New York | -0.6 | -1.8 | 0.7 | -4.7 |
| Florida | 1.8 | 0.4 | 1.6 | -2.0 |
| Arizona | -3.0 | 0.1 | 1.2 | 0.3 |
| North Carolina | -0.8 | -1.5 | 2.9 | -0.4 |
| Colorado | -2.7 | 1.3 | -2.0 | -0.4 |
| Other | 6.6 | 8.1 | -4.8 | 8.2 |

Note: Changes in the percentage share of migrant flows between the two survey periods are shown.
Source: Prepared by Banco de México with information from INEGI-ENADID 2018 and 2023.

# In Q2-2025, most interviewed business agents continued anticipating their sales prices to increase at a similar or lower rate over the next twelve months, compared to the previous twelve months.

## Business executives' expectations: annual variation of sales prices, next 12 months[1/]

Percentage of responses

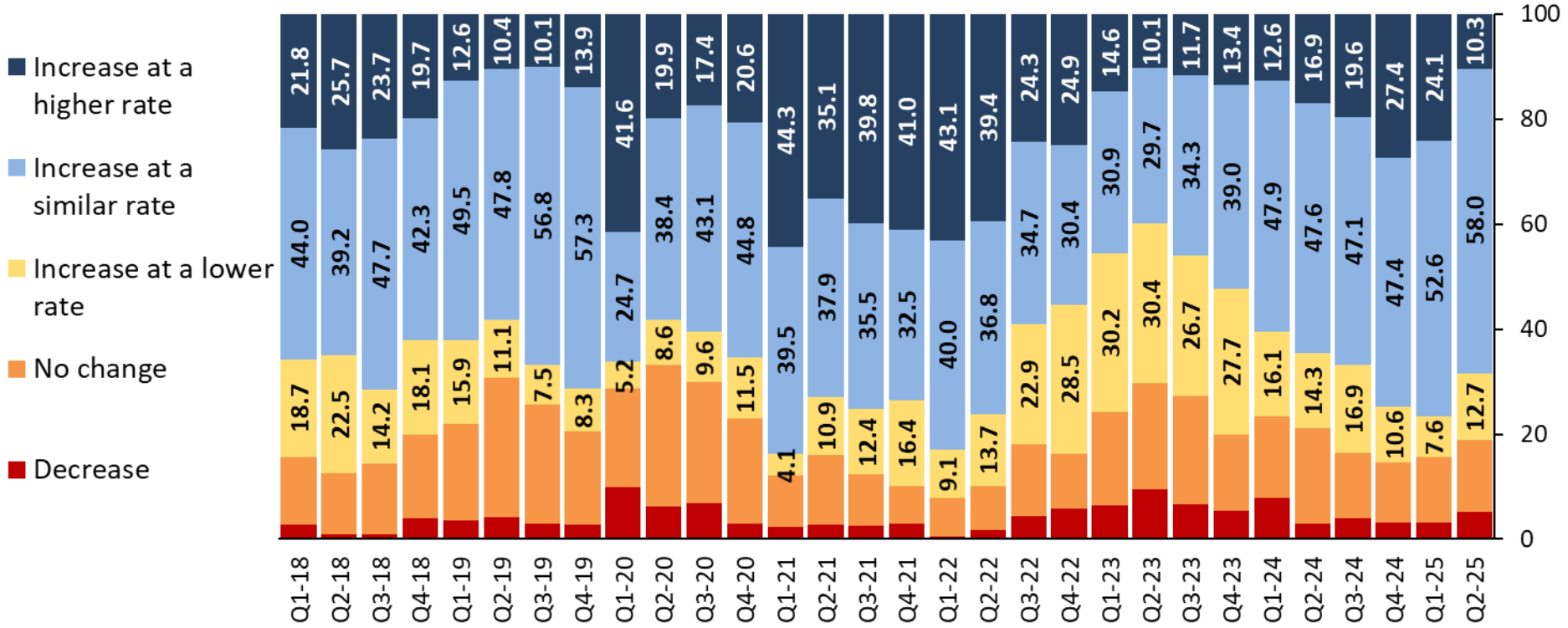



1/ Results obtained from the question: "With respect to the previous 12 months, how do you anticipate sales prices in your sector to change over the next 12 months?", included in the interviews conducted by Banco de México. Expectations corresponding to each Report were collected during the four weeks following the end of the reported quarter. In the case of Q2-2025, they were obtained between June 30 and July 24, 2025.

# Most interviewed business agents continue expecting input prices to increase at a similar or lower rate in the next twelve months compared to the previous twelve months. In addition, the proportion of those expecting an increase at a higher rate declined significantly.

## Business executives' expectations: annual variation of input prices, next 12 months[1/]

Percentage of responses

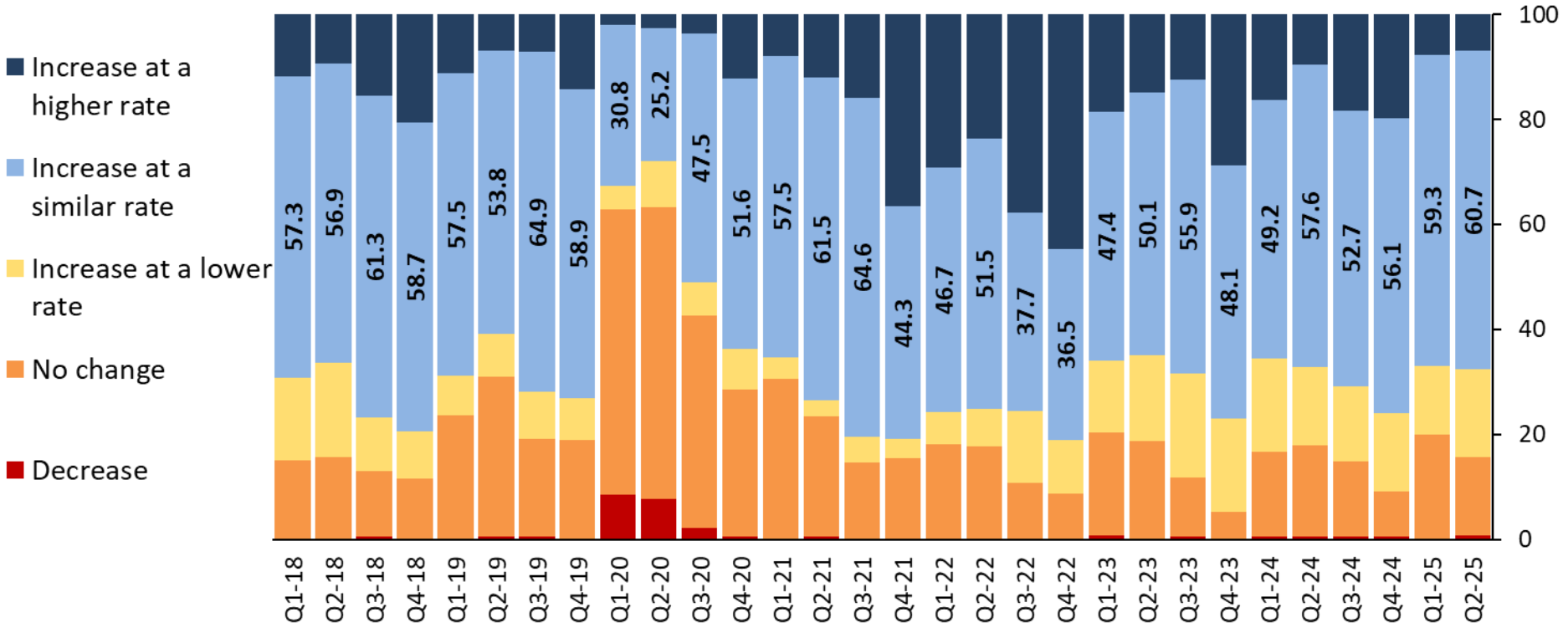



1/ Results obtained from the question: "With respect to the previous 12 months, how do you anticipate input prices in your sector to change over the next 12 months?", included in the interviews conducted by Banco de México. Expectations corresponding to each Report were collected during the four weeks following the end of the reported quarter. In the case of Q2-2025, they were obtained between June 30 and July 24, 2025.

# In Q2-2025, most interviewed business executives continued anticipating wage costs to increase at a similar rate in the next twelve months compared to the previous twelve months.

## Business executives' expectations: annual variation of wage costs, next 12 months[1/]

Percentage of responses




1/ Results obtained from the question: "With respect to the previous 12 months, how do you anticipate wage costs in your sector to change over the next 12 months?", included in the interviews conducted by Banco de México. Expectations corresponding to each Report were collected during the four weeks following the end of the reported quarter. In the case of Q2-2025, they were obtained between June 30 and July 24, 2025.

## Business executives' response distribution when asked about the top three factors that could hinder growth of economic activity in their states over the next six months

Percentage of responses

Based on data collected between June 2 and 30, 2025[1/]

| Northern | | North-Central | | Central | | Southern | |
|---|---|---|---|---|---|---|---|
| Factor | Percentage of responses | Factor | Percentage of responses | Factor | Percentage of responses | Factor | Percentage of responses |
| Inflation | **26.9%** | Governance | **26.8%** | Inflation | **23.9%** | Inflation | **31.3%** |
| External conditions | **26.7%** | Inflation | **25.5%** | Governance | **22.3%** | Governance | **21.2%** |
| Governance | **19.5%** | External conditions | **17.7%** | Domestic economic conditions | **20.8%** | Domestic economic conditions | **18.9%** |

1/ Question: What do you consider to be the three main factors limiting the growth of economic activity in your state over the next six months? This question is similar to the one included in the questionnaire of the Survey on Expectations of Private Sector Economic Specialists.
Source: Banco de México.

# Business executives' opinion on risks to regional economic activity (based on data collected between June 30 and July 24, 2025)[1/]

## Downward risks

- That public safety indicators deteriorate.
- That uncertainty related to US trade policy intensifies.
- That public investment in infrastructure at both state and federal levels is lower than expected.

## Upward risks

- That public spending, particularly on infrastructure projects, is higher than expected.
- That uncertainty associated with the implementation of various tariff measures by the US government dissipates.
- That more favorable conditions are observed both domestically and internationally to encourage private investment.

1/ Results obtained from the questions: "What are the 2 main events/situations/facts that if they were to occur would boost economic development in your state over the next 12 months?" and "What are the 2 main events/situations/facts that if they were to occur would limit economic development in your state over the next 12 months?", included in the interviews conducted by Banco de México between June 30 and July 24, 2025.

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# Final remarks

- **In an environment of high uncertainty and multiple challenges ahead, the outlook suggests that regional economies are likely to remain weak.**

- **In this context, it is crucial to leverage trade under the USMCA framework**, which, by providing preferential treatment, offers an opportunity to strengthen North America's value chains and expand the regions' participation in them.

- In addition, **it is essential to strengthen domestic sources of growth and create favorable conditions for investment.** Some of the key priorities are:

  - **Promote the construction and modernization of infrastructure—physical, digital, energy-related, and social—**to improve connectivity, facilitate productive integration, expand access to basic services, and strengthen resilience to regional development challenges, such as productivity gaps across regions and sectors.

  - **Support human capital development** in order to increase the availability of skilled labor and strengthen competitiveness in all Mexican states, considering international migration flows in a context of changes in the US migration policy.

  - **Strengthen public safety and the rule of law** as an essential condition for providing certainty, fostering investment, promoting productive activity, and improving the well-being of the Mexican population.

- **A comprehensive and long-term approach aimed at boosting productivity** is key to overcome current challenges and build a thriving and inclusive future for all regions.

# Regional Economic Report

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