Regional Economic Report
April - June 2026
Summary

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During the second quarter of 2026, GDP rebounded, after having contracted in the previous quarter. However, slack conditions prevailed, reflecting the weakness that productive activity had exhibited over a prolonged period. From a sectoral perspective, the relatively stronger performance of the Mexican economy was the result of positive contributions from the three main sectors of the economy.

In line with this behavior, economic activity is estimated to have increased in all regions during the analyzed quarter.[1] In the Northern and Central regions, economic growth is expected to have been associated with the strong performance of certain tertiary activities, including tourism, and, in the Central region, trade. Said growth was also associated with the expansion of manufacturing in the Northern and North-Central regions, construction in the Central and North Central regions, and primary sector activities in the Central region. Meanwhile, in the Southern region, economic growth appears to have been associated with a widespread expansion of secondary activities, along with higher levels of production of agricultural and livestock products.

After having trended upwards in all regions during the first quarter of 2026, annual headline inflation followed a downward trend during the second quarter. On the one hand, such performance was partly attributed to the decline in non-core inflation observed after April, which derived from a decrease in the annual variation of fruit and vegetable prices, associated with the normalization of supply of some of these goods. On the other hand, it also reflected the continued decline in core inflation in response to the lower annual variation in merchandise prices. In the Northern, North-Central, Central, and Southern regions, annual headline inflation stood at 3.37, 4.25, 4.38, and 4.37% in the first quarter of 2026 and at 3.36, 4.25, 3.93, and 4.17% in the second quarter. In August, it continued declining in the Northern and North-Central regions, although it increased in the Central and Southern regions. However, during said month, it registered 2.83, 3.64, 3.18, and 3.49%, respectively, remaining below the levels observed during the second quarter.

In this context, hosting the World Cup may have generated a temporary increase in demand for goods and services associated with the influx of visitors to the host cities, with potential implications for regional economic activity and price behavior. Box 1 estimates the impact on economic activity related to foreign tourists' spending in host cities and analyzes the behavior of certain services' prices during this sporting event. The results suggest a positive, albeit limited, effect on the GDP of the states hosting World Cup matches, while no significant pressures were observed on the prices of the services analyzed in those cities.

During the second quarter of the year, overall, the main labor market indicators showed conditions similar to those of the previous quarter, characterized by the persistence of some signs of weakness, although with differences across regions. Beyond these recent developments, regional labor markets exhibit differentiated structural features,

[1] The Northern region includes Baja California, Chihuahua, Coahuila, Nuevo León, Sonora, and Tamaulipas; the North-Central region considers Aguascalientes, Baja California Sur, Colima, Durango, Jalisco, Michoacán, Nayarit, San Luis Potosí, Sinaloa, and Zacatecas; the Central region includes Ciudad de México, Estado de México, Guanajuato, Hidalgo, Morelos, Puebla, Querétaro, and Tlaxcala; and the Southern region includes Campeche, Chiapas, Guerrero, Oaxaca, Quintana Roo, Tabasco, Veracruz, and Yucatán.

particularly in terms of informality and gender gaps. Box 2 examines the relative concentration of persons employed in informal economic units based on data from the 2024 Economic Censuses. This measure identifies the states and economic activities in which this type of employment accounts for a higher share relative to the pattern observed at the national level. The results show significant differences across regions and sectors. In particular, this higher relative concentration is more prevalent in various states of the Central and, especially, Southern regions of the country, as well as in agriculture and in certain activities of the secondary and tertiary sectors. Box 3 analyzes the relationship between employment formality and gender gaps in access to paid employment. The results show that said gaps are wider in informal employment than in formal employment, a pattern that is broadly observed across all regions of the country. In formal employment, the probability of receiving a job offer is similar for men and women, except in the Central region. In contrast, in informal employment, men are more likely to receive a job offer in all four regions. With respect to offered salary, men are more likely to receive higher wage proposals regardless of employment formality status, although this gap is substantially larger in informal employment.

The diffusion indices of business expectations regarding product demand, employment and investment in fixed assets over the next twelve months remained in the expansion zone in all regions, although they moderated compared with the previous quarter. The decline was widespread in the case of investment in fixed assets and was predominant in the indices of product demand and hiring. However, the product demand index rose in the North-Central region, and the hiring index increased in the Northern region. As part of the analysis of business perspectives regarding the implications of technological changes, Box 4 examines, based on business opinion data, the evolution of artificial intelligence use in companies with more than 100 employees in Mexico, as well as its current and expected effects on employment and productivity. The results point to an increased use of artificial intelligence, with expectations that this trend will continue. So far, most companies have not observed any significant effects on employment, while a significant proportion of surveyed business contacts reported that these technologies have boosted productivity. Over the next three years, more companies anticipate positive effects, primarily on productivity, suggesting that the potential benefits could materialize as its adoption becomes more widespread.

Regarding expectations for sales prices, input costs, and wage costs for the next twelve months, interviewed business executives continued anticipating that these variables would register growth rates equal to or lower than those observed during the previous twelve months.

The interviewed business executives identified various risks that could affect regional economic growth in the next twelve months. Among downward risks, they highlighted: i) that public safety indicators deteriorate; ii) that public investment in infrastructure at both state and federal levels is lower than expected; iii) that climate-related phenomena such as extreme temperatures, cyclones, or droughts adversely affect the performance of the regions, and iv) that uncertainty surrounding the US trade policies increases, thus affecting regional economic activity, particularly investment. Among upside risks, they mentioned: i) that public investment in infrastructure projects exceeds expectations; ii) that more favorable conditions at both domestic and international levels encourage private investment, and iii) that public safety levels improve.

Looking ahead, the regional economies are expected to keep expanding at a moderate pace, albeit in a complex and uncertain environment that will continue posing challenges to growth, while also potentially creating opportunities for the country's regions.

On the external front, uncertainty surrounding the US trade policy persists. Although it was expected, the United States' decision to trigger the USMCA's annual review mechanism prolonged the ongoing uncertainty surrounding the future of trade relations among the three partner countries. This could affect investment decisions, particularly in states in the Northern and Central regions, whose greater integration with North American supply chains makes

them more sensitive to developments in the trade relationship. Nevertheless, negotiations among the member countries are ongoing, and Mexican exports that comply with USMCA provisions continue receiving preferential treatment. Likewise, changes in the US trade policy towards its main trading partners and the reconfiguration of global supply chains could create opportunities for Mexican exports and could help attract investment and foster the relocation of production processes to different regions of Mexico, thereby strengthening its integration into North American value chains.

On the domestic front, public insecurity remains a challenge for regional economic activity, as business executives continue reporting disruptions to their operations in various parts of the country. Likewise, constraints on the availability of water and energy pose challenges for various productive activities and states. Limitations in transport infrastructure can also restrict access to markets and increase the logistics costs faced by companies. Finally, growing exposure to extreme weather events poses challenges whose effects vary across regions depending on their vulnerability and productive structure.

In light of this scenario, it is essential to strengthen the domestic sources of growth and foster an environment conducive to investment. To this end, promoting human capital formation and reducing gender gaps in the labor market remain priorities, in order to make better use of available talent, increase productivity, and expand the regions' productive capacity, thereby enhancing their potential growth. Moreover, further developing and modernizing transportation, digital, energy, and water infrastructure would help to reduce costs, expand access to markets, and strengthen regional competitiveness. Strengthening public safety and the rule of law would also support productive activity and investment. Finally, further advancing climate change mitigation and adaptation policies in the most vulnerable regions and sectors would help to contain structural risks and preserve long-term productive viability.

Altogether, progress in these areas would strengthen the regions' capacity to address the challenges posed by the environment and take advantage of the opportunities it may generate, in line with their features and productive profile. This would foster a more solid, resilient, inclusive, and sustainable path for regional growth, to the benefit of Mexico's population.