

Regional Economic Report
January – March 2026

BANCO DE MÉXICO®

Outline

I. Regional Economic Report

II. Results January – March 2026

A. Economic activity

B. Inflation

C. (based on data collected between March 23 and April 23, 2026)

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 Q1-2026 and the prospects of business executives surveyed between March 23 and April 23, 2026 on regional economic activity and prices over the following twelve months are analyzed herein.

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B. Inflation

C. Economic outlook

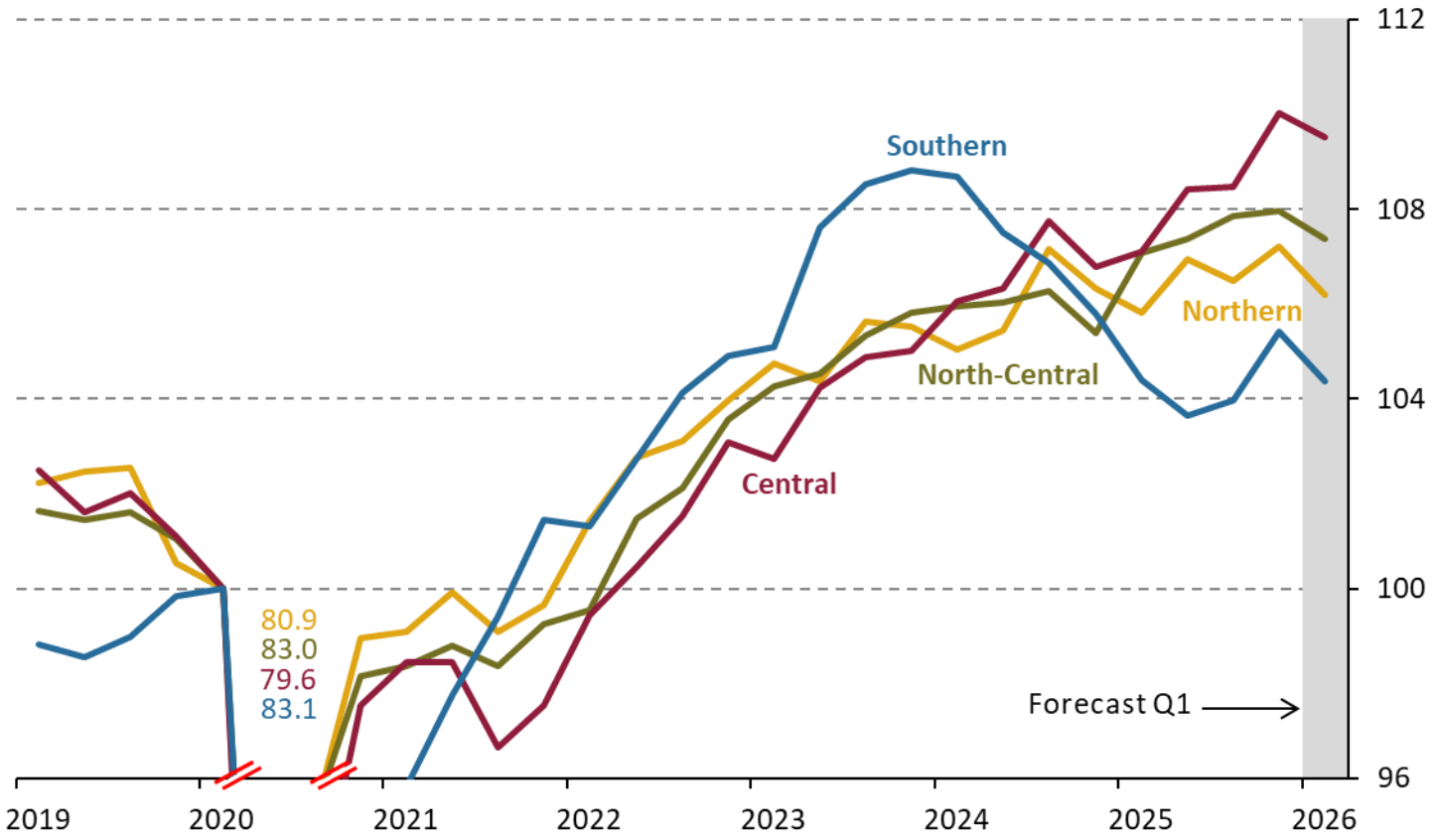
(based on data collected between March 23 and April 23, 2026)

III. Final remarks

Economic activity is estimated to have declined in all regions in Q1-2026.

Quarterly Indicator of Regional Economic Activity

Index Q1 2020=100, s. a.

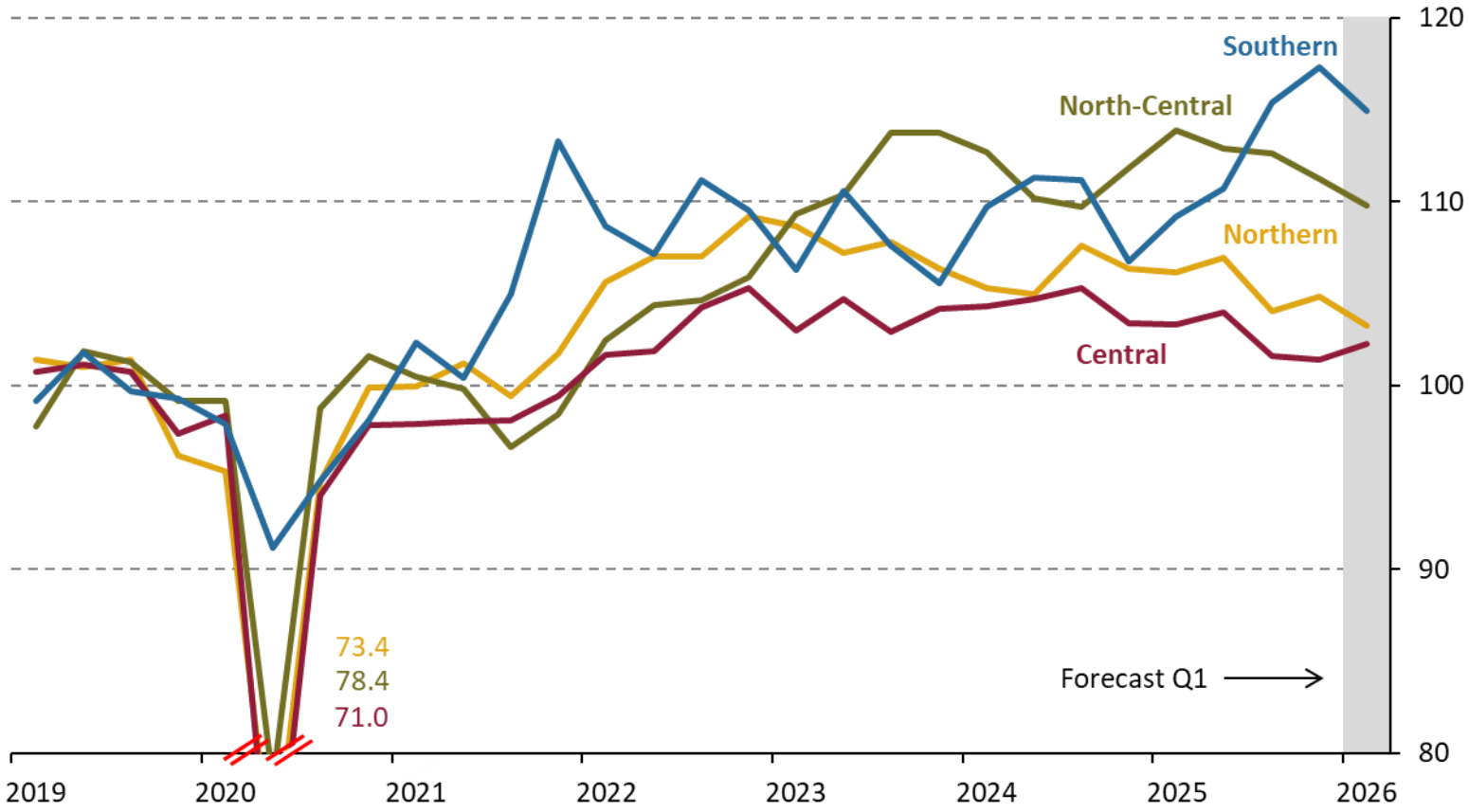


s. a. / Seasonally adjusted data.
Source: Estimated by Banco de México with seasonally adjusted series of the Quarterly Indicator of State Economic Activity by INEGI.

Manufacturing is expected to have remained weak in the Northern and North-Central regions in Q1-2026, while in the Southern region said weakness is estimated to have halted the expansion observed in previous quarters. In the Central region, manufacturing is anticipated to grow, albeit from relatively low levels.

Regional Manufacturing Indicator

Index 2019=100, s. a.



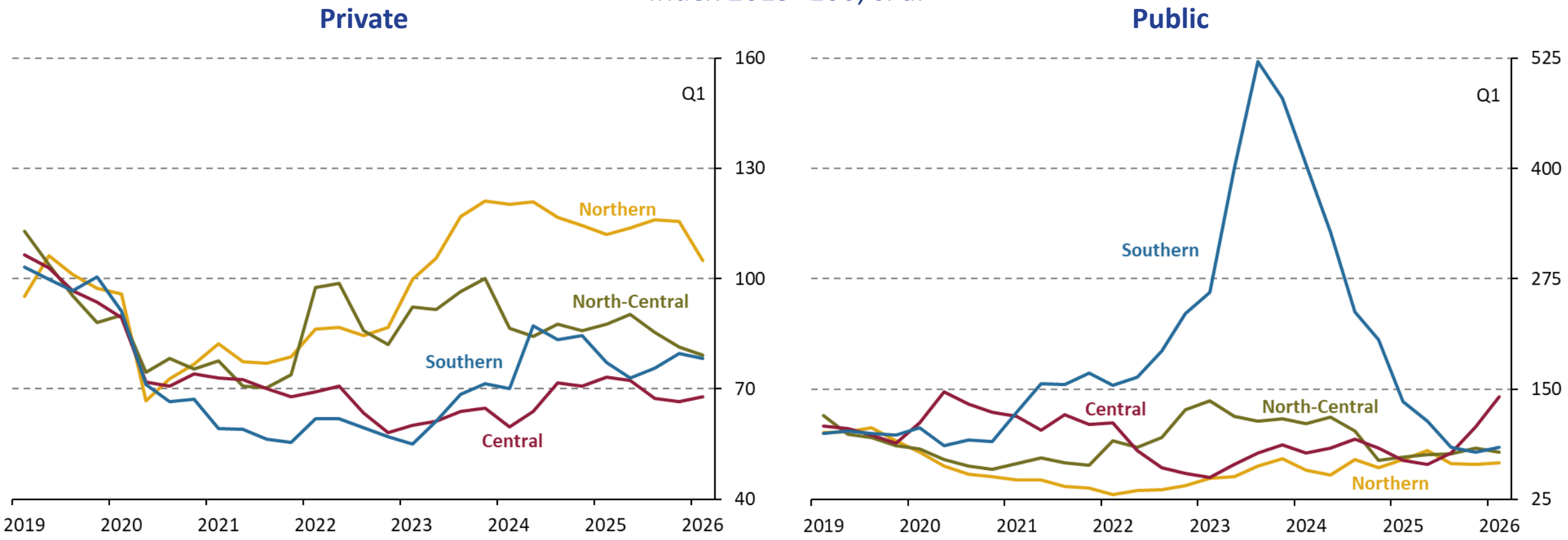
s. a. / Seasonally adjusted data.

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

In Q1-2026, construction increased in the Central and Southern regions, driven by public infrastructure projects, while it continued weakening in the Northern and North-Central regions.

Real value of production in the construction industry

Index 2019=100, s. a.

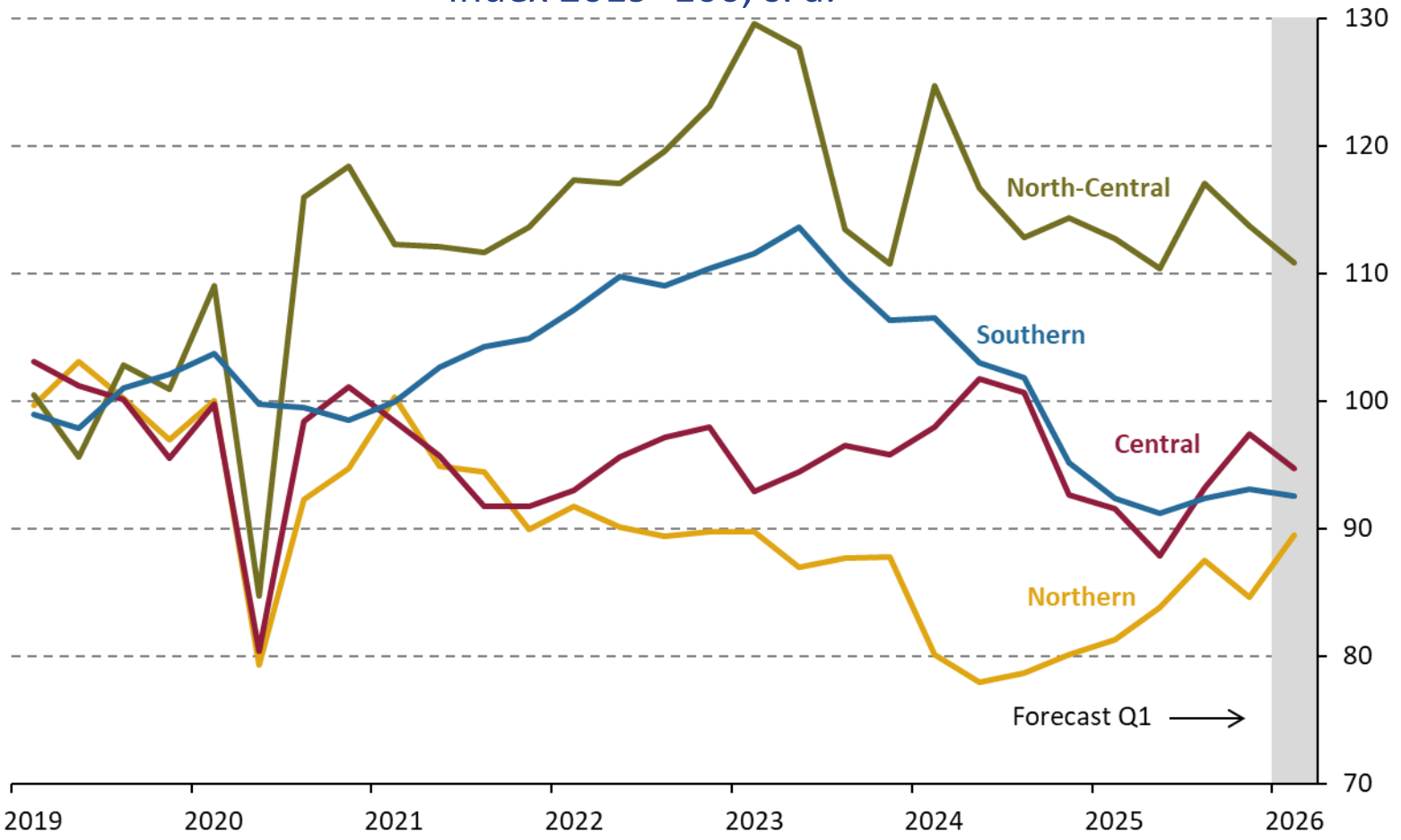


s. a. / Seasonally adjusted data.
Source: Prepared and seasonally adjusted by Banco de México with data from the National Survey of Construction Companies by INEGI.

During Q1-2026, mining activity is expected to have performed weakly in the Southern and Central regions. In contrast, the Northern region is expected to have increased, albeit from relatively low levels.

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

Index 2019=100, s. a.

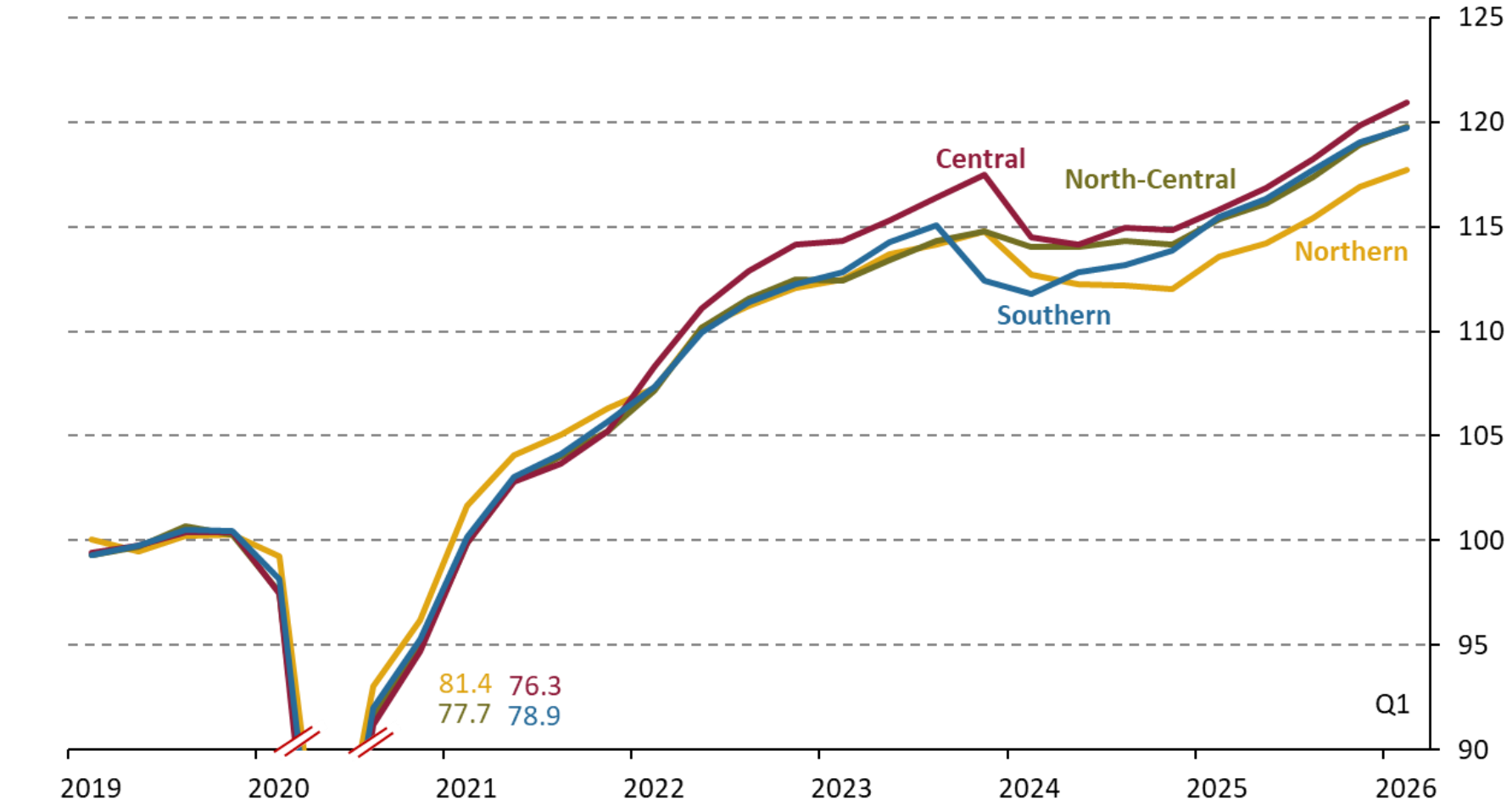


s. a. / Seasonally adjusted data.
Source: Prepared and seasonally adjusted by Banco de México based on series of the Monthly Mining Activity Indicator by state from INEGI.

Sales in retail establishments continued growing in the four regions in Q1-2026, although at a more moderate pace.

Regional Commercial Activity Indicator

Index 2019=100, s. a.



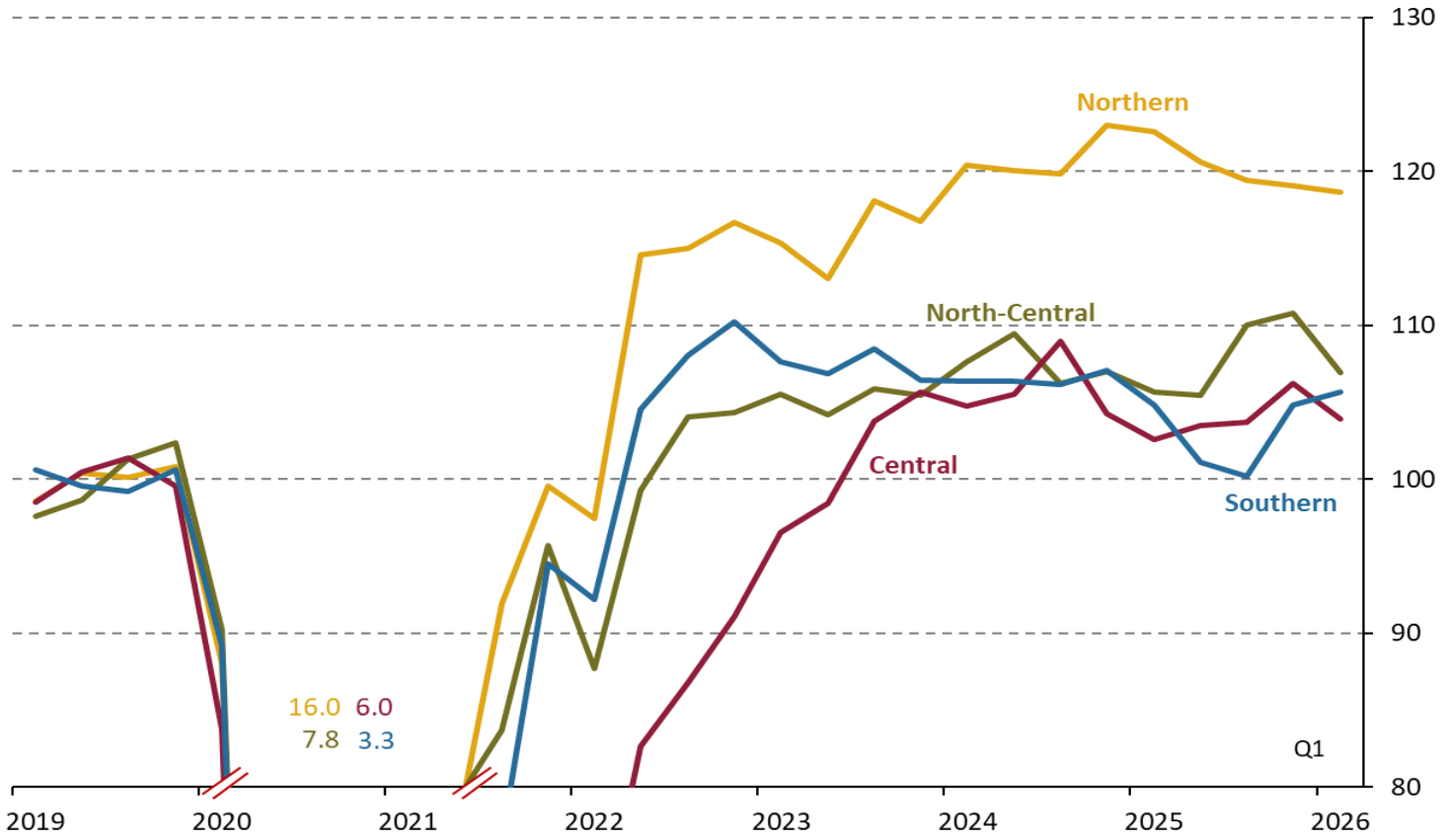
s. a. / Seasonally adjusted data.

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.

During Q1-2026, tourism activity declined in the Northern and Central regions. In contrast, it grew in the Southern region.

Regional Indicator of Hotel Occupancy

Index 2019=100, s. a.



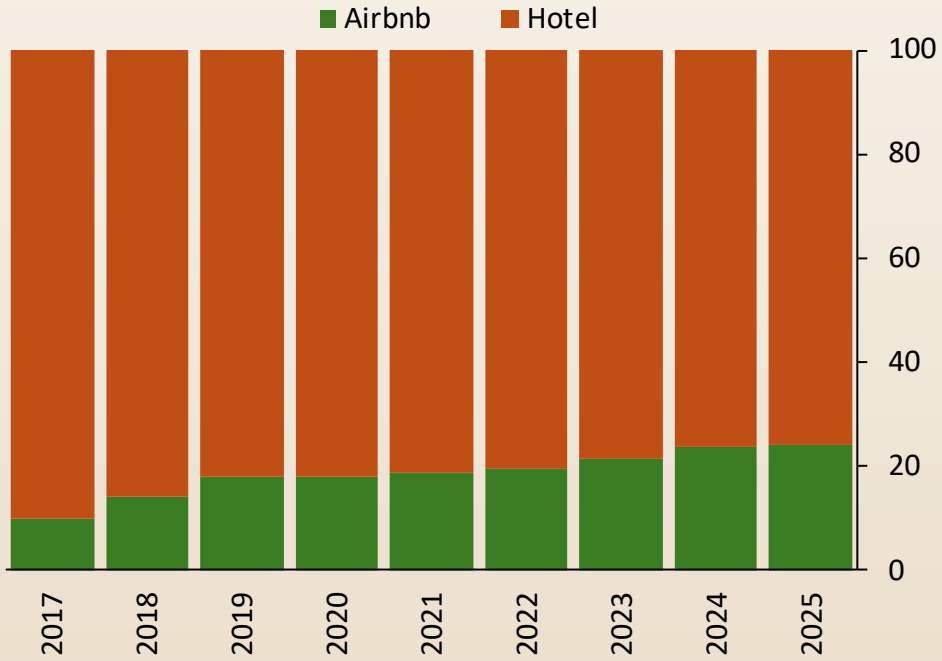
s. a. / Seasonally adjusted data.
Source: Prepared and seasonally adjusted by Banco de México with data from the Mexican Ministry of Tourism.

Demand shocks and accommodation market adjustments in tourist destinations

- Expanding supply of accommodations through **digital platforms**, such as Airbnb, observed in recent years could help to **ease pressures on accommodation prices during periods of high demand**. This effect would be particularly significant in beach destinations and in cities hosting the World Cup.

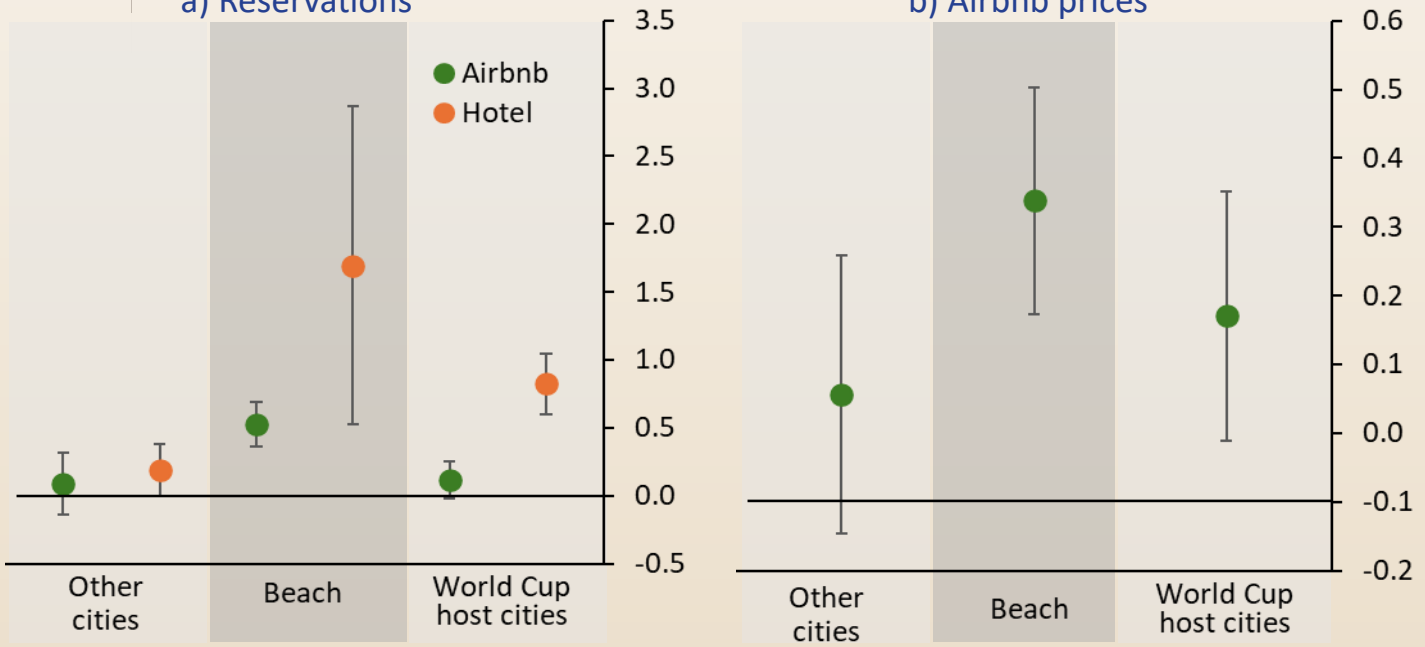
Distribution of available Airbnb properties and hotel rooms nationally

Percentage



Relationship between tourism demand and accommodation services by destination type

Percentage change associated with a 1% increase in passenger arrivals

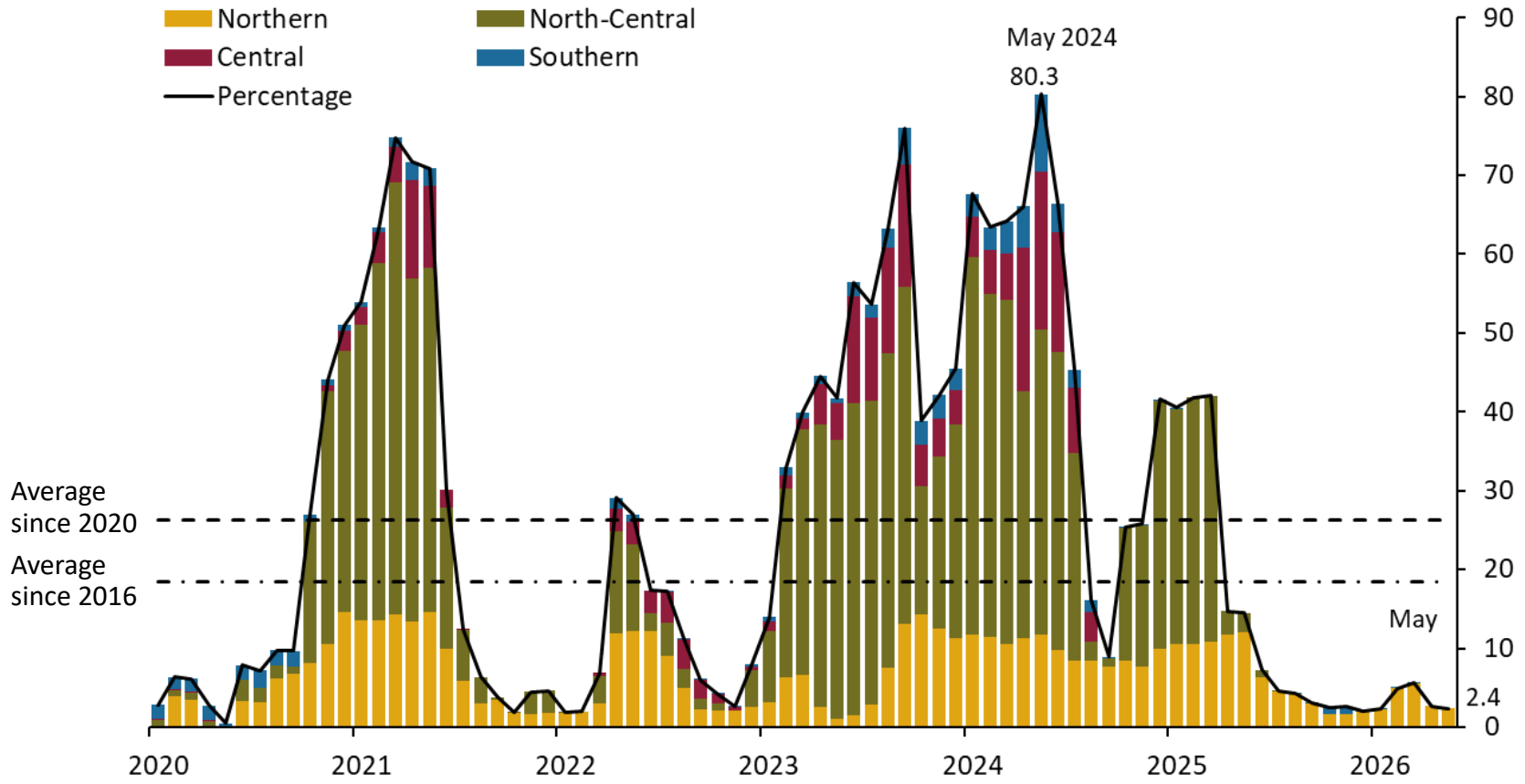


Note: Each Airbnb property is assumed to be equivalent to one hotel room, regardless of the number of rooms it includes. Each annual data figure corresponds to the average of monthly observations. The results of the three equations are shown with 95% confidence intervals. Standard errors are grouped by city.
Source: Prepared by Banco de México using data from AirDNA, the Mexican Ministry of Tourism, the Federal Civil Aviation Agency, and the National Center for Disaster Prevention.

During Q1-2026, the exposure of agricultural production to droughts remained at low levels and concentrated mainly in the Northern region.

Percentage of Mexican agricultural production affected by droughts by region

Data in percent

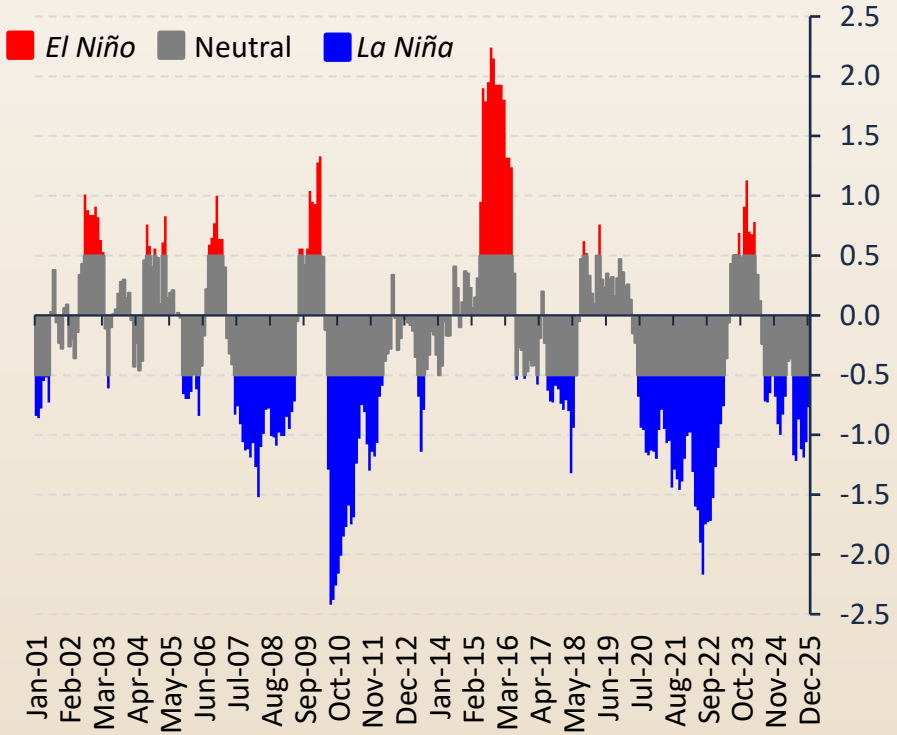


Note: The percentage shown is the weighted sum of the drought exposure index of 16 agricultural products, with each product weighted according to its share in the total production of the goods considered.
Source: Prepared and seasonally adjusted by Banco de México based on data from SIAP (*Servicio de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

Weather-related impacts of the *El Niño*-Southern Oscillation phenomenon in the regions of Mexico

- The *El Niño*-Southern Oscillation (ENSO) alternates between warm (*El Niño*), cold (*La Niña*), and neutral phases, **modifying precipitation and temperature patterns in Mexico**. In the case of precipitation, *El Niño* generates, on average, less rainfall in spring and summer, and more in autumn and winter. *La Niña* has partially opposite effects.

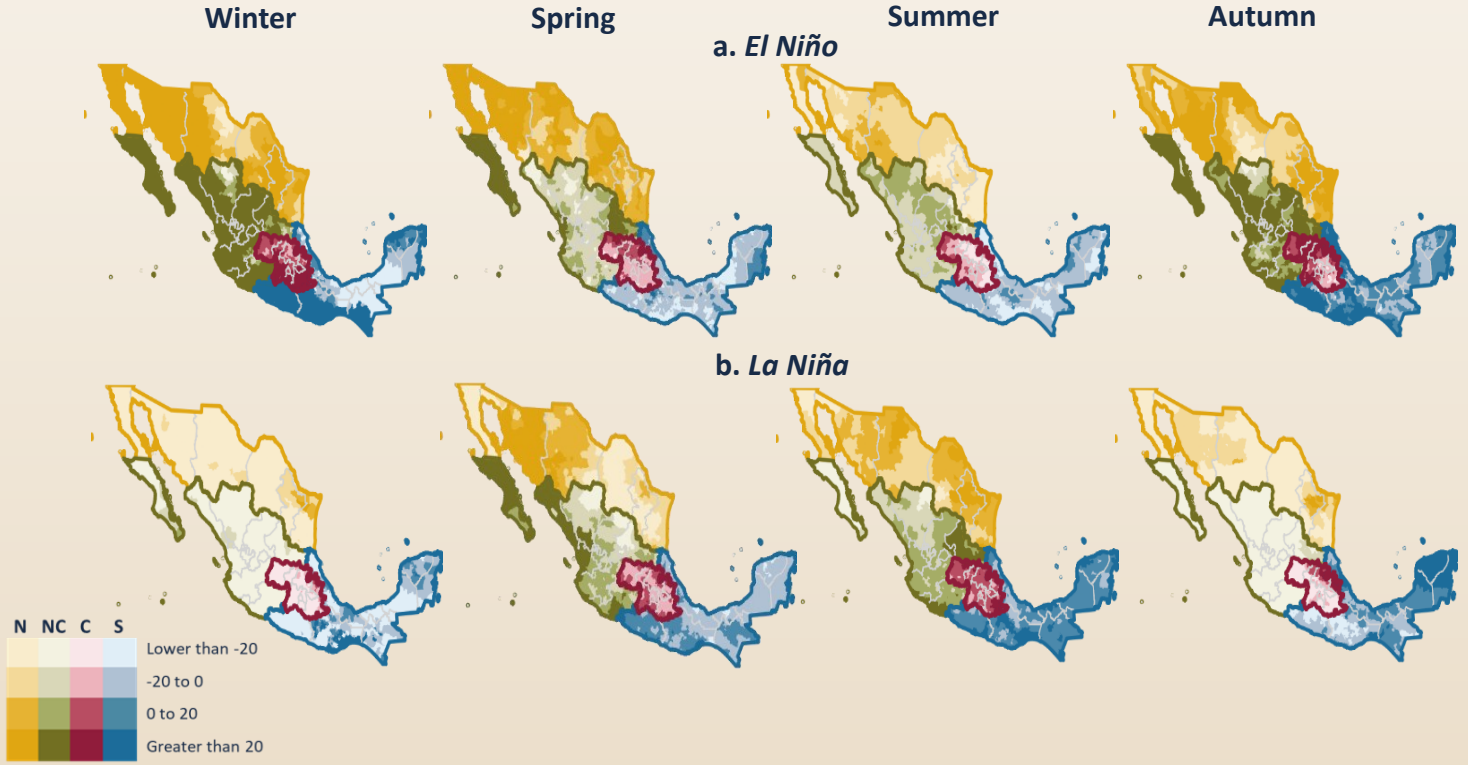
Multivariate ENSO Index



Source: Prepared by Banco de México using data from the National Oceanic and Atmospheric Administration (NOAA).

Precipitation anomalies during *El Niño* and *La Niña*

Percentage relative to the average precipitation observed during the neutral phase

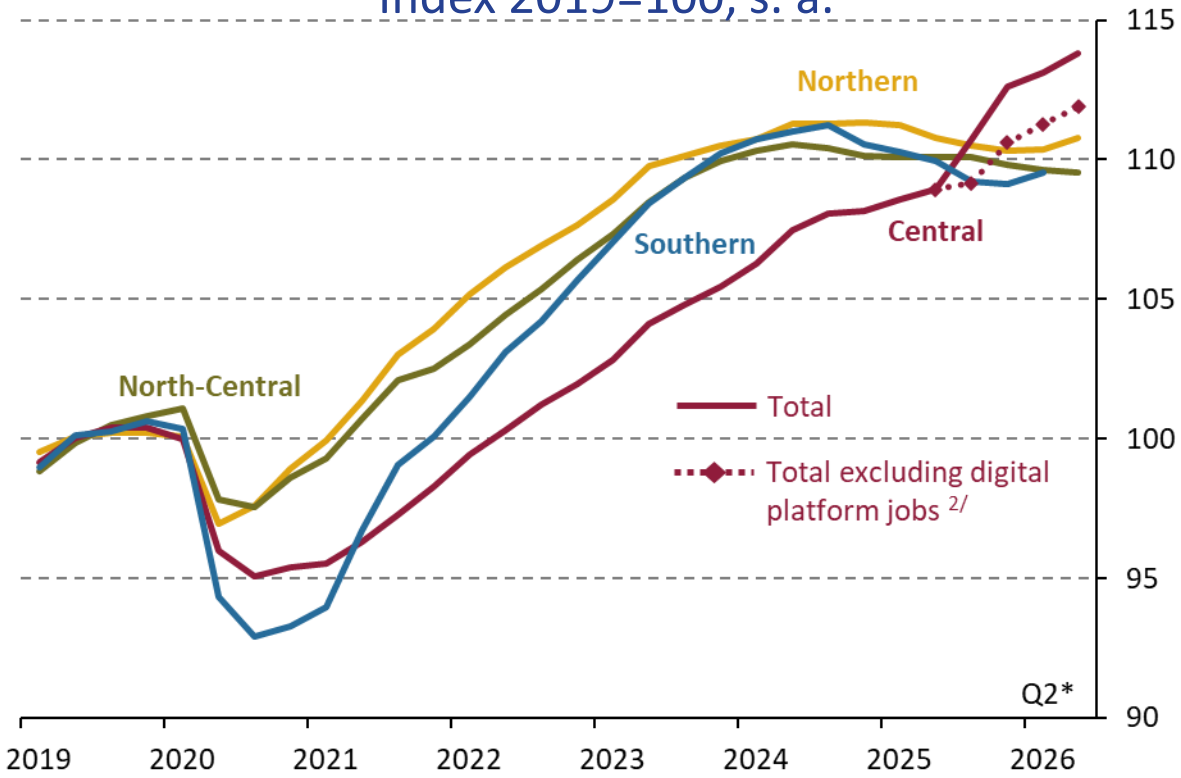


Source: Prepared by Banco de México using data from NOAA and DAYMET.

During the reporting period, various labor market indicators suggest further cooling, albeit with regional variations.

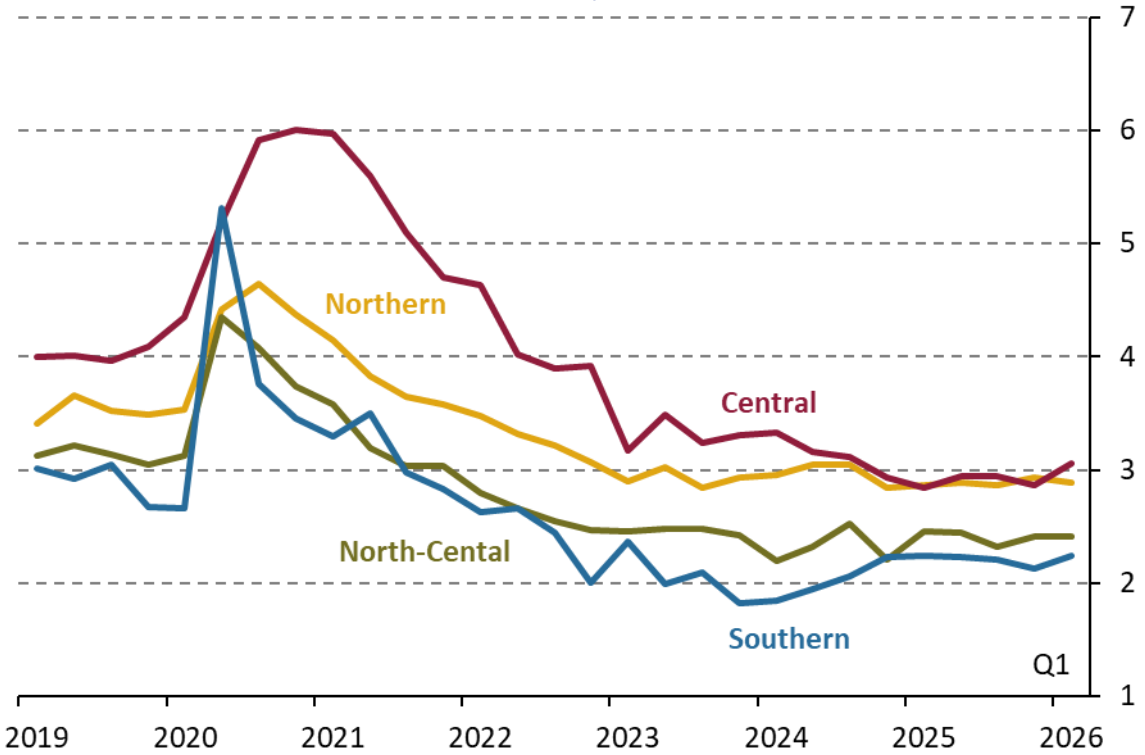
Number of IMSS-insured workers [1/]

Index 2019=100, s. a.



Unemployment rate

Percent, s. a.

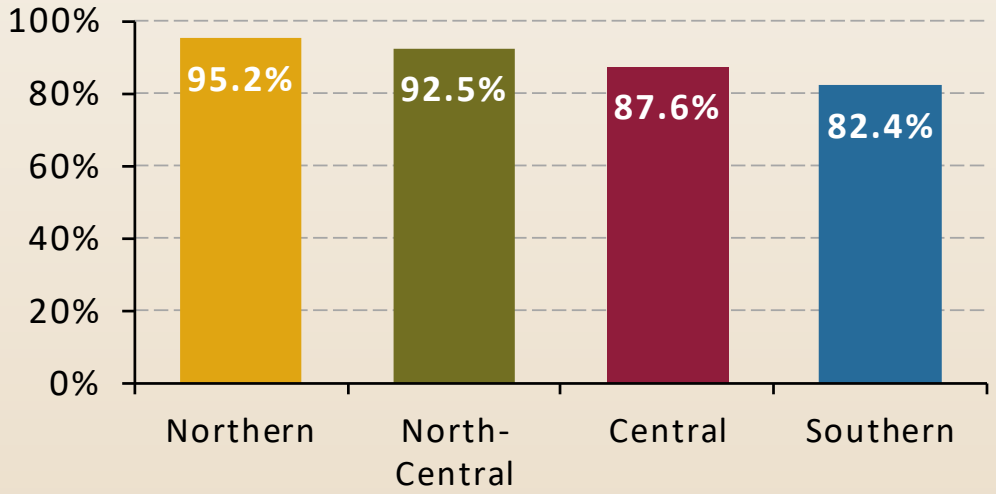


s. a. / Seasonally adjusted data.
*/ Data as of April.
1/ Permanent and temporary jobs in urban areas.
2/ This series does not take into account new jobs registered with IMSS as part of the pilot program to incorporate digital platform workers into the mandatory social security system. A total of 138,128 jobs related to this pilot program were registered nationwide in January.
Source: Prepared and seasonally adjusted by Banco de México with data from INEGI.

Regional heterogeneity in non-contributory pension transfers and effects on jobs registered with IMSS

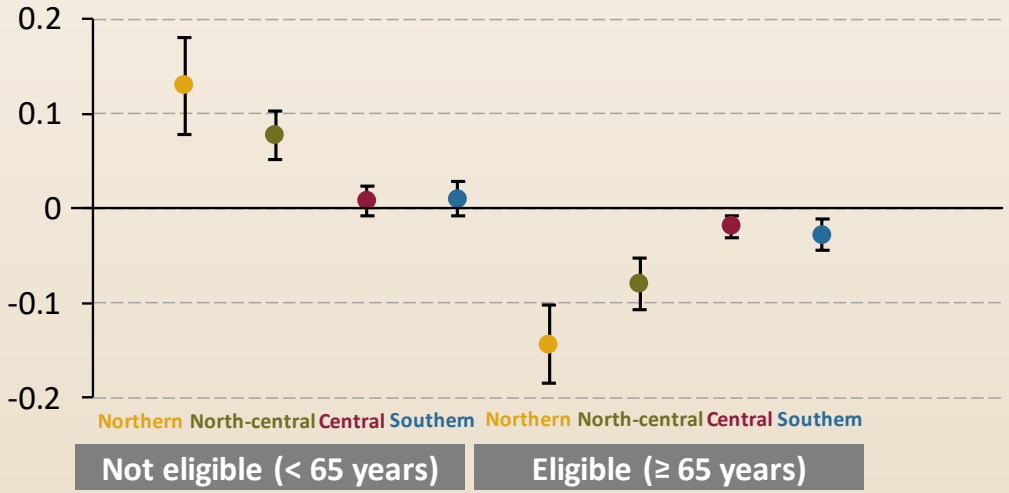
- The box calculates the coverage of the ***Pensiones para el Bienestar*** program among the **elderly population**. Findings indicate that it is **higher in the Northern and North-Central regions** than in the Central and Southern regions.
- The effect of **pension transfers** on **jobs registered with IMSS in local labor markets** is estimated. The results suggest that **pension transfers allow beneficiaries to work less**, while **employment levels in other age groups increase**.

Program beneficiaries in 2025 as a percentage of eligible individuals
Percentage by region



Source: Prepared by Banco de México using data from INEGI and the Mexican Ministry of Welfare.

Estimated effect of pension transfers on jobs registered with IMSS by age group and region
IMSS-registered jobs for every MXN 100,000 in monthly per capita transfers



Note: The estimates from Equation 1 in the Box are displayed, along with 95% confidence intervals.
Source: Prepared by Banco de México using data from INEGI, IMSS, and the Mexican Ministry of Welfare.

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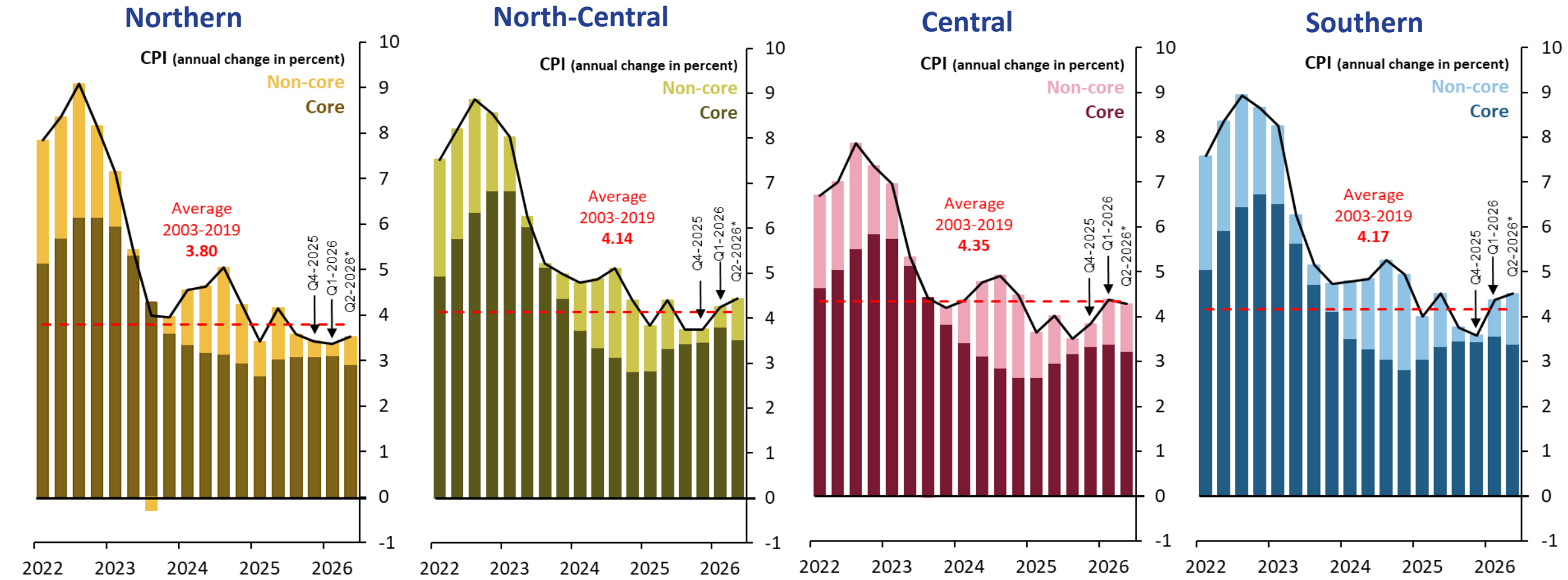
(based on data collected between March 23 and April 23, 2026)

III. Final remarks

Between Q4-2025 and Q1-2026, annual headline inflation increased in the Southern and Central regions, driven largely by a rise in non-core inflation. In May, headline inflation declined from its previous-month level in all regions.

Consumer Price Index and incidence by region

Annual change in percent and percentage points



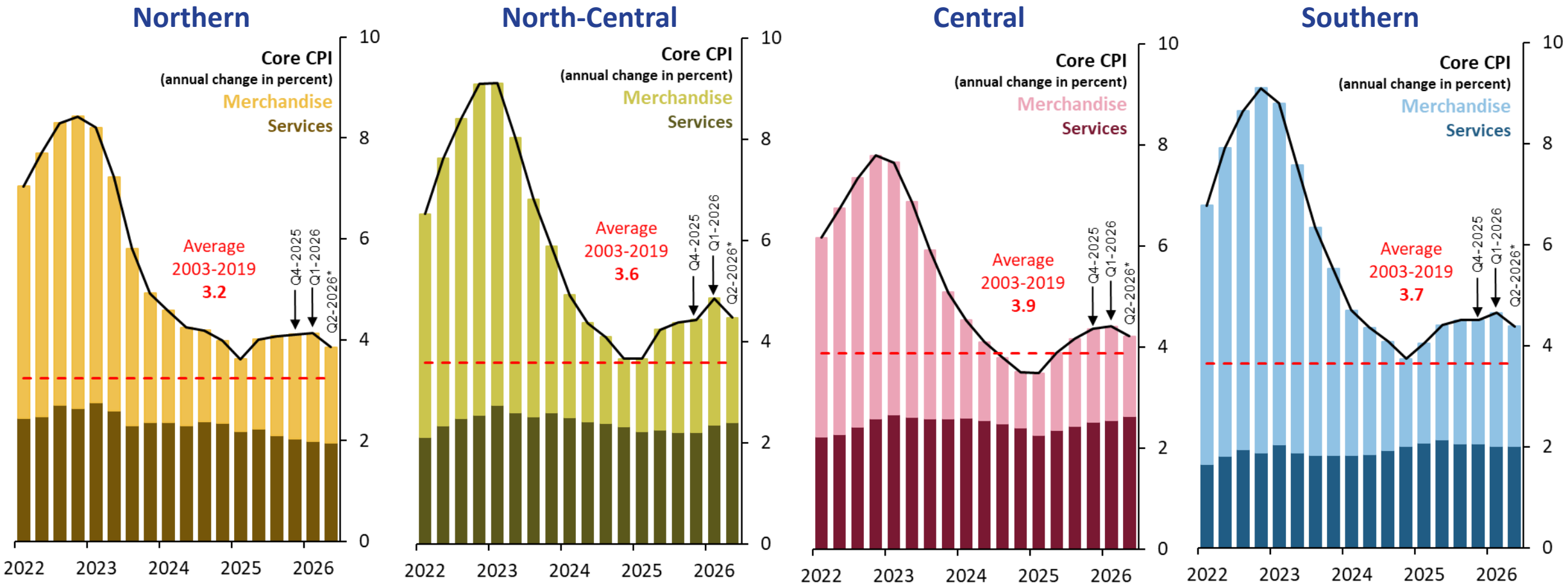
*/ Data as of May.

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

Between Q4-2025 and Q1-2026, annual core inflation increased in all regions, primarily driven by the modifications to the IEPS implemented in early 2026.

Core CPI and incidence by region

Annual change in percent and percentage points



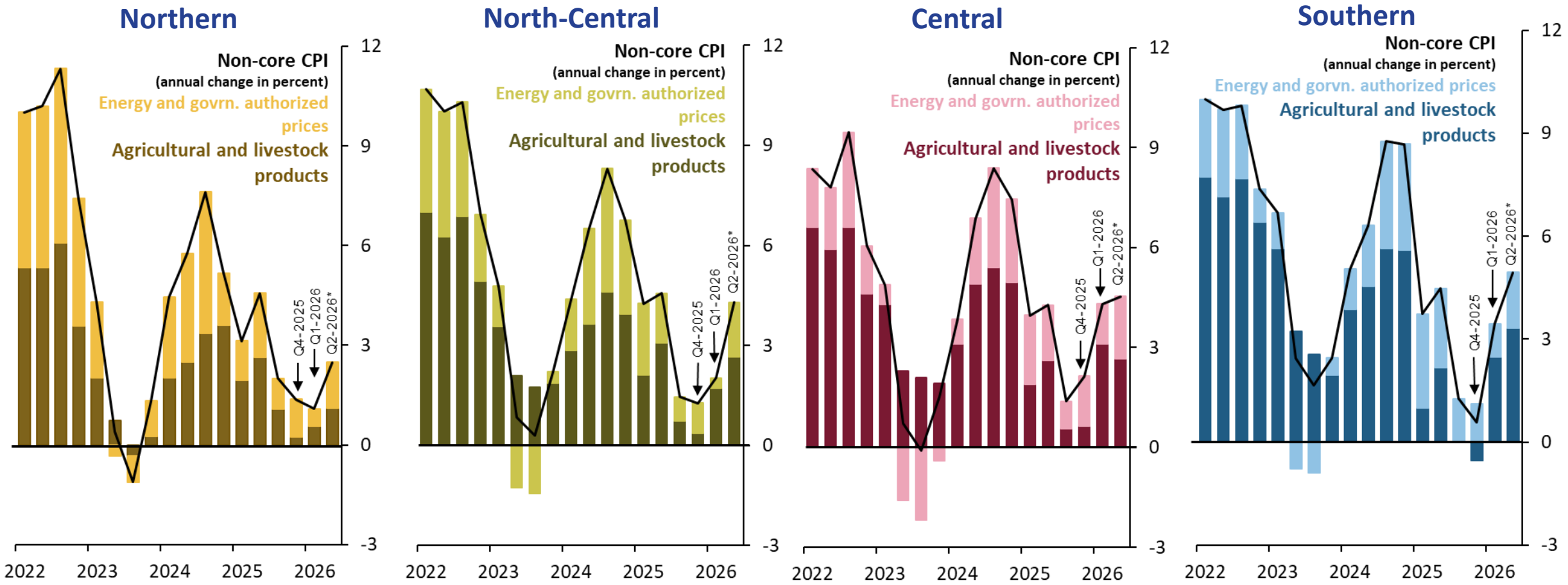
*/ Data as of May.

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

Annual non-core inflation increased between Q4-2025 and Q1-2026 in the Southern and Central regions.

Non-core CPI and incidence by region

Annual change in percent and percentage points



*/ Data as of May.

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

Price determination in certain services: A qualitative analysis of focus groups

15 Focus groups | **5** Cities · **4** Regions | **3** Sectors: Food, health and personal care, and others. High- and low-income segments.

Open discussion with **150 owners and managers** of small service businesses (**1–5 employees**) to capture, in their own words, the **reasoning behind their pricing decisions**. Moderated, semi-structured sessions with a shared thematic guide and balanced participation.

Goal

Gather **qualitative data,** which cannot be statistically generalized, that captures the reasoning behind decisions and complements quantitative data to understand how retail prices are determined and adjusted.

How are prices determined?

- ✓ Based on **practical experience**, not necessarily on macroeconomic indicators.
- ✓ Adjustments are driven by:
  - **Higher production costs** (inputs, rent, gas)
  - **Rising cost of living** (business and household expenses)
  - **Geographic conditions** (for example, exchange rates are a key factor in border cities)
- ✓ Typical frequency: **once a year** (at the beginning or end of the year); professional services are adjusted on a case-by-case basis.

What restrains price increases?

Competition disciplines pricing.

The fear of losing customers was the most frequently cited constraint in nearly all sessions.

The cost of changing prices, along with contractual rigidity with customers, limit frequent adjustments.

Wages

Only a few respondents linked the minimum wage with price changes, although it is primarily perceived as a reference for setting wage increases.

How are price changes implemented?

Services are adjusted before prices are changed.

- ✓ Direct, early, and neutral communication regarding price changes.
- ✓ Adjusting the format or features of the provided service to reduce costs or to explain price increases.
- ✓ Strengthening customer relations.
- ✓ Adjusting or substituting inputs or suppliers.
- ✓ Reducing profit margins.

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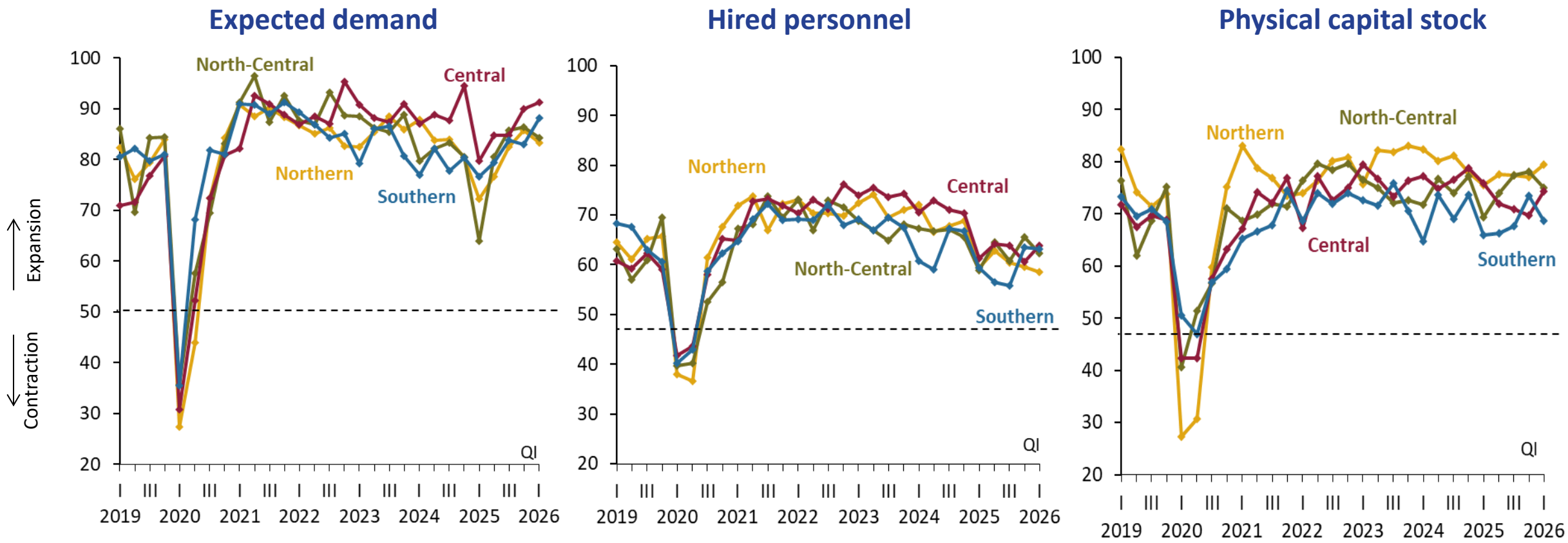
(based on data collected between March 23 and April 23, 2026)

III. Final remarks

In the most recent round of interviews, business contacts continued anticipating an expansion in demand, employment, and investment over the next twelve months.

Business agents' expectations: demand, hired personnel, and physical capital stock in the next 12 months [1/]

Diffusion indices

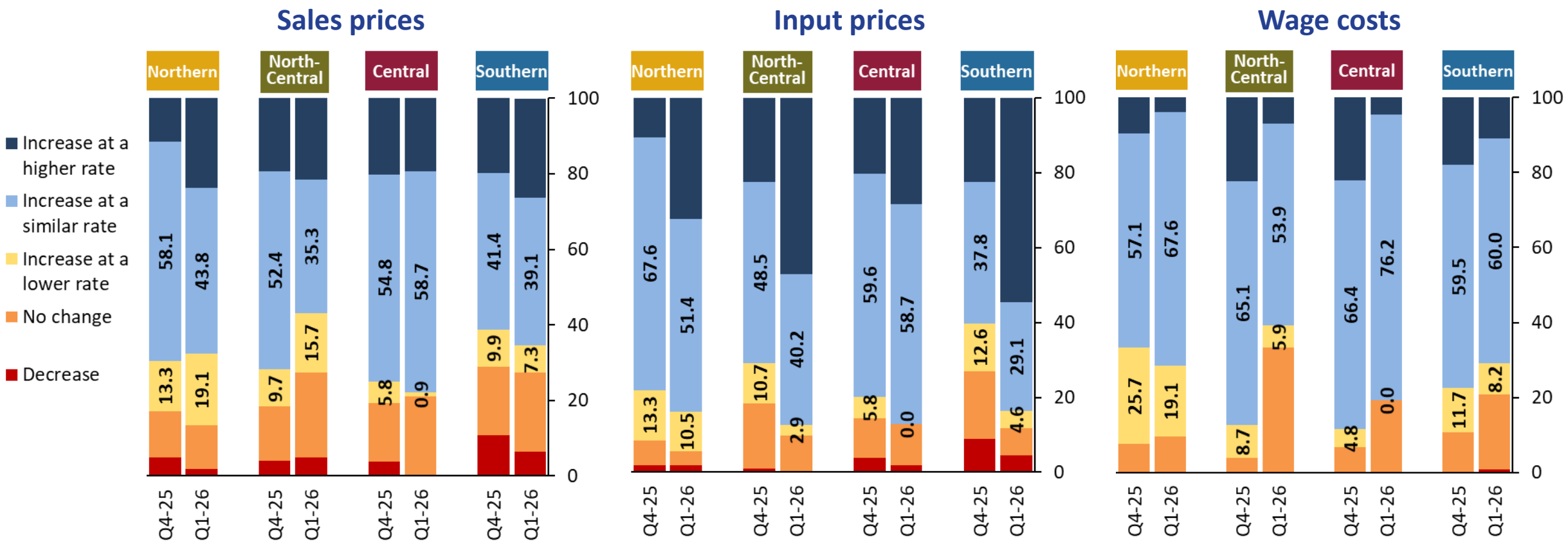


1/ Results obtained from the questions: "With respect to the previous 12 months, how do you expect your sales volume to change over the next 12 months, how do you expect the total number of workers in your company to change over the next 12 months?" and "With respect to investment in fixed assets made by your company during the previous 12months, 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 Q1-2026, they were obtained between March 23 and April 23, 2026.

Overall, during Q1-2026, expectations that sales prices and costs would grow at rates equal to or lower than those observed in the previous twelve months continued to prevail.

Business executives' expectations: annual variation in the 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 t6o each Report were collected during the four weeks following the end of the reported quarter. In the case of Q1-2026,they were obtained between March 23 and April 23, 2026.

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 March 2 and 30, 2026 [1/]

Northern		North-Central		Central		Southern	
Factor	**Percentage of responses**	**Factor**	**Percentage of responses**	**Factor**	**Percentage of responses**	**Factor**	**Percentage of responses**
External conditions	**26.7%**	Governance	**31.4%**	Governance	**24.8%**	Inflation	**27.3%**
Inflation	**25.1%**	Inflation	**24.1%**	Inflation	**22.5%**	Governance	**25.5%**
Governance	**19.9%**	External conditions	**16.8%**	External conditions	**21.0%**	Domestic economic conditions	**19.3%**

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: Prepared by Banco de México.

Business executives' opinion on risks to regional economic activity (based on data collected between March 23 and April 23, 2026) [1/]

Downward risks

- That public safety indicators deteriorate.
- That geopolitical conflicts, particularly in the Middle East, continue or escalate.
- 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 the impact of the World Cup on regional tourism activity turns out greater than anticipated.
- That more favorable conditions are observed both domestically and internationally to foster 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 March 23 and April 23, 2026.

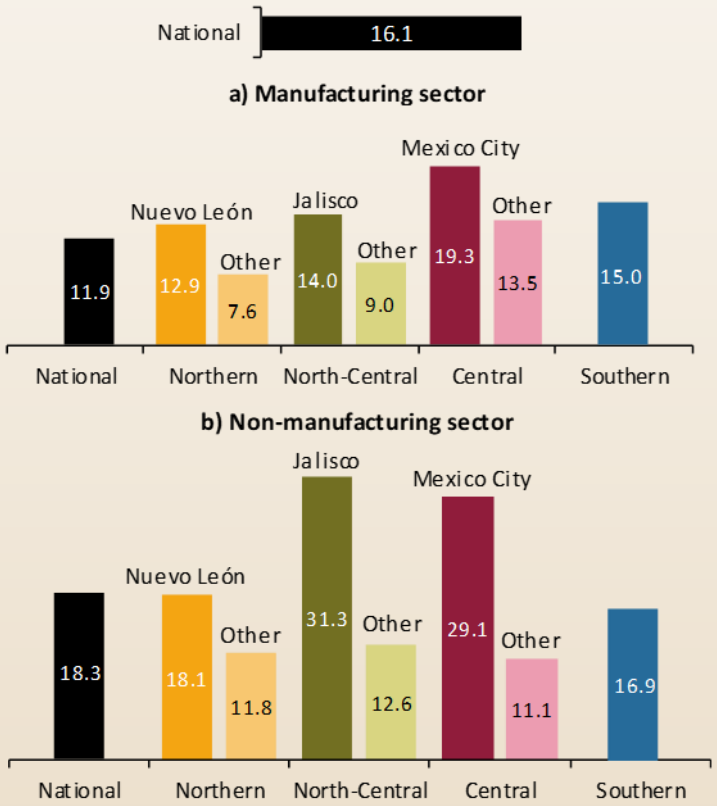
Business perception of the expected impact of the World Cup

- Business opinion reflects **positive expectations** regarding the economic impact of the World Cup, although with differences depending on geographic location and productive sectors.

- **Marketing campaign strategies and operational adjustments** suggest that a significant share of the expected effects would concentrate before and during the tournament, due to the preparation, supply, and commercial activities associated with the event.

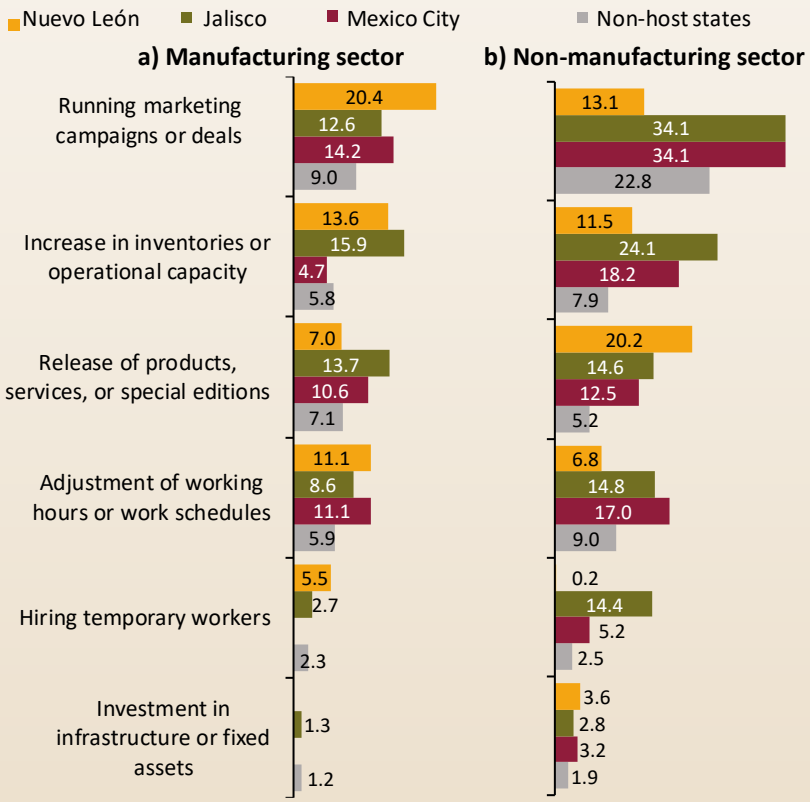
Expected positive impact on demand

Percentage of businesses



Business strategies in response to the World Cup

Percentage of businesses [1/]



1/ At the national level, 65.1% of businesses reported that they are not implementing, nor do they plan to implement, any strategy. The sum of percentages may exceed 100% since respondents could select more than one option.

Source: Prepared by Banco de México using data from the Monthly Survey of Regional Economic Activity (EMAER, by its Spanish acronym), as of April 2026.

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Final remarks

- The economic outlook suggests that **the regional economies would continue expanding**. The latter will remain subject to a **high level of uncertainty** and a range of domestic and external challenges that could affect regions in a differentiated manner.
- At the same time, the current international juncture could open opportunities to strengthen **North American production integration** and consolidate the export sector as a key driver of regional growth.
- In this context, it will be essential to create **favorable conditions for investment** and advance **strategic infrastructure, human capital development, technology adoption, and measures that strengthen regional resilience to extreme weather events**. This would help expand **regional growth potential** and generate greater development opportunities for the Mexican population.

Regional Economic Report

BANCO DE MÉXICO®

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June 2026

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Banxico al día