Regional Economic Report
October – December 2025
Summary

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During the fourth quarter of 2025, GDP grew at a faster rate, after having exhibited sluggishness in the previous quarters. The improvement in economic activity was driven by an expansion in tertiary activities and a slight recovery in industrial production. In contrast, primary activities contracted compared to the previous quarter.

In line with this performance, economic activity is estimated to have grown in all regions during the analyzed quarter.[1] In the Northern region, growth is estimated to have been mainly driven by manufacturing and trade; in the North-Central region, by the tertiary sector; in the Central region, by construction, mining, trade, and tourism; and, in the Southern region, it is expected to have been more generalized, as increases were registered in primary, secondary, and tertiary activities, partially reversing the decline observed since the beginning of 2024.

To complement the analysis of current economic activity, this Report includes four boxes that explore the key issues concerning regional development, particularly the territorial configuration of manufacturing, digital inclusion, access to employment, and commuting times.

Box 1 analyzes the evolution of spatial distribution and specialization patterns of the Mexican manufacturing industry during the 2013-2023 period. Between 2013 and 2018, both declined notably, largely associated with reduced activity in industries linked to oil extraction in the Southern region. Subsequently, between 2018 and 2023, the indices increased. In terms of spatial distribution, the change was mainly driven by transportation equipment, computing, and food industries. In terms of specialization, it was the result of a greater contribution of the Northern and Southern regions.

Box 2 examines developments in digital inclusion from a multidimensional perspective that considers access, affordability, usage and application of digital technologies. Between 2017 and 2024, all regions made significant progress, particularly in the use of technologies and the development of digital skills. However, gaps between the north and south persist. Nevertheless, there is greater integration of digital technologies into the daily life, pointing to a gradual process of convergence in terms of digital inclusion.

Box 3 delves into gender gaps in access to employment. The results indicate that, in all regions, women are less likely to receive job offers and, when they do, these tend to imply lower wages, which translates into job search processes taking longer than for men.

Lastly, Box 4 explores regional differences in commuting times. Particularly high levels are noted in the Central region, along with differentiated patterns in means of transportation: greater use of cars in the Northern and North-Central regions, higher use of public transportation in the Central region, and greater incidence of traveling on foot in the Southern region. A significant share of the employed population spends more than 60 minutes a day commuting, with a marked heterogeneity depending on the means of transport and job position.

[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.

Annual headline inflation registered differentiated patterns in all regions between the third and fourth quarters of 2025. Between those dates, it decreased from 3.57 to 3.43% in the north and from 3.76 to 3.58% in the south, remained relatively stable at 3.74 and 3.75% in the North-Central region, and increased from 3.50 to 3.84% in the center. Notably, during the fourth quarter of 2025, inflation in the Central region was driven upwards by the adjustment in public transport fares in some of its cities in November. Between the third and fourth quarters of 2025, core inflation rose in all regions except in the Southern one, in which it moved sideways. Non-core inflation remained at low levels. Compared to the last quarter of 2025, in January 2026 annual headline inflation rose in all regions, except in the Northern one. In all of them, core inflation increased as a result of the fiscal adjustments at the beginning of the year, although in the north this was offset by the low levels of non-core inflation. In February 2026, headline inflation stood at 3.25, 4.12, 4.25, and 4.33% in the Northern, North-Central, Central, and Southern regions, respectively. The increase in inflation at the margin was due to a rise in non-core inflation in all regions, driven by a higher inflation in fruits and vegetables, while core inflation rose slightly in the North-Central region and declined in the rest of them. This would suggest that the effects of modifications to the Special Tax on Production and Services (IEPS, for its acronym in Spanish) have been limited to the prices of the goods affected, have been temporary, and have not generated second-round effects.

In this context, the diffusion indices of business executives' expectations regarding demand for their products, their personnel hired, and their investment in fixed assets for the next twelve months continue pointing to an expansion in all regions. In particular, the demand index increased in the Northern and Central regions, while it remained relatively stable in the North-Central and Southern regions. Expectations regarding hired personnel moderated in the Northern and Central regions, while they improved in the North-Central and Southern regions. Meanwhile, expectations regarding the evolution of fixed capital stock showed a more heterogeneous behavior across regions: in the Northern and North-Central regions the index remained stable; in the Central region, it decreased for its fourth consecutive quarter; and in the Southern region, it continued trending upwards.

Business executives were also asked about their expectations for the next twelve months regarding sales prices, input costs, and wage costs. In all regions, most executives anticipate that these variables will register growth rates equal to or lower than those observed in the previous twelve months.

The interviewed business executives identified the following risks that could affect regional economic growth over the next twelve months. Among downward risks, they highlighted: i) that public safety indicators deteriorate; ii) that uncertainty associated with the review of the USMCA and its possible impact on exports intensifies; and iii) that public investment in infrastructure at both state and federal levels is lower than expected. In contrast, among upside risks, they mentioned: i) that public spending, particularly on infrastructure projects, is higher than expected; ii) that more favorable conditions at both domestic and international levels encourage private investment; and iii) that the impact of the 2026 FIFA World Cup on regional tourism activity turns out greater than anticipated.

Regional economies continue facing a complex and uncertain environment. However, looking ahead, they are expected to perform better than in 2025, although they may still face significant challenges.

On the external front, uncertainty persists regarding the policies that Mexico's main trading partner could implement and the upcoming review of the USMCA. This could have a particular impact on states in the Northern and Central regions, given their close integration with the United States. Likewise, the states with a record of high emigration rates to the United States could be affected by adjustments in remittances flows, especially in some states of the North-Central and Southern regions where remittances represent a significant share of household income. On the domestic front, public insecurity remains a challenge, with business executives reporting disruptions to their business operations across the different regions of the country. In addition, regions are increasingly more exposed to extreme weather events, whose effects

have a differentiated impact on productive sectors and states.

Given this outlook, strengthening the domestic sources of growth and consolidating conditions favorable for investment is of strategic importance, in a context where the current international situation also creates opportunities that can be capitalized on. In particular, the preferential treatment that Mexican exports have under the USMCA compared to other countries offers the possibility to deepen North America's productive integration and consolidate the export sector as an engine for regional development.

To attain this potential, moving forward with the construction and modernization of transport, digital, energy, and water infrastructure should be a priority, given their importance in reducing costs, improving connectivity, expanding access to markets, and enhancing regional competitiveness. It is also essential to strengthen human capital formation and expand digital inclusion in order to accelerate technology adoption in all regions and reduce gender gaps in access to employment. This will contribute to strengthen productive capacity and increase the regions' potential growth. Since this Report was first released, business executives have emphasized the importance of reinforcing public safety and the rule of law as necessary conditions to trigger investment and foster growth. Likewise, advancing in climate change mitigation and adaptation policies in the most vulnerable regions and sectors will help to contain structural risks and preserve long-term productive viability.

Altogether, these actions are key for Mexico's regions to face the current challenges and consolidate a more solid, resilient, and inclusive growth trajectory for the benefit of the population across the entire country.