

Regional Economic Report
July – September 2025

BANCO DE MÉXICO®

Outline

I. Regional Economic Report

II. Results July – September 2025

A. Economic activity

B. Inflation

C. Economic outlook

(based on data collected between September 29 and October 23, 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 Q3-2025 and the prospects of business agents surveyed between September 29 and October 23, 2025 on regional economic activity and prices over the following twelve months are analyzed herein.

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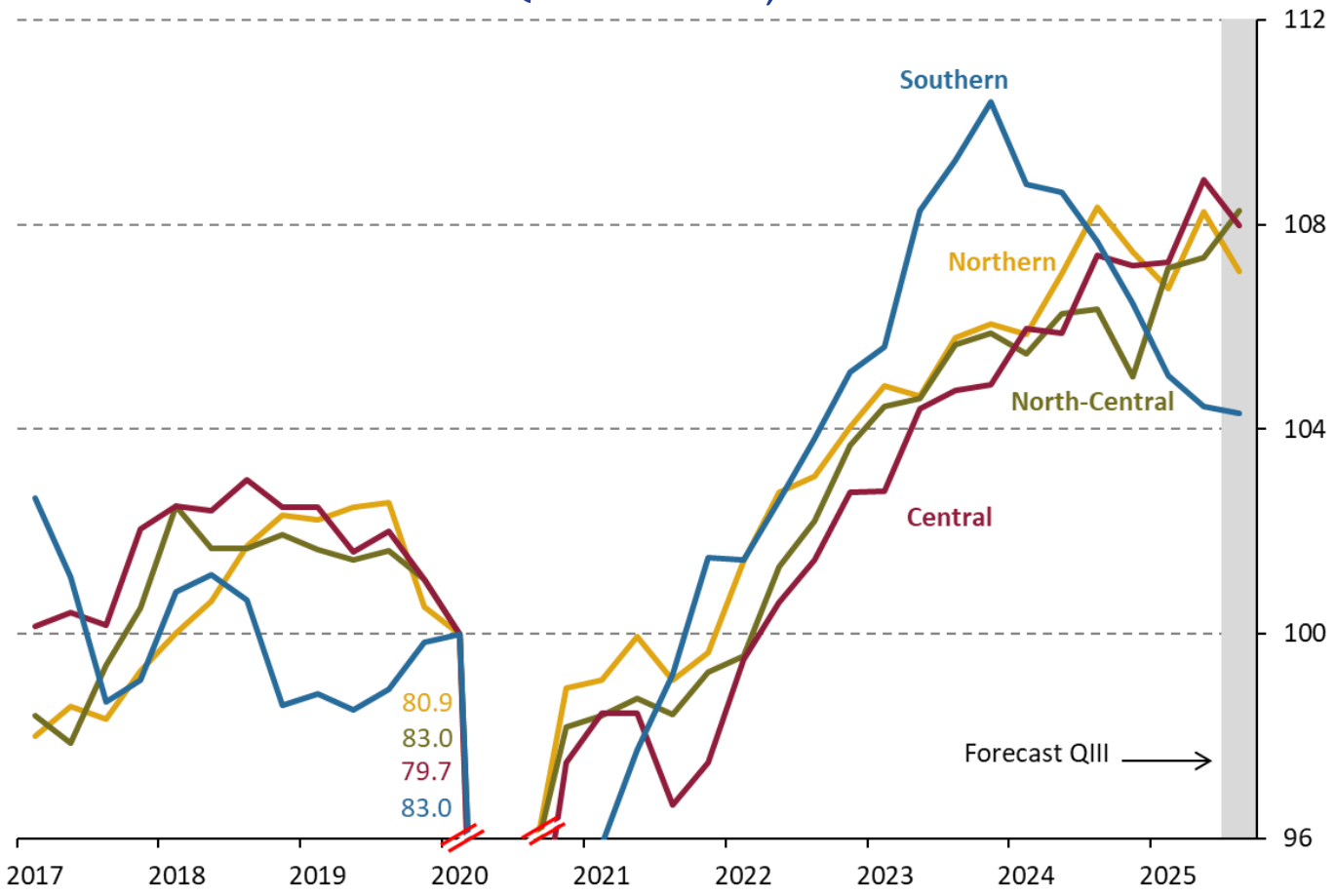
(based on data collected between September 29 and October 23, 2025)

III. Final remarks

In Q3-2025, economic activity is estimated to have contracted in all regions, except in the North-Central one.

Quarterly Indicator of Regional Economic Activity

Index Q1 2020=100, s. a.



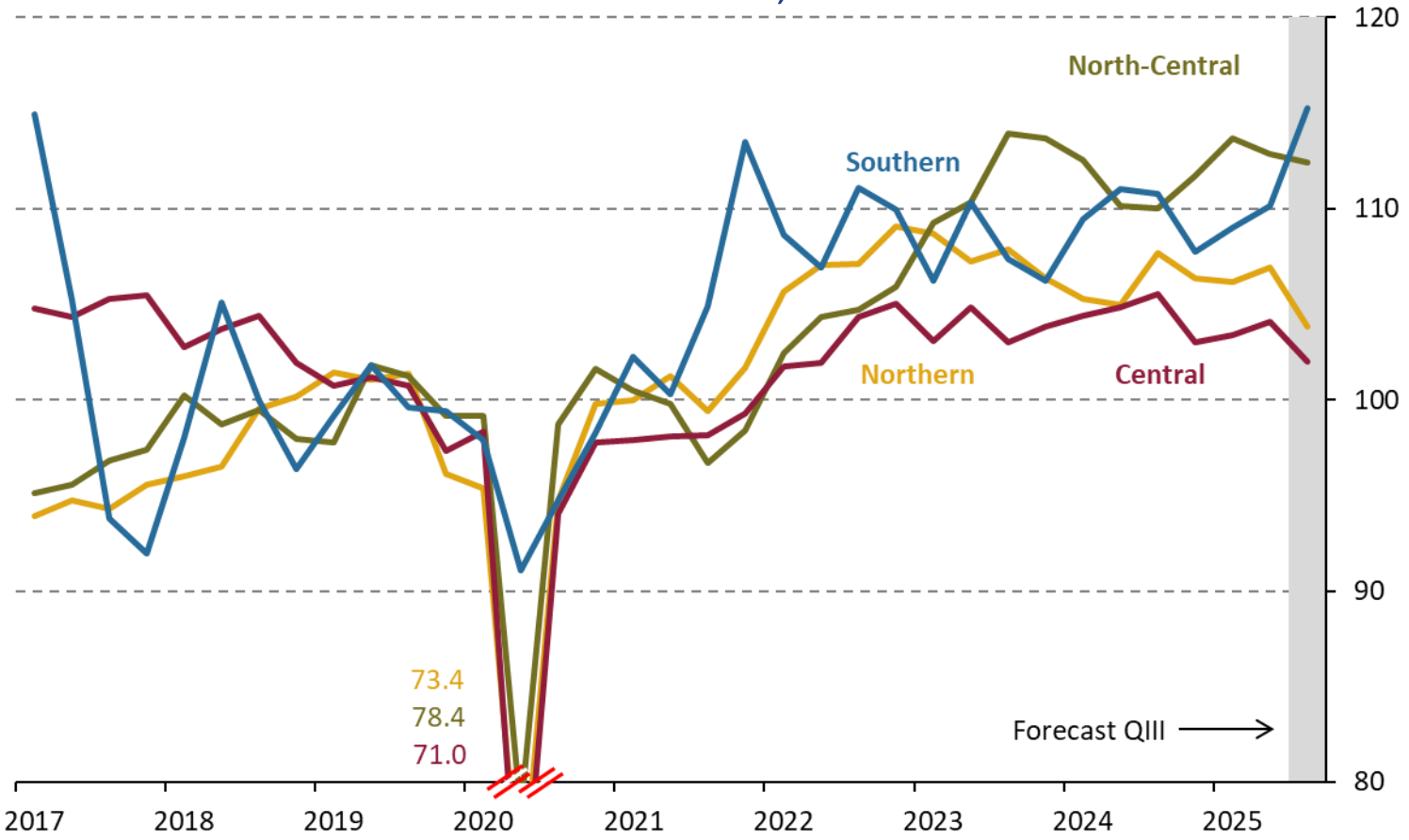
s. a. / Seasonally adjusted data.

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

During Q3-2025, economic activity in the north and central regions contracted. In contrast, the south is estimated to have continued expanding.

Regional Manufacturing Indicator

Index 2019=100, s. a.



s. a. / Seasonally adjusted data.

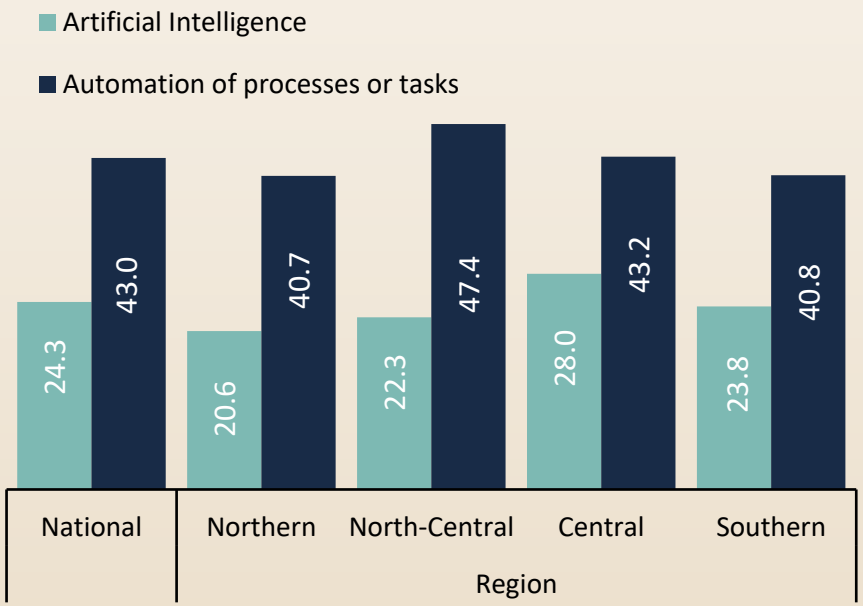
Source: Estimated by Banco de México with seasonally adjusted series of the Monthly Indicator of Manufacturing Activity by state from INEGI.

Business opinion on the adoption and use of artificial intelligence and automation

- Companies in Mexico have adopted **artificial intelligence and process automation** tools for various purposes, allowing them to **reduce costs, increase efficiency, and improve the quality of goods and services**. However, **several obstacles** have prevented more widespread adoption.

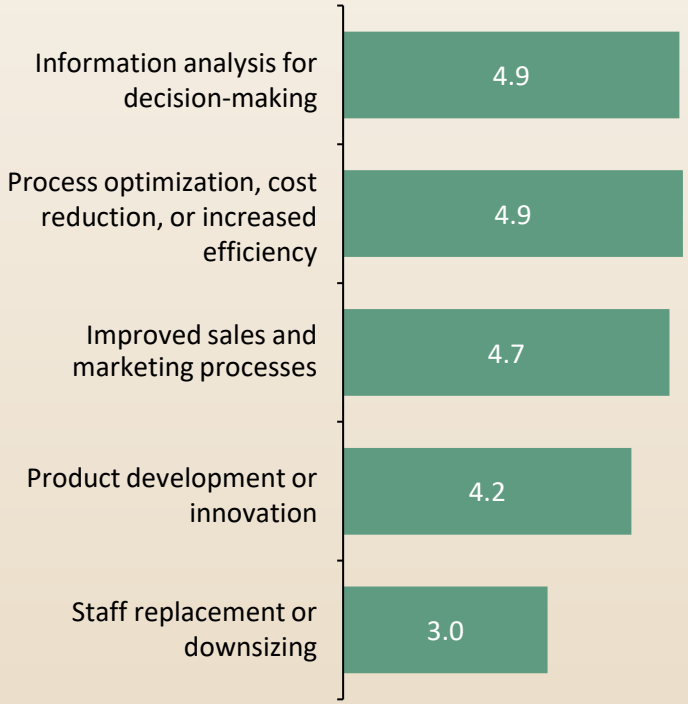
Use of artificial intelligence or automation in companies with over 100 employees

Percentage of businesses



Importance of the use of artificial intelligence for different purposes

Average on a scale of 1 (not important) to 7 (very important)



Factors why neither artificial intelligence nor automation are used or planned to be used

Average on a scale of 1 (no influence) to 7 (major influence)

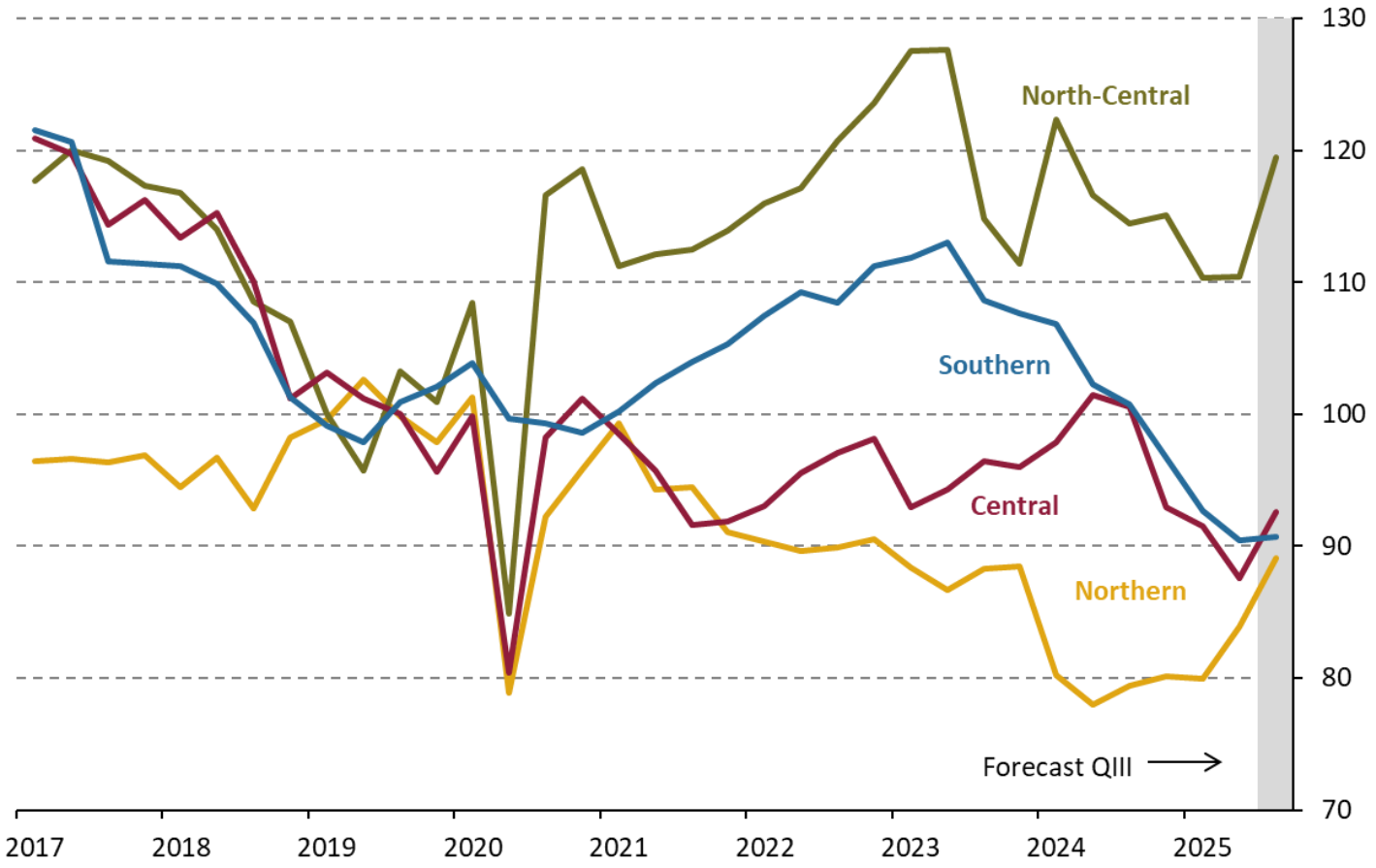


Source: Prepared by Banco de México with data from EMAER.

In Q3-2025, mining activity is expected to have expanded in all regions. In the south, this growth interrupted the negative trend that had been previously observed.

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

Index 2019=100, s. a.



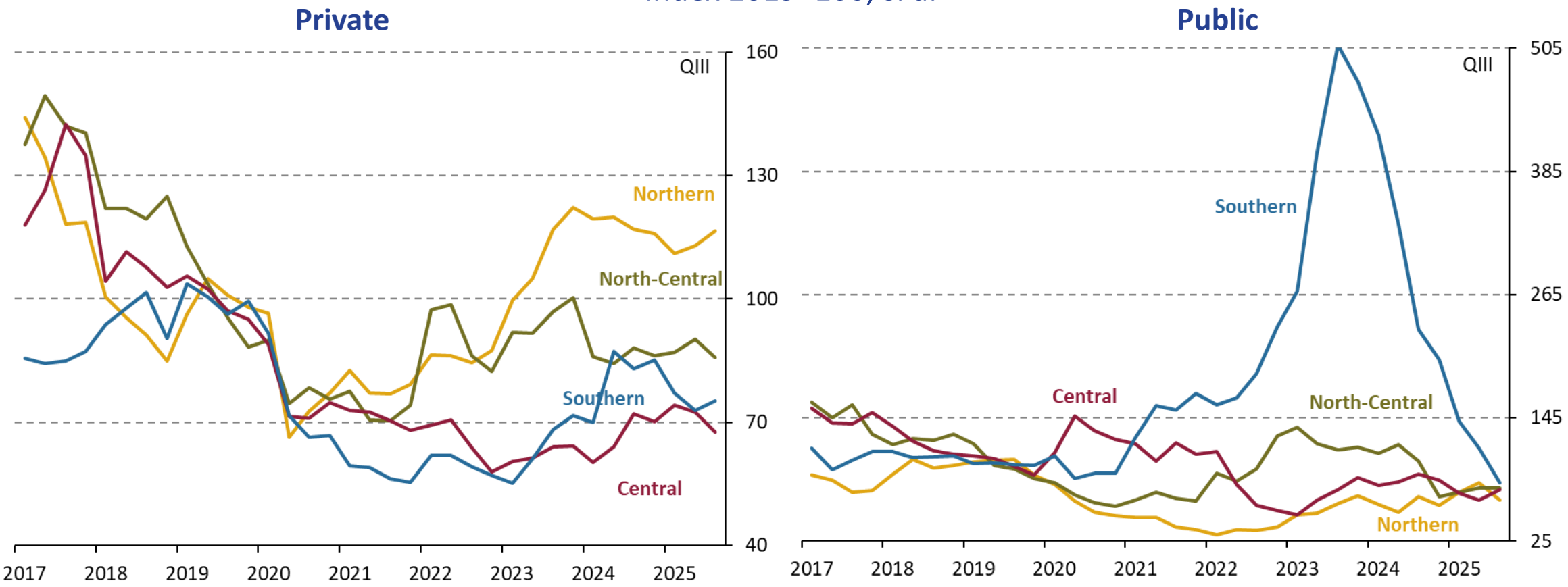
s. a. / Seasonally adjusted data.

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

The contraction of the construction industry in the north and in the south in Q3-2025 was attributed to changes in its public component. The decline in the North-Central and Central regions was driven by a reduction in private construction.

Real value of production in the construction industry

Index 2019=100, s. a.



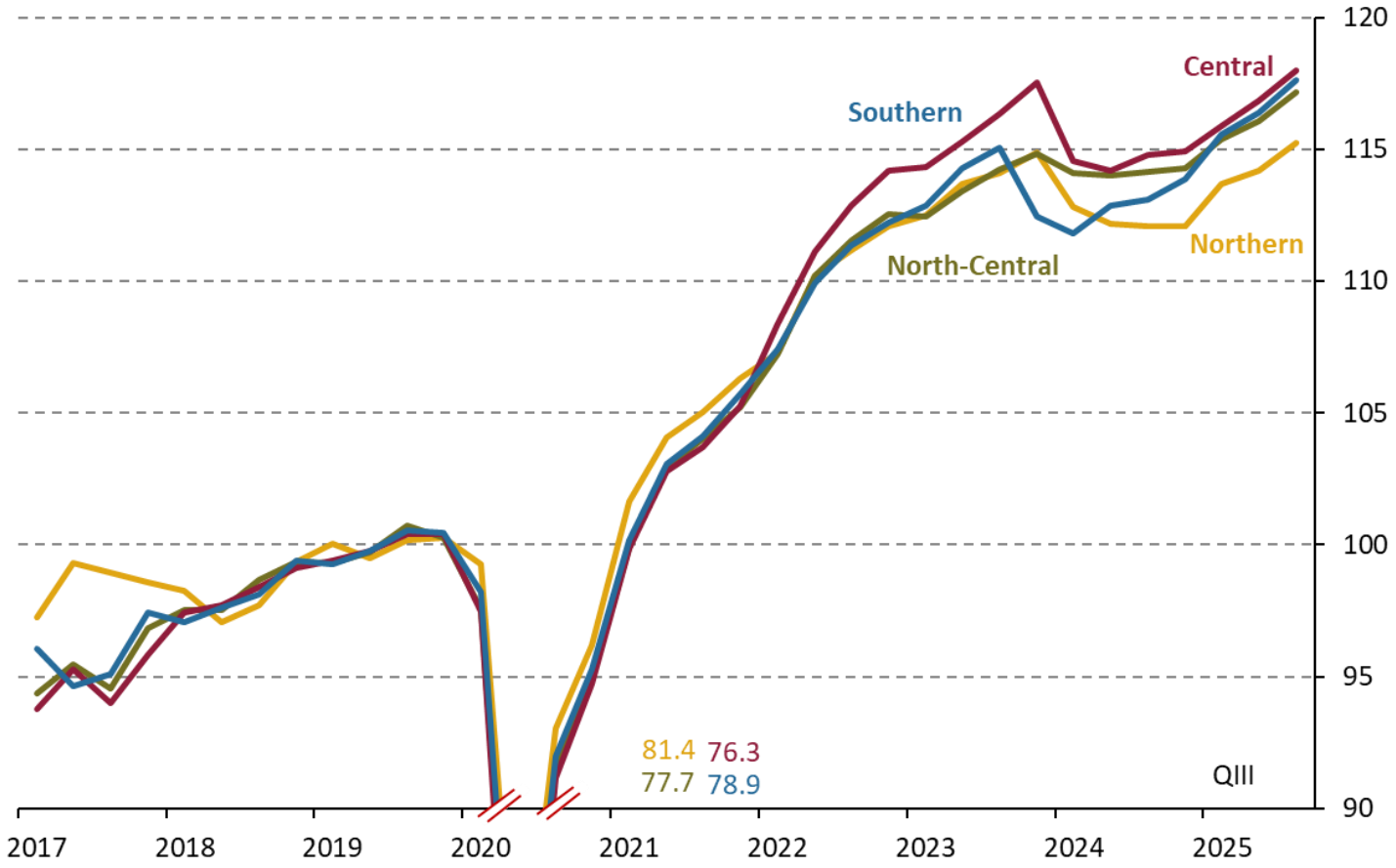
s. a. / Seasonally adjusted data.

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

In Q3-2025, sales in retail establishments continued increasing in all four regions.

Regional Commercial Activity Indicator

Index 2019=100, s. a.

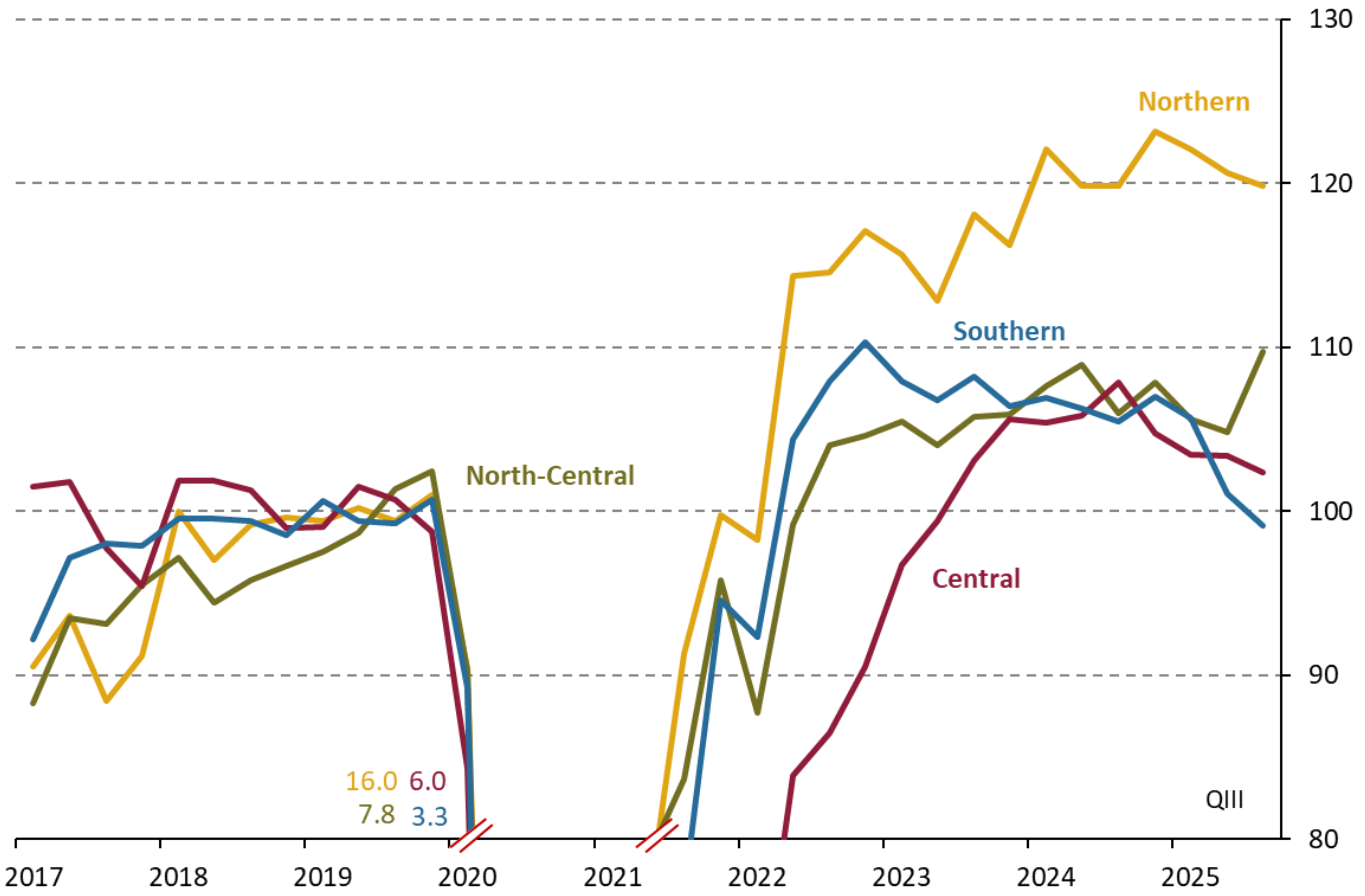


s. a. / Seasonally adjusted data.
Source: Prepared and seasonally adjusted by Banco de México with the series of Revenues of Retailers' Supply of Goods and Services by state from INEGI.

In Q3-2025, tourism activity, measured by hotel occupancy, contracted in all regions except for the North-Central one. However, in the Northern region, it remained at relatively higher levels.

Regional Indicator of Hotel Occupancy

Index 2019=100, s. a.



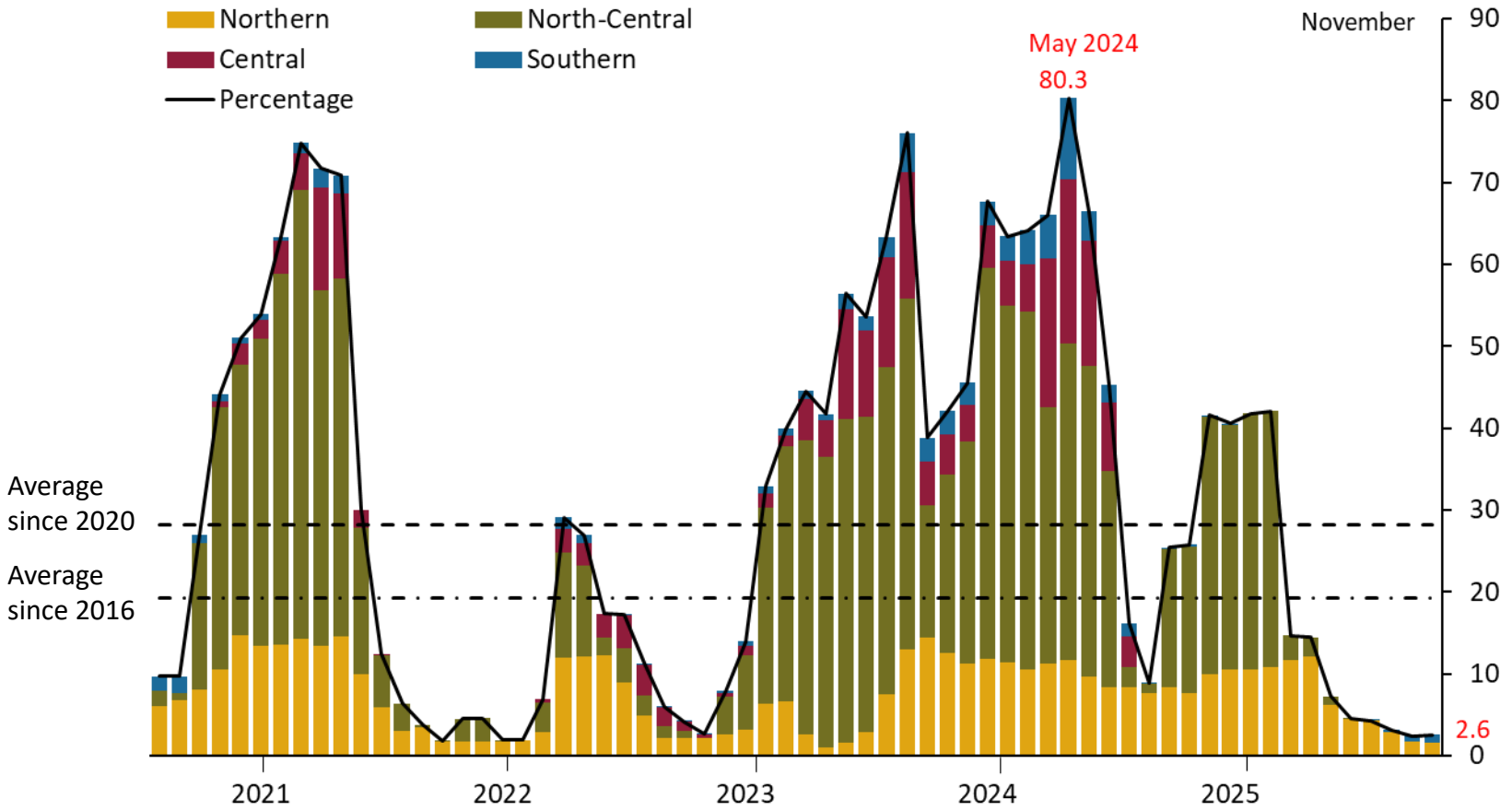
s. a. / Seasonally adjusted data.

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

In Q3-2025, the proportion of agricultural production concentrated in municipalities affected by droughts continued trending downwards.

Percentage of Mexican agricultural production exposed to droughts

Data in percent



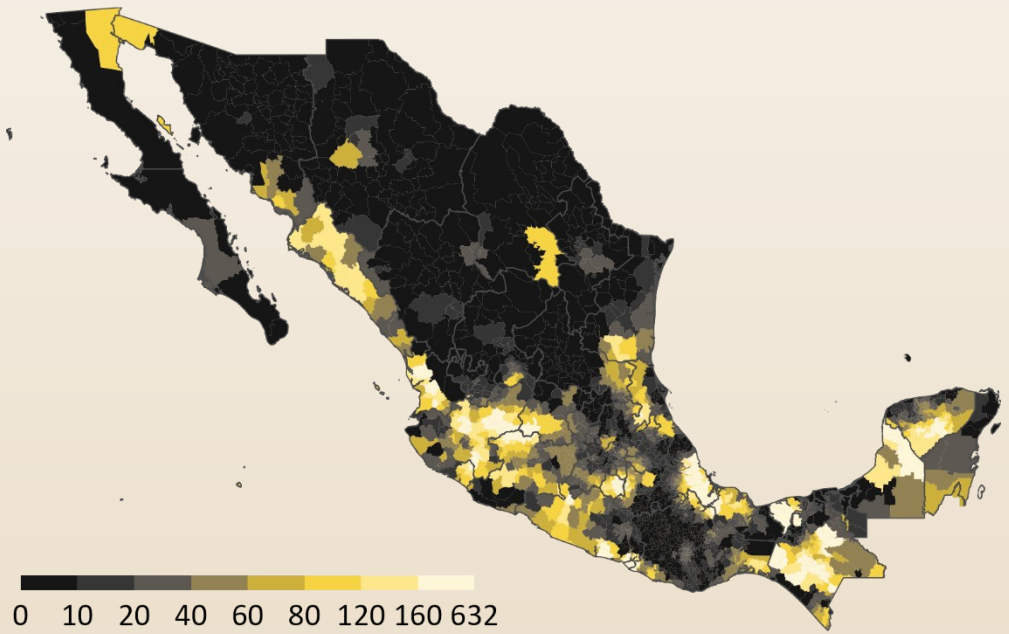
Note: The percentage shown in both charts is the weighted sum of the drought exposure index of 16 agricultural products, with each product weighted according to its share in the total production of the goods considered.
Source: Prepared and seasonally adjusted by Banco de México based on data from SIAP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

Agricultural burning and its impact on environmental pollution

- In Mexico, a significant share of agricultural waste is burned. These fires release pollutants that degrade air quality and pose health risks. This box estimates the incidence of agricultural burning in Mexico and its contribution to the concentration of fine particulate matter ($PM_{2.5}$).

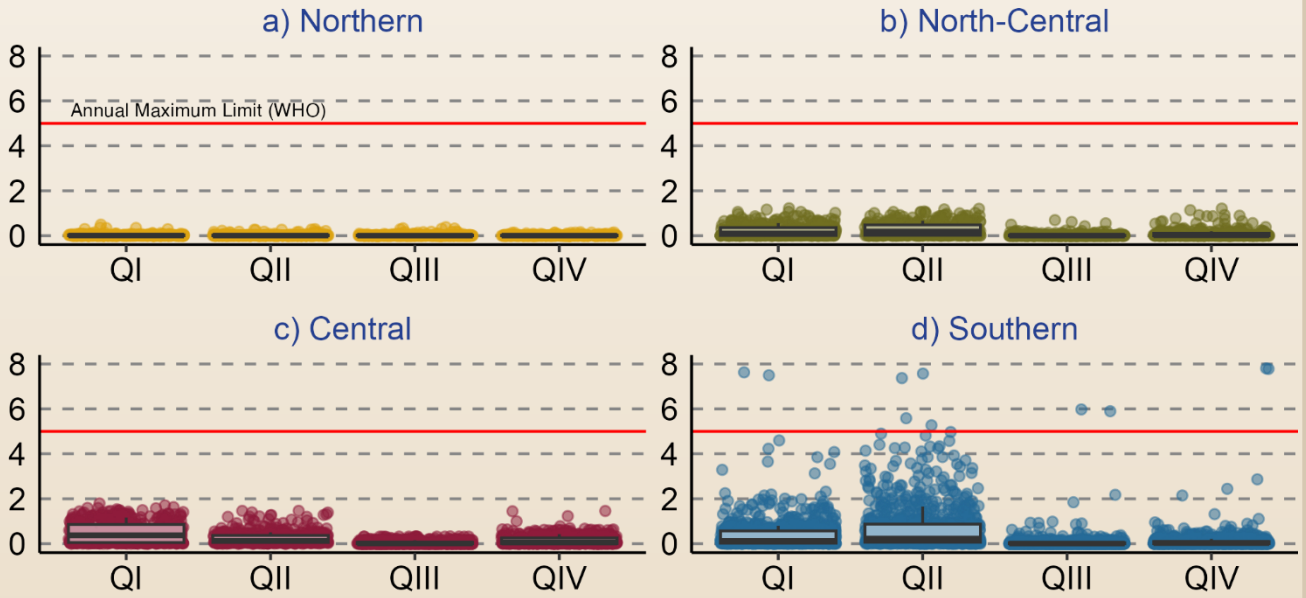
Distribution of agricultural burning in Mexico

Annual average between 2013 and 2022, by municipality



Quarterly $PM_{2.5}$ concentration associated with agricultural burning in Mexico's municipalities

Figures in micrograms per cubic meter[1/]

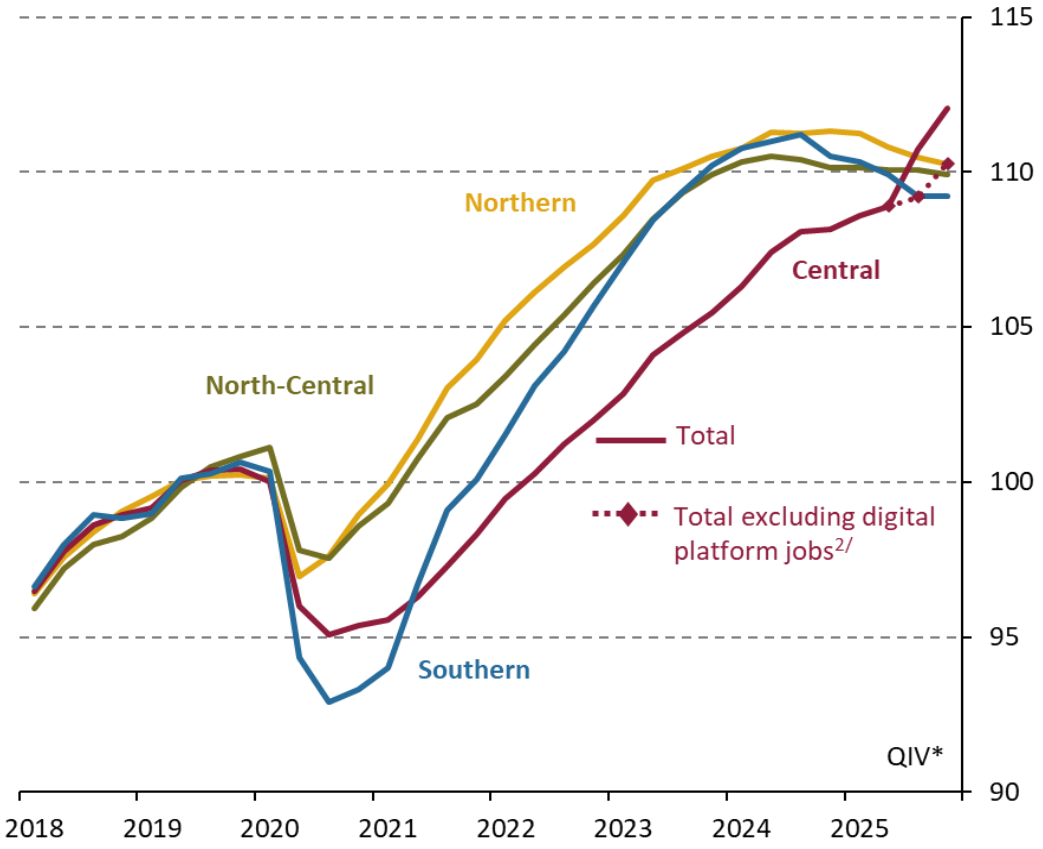


Source: Prepared by Banco de México using data from VIIRS (2024) and INEGI (2024). 1/Quarterly distribution of municipal PM2.5 emissions. The box represents the interquartile range of the estimated contribution of agricultural burning to PM2.5 in municipalities (from the first to the third quartile), while the line inside the box indicates the median. The red line represents the maximum annual exposure recommended by the WHO.

In Q3-2025 and early Q4-2025, the labor market, in general, exhibited signs of cooling. In particular, formal jobs remained notably weak in all regions except the center.

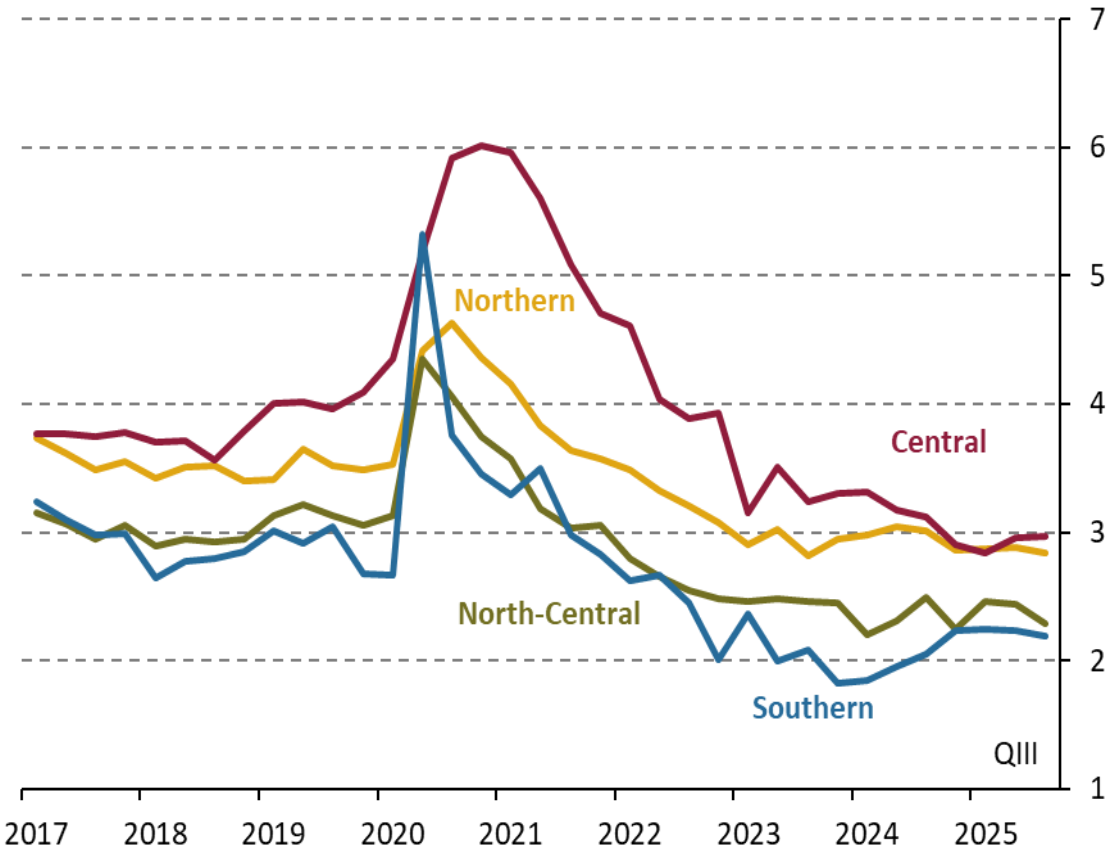
Number of IMSS-insured workers[1/]

Index 2019=100, s. a.



Unemployment rate

Percent, s. a.



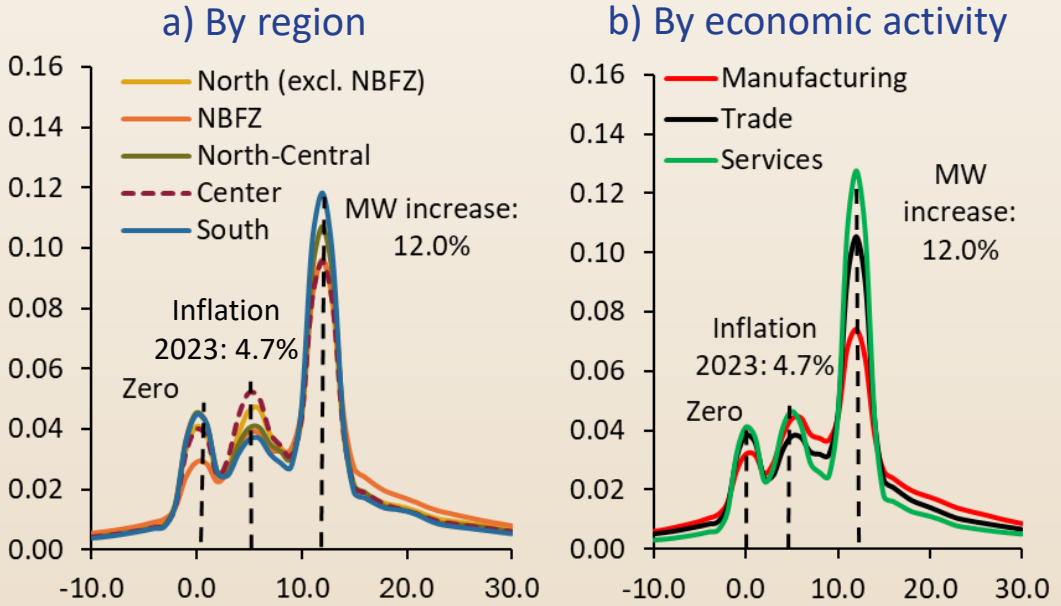
s. a. / Seasonally adjusted data.
*/ Figures as of October 2025.
1/ Permanent and temporary jobs in urban areas.
2/This series does not take into account new jobs registered with IMSS as part of the pilot program to incorporate digital platform workers into the mandatory social security system. A total of 150,123 jobs related to this pilot program were registered nationwide in October. Source: Prepared and seasonally adjusted by Banco de México with data from INEGI.

Regional and sectoral heterogeneity in wage revisions

- Across all **regions** and **sectors**, wage revisions tend to concentrate around **reference points** related to **minimum wage increases** and **past inflation**. The proportion of wage revisions close to reference points **varies across sectors and, to a lesser extent, across regions**.

Wage revisions of IMSS-insured workers in January 2025

Estimated density



Note: The wage revision is calculated as the percentage variation in wages between January 2024 and January 2025. Only workers with wage information for both years are considered. MW stands for minimum wage. NBFZ stands for the Northern Border Free Zone.
Source: Prepared by Banco de México with data from IMSS.

Average annual wage revision and percentage of workers according to their wage revision in January 2025

Percentage points

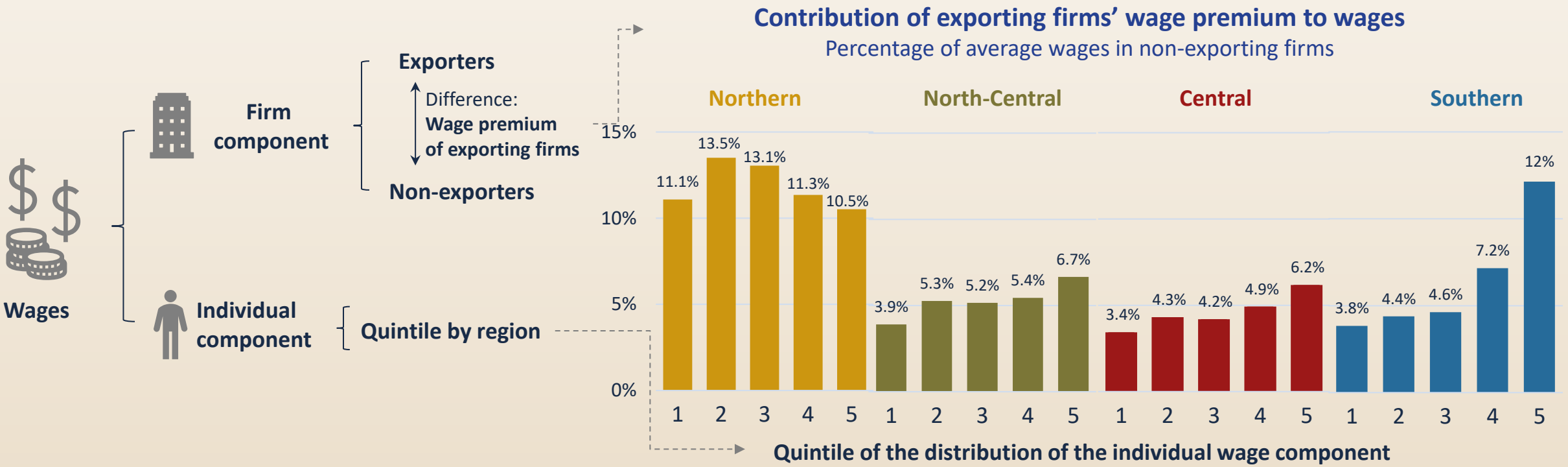
	a) Manufacturing					b) Trade					c) Services				
	North (excl. NBFZ)	NBFZ	North-Central	Center	South	North (excl. NBFZ)	NBFZ	North-Central	Center	South	North (excl. NBFZ)	NBFZ	North-Central	Center	South
Average revision	**13.8**	**13.0**	**13.2**	**12.9**	**13.9**	**13.5**	**12.7**	**13.1**	**13.5**	**13.3**	**14.3**	**12.6**	**13.3**	**13.1**	**13.7**
Wage revisions	Percentage of workers														
Zero (+/- 1 pp)	6.4	4.5	7.5	6.8	6.2	8.9	6.4	8.7	8.7	6.5	10.1	7.7	9.9	10.0	7.9
Inflation 2023 (+/- 1 pp)	7.9	7.2	7.2	8.5	5.8	6.8	5.4	6.4	8.2	5.1	9.0	5.4	7.8	11.8	6.6
SM increase (+/- 1 pp)	11.8	11.5	18.0	16.9	24.3	22.4	25.6	26.9	20.7	25.6	31.4	43.3	32.5	26.9	33.4

Lower → Higher %

Note: The wage revision is calculated as the percentage variation in wages between January 2024 and January 2025. Only workers with wage information for both periods are considered. The upper panel shows the average value of wage revisions for each region and sector. The values in the lower panel's boxes correspond to the percentage of workers whose wage revision falls within each interval +/- 1 percentage point around each point. MW stands for minimum wage. NBFZ stands for Northern Border Free Zone. The annual inflation rate in 2023 was 4.7%. The minimum wage increased by 12.0% in 2025.
Source: Prepared by Banco de México with data from IMSS.

Determinants of wage premia in exporting firms

- Exporting firms are highly productive and **contribute positively and meaningfully to their workers' wages**.
- The wage premium of exporting firms **tends to favor the middle and lower** segments **of the wage distribution in the north**, and the **higher segments in other regions**.



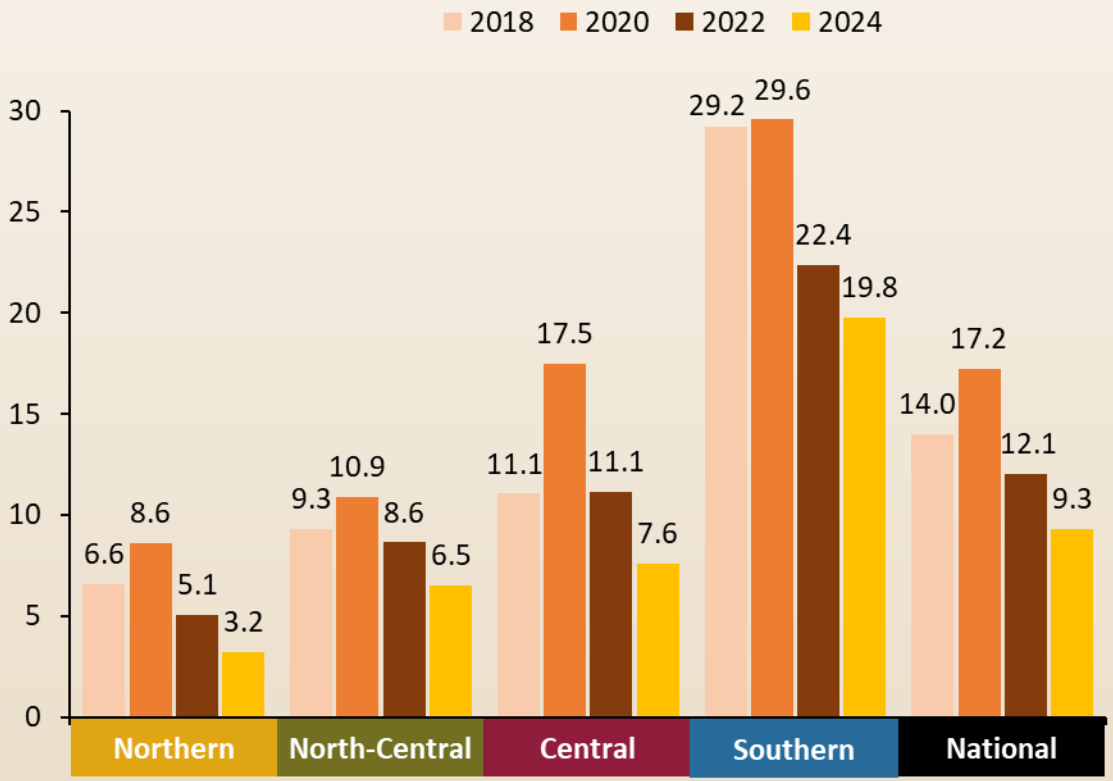
Note: Quintiles are calculated based on the distribution of fixed individual effects obtained in equation 1 by region. The contribution of exporting firms to wages is based on the percentage of workers in exporting firms and the average wage premium associated with exporting-firm jobs compared to nonexporting-firm jobs.
Source: Prepared by Banco de México with data from IMSS and SAT.

Reduction in extreme income poverty, 2018 – 2024

- Between 2018 and 2024, the decline in extreme income poverty in all regions was mainly due to growth in labor income among lower-income households.

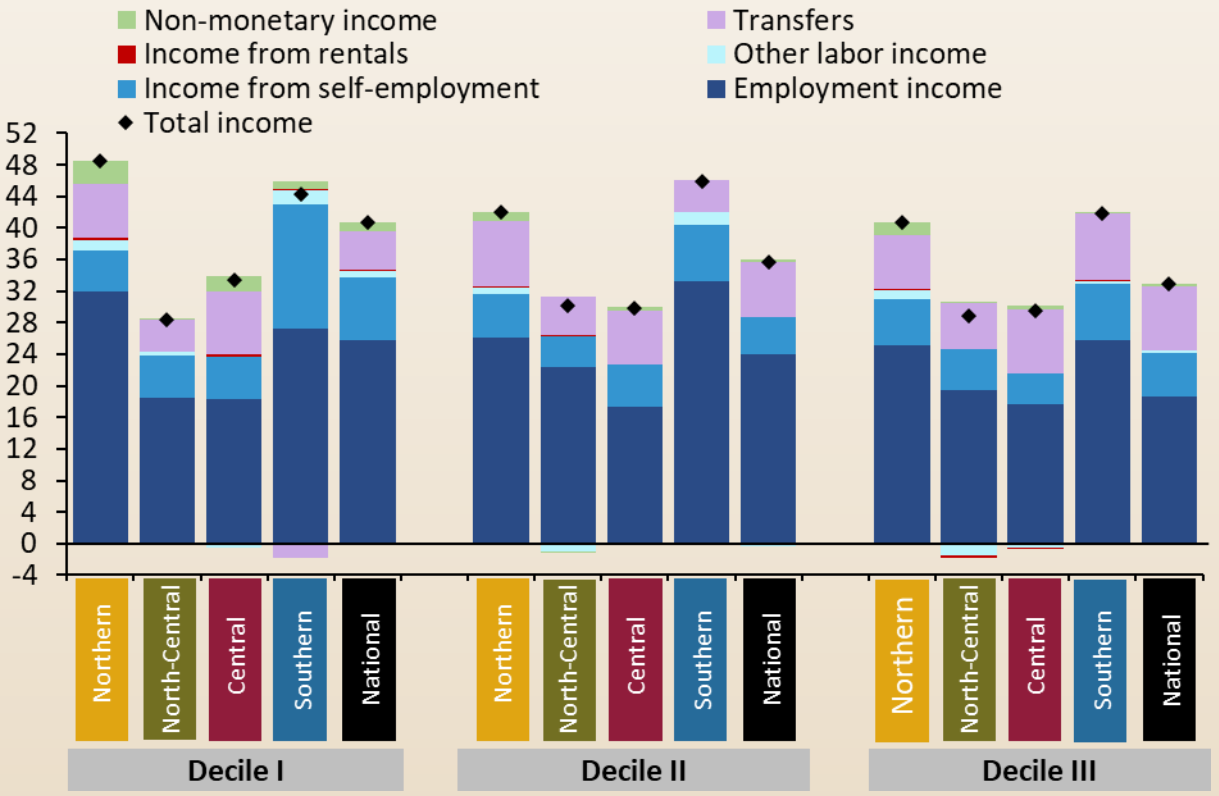
Population in extreme income poverty

Percentage of population



Contribution of income sources to real growth of total current income per capita, 2018 – 2024

Percentage points



Source: Prepared by Banco de México based on the ENIGH published by INEGI.

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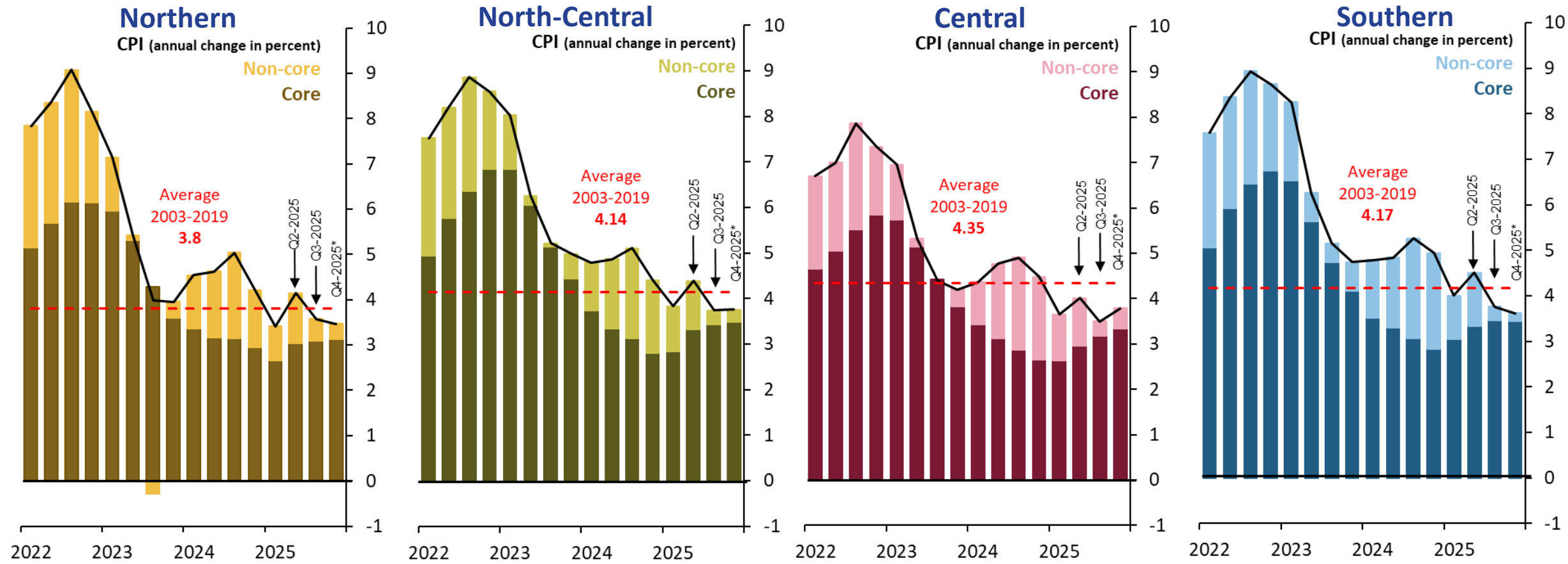
(based on data collected between September 29 and October 23, 2025)

III. Final remarks

Annual headline inflation decreased in all regions between Q2-2025 and Q3-2025 driven by the decrease in non-core inflation. So far in Q4-2025, headline inflation has remained at levels similar to those of the previous quarter in the four regions.

Incidence on annual headline inflation by region

Figures in percent



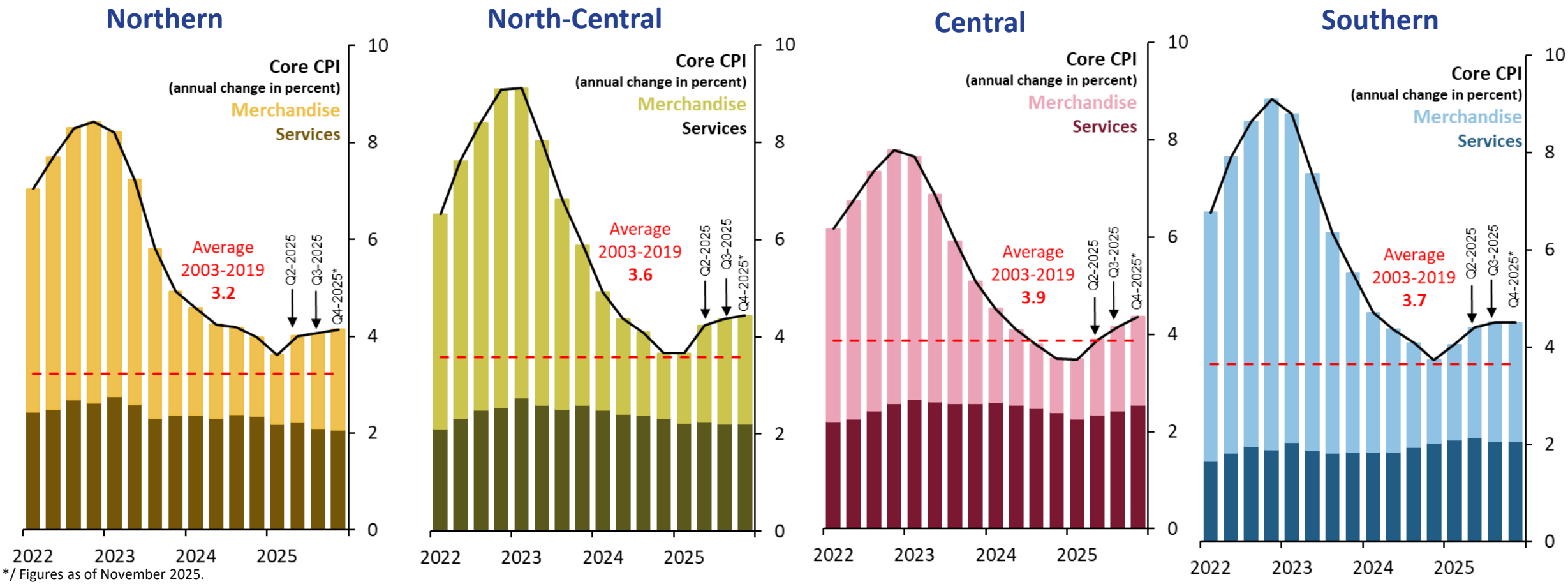
*/ Figures as of November 2025.

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

In Q2-2025 and Q3-2025, core inflation increased in all regions driven by higher merchandise inflation, which more than offset the overall decline in services inflation.

Incidence of annual core inflation by region

Figures in percent



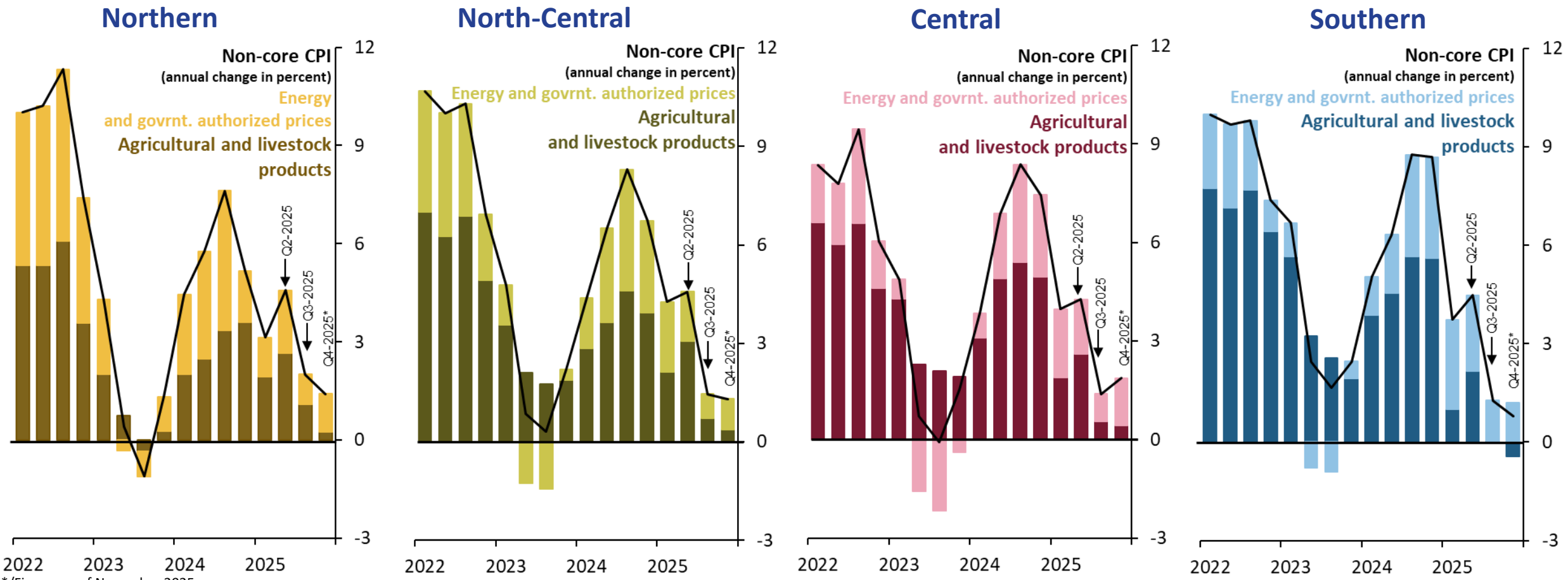
*/ Figures as of November 2025.

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

In all regions, non-core inflation decreased between Q2-2025 and Q3-2025. This performance was mainly due to the decline in inflation of agricultural and livestock products and, to a lesser extent, of energy.

Incidence of annual non-core inflation by region

Figures in percent



*/Figures as of November 2025.

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

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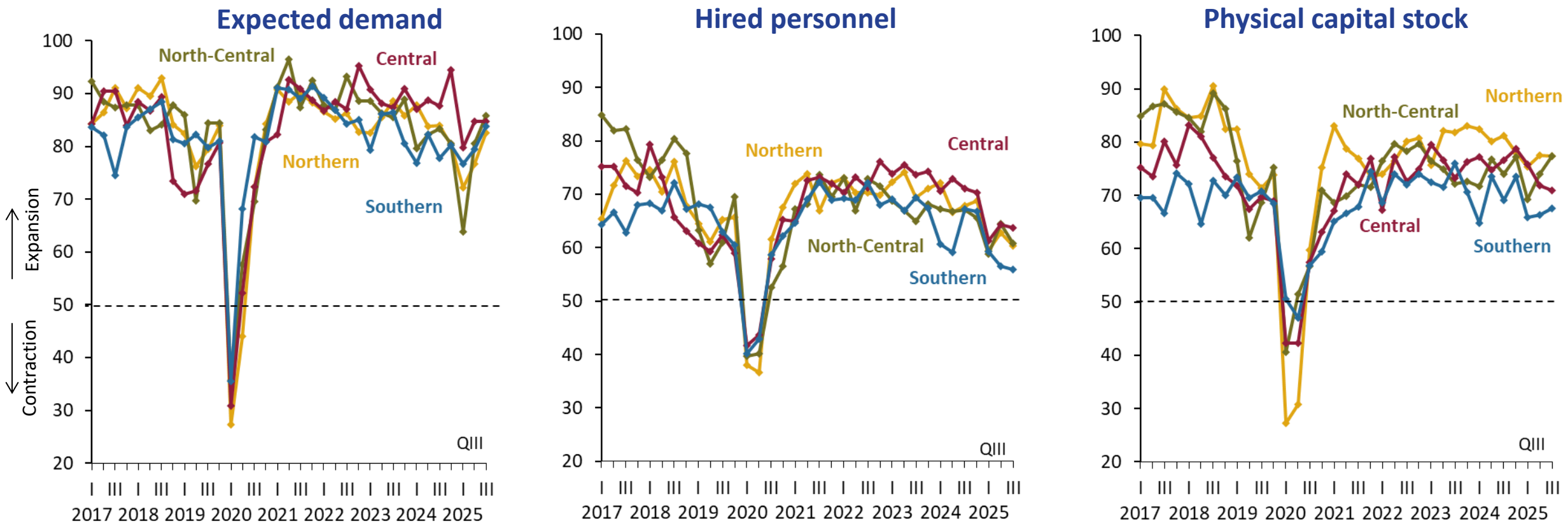
(based on data collected between September 29 and October 23, 2025)

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Business executives continued anticipating an increase in demand, employment, and investment in the next twelve months. However, their expectations remain, in general, below the levels observed in 2023, in particular those related to employment.

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

Diffusion indices

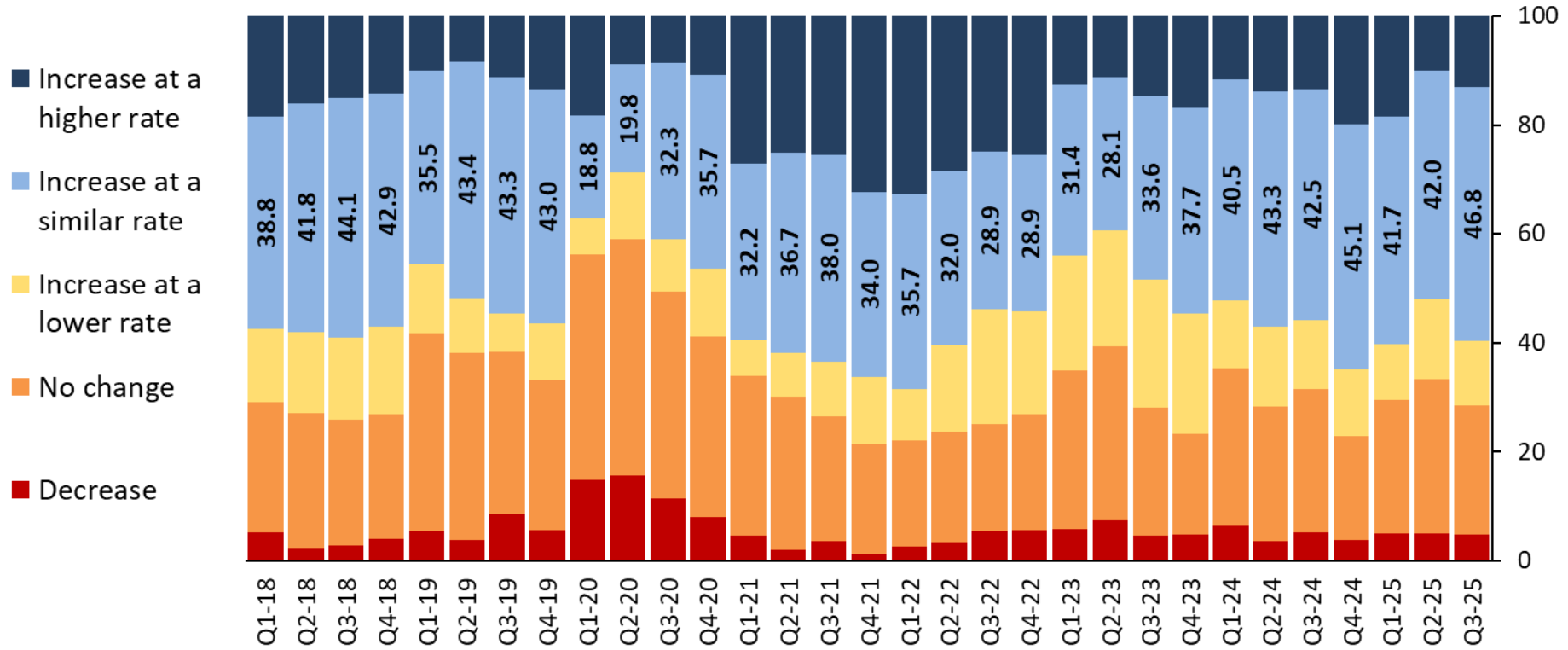


1/ Results obtained from the questions: "With respect to the previous 12 months, how do you expect your sales volume to change over the next 12 months, how do you expect the total number of workers in your company to change over the next 12 months?" and "With respect to the investment in fixed assets 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 Q3-2025, they were obtained between September 29 and October 23, 2025.

In Q3-2025, most interviewed business agents continued anticipating their sales prices to increase in annual terms at a similar or lower rate than that registered in the previous twelve months.

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

Percentage of responses

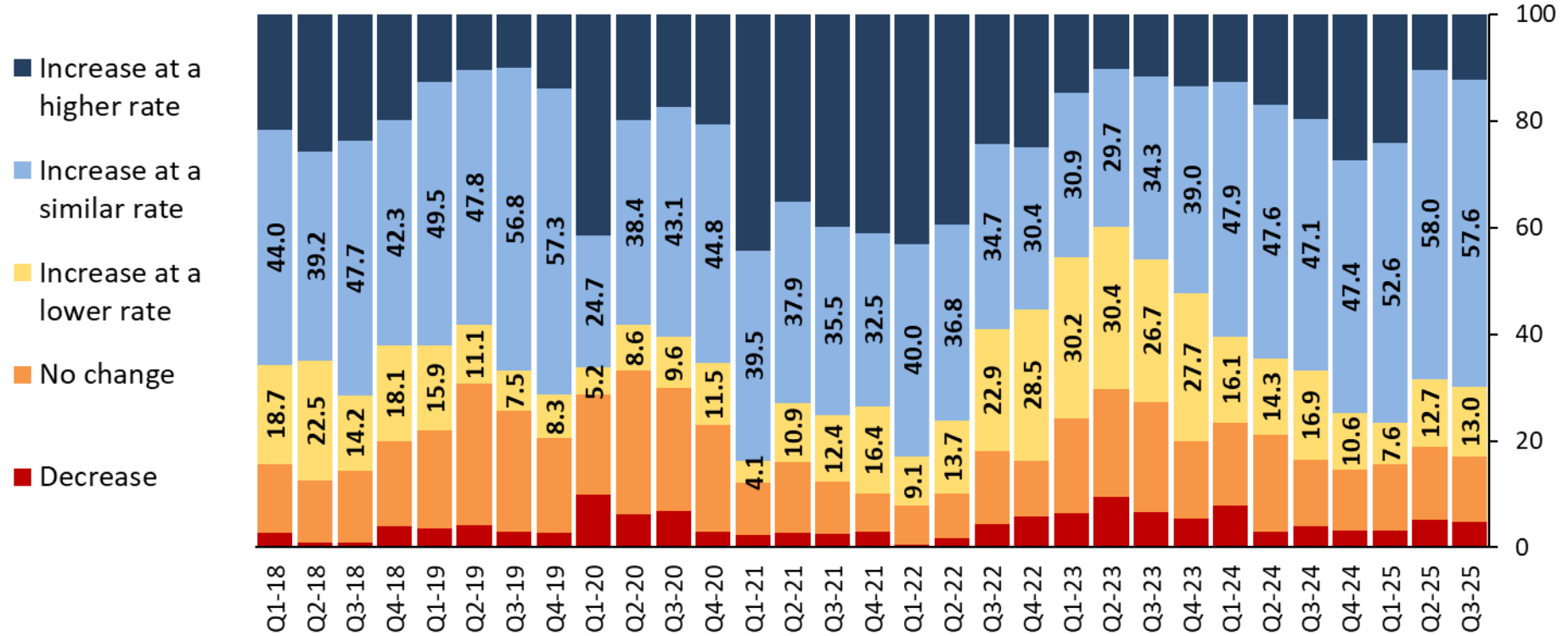


1/ Results obtained from the question: "With respect to the previous 12 months, how do you anticipate sales prices in your sector to change over the next 12 months?", included in the interviews conducted by Banco de México. Expectations corresponding to each Report were collected during the four weeks following the end of the reported quarter. In the case of Q3-2025, they were obtained between September 29 and October 23, 2025.

During the reporting quarter, a significant percentage of interviewed business agents continued expecting input prices to increase in annual terms at a similar or lower rate than that observed in the previous twelve months.

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

Percentage of responses

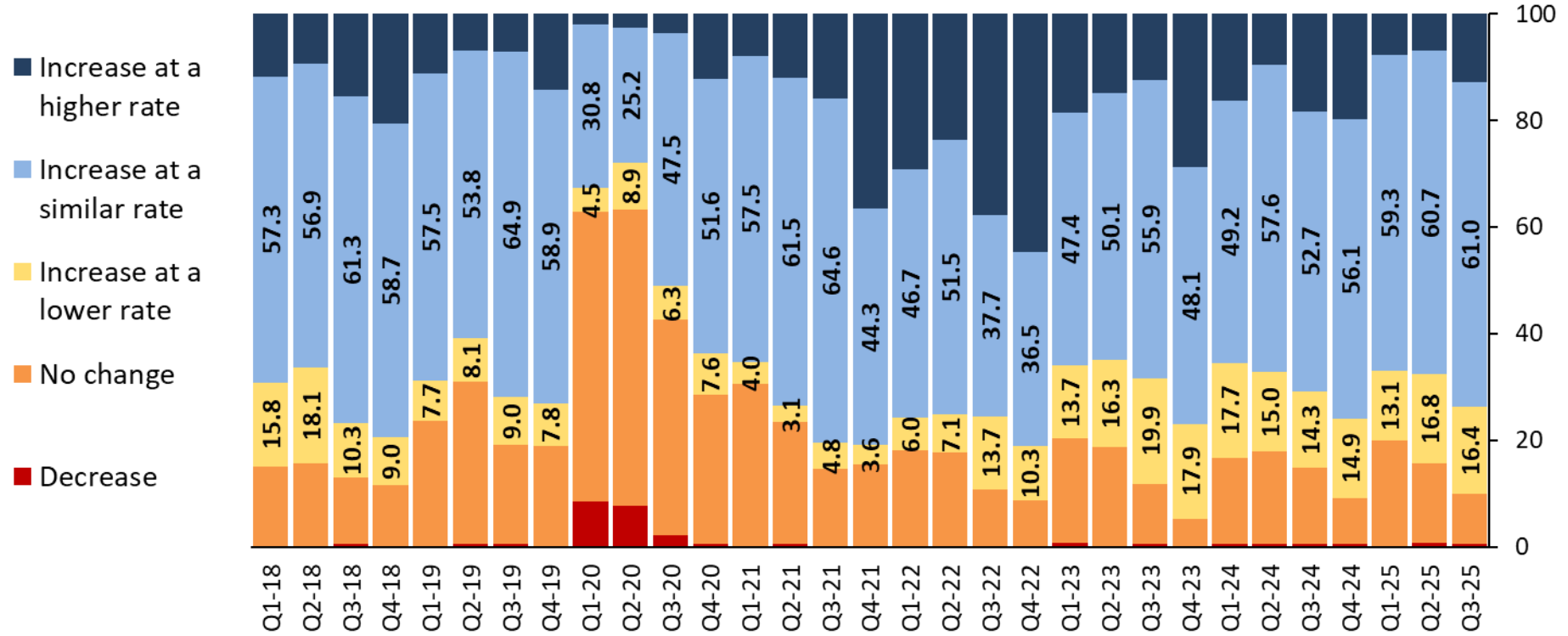


1/ Results obtained from the question: "With respect to the previous 12 months, how do you anticipate input prices in your sector to change over the next 12 months?", included in the interviews conducted by Banco de México. Expectations corresponding to each Report were collected during the four weeks following the end of the reported quarter. In the case of Q3-2025, they were obtained between September 29 and October 23, 2025.

In Q3-2025, a significant proportion of interviewed business executives continued anticipating wage costs to grow in annual terms at a similar or lower rate than that registered in 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 Q3-2025, they were obtained between September 29 and October 23, 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 September 1 and 29, 2025[1/]

Northern		North-Central		Central		Southern	
Factor	Percentage of responses	Factor	Percentage of responses	Factor	Percentage of responses	Factor	Percentage of responses
External conditions	**24.9%**	Governance	**29.7%**	Governance	**25.3%**	Governance	**27.7%**
Inflation	**23.5%**	Inflation	**22.7%**	Inflation	**23.3%**	Inflation	**25.3%**
Governance	**20.9%**	External conditions	**17.8%**	Domestic economic conditions	**19.2%**	Domestic economic conditions	**21.5%**

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 September 29 and October 23, 2025)[1/]

Downward risks

- That public safety indicators deteriorate.
- That global uncertainty, mainly related to changes in US trade policies, persists.
- 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 more favorable conditions are observed both domestically and internationally to foster private investment.
- That public security levels improve.

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 September 29 and October 23, 2025.

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- **The economic outlook indicates that regional economies will continue facing a highly uncertain environment and multiple challenges in the future.**

- In this context, **capitalizing on preferential trade treatment under the USMCA** will continue to be crucial to boost exports and expand Mexican regions' participation in North-American value chains.

- It is also **essential to consolidate domestic sources of growth and create favorable conditions for investment**. Key priorities include:

  - **To promote the construction and modernization of infrastructure—transportation, digital, energy, and social—**to address persistent challenges in regional development, such as poverty and gaps in productivity, connectivity, and market access across regions.

  - **To foster human capital formation** in order to increase the availability of skilled labor and enable labor transition given the fast pace of innovation, thus expanding households' income-generating opportunities in all regions.

- **A comprehensive, inclusive, and long-term approach—that recognizes regional differences, leverages trade integration with North America, and focuses on productivity, innovation, and investment—will allow for addressing current challenges and laying the foundation for a more prosperous future and more balanced regional development.**

Regional Economic Report

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December 2025

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