



Mexico Economic Profile

2025-Quarter IV

Timely Macroeconomic Report
for Decision Making

December 2025

Economic Profile of Mexico

2025-Quarter IV

As the year draws to a close, there is ample evidence to outline Mexico's economic trajectory in 2025. Above all, the marked slowdown and consequent stagnation in economic activity, and therefore in employment, stand out. The optimistic scenarios of the new administration did not materialize; nor did the catastrophic scenarios stemming from Trump's chaotic tariff policy. Harsh reality prevailed. With demand engines stalled, investment in sharp decline, and a business sector with no real power, a robust economy cannot be forged. The result: an economy with GDP growth below 0.5% and a substantial deterioration in employment indicators. A public sector weakened by its finances cannot drive vigorous growth. A private sector, constrained by ideological reasons, cannot lead national development either. The external sector, and especially the USMCA, has been the main support for the Mexican economy. The USMCA will be at risk in 2026 if whims prevail over reason and unilateral interests take precedence over multilateral benefits. A year of great challenges lies ahead.

Economic Slowdown Deepens: The Mexican economy contracted by 0.2% year-on-year in the third quarter of the year, projecting growth of no more than 0.5% for all of 2025. The slowdown continued to deepen in 2025, and by year's end, the economy was practically stagnant. The expectation is that in 2026, internal and external conditions will improve, leading to more robust growth, at least exceeding 1%.

Inflation Recedes Gradually: After four long years of fighting inflation, inflation is receding, albeit with some fluctuations. It fell to 4.2% by the end of 2024 and stood at 3.7% by the end of 2025. However, the war against inflation is not yet won. On the one hand, adjustments to domestic prices (prices, wages, taxes) will impact inflation. On the other hand, the trade war could exacerbate inflationary pressures globally and in Mexico, potentially returning us to square one.

Job Creation Collapses. In 2020, a massive loss of formal jobs was recorded (-648,000); in 2025, a further loss of jobs seemed imminent, albeit of a smaller magnitude. This did not materialize because a regulatory adjustment required digital platforms to register all their operators with the Mexican Social Security Institute (IMSS). By the end of 2025, instead of job losses, 279,000 new jobs were reported. Meanwhile, the unemployment rate increased from 2.4% to 2.7% in 2025. At the same time, minimum wages gained purchasing power, which contributed to a partial and temporary improvement in the total wage bill and to strengthening consumption, which has also weakened.

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Pressure on Public Finances – In January-November 2025, revenues accumulated to 20.9% of GDP and expenditures to 23.6% of GDP, resulting in a deficit of 2.7% of GDP. Given the 2024 budget imbalance, spending pressures persist (for old and new projects, for social support programs, and to address the growing debt and the PEMEX issue), but deficit correction is necessary. Nevertheless, the debt remains moderate: it closed 2024 at 51.8% of GDP, the same level at which it ended in November 2025.

Financing to the Private Sector Slows Down – Despite efforts to boost it, financing to the private sector suffered a severe setback in 2021 and a more moderate one in 2022 and 2023. However, it began to recover in 2024 and 2025, only to gradually lose momentum. In the third quarter of 2025, the annual increase was lower than expected (1.9%), reflecting an increase in consumer financing (9.3%) and a smaller increase in housing financing (2.5%). This occurred within a context of declining interest rates: they closed 2024 at levels close to 10% and ended 2025 at levels of 7%.

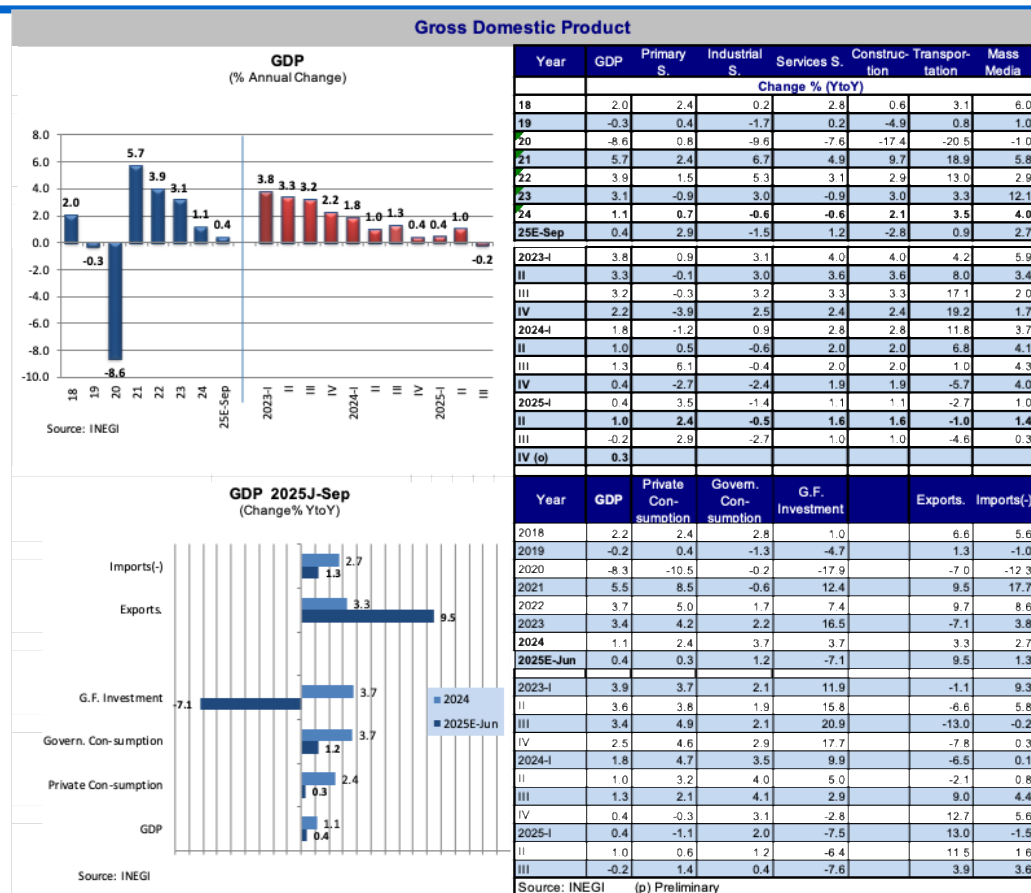
International Trade Remains Dynamic. After two years of slowdown, international trade showed a moderate recovery in 2024 and 2025, despite Trump's tariff policies. This is encouraging, given that export revenues and remittances have consolidated as sources of foreign exchange and have contributed to increasing international reserves (which closed 2024 at US\$229 billion and are projected to reach US\$251.9 billion by the end of 2025). In parallel, the evolution of foreign investment—especially direct investment—has been favorable (totaling US\$33.8 billion in 2025), reflecting progress, albeit small, in the relocation of companies to Mexico (nearshoring).

The US economy is gaining strength. In Q3 2025, the US economy grew by 4.3%, with moderate growth in the industrial sector (2.1%), unemployment slightly above 4% (4.4% in December), and inflation under relative control (2.7% in November 2025). Trump's economic policies and the trade war are having a significant impact on the US and global economies.

Declining Economic Growth Outlook. Growth forecasts for Mexico are pessimistic: 0.4% and 1.2% for 2025-2026. For the US, forecasts are less pessimistic: 1.9% and 2% annually for both years. But if the tariff war intensifies and the USMCA collapses, negative repercussions are foreseen for both countries.

Economic activity

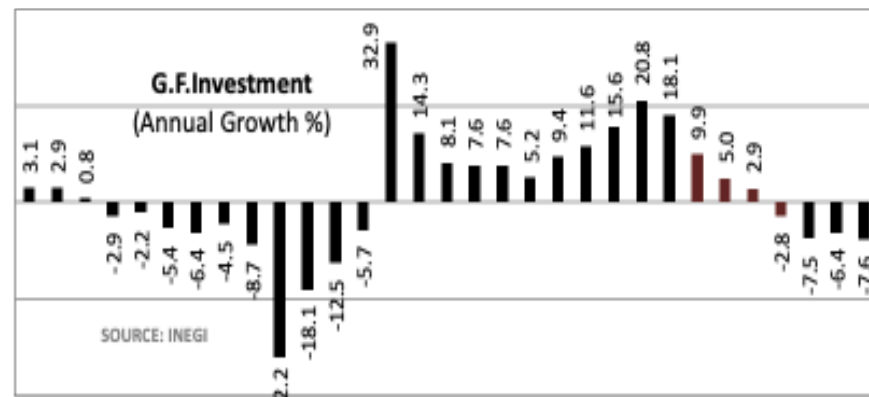
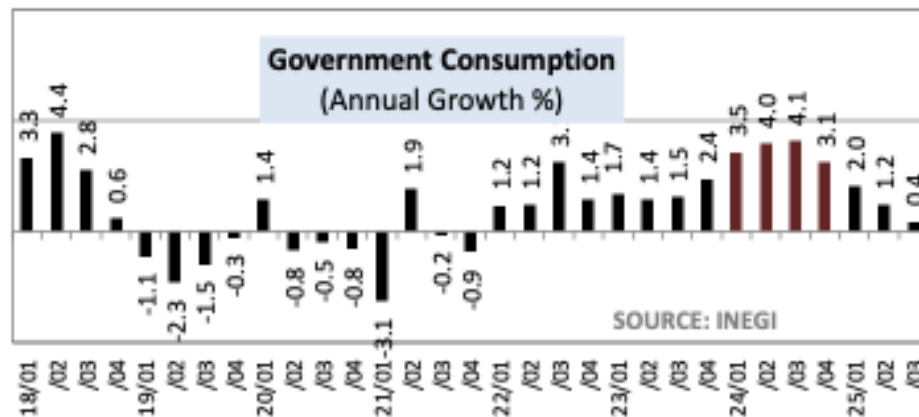
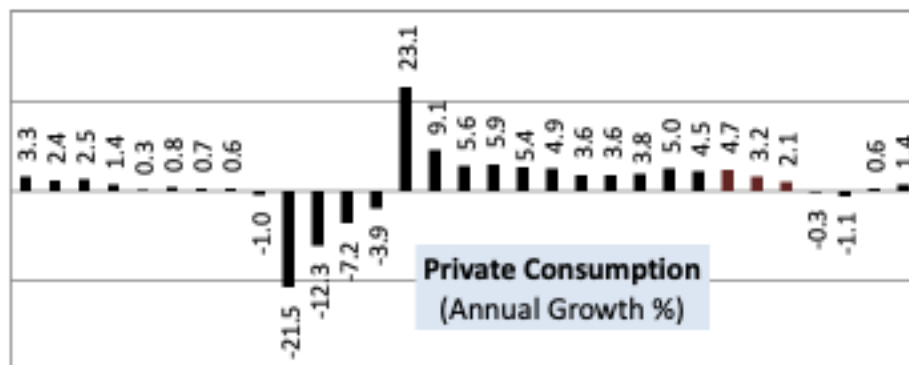
In the third quarter of 2025, a negative annual growth rate of -0.2% was reported, with full-year growth projected to be no greater than 0.5%.



- The pronounced economic slowdown of 2024 has extended into 2025, resulting in an economy concluding the year in a phase closed to stagnation.
- In the third quarter of 2025, the industrial sector showed negative growth (-2.7%), while services grew moderately (1%), reflecting the weakness of economic activity.
- On the demand side, in the third quarter of 2025, significant weakness in domestic demand—consumption and investment—is observed, as well as an increasingly subdued boost in exports.

Economic Activity

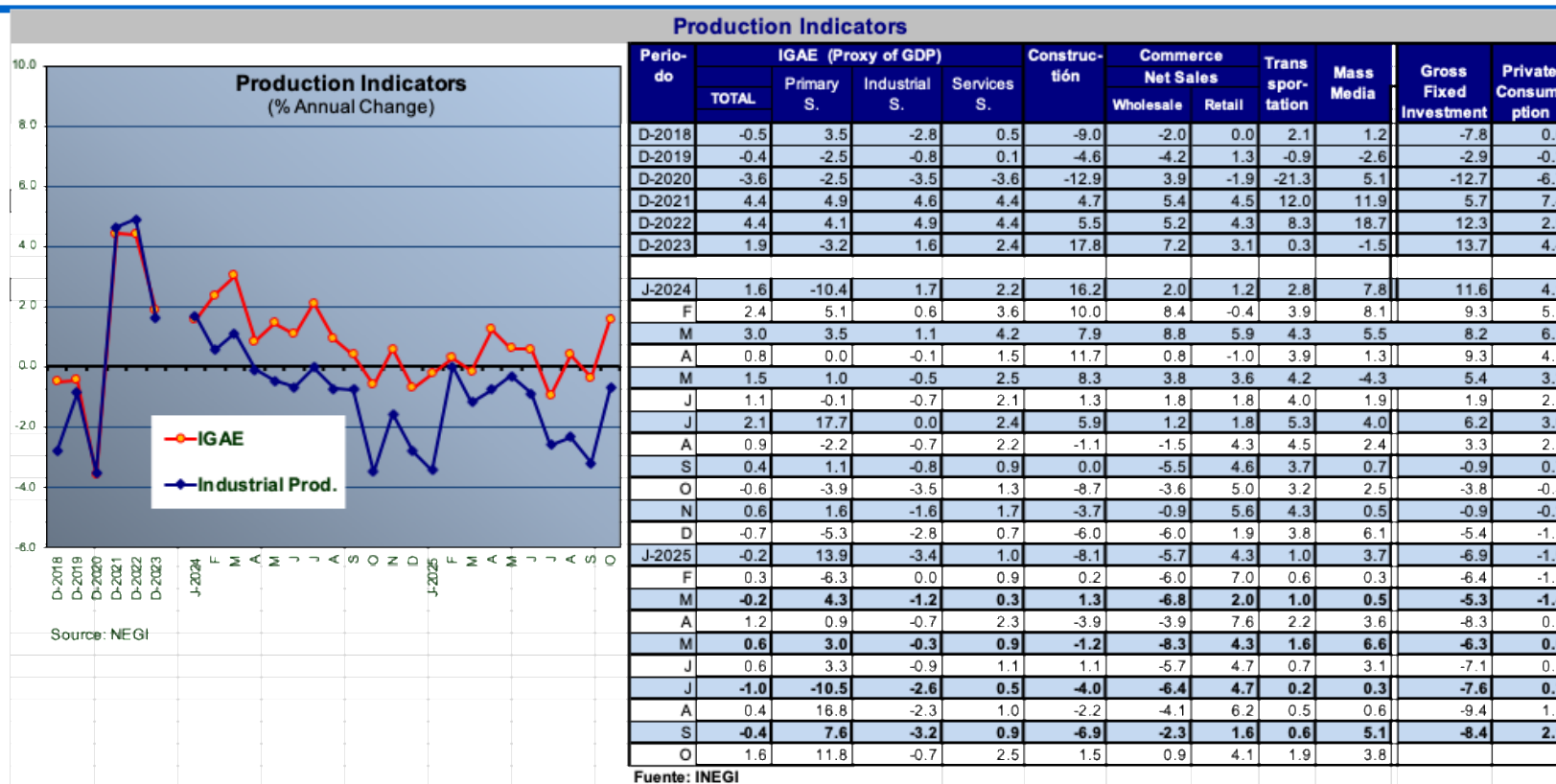
In the third quarter of 2025, demand is sluggish: private consumption remains stagnant, investment continues to decline, and exports are losing momentum.



- Private consumption, the main driver of demand (2/3 of GDP), lost momentum in the second half of 2024 and is now in negative or near-zero territory in 2025 (1.4% in Q3).
- Investment slowed rapidly in 2024 and has now plummeted in 2025 (-7.6% in Q3), despite the good intentions of boosting private investment through the Mexico Plan.
- Meanwhile, exports of goods and services, after a period of decline, gained momentum starting in the second half of 2024, but are losing steam in the second half of 2025.

Economic Activity

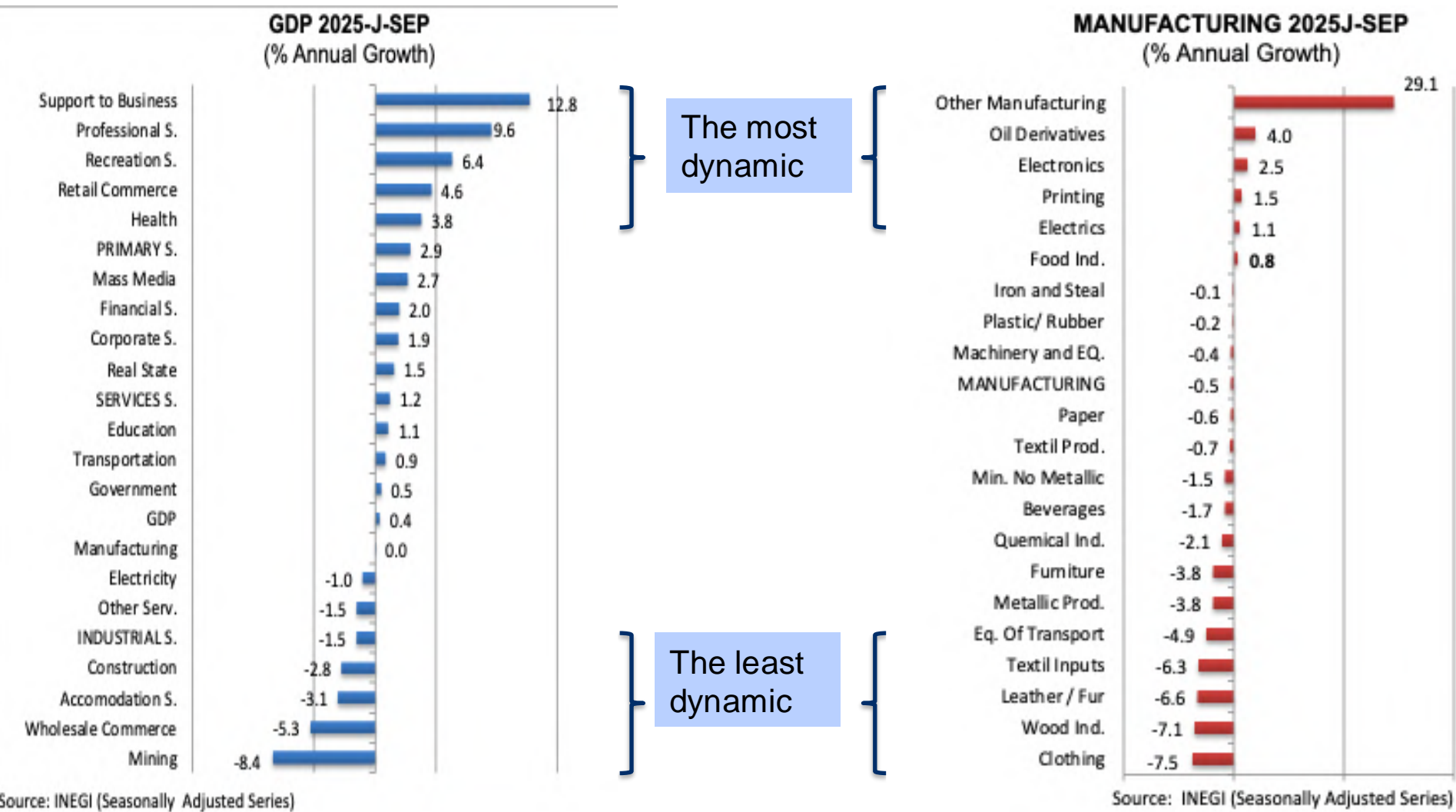
Throughout 2025, production indicators showed a declining trend, with a slight recovery at the end of the year.



- The IGAE (Global Indicator of Economic Activity), after the post-pandemic rebound (2021-2022), reported growth exceeding 3% throughout 2023, but since then has shown a clear slowdown extending until 2025 (1.6% growth in October).
- At the sectoral level, leaving aside the volatile agricultural sector, growth relies primarily on the services sector (2.5% in October 2025), due to the weakness of the industrial sector (-0.7% in October).
- Regarding demand, both consumption and investment have shown negative growth in investment or negligible growth in private consumption in recent months.

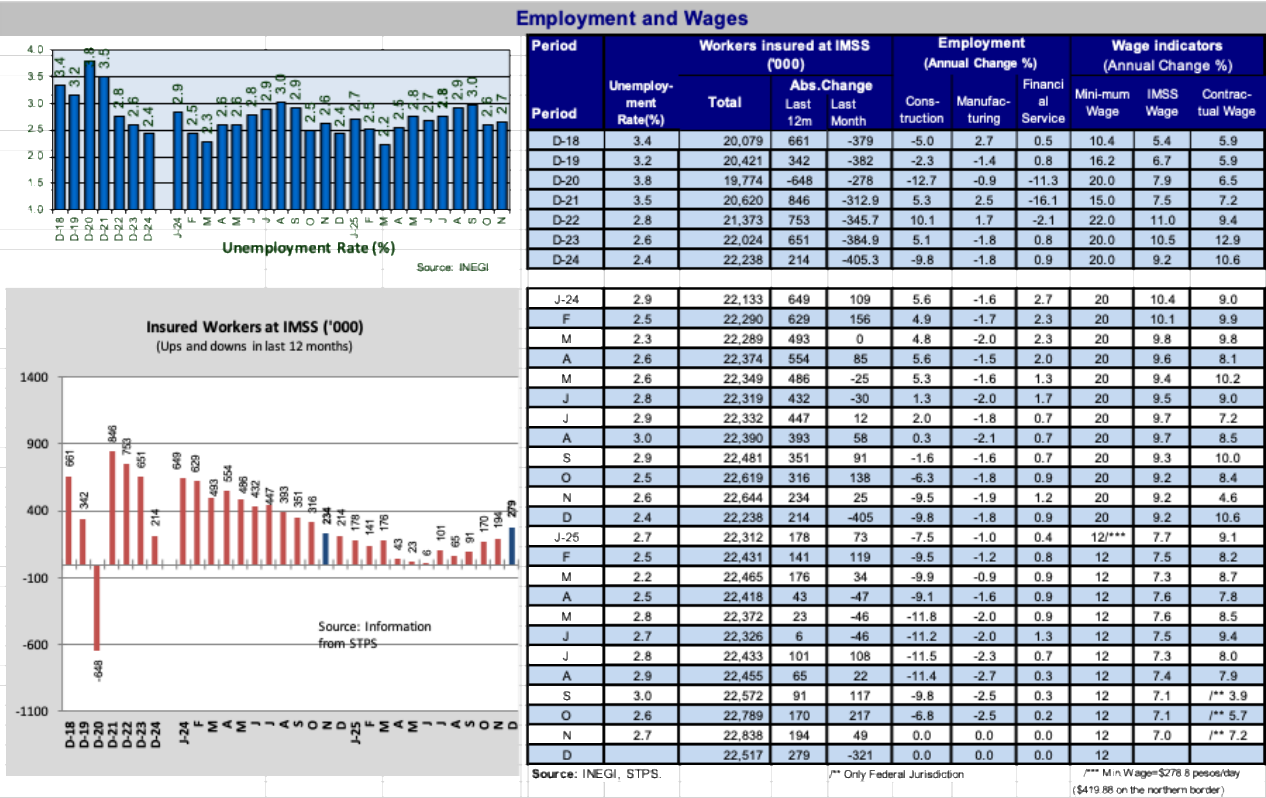
Economic Activity

During 2025, the most dynamic economic activity was in the services sector, while the industrial-manufacturing sector is not performing well.



Employment and Wages

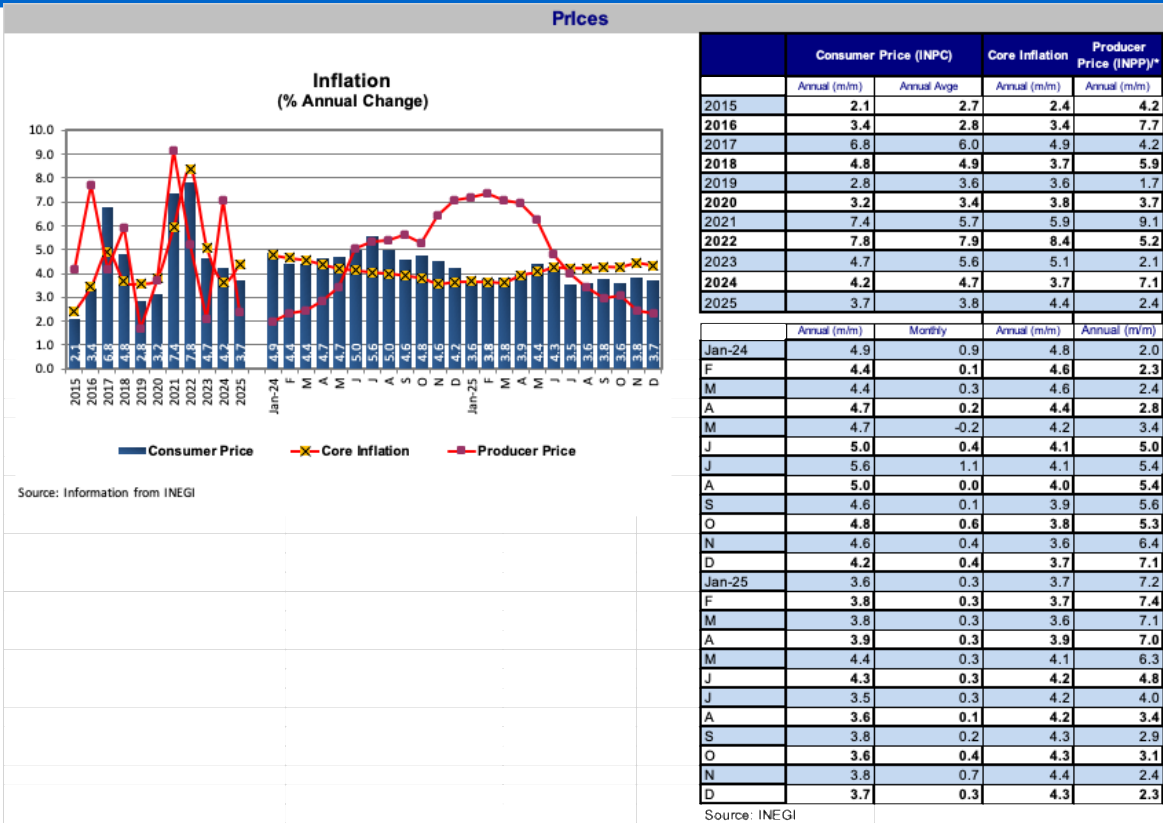
The annual generation of formal jobs in 2025 totaled 279,000, according to IMSS statistics. This figure does not mean an increase in employment, but rather the new requirement to register digital platform operators with the IMSS.



- In terms of employment, the news is very bad. In 2024, only 214 thousand jobs were created, and in 2025, 279 thousand, well below the goal of 1 million jobs per year. Furthermore, for the most part, these are not new jobs, but rather jobs that transitioned from informal to formal status due to the new regulation requiring all digital platform operators to register with the IMSS.
- Accordingly, the unemployment rate (2.7% in November) remains high.
- Higher inflation has resulted in disparate gains in the three main wage indicators in 2025: +8.3% in the minimum wage, 3.3% in the IMSS wage, and 3.5% in the contractual wage. The wage increase is largely attributed to the annual adjustment in the minimum wage (12% in 2025) promoted by the current administration.

Prices

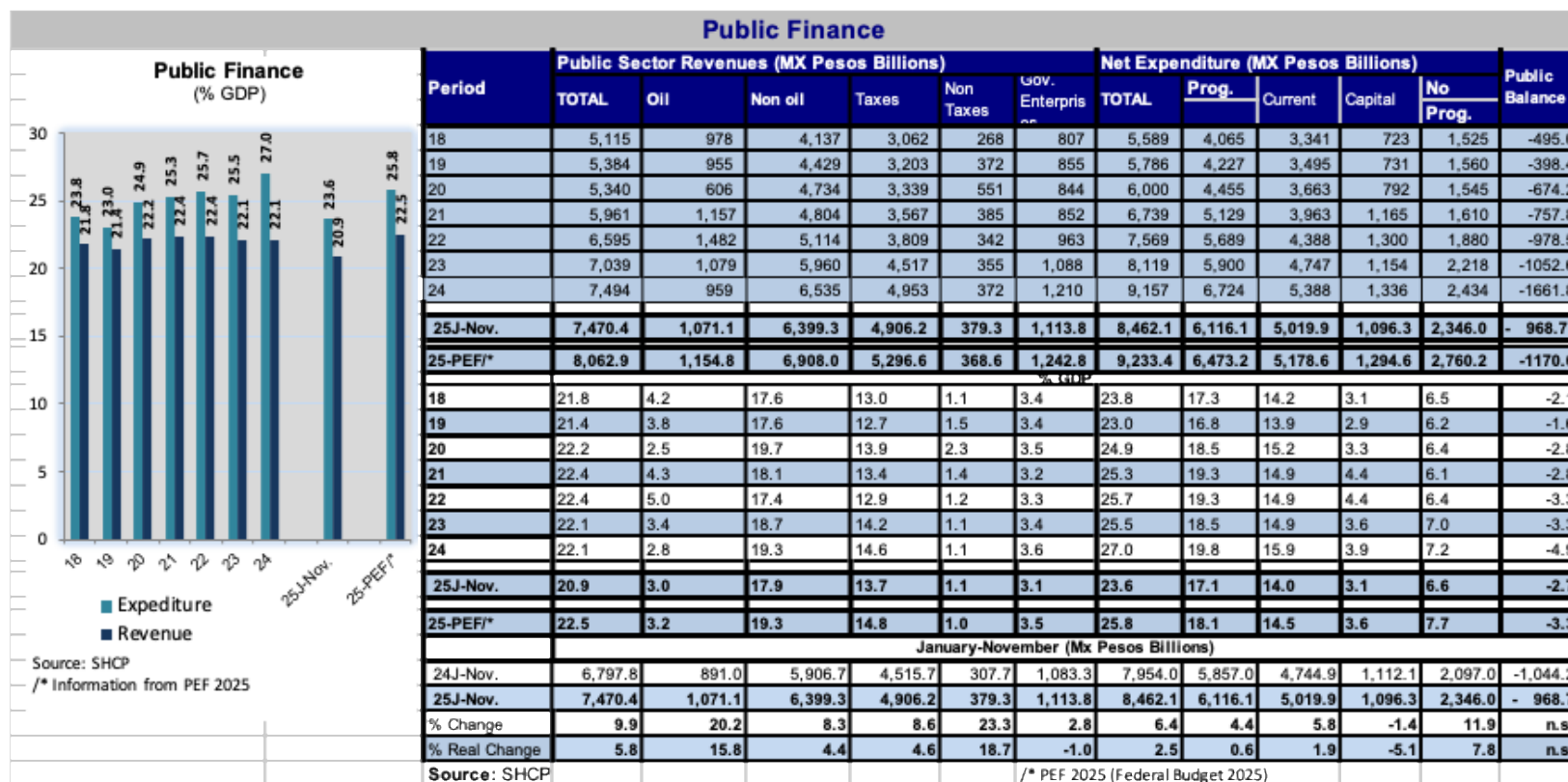
At the close of 2025, inflation stood at 3.7%, although inflationary pressures persist and core inflation remains high (4.3%).



- The inflation trend is downward but with fluctuations. It reached 4.2% at the close of 2024 and, after downward and upward adjustments, stood at 3.7% at the close of 2025. The key point is that the main inflation indicators are aligning, although core inflation remains high (4.3%).
- This means that inflationary pressures persist and that the war against inflation is not yet won: in 2026, price adjustments (administered prices, wages, and taxes), as well as the tariff war, could temporarily increase inflation. For now, the inflation rate is already within the Bank of Mexico's institutional target of 3% +/- 1%, but the near future is uncertain.

Public Finance

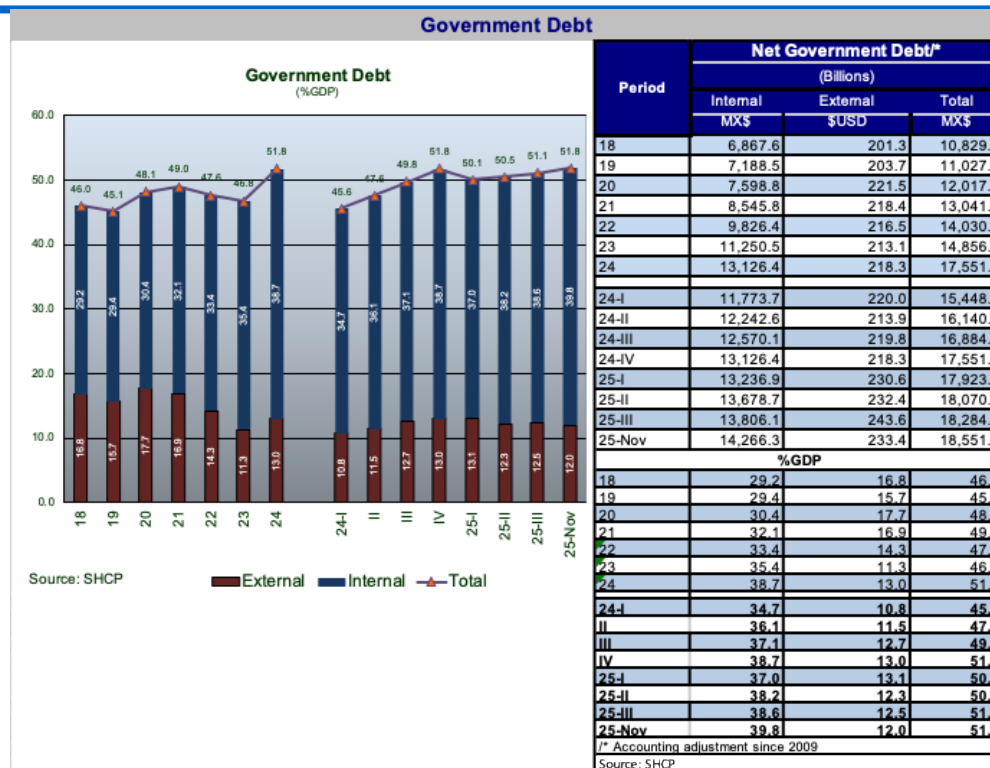
For January-November 2025, government revenues are projected to reach 20.9% of GDP, expenditures 23.6% of GDP, and consequently, a deficit of 2.7% of GDP.



- The main challenge lies in reducing the public deficit from 4.9% of GDP in 2024 (a clearly unsustainable deficit) to 3.3% of GDP(projected for 2025). The government acknowledges that it will be at least 3.6%.
- In January-November 2025, an increase in oil revenues (15.8%) and tax revenues (4.6%) is observed. The adjustment in spending occurs primarily in investment (-5.1%).
- Throughout 2025, spending pressures persisted (due to both existing and new flagship projects, social programs, and the PEMEX factor). In 2026 these pressures would be compounded by lower revenues if the trade war intensifies.

Public Debt

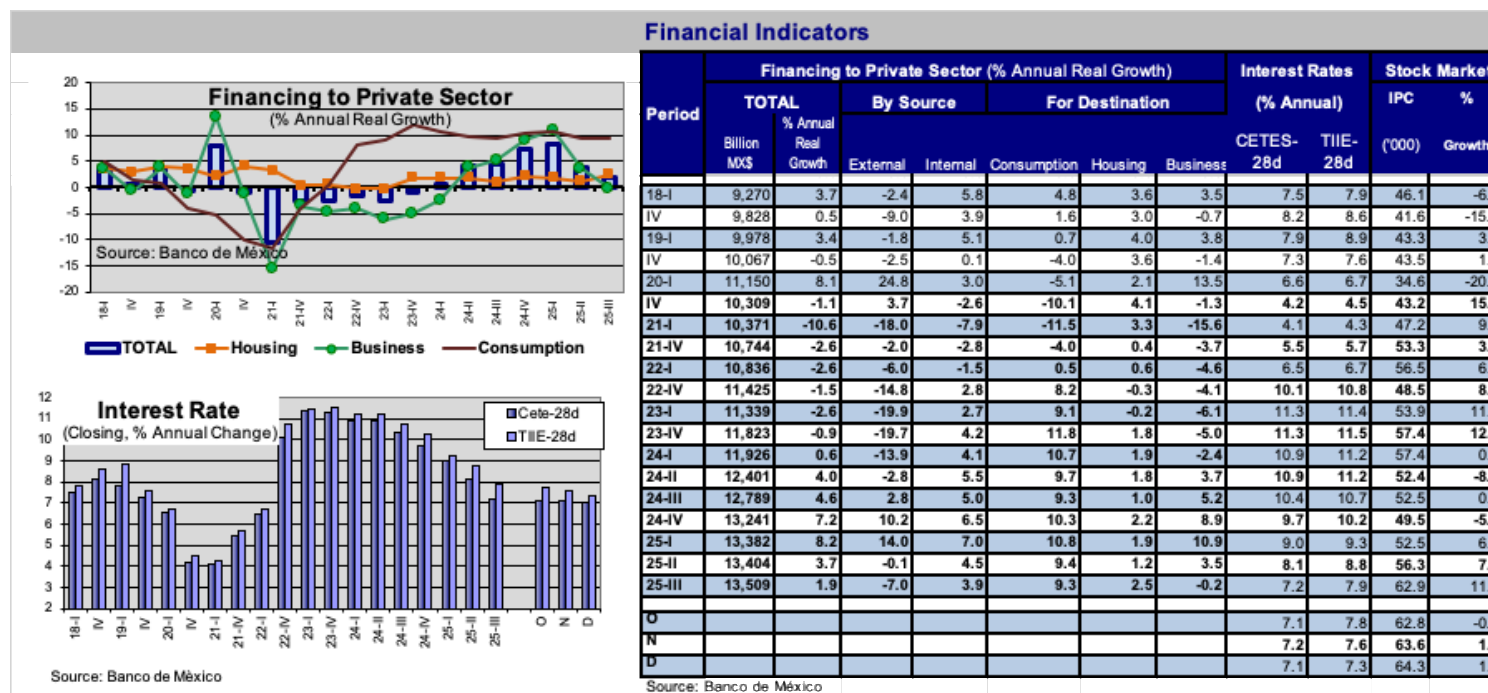
Public debt, as a percentage of GDP, remains relatively under control: it has remained practically unchanged at around 51.8% in both 2024 and 2025.



- In a global comparison, Mexico's public debt is moderate: it closed 2024 at 51.8% of GDP, the same level reported at the end of 2025. This compares favorably with countries like Japan (242%), Italy (138%), France (116%), or the USA (124%), all of which exceed 100% of GDP.
- Recent administrations aimed to keep debt limited to 50% of GDP, a goal that has been largely achieved, except in 2024 and 2025, when debt exceeded 50% of GDP due to an out-of-range public deficit. (Debt defined as the Public Sector Financial Requirements does exceed 50%).
- In 2024 and 2025, the target was not fully met due to the magnitude of the deficit. Going forward, the key will be maintaining a moderate fiscal deficit and a relatively stable exchange rate.

Financial Sector

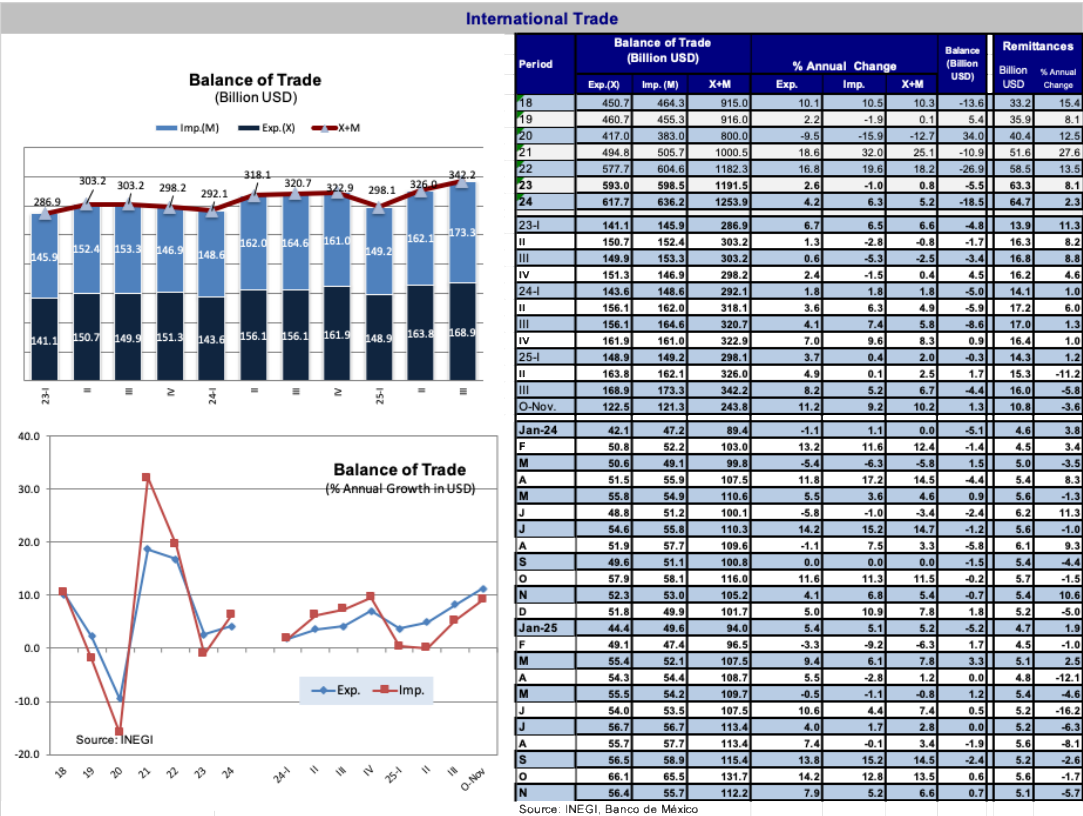
In the third quarter of 2025, financing to the private sector lost momentum (annual increase of 1.9%), with private consumption financing showing the strongest growth (9.3%), followed by housing financing (2.5%).



- The recent economic crisis initially led to a slowdown in private sector financing (2020), then a decline from 2021 to 2023, before finally rebounding in 2024 and 2025.
- The annual increase in the third quarter of 2025 (1.9%) is explained by the increase in consumer financing (9.3%), the modest increase in housing financing (2.5%), and a decrease in business financing (-0.2%).
- To boost financing, efforts have been made to keep interest rates low, which is why they began to decline in 2024 and 2025. By the end of 2025, they are expected to be around 7% (vs 10% in 2024). The stock market, for its part, has shown significant volatility in recent years: it lost 13.7% in 2024 and gained 29.9% in 2025.

International Trade

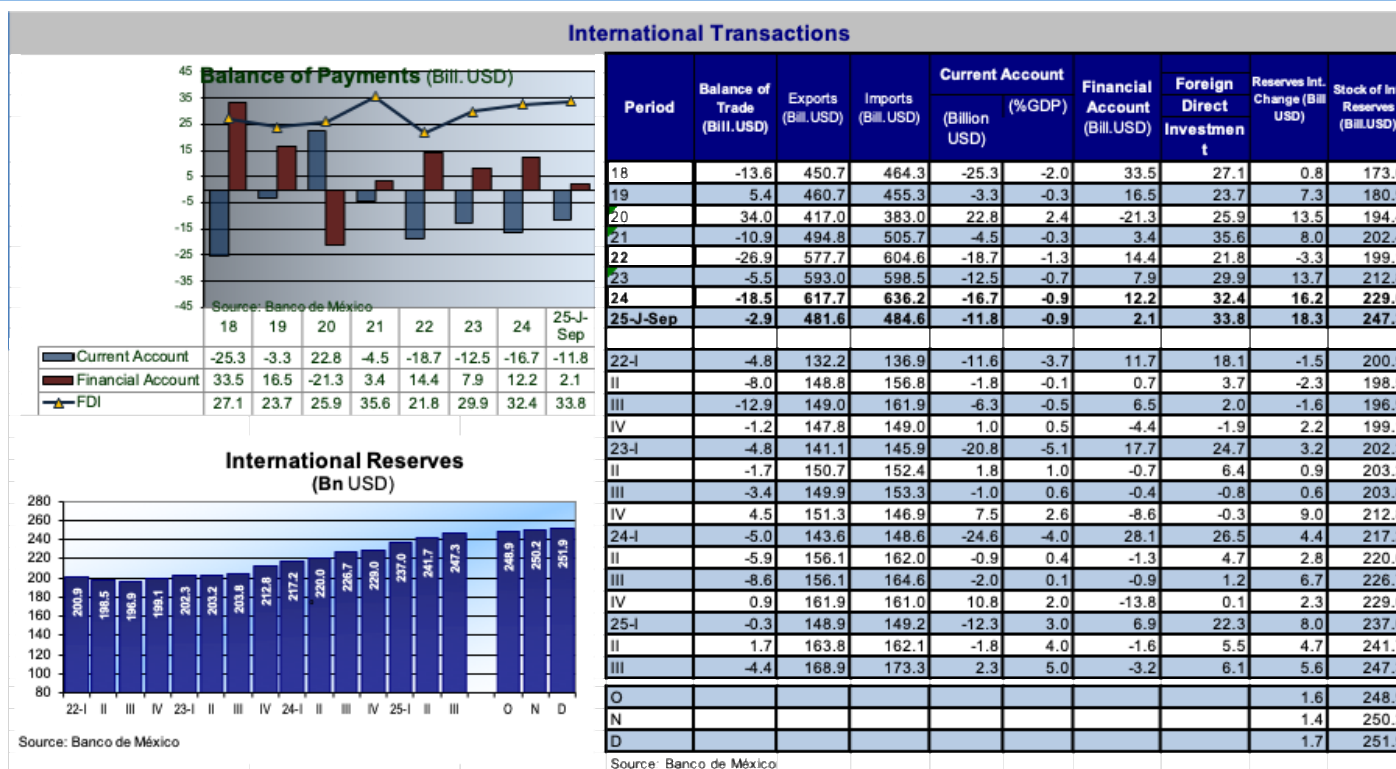
Against all odds, international trade in goods has remained relatively dynamic in 2024 and 2025.



- After two years of slowdown, international trade experienced a moderate recovery in 2024 (5.2%) and 2025 (5.0%), despite Trump's new tariff policies.
- The trade balance registered a deficit of -US\$18.5 billion in 2024 and shows a deficit of -US\$1.7 billion in January-November 2025.
- Remittances, meanwhile, are slowing: they decreased by 5.3% year-on-year in the January-November period.

External Sector

In January-September 2025, the balance of payments reflected a current account deficit (-US\$11.8 billion) and a financial account surplus (US\$2.1 billion), sustained by Foreign Direct Investment (US\$33.8 billion).



- In January-September 2025, a current account deficit was partially offset by a financial account surplus, with Foreign Direct Investment (US\$33.8 billion) playing a key role.
- As a result of the strong performance of the financial account, international reserves remained high: they closed 2024 at US\$229 billion and increased to US\$252 billion by the end of 2025.
- Nearshoring remains on hold pending clear definitions regarding Trump's tariff policy. To date, progress has been modest, and its future is uncertain.

International economy

The US GDP reported significant growth in the third quarter of 2025 (4.3%), which contrasts with the slower growth in the industrial sector (2.1%) and the stagnation of unemployment (4.4% in December).

U.S. Economy



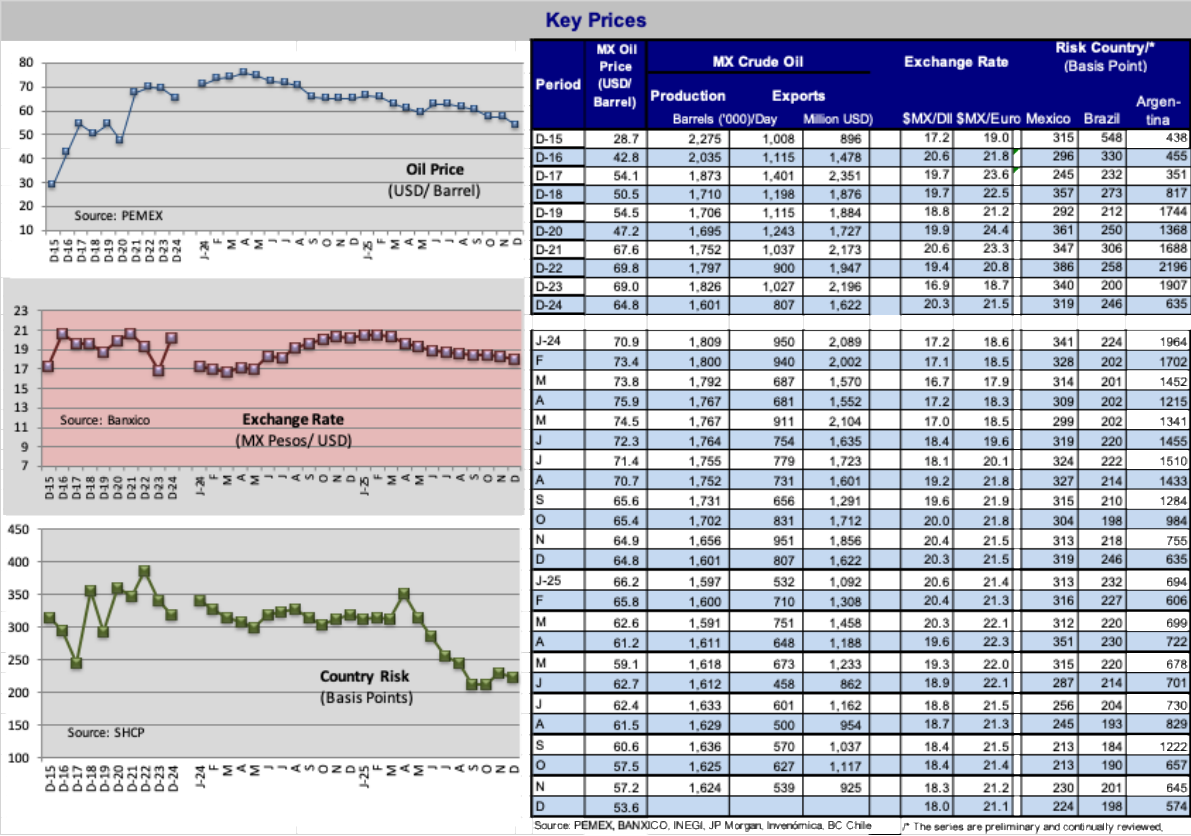
Period	GDP/*	Industrial Prod.		Manufacturing		Unemployment Rate	Inflation
	% Annual Change of Quarter		% Annual Change	% Annual Change of Quarter	% Annual Change	%	% Annual Change
18	3.0	3.2		1.3		3.9	1.9
19	2.3	-0.7		-2.0		3.5	2.3
20	-2.2	-7.2		-6.6		6.7	1.4
21	6.1	4.4		4.9		3.9	7.0
22	2.5	1.7		0.4		3.5	8.6
23	2.9	-0.2		-0.9		3.7	3.4
24	2.8	-0.7		-1.0		4.1	2.9
25-J-Sep	2.5	2.7		2.9		4.4	3.0
23-I	2.9	0.3	0.9	0.3	-0.2	3.5	5.0
II	2.5	0.2	0.0	0.2	-0.8	3.6	3.0
III	4.7	0.6	0.0	-0.8	-0.9	3.8	3.7
IV	3.4	-1.1	0.0	-0.9	-0.4	3.7	3.4
24-I	0.8	-2.6	-0.4	-2.0	-0.6	3.9	3.2
II	3.6	2.7	0.2	1.1	-0.3	4.1	3.0
III	3.3	-2.3	-0.5	-2.4	-0.4	4.1	2.4
IV	1.9	-1.5	-0.3	-2.4	-0.5	4.1	2.9
25-I	-0.6	4.2	0.7	3.9	3.6	4.2	2.4
II	3.8	1.8	0.5	2.5	0.4	4.1	2.7
III	4.3	2.1	1.7	2.4	1.6	4.4	3.0
S		1.2	1.9	0.0	1.8	4.4	3.0
O		-1.2	2.1	-4.8	2.1	-	-
N		2.4	2.5	1.2	2.0	4.6	2.7
D						4.4	
Source: U.S. Bureau of Economic Analysis (BEA); The Federal Reserve System (FRS); Department of Labor (DOL)							

- In the third quarter of 2025, the US economy gained strength (4.3%). In contrast, the industrial sector showed more moderate growth (2.1%), while unemployment remained stagnant at a level above 4% (4.4% in December 2025).
- Inflation remained under relative control: 2.7% in December.
- The Trump era represents a true fundamental transformation of the US, North American, and global economies. We are moving from globalization, free markets, and competitiveness toward a world where isolation, protectionist barriers, political favors, and economic management by decree prevail.

Key Prices

Throughout 2025, a marked decline in key prices was observed: a 20% drop in the price of crude oil, a 10% decrease in the exchange rate, and a 100 basis point decrease in country risk.



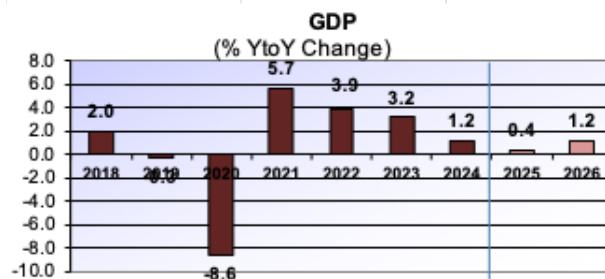


- The price of crude oil closed 2024 at around \$65 USD and is projected to close 2025 at \$53.6 USD.
- Uncertainty surrounding the change of government and legal reforms put upward pressure on the exchange rate: in 2024 it rose from 17 to 20 PDPs, before slipping to 18 PDPs by the end of 2025.
- Meanwhile, country risk in the post-pandemic era has fluctuated: it closed 2024 at 319 and fell to 224 by the end of 2025.

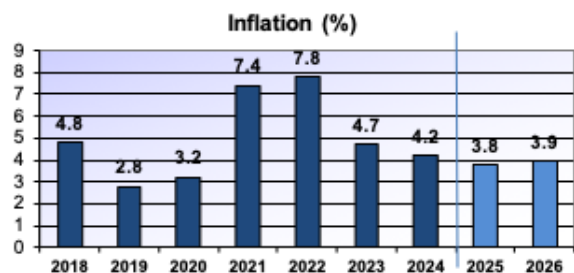
Macroeconomic Framework of Mexico

According to Mexican economic experts, growth expectations for 2025-2026 have moderated (0.4% and 1.2%), while inflation expectations have stabilized below 4%: 3.8% and 3.9% for both years.

Macroeconomic Framework



Source: INEGI, EEEE-SP



Source: INEGI, EEEE-SP

	Historical							CGPE/*		EEESP/**	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2025	2026
GDP											
% Annual Growth	2.0	-0.3	-8.6	5.7	3.9	3.2	1.2	1.0	2.3	0.4	1.2
GDP Current (MX Billions)	24,177	25,143	24,082	26,619	29,453	31,768	33,914	35,921	38,131	35,809	37,982
GDP Deflator	5.2	4.3	4.8	4.5	6.4	4.5	4.9	5.2	4.8	5.2	4.8
Inflation											
Dec/ Dec	4.8	2.8	3.2	7.4	7.8	4.7	4.2	3.8	3.0	3.8	3.9
Exchange Rate											
Average				20.4	20.06	17.6	18.4	19.6	19.3		
Closing	19.7	18.8	19.949	20.58	19.4	16.9	20.3	19.9	18.9	18.6	19.1
Interest Rate (Cete 28d)											
Average	7.8			4.6	8.4	11.2	10.66	8.4	6.6		
Closing	8.2	7.3	4.23	5.5	10.1	11.3	9.7	7.3	6.0	7.05	6.5
Current Account											
Billions USD	-22.2	-2.4	26.6	-4.9	-13.4	-5.7	-6.0	-5.5	-12.0	-7.9	-12.1
% GDP	-1.9	-0.2	2.4	-0.4	-0.9	-0.8	-0.4	-5.5	-0.6	-0.4	-0.6
Public Balance											
% GDP	-2.1	-1.6	-2.9	-2.9	-3.4	-3.3	-4.9	-3.6	-3.6	-3.8	-3.7
USA											
GDP (%Annual Growth)	2.9	2.3	-3.5	5.7	2.1	2.5	2.8	1.6	1.9	1.9	1.9
MX Crude Oil											
Avg. Price (USD/ Barrel)	61.4	55.5	35.8	65.3	89.0	70.8	70.3	62	55		
Exports ('000 barrels/day)	1,186	1105.6	1,120	1,018	900.0	1032.0	806	616	521		
Production ('000 barrels/day)	1,813	1,678	1,686	1,736	1,797	1,868	1,741	1714	1794		

* CGPE-(Criterios Generales de Política Económica: 2026; Precriterios 2026).- Base Document for Macroeconomic Policy

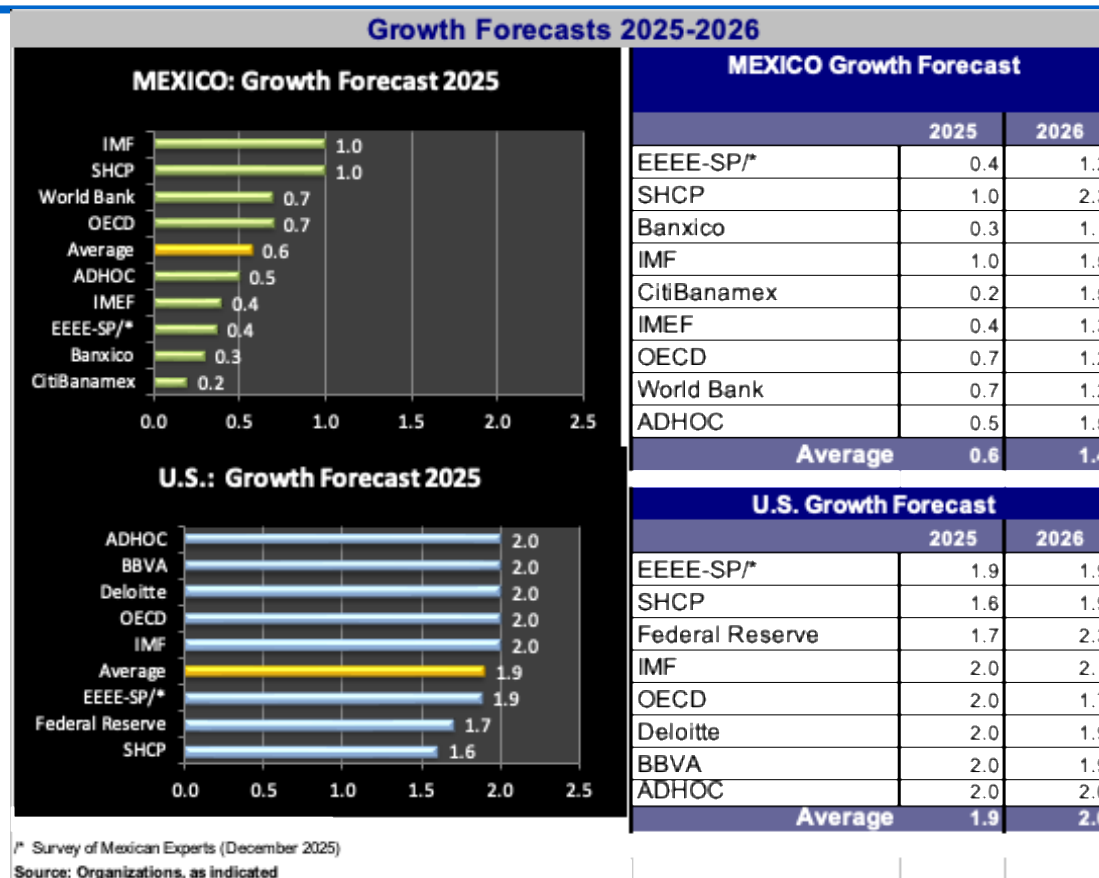
** Encuesta de Expectativas de Especialistas en Economía del Sector Privado-EEEE-SP/ Survey of Mexican Experts (December 2025)

(p) Projected

- For 2025-2026, experts anticipate a decline in economic growth forecasts: 0.4% and 1.2% for both years. A downwardly adjusted inflation rate of 3.8% and 3.9% is estimated for the two-year period.
- According to their forecasts, fundamental balances will remain under control, although the fiscal deficit is expected to be high (-3.8% and -3.7% for both years), while the current account balance will not exceed 1% of GDP for either year.
- According to their forecasts, the US economy is expected to experience two years of moderate growth: 1.9% for both years. This does not consider a potential negative impact of the trade war.

Growth Forecasts 2025-2026

According to specialized agencies, the expected growth for 2025 is 0.6% for Mexico and 1.9% for the US. For 2026, growth is projected at 1.4% for Mexico and 2.0% for the US.



- For Mexico, forecasts from nine specialized organizations range from 0.2% to 1.0% growth in 2025, with an average of 0.6%. The average forecast for 2026 is 1.4%.
- For the United States, forecasts from eight specialized organizations range from 1.6% to 2.0% growth in 2025, with an average of 1.9%. The average forecast for 2026 is 2.0%.
- As can be seen, both economies show moderate growth, although this is projected to be lower for Mexico.

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