BBVA Research

Second Half 2025

Mexico Sectoral-Regional Outlook

Key messages

Sectoral-Regional

Mexican economy slowing down.

Growth of just 0.4% in 2Q25: industrial contraction offset by primary and tertiary activities sustaining overall expansion.

States show heterogeneous growth, with the South moving at two speeds: Guerrero and Oaxaca leading, while Tabasco and Campeche decline.

Automotive Outlook

The automotive sector shows a mild contraction in the first half of the year.

Sector GDP declined by 2.1%, accompanied by a drop in exports.

U.S. tariffs are already affecting production, although only partially through 2Q25.

Exchange rate and Manufacturing Export

We analyzed the effect of the real exchange rate on manufacturing exports and found low sensitivity, with divergences across sectors depending on their level of integration into global value chains (GVCs).

Mexico's high degree of integration with North America mitigates the impact of the real exchange rate.

Multi-product banking apps

Multiproduct banking apps promote financial inclusion by concentrating payments and everyday services on a single platform.

Their competitive potential depends on operating with interoperability, portability, API-based access, and non-discriminatory rules that ensure a contestable market.

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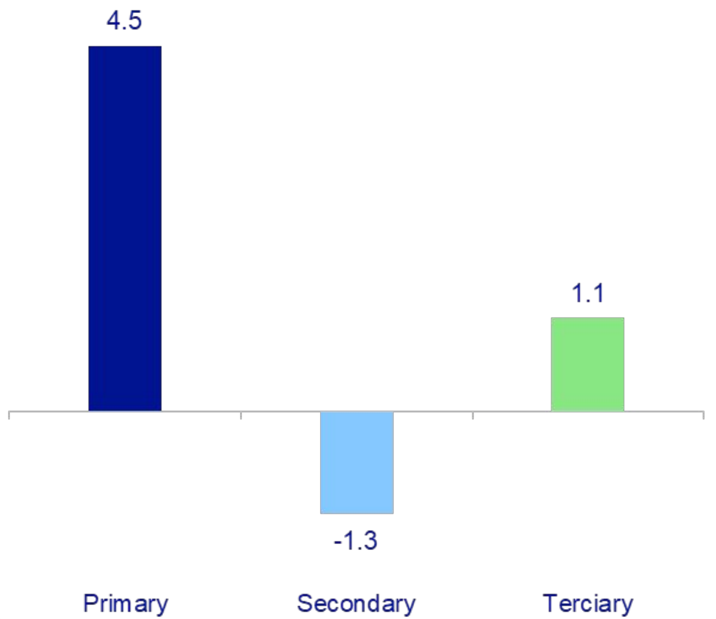
01

Economic slowdown is evident at the sectoral level

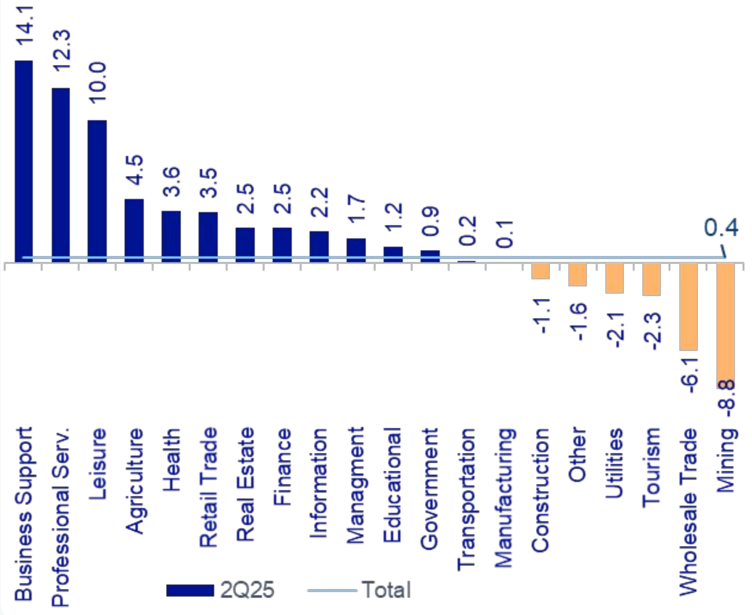
Sectoral Outlook

Service sectors keep the economy growing

ACCUMULATED GDP 2Q25
(GROWTH % YoY)



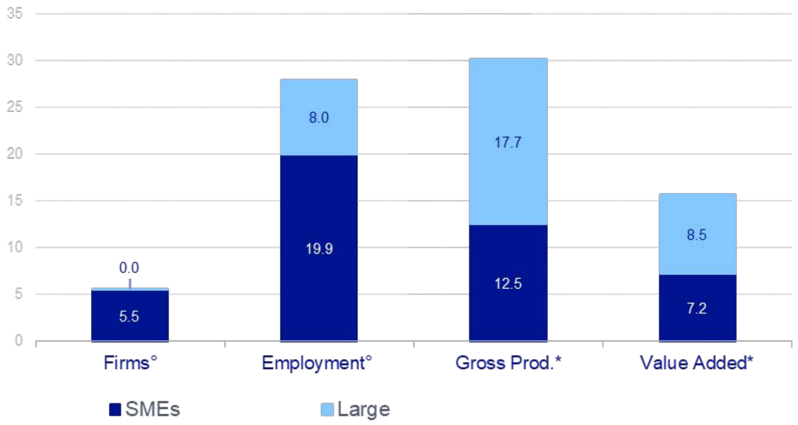
SECTORAL ACCUMULATED GDP 2Q25
(GROWTH % YoY)



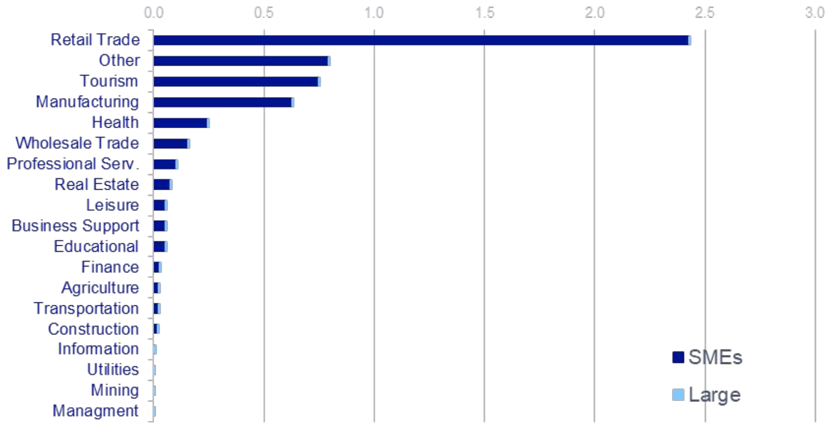
Source: BBVA Research with data from Inegi

Role of MSMEs is structural for the Mexican economy

ECONOMIC CENSUS 2024
(°MILLIONS & *TRILLIONS MXN)



ECONOMIC UNITS CENSUS 2024
(MILLIONS)

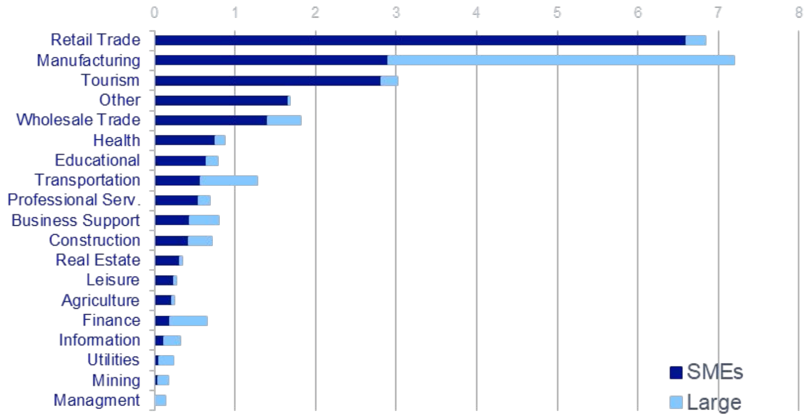


Source: BBVA Research with data from Inegi

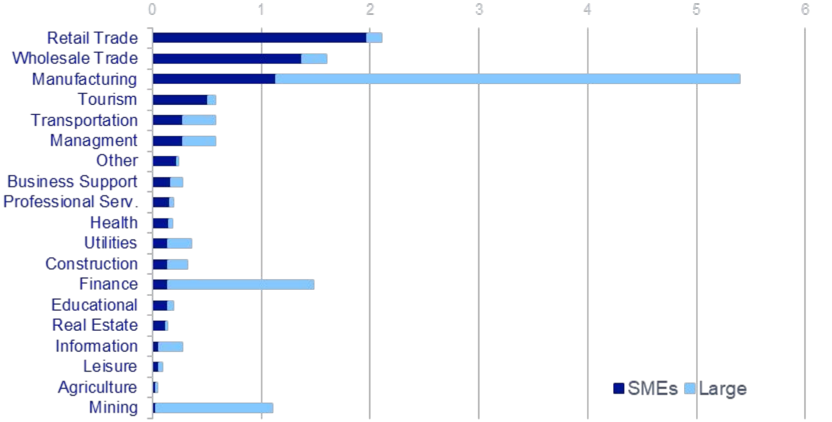
MSMEs contribute more than 70% of employment and almost half of the gross production value and value added, as well as 99% of economic units.
MSMEs are primarily involved in Retail Trade, Tourism, and Manufacturing.

MSMEs also lead employment in these industries

EMPLOYED PERSONNEL CENSUS 2024
(MILLIONS)



VALUE ADDED CENSUS 2024
(TRILLIONS MXN)



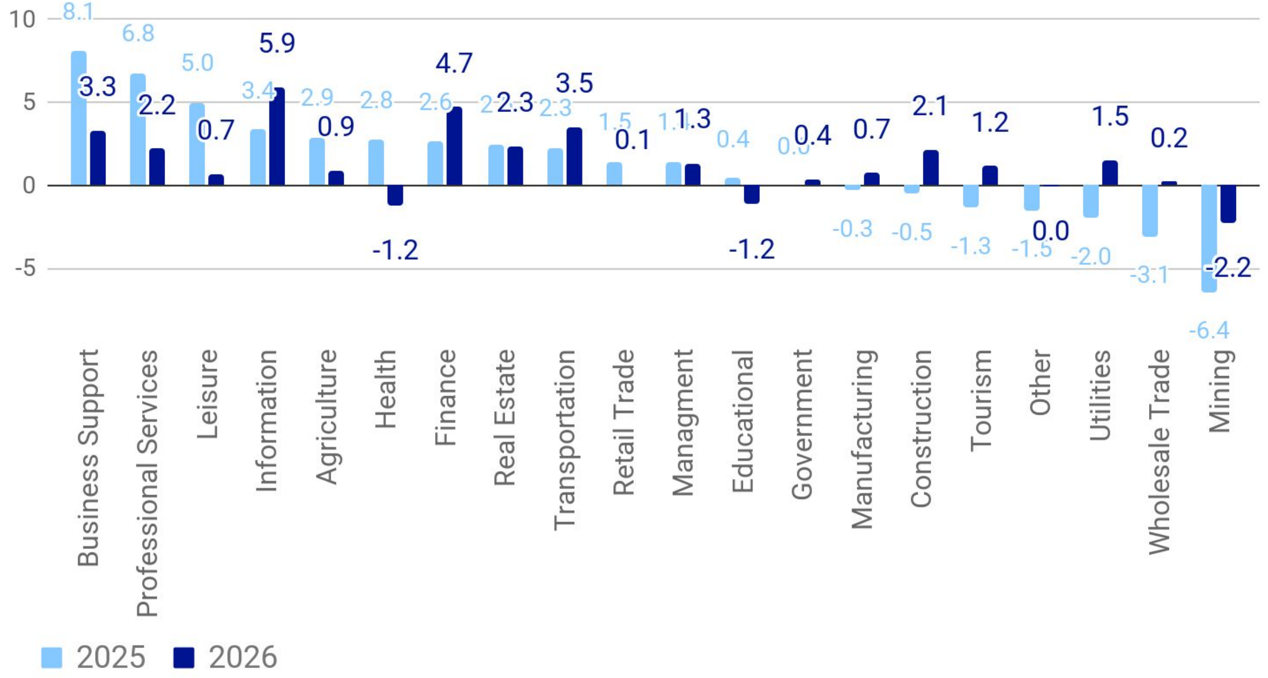
Source: BBVA Research with data from Censo Económico 2024, Inegi

More than 50% of the added value of Retail and Wholesale Trade is provided by MSMEs

Services will sustain GDP growth.

- The largest service sectors will not be the fastest-growing ones.
- Secondary sectors will remain subdued.
- Domestic market–oriented services show a more favorable outlook.

SECTOR GDP FORECAST
(GROWTH % YoY)



Source: BBVA Research with data from Inegi

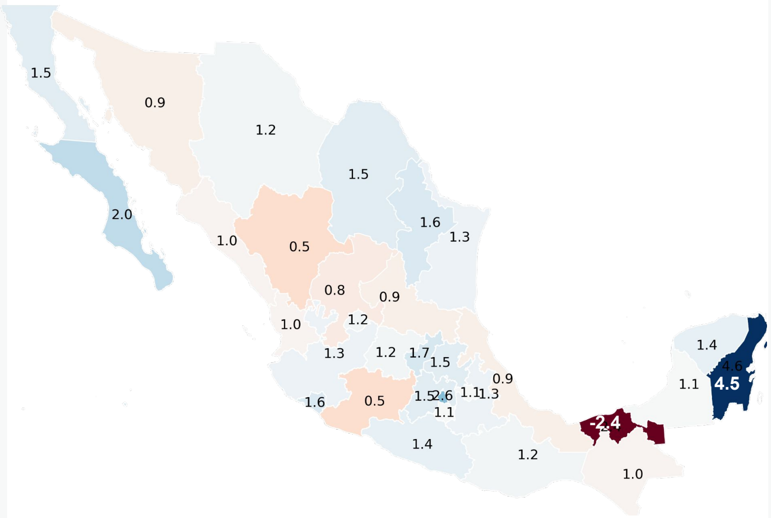
02

The South is moving at two speeds: from economies of construction and extraction to economies of services and local consumption.

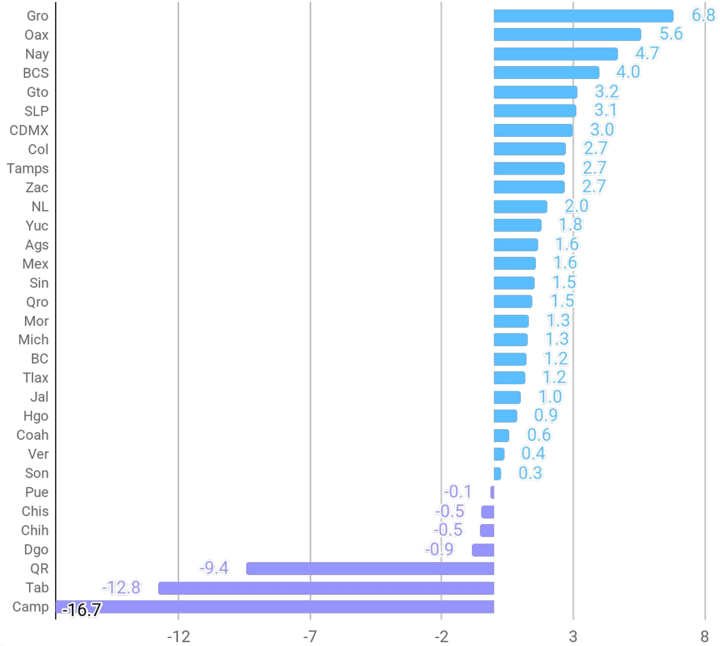
Regional Outlook

South at two speeds: Guerrero and Oaxaca leading, while Tabasco and Campeche decline

STATE GDP 2024
(GROWTH % YoY)



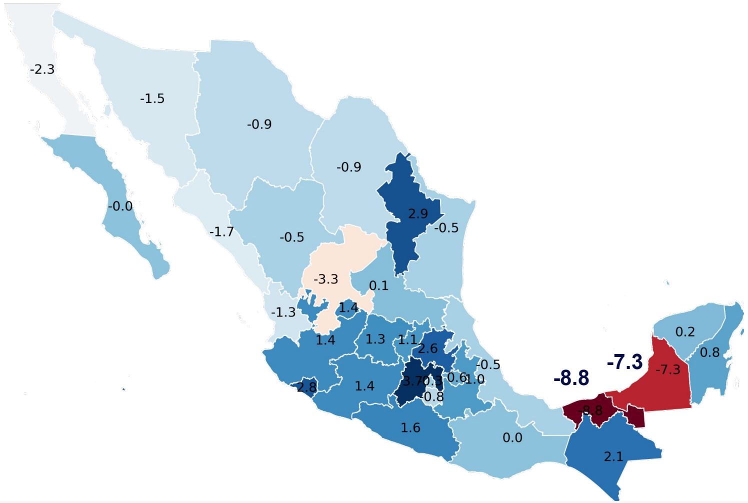
STATE ECONOMIC ACTIVITY 1Q25
(GROWTH % YoY)



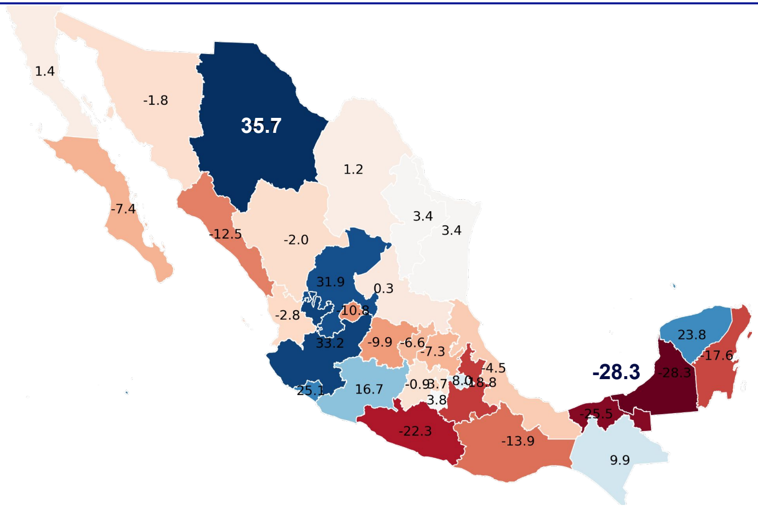
Source: BBVA Research with data from Inegi

Employment remains stable, while exports show sharp contrasts

FORMAL EMPLOYMENT IMSS 1H25
(GROWTH % YoY)



EXPORT OF GOODS 1H25
(GROWTH % YoY)



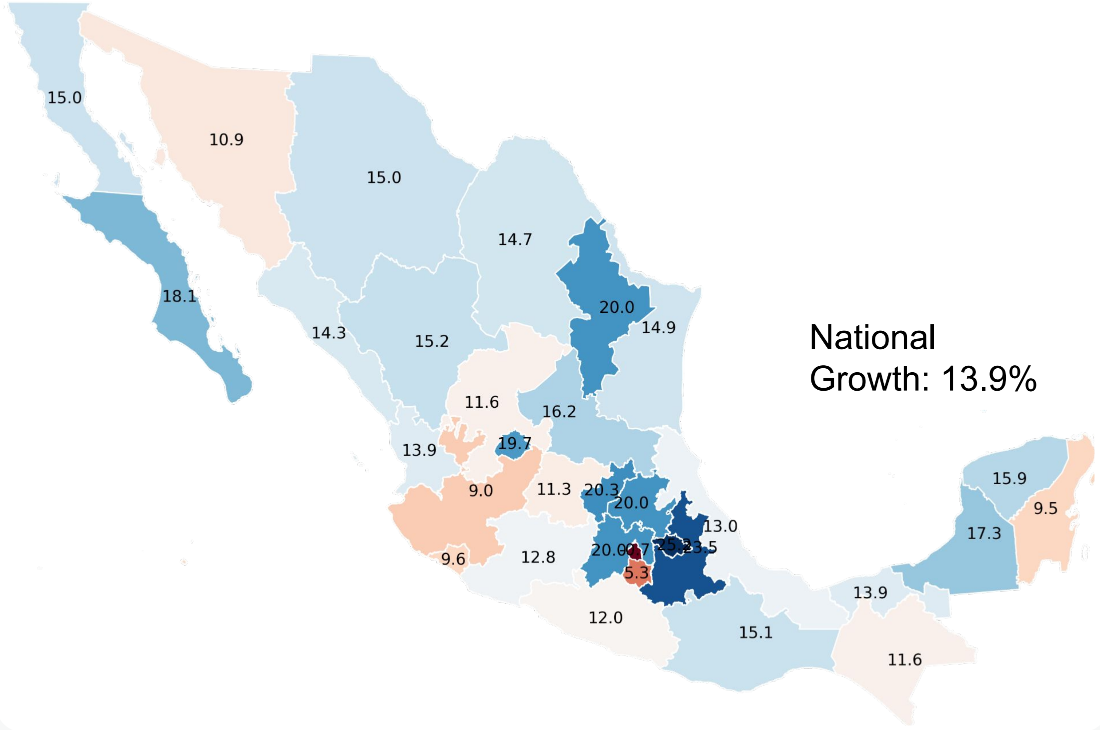
Source: BBVA Research with data from Inegi

As of 1H25, employment has held steady, with only Tabasco showing a significant contraction of -8.8%. In exports, eight states recorded double-digit declines — led by Campeche (-28.2%) and Tabasco (-25.5%) — while six states posted double-digit growth, with Chihuahua (35.7%) and Jalisco (33.2%) standing out.

Central and Northern regions led new business creation

- Puebla (+23.5%), Querétaro (+20.3%), the State of Mexico (+20.0%), and Hidalgo (+19.9%) were driven by their integration into industrial and logistics corridors.
- In the South-Southeast, states such as Oaxaca (+15.1%), Chiapas (+14.6%), and Campeche (+13.4%) also posted growth, albeit from a smaller business base.

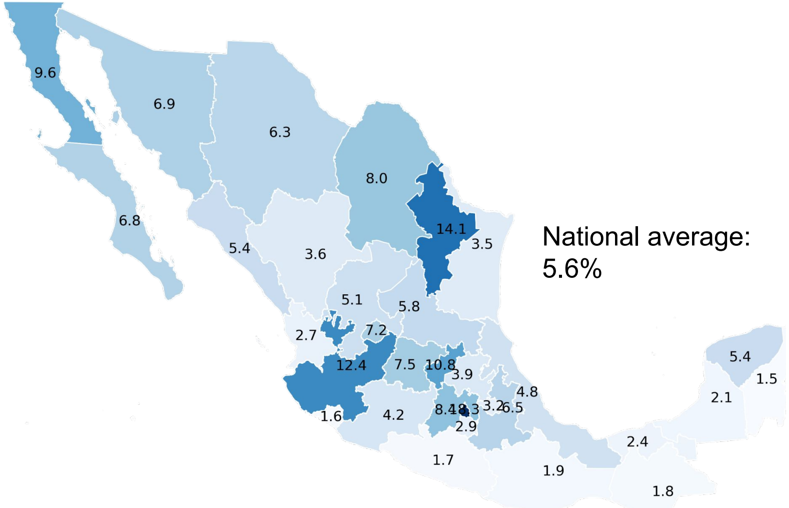
ECONOMIC UNITS CENSUS 2024 VS 2018
(GROWTH % YoY)



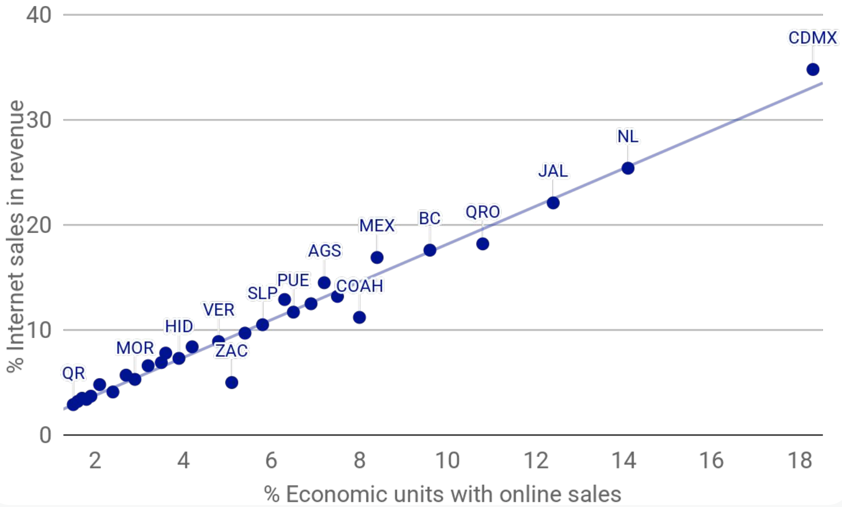
Source: BBVA Research with data from Inegi, CE 2024.

Connectivity is a prerequisite for boosting e-commerce

INTERNET SALES
(% ECONOMIC UNITS PER STATE)



ADOPTION OF ONLINE SALES AND REVENUE
(CORRELATION)

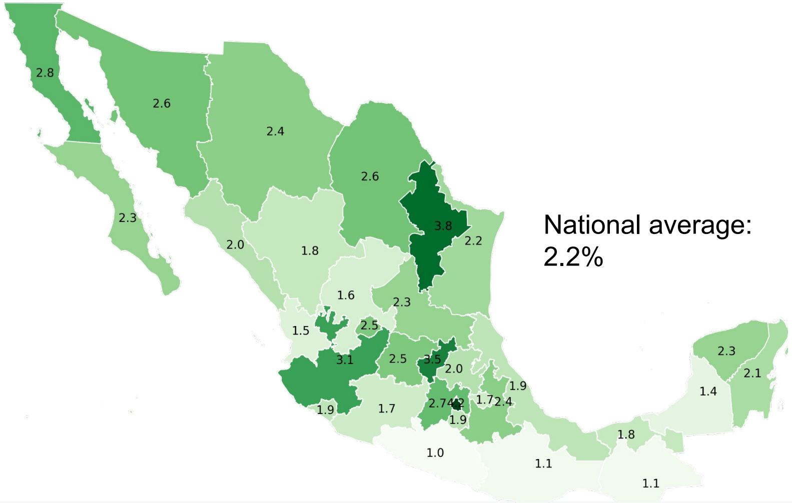


Source: BBVA Research with data from Inegi, CE 2024.

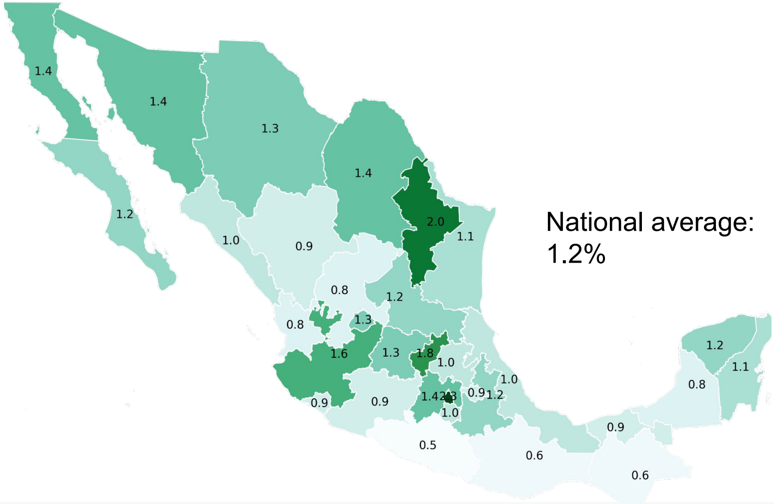
Mexico City, Nuevo León, Jalisco, and the State of Mexico account for over 60% of online sales revenue. In contrast, Chiapas, Oaxaca, Guerrero, and Campeche each represent less than 1%, reflecting significant connectivity gaps. Almost linear correlation between e-commerce adoption and its share of total online sales revenue.

One out of every four Mexican companies uses digital tools*…

USO DE HERRAMIENTAS DE BIG DATA
(% UNIDADES ECONÓMICAS POR ENTIDAD)



USO DE INTELIGENCIA ARTIFICIAL
(% UNIDADES ECONÓMICAS POR ENTIDAD)



Source: BBVA Research with data from Inegi, CE 2024.

*Digital tools include: Online stores, search engines, repositories, robotics, AI, cloud services, big data tools, and 3D printing. Not exclusive.

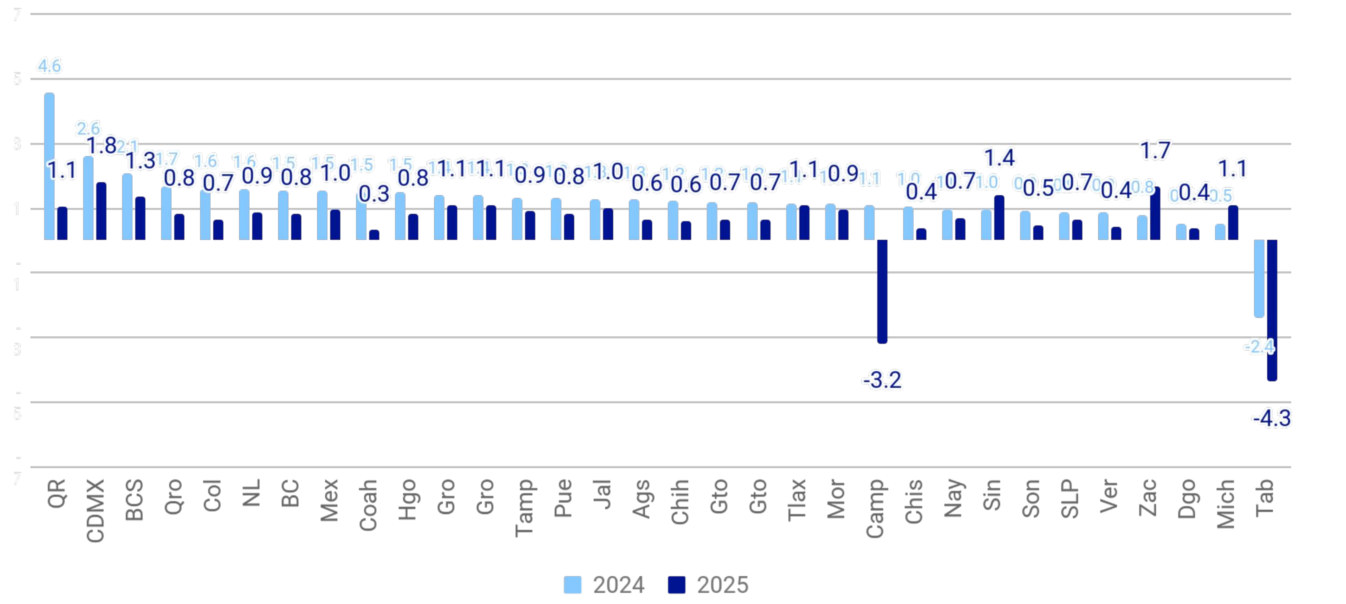
… however, digitalization remains concentrated in the northern and central regions of the country. The lag in the South-Southeast and the low adoption among microenterprises deepen productivity gaps, particularly in the use of advanced technologies such as big data and artificial intelligence (AI).

Services cushion growth in 2025

- **2024**
  Normalization of services and employment supported by a tourism rebound, along with civil works momentum from major infrastructure projects in the South and key industrial hubs.

- **2025**
  Moderate and more uneven growth, sustained by the tertiary sector, which cushions manufacturing weakness.

STATE GDP FORECAST
(GROWTH % YoY)



Source: BBVA Research with data from Inegi

Research

03

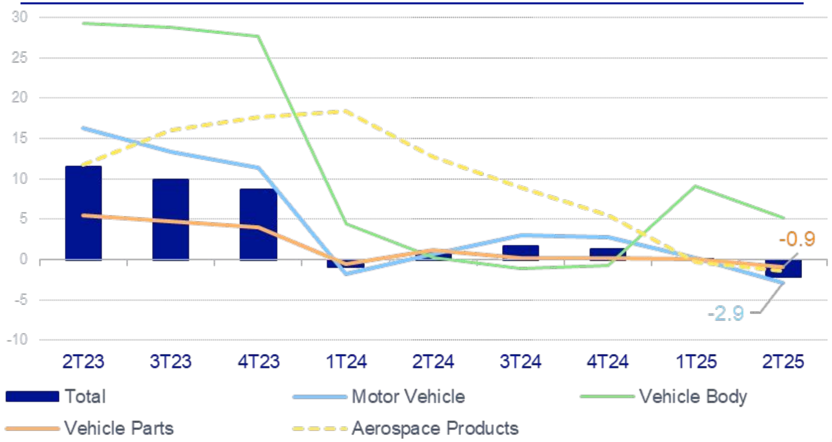
Imposition of US tariffs with moderate effects in 1H25

Automotive Outlook

Transport Equipment GDP contracted by 2.1% in 2Q25

TOTAL GDP AND TRANSPORTATION EQ
(CONSTANT TRILL MXN, GROWTH % YoY)

TRANSPORTATION EQUIPMENT GDP
(GROWTH % YOY)

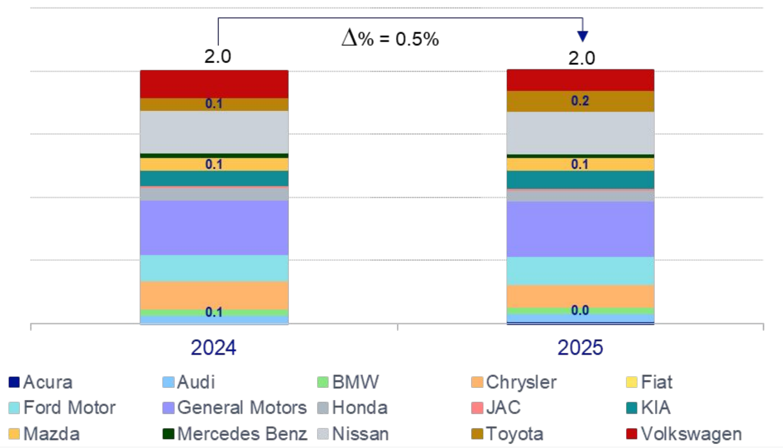


Source: BBVA Research with data from Inegi

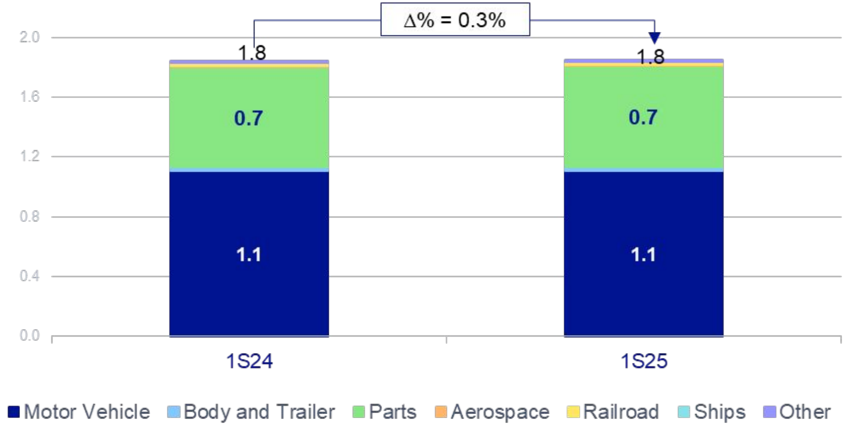
The decline was driven by a 2.9% drop in the Automotive GDP (cars and trucks), while Auto Parts GDP fell by 0.9% in the first half of 2025.

Production slows sharply…

AUTOMOTIVE PRODUCTION 1H24 &1H25
(MILLIONS OF UNITS)



VALUE OF AUTOMOTIVE PRODUCTION
(CONSTANT BILLIONS OF PESOS)

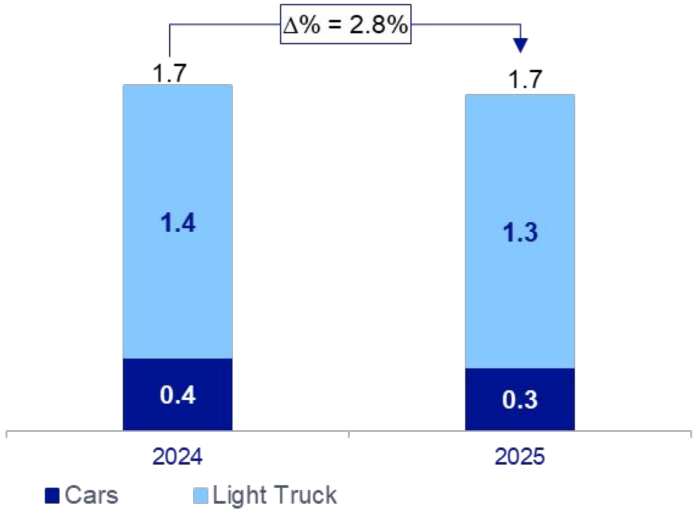


Note: Cumulative figures from Jan to June of each year
Source: BBVA Research with data from Inegi

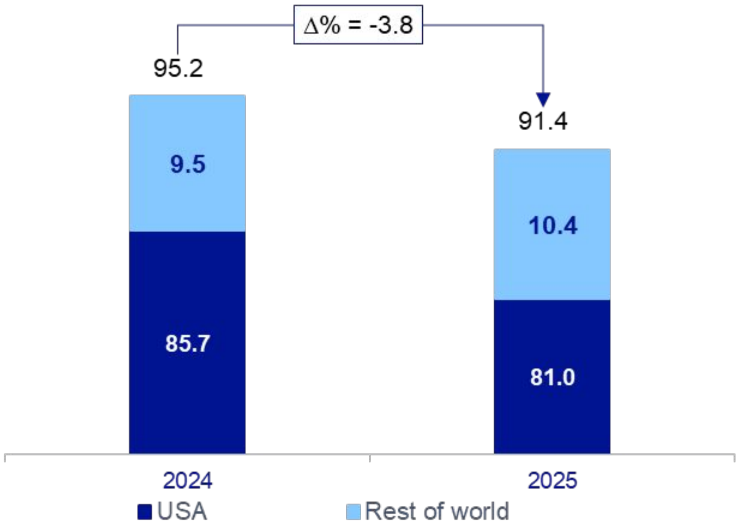
This deceleration is evident in the current growth rate of just 0.5% in units, compared to 5.3% a year earlier. A similar pattern is observed in the monetary value of production, which increased by only 0.3% year-on-year.

Automotive exports are already heading downhill

AUTOMOTIVE EXPORT
(MILLIONS OF UNITS, GROWTH. % YoY)



AUTOMOTIVE EXPORT
(BILLIONS OF CURRENT DOLLARS)

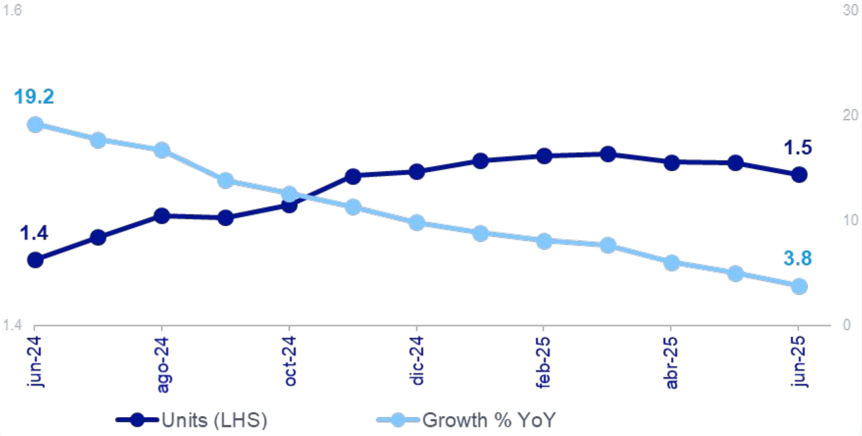


Note: Cumulative figures from Jan to June of each year
Source: BBVA Research with data from Inegi

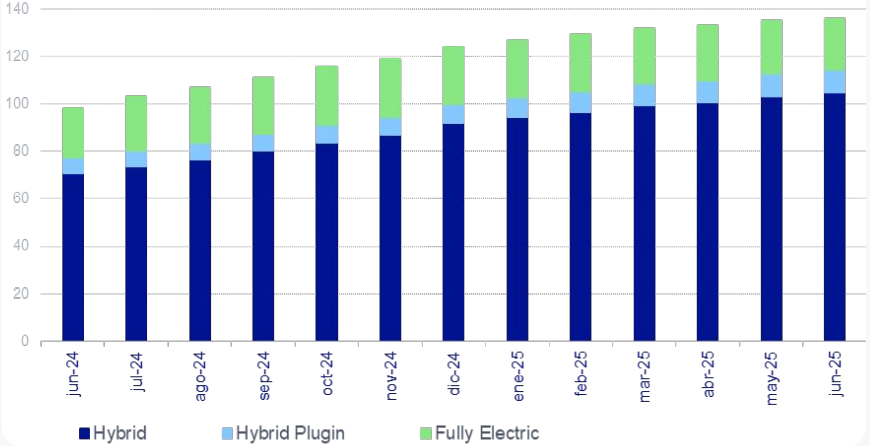
Foreign sales fell by 2.8% in units and 3.8% in value, reflecting the impact of the U.S. restrictive trade policy and the adjustment in profit margins.

Domestic market still holding up well

DOMESTIC AUTOMOTIVE SALE
(MILLIONS, GROWTH % YoY)



DOMESTIC SALES OF HYBRID CARS
(THOUSANDS)

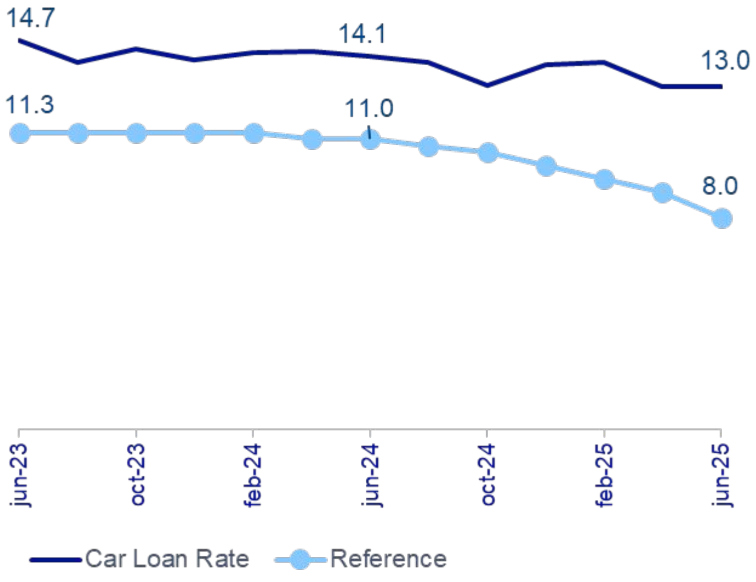


Note: Annualized figures
Source: BBVA Research with data from Inegi

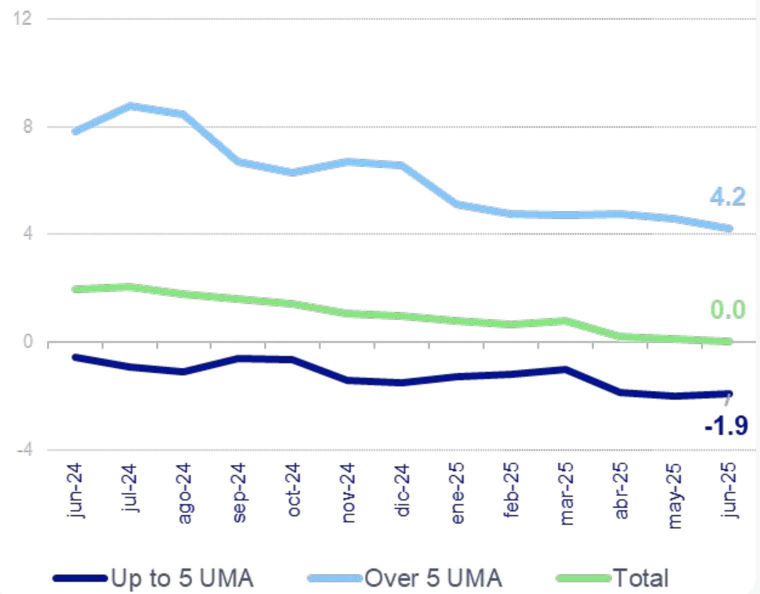
However, the slowdown is also evident in private consumption trends.
Even so, total sales could reach 1.5 million vehicles by year-end.

Credit costs trending downward, while employment earning 5 UMAs is on the rise

AUTO CREDIT INTEREST RATES Z
(AVERAGE ANNUAL NOMINAL RATE)



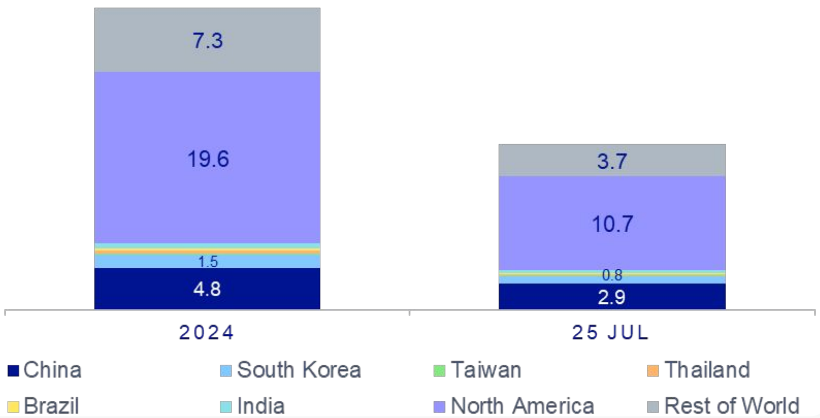
IMSS FORMAL EMPLOYMENT
(GROWTH % YoY)



Source: BBVA Research with data from Banco de México, CNBV e IMSS

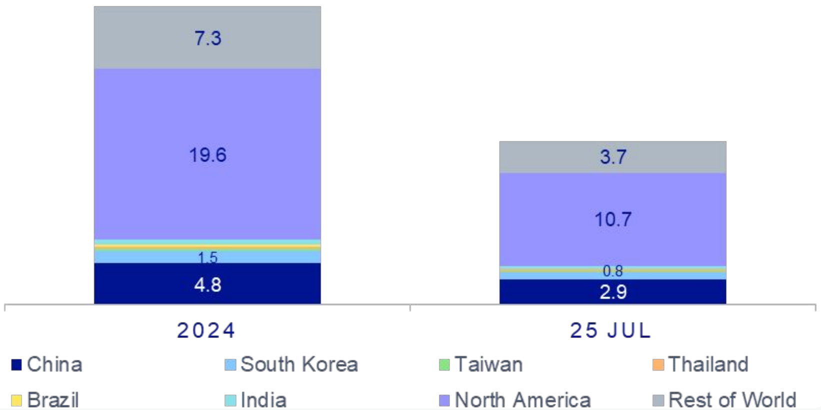
The U.S. and Canada lead the automotive supply network

IMPORT OF AUTO PARTS AND ACCESSORIES
(BILLION CURRENT MXN)



Source: BBVA Research with data from Banco de México
Note: Abbreviation for heading 8708

IMPORT OF TRANSMISSION SHAFTS
(BILLION CURRENT MXN)



Source: BBVA Research with data from Banco de México
Note: Abbreviation for heading 870850

Tariffs on imports from Asia are disrupting supply chains and could drive up domestic prices, putting upward pressure on the CPI due to higher vehicle and fuel costs.

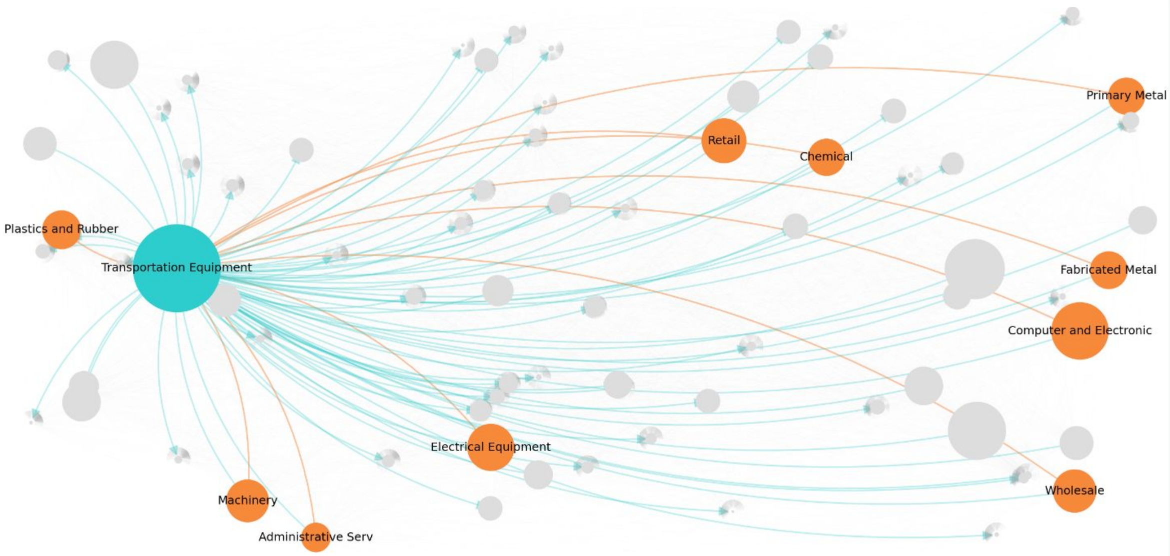
Transport Eq. is a central node in the production network

We estimated the Transport Equipment manufacturing network using the 2018 Input-Output Table.

Intuitively, every additional peso of cost in Autos, Trucks, and Auto Parts is redistributed as margin pressure across the entire network. For major buyers, this translates into higher logistics costs and, ultimately, higher consumer prices.

The Transport Equipment sector functions as a high-intermediation node, linking logistics, transportation, and trade chains.

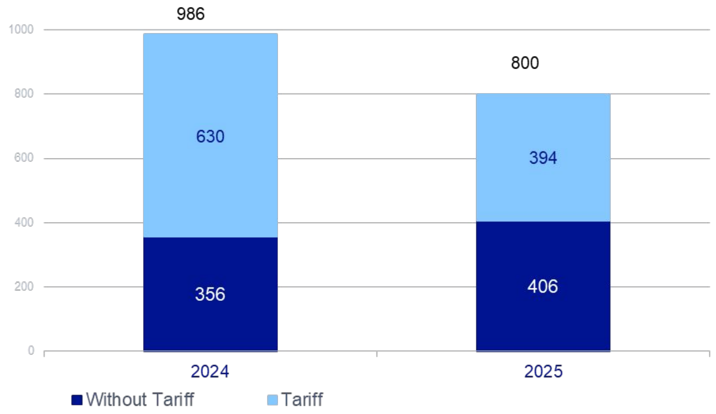
TRANSPORTATION EQUIPMENT MANUFACTURING NETWORK



Source: BBVA Research with data from Inegi. Orange nodes are the main providers.

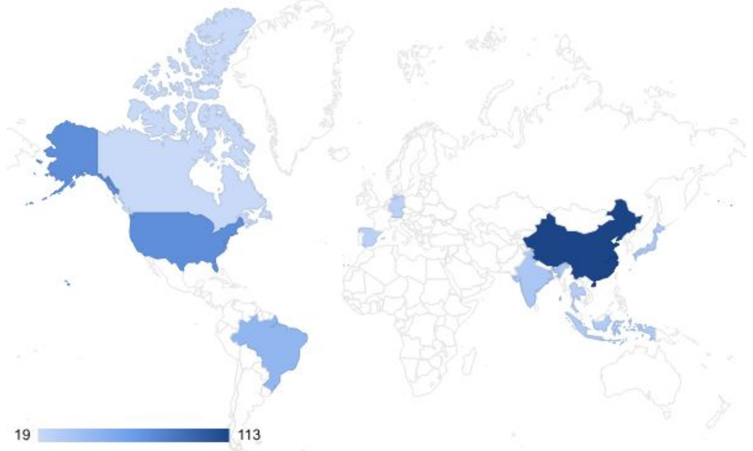
From 2005 to 2025, imports rose from 50.8% to 67.4%

IMPORTED VEHICLES
(THOUSAND)



Source: BBVA Research with data from Inegi. 2025 data up to June

DOMESTIC SALES OF IMPORTED CARS 2024
(MILLION UNITS)

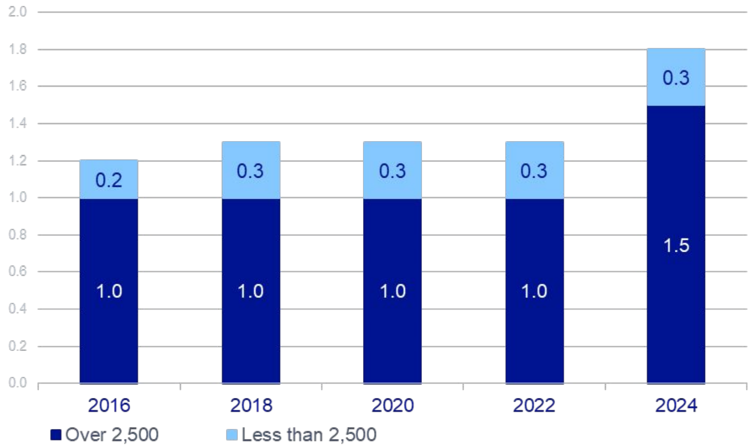


Source: BBVA Research with data from Inegi

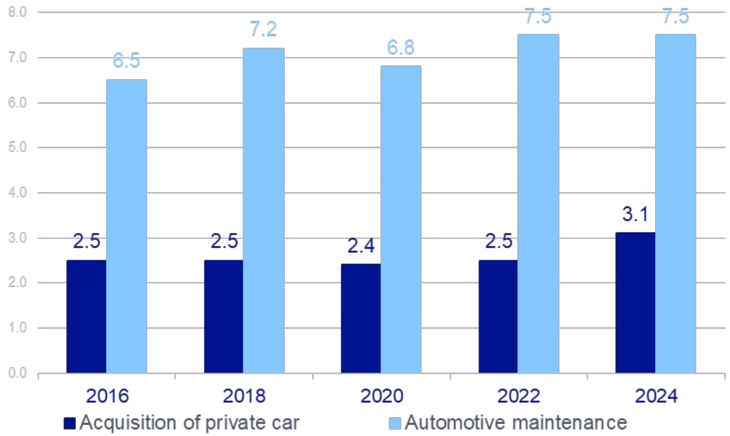
The impact of the tariff is not limited to the purchase of newly imported vehicles. It also reduces the competitive pressure these imports exerted on the market, potentially increasing the prices of other vehicles.

Households that had gained affordability could lose it

HOUSEHOLDS WITH CAR PURCHASE SPENDING
(THOUSAND)



AVERAGE SPENDING PER PERSON ON CARS
(THOUSANDS OF CONSTANT PESOS)



Source: BBVA Research with data from la Enigh, Inegi

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04

To what extent do manufacturing exports depend on exchange rate fluctuations?

Effects of the Real Exchange Rate on Mexican Manufacturing Exports

The exchange rate is not the main driver

Under the conventional view, a **peso depreciation would lower external relative prices and boost foreign demand** for Mexican goods.

However, recent empirical literature shows that the **exchange rate elasticity of exports is heterogeneous and depends on the depth of sectoral integration** into Global Value Chains (GVCs).

Thorbecke, W. (2018, 22)*

Dollar appreciation negatively affects U.S. export industries, though to a lesser extent in high-tech sectors — a similar pattern is observed in Japan's chemical industry.

Casas , C. (2020)**

In Colombia, sectors with high reliance on imported inputs exhibit greater exchange rate pass-through to export prices.

Solórzano, D. (2023)***

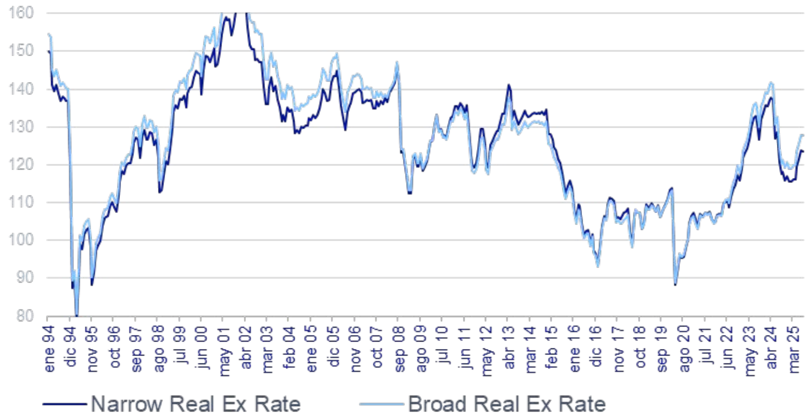
In Mexico, the impact of the exchange rate varies regionally, with stronger effects in export-oriented regions.

*Thorbecke, W. (2018). "The exposure of U.S. manufacturing industries to exchange rates." International Review of Economics and Finance 58 (2018) 538–549
*Thorbecke, W. (2022). "The impact of exchange rate changes on the Japanese chemical industry." Japan & The World Economy 62 (2022) 101135.
** Casas, C. (2020). "Industry heterogeneity and exchange rate pass-through" Journal of International Money and Finance 106 (2020) 102182
*** Solórzano, D. (2023). "Heterogeneous exchange rate pass-through in Mexico: What drives it?." Latin American Journal of Central Banking 4 (2023) 100100

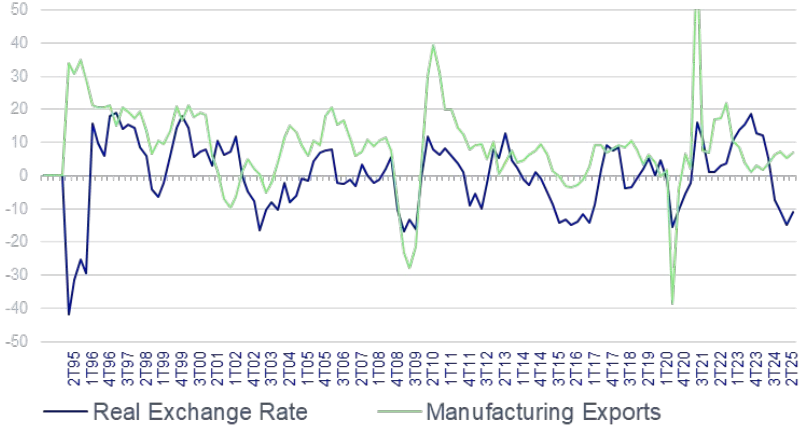
Mexico’s real exchange rate shows periods of high volatility

REAL EFFECTIVE EXCHANGE RATE
(INDEX 2020 = 100)

$$TCR = E \times \frac{P^*}{P}$$



REAL EXCHANGE RATE, MANUFACTURING EXPORTS (GROWTH % YoY)



Source: BBVA Research with data from Inegi y BIS.

The Real Effective Exchange Rate (REER) reflects the value of the peso against key trading partners — mainly the United States and Canada — making it more exposed to dollar movements. Increases in the index imply a real appreciation of the peso, reflecting both the dollar–peso dynamics and price level variations in the two countries.

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Mexico’s integration into Global Value Chains (GVCs) reduces the impact of the real exchange rate on highly integrated sectors, such as Transport Equipment. In contrast, domestically oriented sectors, such as the Food Industry, are more sensitive to exchange rate fluctuations.

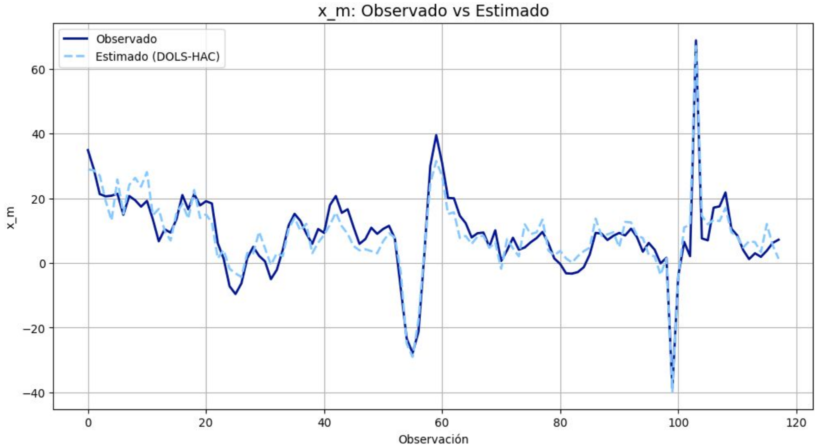
Data:

- Monthly series for manufacturing exports and the real exchange rate, 2015–2025, using INEGI, Banxico, BIS, and FRED.
- **Controls**: capacity utilization, employment, wages, value of production, and sales (EMIM).

Model:

- **DOLS** (Dynamic Ordinary Least Squares).
- Captures dynamic effects relevant to international trade.
- Enables causality analysis.
- **Following Chinn (2010), Thorbecke (2018)**

MODEL 1: TOTAL MANUFACTURING EXPORTS



Limited exposure to real exchange rate fluctuations

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Manufacturing (NAICS 31-33)	Food Industry (NAICS 311) Domestic oriented	Transportation Eq. (NAICS 336) Export oriented
R^2 = 0.87	R^2 = 0.46	R^2 = 0.95
Export sensitivity **0.044%**	Export sensitivity **0.018%**	Export sensitivity **0.014%**

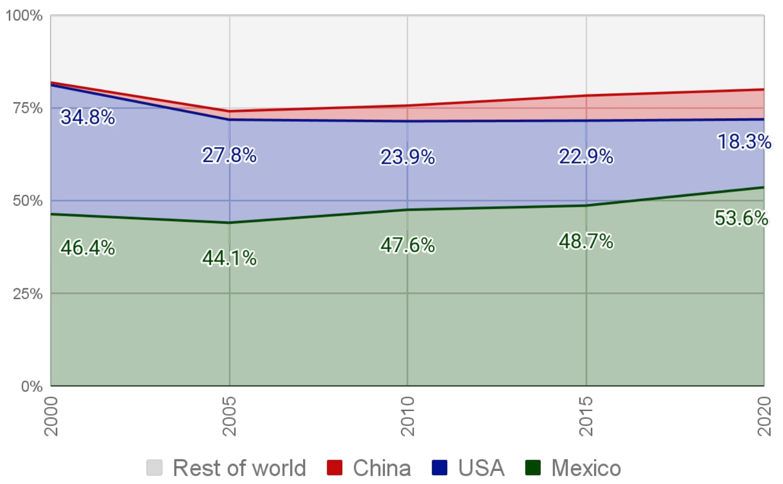
Real exchange rate depreciations stimulate exports, though with very low elasticity: a 1% depreciation in the REER increases manufacturing exports by only 0.0445%.

In the case of **Transport Equipment, sensitivity is even lower.** Despite being an export-oriented industry, its strong integration with U.S. supply chains likely dampens responsiveness to peso fluctuations.

Source: BBVA Research estimates with data from Inegi, FRED, BIS

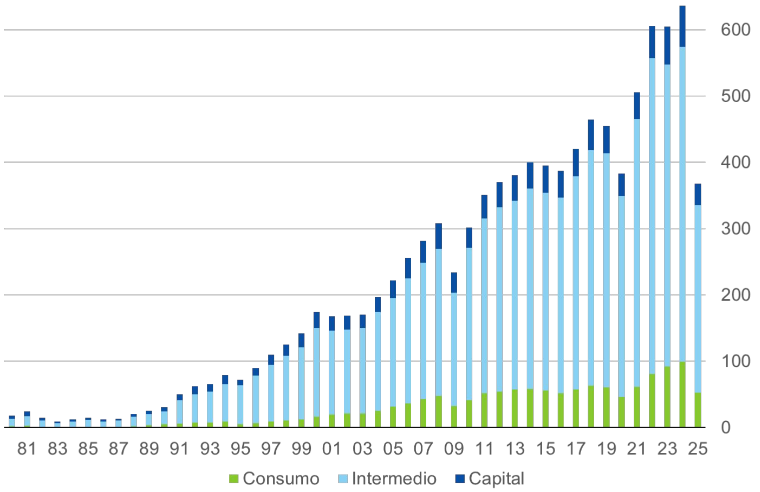
For every $100 exported in Transportation Eq., 18.3% comes from U.S.-sourced inputs

IMPORTED CONTENT MEXICAN EXPORTS OF TRANSPORT EQUIPMENT (%)



Source: BBVA Research with data from OCDE

IMPORTS FROM MEXICO BY TYPE
(BILLIONS OF CURRENT DOLLARS)



Source: BBVA Research with data from Inegi, data from 2025 to June

Deep supply chain integration, as in the case of Transportation Equipment, cushions exchange rate shocks, reducing sensitivity compared to less integrated industries such as the Food Industry.

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05

Multi-product apps increase financial inclusion by integrating payment methods and everyday services.

From mobile banking to multi-product financial apps

Key Messages

Financial Apps as Two-Sided Platforms

Multiproduct FinApps act as intermediaries that **balance adoption and usage between users and providers** through pricing structures and access rules built around high-frequency services.

Expanding User and Transaction Base

Internet lines increased from 64 to 99 per 100 inhabitants.

Mobile-linked bank accounts surged from 13.6 to 95.6 million.

Online shopping via mobile devices rose from 22.1 to 28.5 million users.

Anchor services and mass prepaid usage

Prepaid plans dominate the mobile market (84% share), and **top-ups are among the most frequently used functions** within financial services.

This facilitates the entry of prepaid segments into the formal financial ecosystem through banking apps.

Competition Through Efficiency

To enhance efficiency:

Ensure API-based access.

Promote payment interoperability.

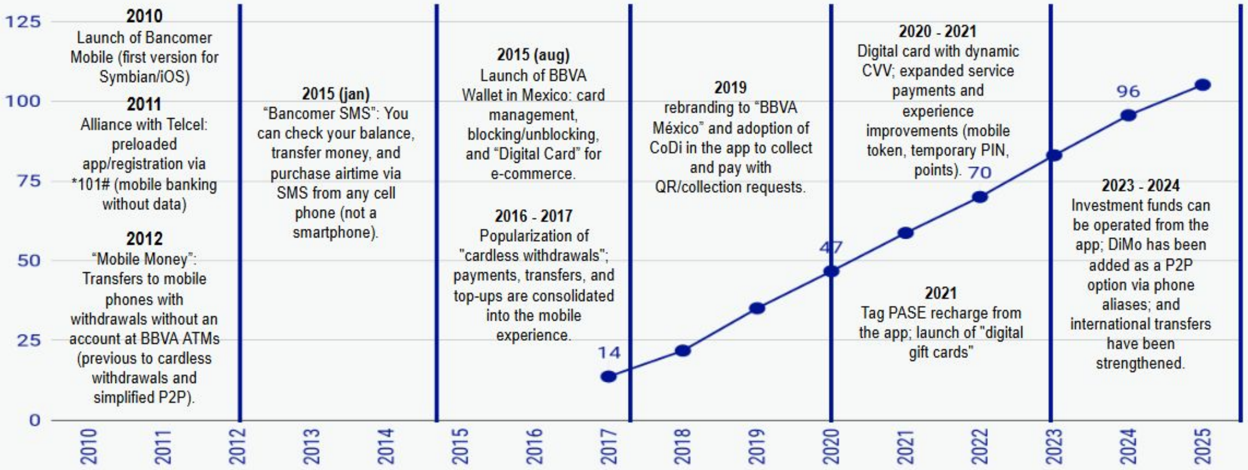
Guarantee practical portability.

Enforce non-discriminatory rules in integrations and catalog organization.

From mobile banking to multiproduct financial apps

- Banking apps have evolved into mass-market gateways for service providers.
- For banks, an expanded catalog of services increases usage frequency and enables additional fee-based revenue streams.
- For service providers, access through these platforms enhances distribution, lowers customer acquisition costs (CAC), reduces fraud risk, and enables near-instant income settlement and consolidation.

BBVA MÉXICO APP EVOLUTION: ADDED FEATURES AND SERVICES
(MILLIONS OF ACCOUNTS LINKED TO A MOBILE PHONE IN MEXICO)



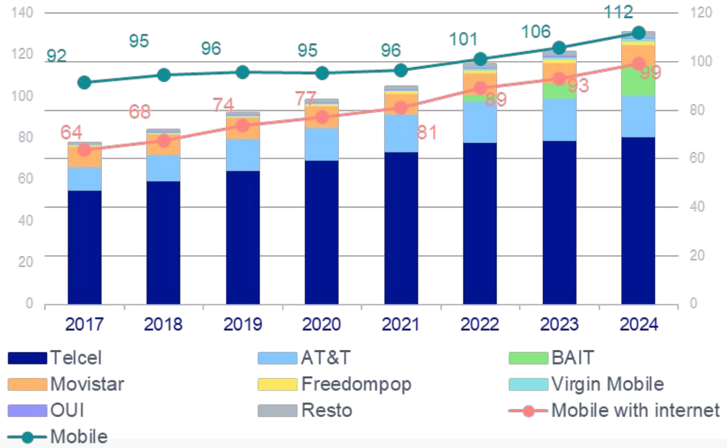
PHONE DEVICE LINKED ACCOUNTS

2017: 14 M — 2024: 96 M

Source: BBVA Research with data from the CNBV and a compilation of milestones from public BBVA México materials (website and press releases), as well as references from Banxico for CoDi/DiMo dates.
Note: Milestones are shown by year of public deployment and are approximate; the list is not exhaustive.

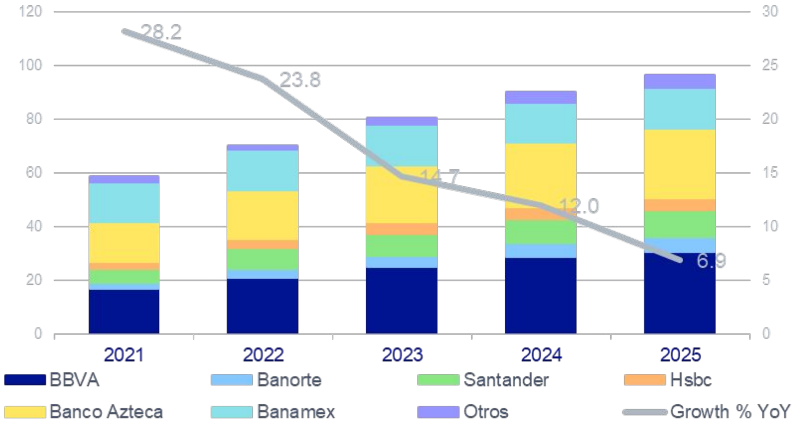
Transformation of digital consumption and payments in Mexico

MOBILE LINES WITH INTERNET
(MILLIONS & LINES / 100 INHABITANTS RHS)



Source: BBVA Research with data from IFT

CONTRACTS FOR MOBILE TRANSACTIONS
(MILLIONS, GROWTH % YoY RHS)



Source: BBVA Research with data from CNBV

The adoption of digital financial services rests on three mutually reinforcing pillars: (i) Mobile connectivity and widespread smartphone use; (ii) Instant payment infrastructure that reduces transaction friction; and (iii) Banking apps that integrate everyday life tasks into a single platform.

Anchor services to increase frequency

- The ecosystem of applications operating as multiproduct hubs in Mexico is organized into five types: banking apps, wallets/neobanks, mobile operator apps, aggregators/portals, and consumer super apps.
- From a two-sided platform perspective, these hubs intermediate between demand (authenticated users) and supply (telecoms, utilities, merchants, and digital services), establishing rules of access, ranking, and monetization that shape competitive dynamics and user engagement.

MULTIPRODUCT ECOSYSTEM BY MAJOR APPS IN MEXICO (FUNCTIONS AND USAGE ANCHORS)

Type	App	Service Payment (Utilities)	Air time	P2P (SPEI/DiMo)	QR	TAG / Parking	Gift cards	Insurance	Credit	Investments / Savings	Remittances	Cardless Withdrawal	Cashback	Third-Party APIs / Mini-Apps	Cryptocurrencies	Frequency Anchor
Banking apps	BBVA México	✓	✓	✓	◐	◐	✓	✓	✓	✓	✓	✓	◐	◐	—	Air time, utility payments, transfers
	Banorte Móvil	✓	✓	✓	◐	◐	—	✓	✓	◐	◐	✓	◐	◐	—	Air time, utility payments, SPEI/DiMo transfers
	Banco Azteca	✓	✓	✓	✓	—	—	✓	✓	◐	◐	✓	◐	—	—	Air time, utility payments, payments in the Elektra ecosystem
Wallets / neobanks	Mercado Pago	✓	✓	◐	✓	✓	✓	◐	✓	✓	◐	—	✓	◐	✓	QR in stores, Air time, utility payments, crypto
	Spin by OXXO	✓	✓	✓	✓	—	◐	◐	◐	—	—	◐	✓	—	—	Cash-in/cash-out at OXXO, Air time, QR payments
	Nu (México)	✓	✓	✓	◐	—	—	◐	✓	✓	—	✓	✓	✓	—	Card and P2P SPEI, utility payments (subject to availability)
Operator apps	Mi Telcel	◐	✓	—	—	—	—	◐	◐	—	—	—	✓	—	—	Air time and packages, line management
	Mi AT&T	◐	✓	—	—	—	—	◐	◐	—	—	—	✓	—	—	Air time and packages, line management
Aggregators	UnDosTres	✓	✓	—	—	◐	✓	—	—	—	—	—	◐	◐	—	Air time and utility payments
	RecargaPay	✓	✓	—	—	—	◐	◐	◐	—	—	—	✓	◐	—	Air time with promotions, utility payments
Super consumer apps	Rappi	◐	◐	—	◐	—	◐	◐	◐	—	—	—	✓	◐	◐	Delivery/restaurants, in-app payments, Air time/services (subject to location)
	Mercado Libre	◐	◐	◐	✓	—	◐	◐	✓	◐	◐	—	✓	◐	◐	E-commerce, QR, services/Air time via Mercado Pago

Symbol	✓	◐	—
Meaning	Typical presence	Partial presence/depending on app or location	Not typical

Source: Prepared by BBVA Research based on a functional review of apps and public documentation from operators and platforms.
Note: Functional availability refers to Mexico and the September 2025 cutoff date; it may vary by app version, customer type, location, alliances, and pilots.

Competition and Access in Multiproduct Financial Apps

Competition Risks

Self-preferencing

The platform favors its own services or those with preferential commercial agreements through ranking, panels, or flows.

Tied sales or bundling

Conditioning access to a service or user base on the purchase of another product (bundled offerings that crowd out alternatives).

Portability and switching costs

Artificial frictions that hinder transferring history, beneficiaries, or payment methods, increasing the cost of switching to another provider.

Best Practices in the Ecosystem

Functional interoperability in payments

The ability for payments and collections to operate seamlessly across different “rails,” end-to-end, without friction for the user or the merchant. Reduces exchange costs and prevents dependency on a single provider.

Practical portability of user history

The ability to carry and reuse relevant information — beneficiaries, domiciliation, favorites, receipts — through standardized APIs, with reasonable timeframes and robust security safeguards.

Non-discrimination and catalog ordering criteria

Clear and measurable rules for third-party access, tariffs, API limits, and visibility, with auditable metrics (e.g., approval times, rejection rates, average catalog positioning).

Research

Second Half 2025

Mexico Sectoral-Regional Outlook

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