ECONOMIC OUTLOOK

MEXICO

APRIL 2026

40 AÑOS BASE

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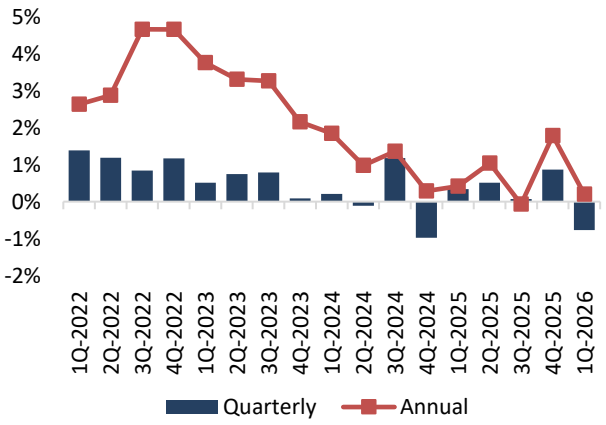
Introduction

In Mexico, GDP contracted by 0.77% in the first quarter of 2026, following growth of 0.86% in the last quarter of 2025 and marking its first decline since the fourth quarter of 2024. As a result, annual growth stood at 0.20%, slowing from the 1.79% growth recorded in the previous quarter. Notably, all three major economic activity groups recorded quarterly contraction, with primary activities at -1.36%, secondary activities at -1.05%, and tertiary activities at -0.61%. The following is noteworthy:

- This is the first time since the fourth quarter of 2024 that the three major groups of economic activity have declined at a quarterly rate simultaneously.
- This is the second consecutive quarter that primary activities have recorded a quarterly contraction, as they contracted by 1.45% in the fourth quarter of 2025.
- The decline in secondary activities is the largest since the fourth quarter of 2024, when they contracted by 2.08%, and prior to that date, it is the largest decline since the second quarter of 2020, when they plummeted by 21.67% due to the pandemic.
- The 0.61% decline in tertiary activities is the steepest since the third quarter of 2021, when they contracted by 1.30%. However, on that occasion, the decline in tertiary activities was due to the outsourcing reform. Excluding the 2021 decline, the quarterly contraction in tertiary activities is the steepest since the second quarter of 2020, when they fell 17.83% quarter-over-quarter.

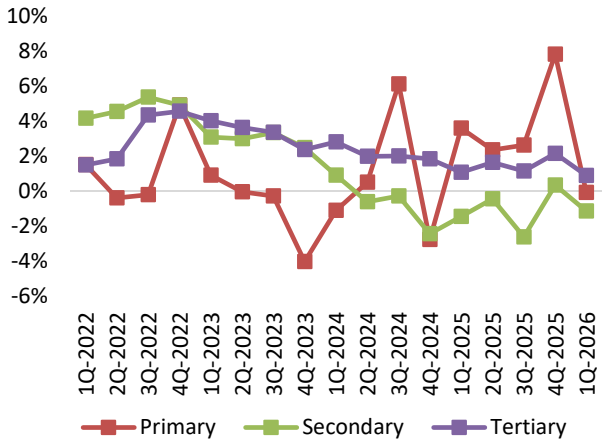
On an annual basis, primary activities contracted by 0.08%, their first decline since the fourth quarter of 2024. Meanwhile, secondary activities fell by 1.14% annually, after posting 0.34% growth in the previous quarter. It is important to note that secondary activities have shown weakness since 2024, with annual declines observed in 7 of the last 8 quarters. Finally, tertiary activities grew 0.88% annually in the first quarter, showing a marked slowdown from the 2.14% growth in the last quarter of 2025. This is their lowest annual growth rate since the first quarter of 2021.

Figure 1. GDP growth, % change



Source: Grupo Financiero BASE based on data from INEGI

Figure 2. GDP by sector, annual change (%)



Source: Grupo Financiero BASE based on data from INEGI

The GDP growth figures at the start of 2026 spell bad news for the rest of the year, as they reflect persistent weakness in primary and secondary sectors, coupled with a significant deterioration in tertiary sectors, which include wholesale and retail trade and services. This is a consequence of the sustained deterioration in the labor market and its impact on consumption growth.

The contraction in GDP during the first quarter of the year suggests that Mexico has fallen into a trap of economic stagnation. This implies that low growth is not merely a temporary phenomenon, but rather the result of structural changes: the weakening of institutions, a decline in fixed investment, a drop in productivity, and an increase in informality. By inertia, growth will remain low, as companies have no incentives to hire staff or invest. As a result, people turn to self-employment or take jobs in the informal sector to earn an income. As a result, labor productivity falls along with the population's purchasing power, leading to lower consumer spending and reduced revenues for companies, which in turn continue to lack incentives to hire staff or invest, thereby perpetuating low economic growth. Added to this is internal and external uncertainty, which discourages fixed investment and reduces public spending on infrastructure, thereby slowing economic growth in the short term and limiting potential GDP.

Given the contractions in fixed investment recorded in 2025 and early 2026, **it is estimated that Mexico's potential GDP is now lower, making it unlikely that GDP growth will reach the 2.2% annual average recorded through 2018**. Overcoming stagnation requires a strategy that, first and foremost, must foster conditions of certainty in the country and strengthen the rule of law. Public safety must be prioritized, and incentives are needed to promote formal employment, which would invigorate the economy. Furthermore, public spending must be efficiently focused on infrastructure, education, and health. Within public spending on infrastructure, the condition of the country's roads must be improved, and electricity and drinking water capacity must be expanded.

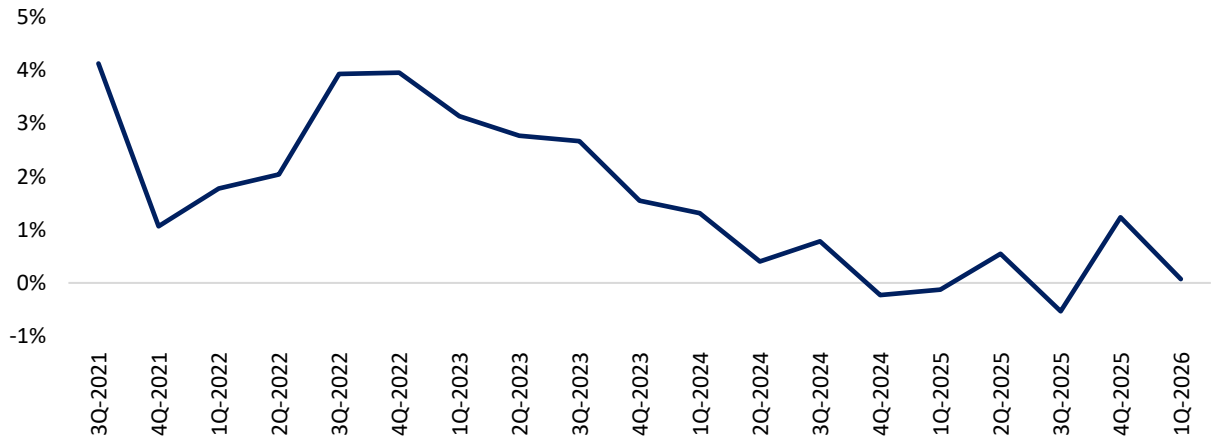
Growth of 1.0% is projected for 2026, driven in part by a mathematical effect resulting from the low growth observed in 2025 and by the fact that it is the second full year of the administration, when growth typically rebounds. Growth in 2026 will also be moderately boosted by the World Cup (approximately an additional 0.15% due to increased consumption and tourism). However, as this is a temporary boost, the jobs created will be mostly in the informal sector. On the other hand, the review of the USMCA will formally begin in July, which could increase uncertainty regarding the trade relationship between Mexico and the United States and lead to increased exchange rate volatility.

Adding to the low economic growth are doubts about the Bank of Mexico, which, although it continues to maintain its autonomy, has made controversial monetary policy decisions. This adds uncertainty, especially regarding the trajectory of inflation, which could also contribute to the factors driving stagnation.

Economic Stagnation

Economic growth is not a linear process nor does it follow a single formula for all countries. **In Mexico, GDP fell by 0.77% in the first quarter of 2026 (Figure 3), and GDP per capita remains stagnant, with a change of -1.38% compared to 2018**. Although Mexico has a sophisticated industrial base, GDP per capita has failed to make the leap to higher levels.

Figure 3. Annual growth in GDP per capita



Source: Grupo Financiero BASE based on data from INEGI

The results of a "[1] " model demonstrate that the rule of law, economic complexity, urbanization, and labor informality work together to determine a country's level of production. Of these four forces, **economic complexity and urbanization form the foundation of the economy**, **but the rule of law and labor informality are the true accelerators or critical brakes that determine GDP per capita growth**. Mexico has high economic complexity due to many years of trade with the United States, during which the country transitioned from maquila production to high-value-added production with supply chains closely linked to those of the United States. **This economic complexity, together with urbanization, has allowed it to stay "afloat" without a collapse in GDP. But that is not enough, for a country where per capita GDP does not grow is doomed to see its economic complexity deteriorate, which will eventually lead to economic failure**.

The rule of law is the key determinant of GDP per capita, as institutions function as a structural anchor for growth. Thus, **the weakening of institutions has been Mexico's greatest mistake**. This began with the cancellation of the NAICM and continued with a series of reforms that altered the judicial system and eliminated autonomous agencies, along with restrictions on energy investment and increases in labor costs.

[1] For more details, see the report "Mexico's Economic Complexity: Drivers and Constraints on GDP" and the "Technical Note."

The World Justice Project's Rule of Law Index shows that developed countries maintain levels of legal certainty with averages close to 0.80 (on a scale of 0 to 1), while Mexico lags behind at a level of 0.40. Under this scenario, if Mexico were to achieve a 0.40-point increase to reach the standard of advanced economies, GDP per capita would see a 78.85% surge, holding all other factors constant. In other words, the lack of legal certainty is driving the low investment environment in Mexico. Added to this is high informality and the fact that urbanization has room for improvement—both in infrastructure and in the concentration of capital and talent—to boost productivity.

Potential GDP

Potential GDP represents the maximum level of output an economy can generate in the long run using its factors of production (labor, capital, and technology) without generating additional inflationary pressures. Unlike actual GDP, which varies with the economic cycle, potential GDP depends on structural or long-term factors. Therefore, it is a key indicator of an economy's growth capacity.

It is essential to distinguish between structural changes and cyclical changes, as their impact on potential GDP is very different. Cyclical changes result from temporary deviations caused by some type of crisis, external shocks, price fluctuations, or monetary policy adjustments. These factors affect actual GDP, but only temporarily, without altering potential GDP. This implies that even though an economy may contract during a given period, its productive capacity remains unaffected and it could eventually return to its previous growth trajectory.

In contrast, structural changes permanently alter the economy's productive capacity, as they directly impact infrastructure, human capital, and/or technological adoption due to changes in supply chain integration, declines in productivity, or changes in the regulatory framework.

A reduction in potential GDP implies that the economy can produce less, which limits economic growth. This has serious consequences, as it reduces job creation (primarily in the formal sector) and wage growth, affecting consumption and firms' incentives for fixed investment. Furthermore, when potential GDP falls, the economy may face inflationary pressures even with relatively moderate levels of activity, since productive capacity is more limited and production becomes more expensive.

Gross fixed investment is one of the key determinants of potential GDP, as it shapes the trajectory of capital accumulation. **For productive capital to grow, investment must exceed the depreciation of existing capital. When investment is insufficient to cover that depreciation, net capital accumulation declines, implying a lower future productive capacity.** This is concerning because even when observed GDP grows, the deterioration of capital limits long-term growth.

For its part, **foreign direct investment plays a key role in determining potential GDP, not only because of its contribution to physical capital, but also because of its effects on productivity, technology transfer, workforce training, and integration into global value chains**. However, the

composition of foreign direct investment is crucial. When most of it is concentrated in profit reinvestment or intercompany accounts, its impact on capital accumulation is very limited, as it may simply involve accounting entries rather than investment that actually translated into machinery, equipment, or construction.

In Mexico, the growth in foreign direct investment in 2025 was insufficient to drive an increase in fixed investment. Furthermore, the rate of labor informality rose, and the deterioration of institutions continued. All of this points to a scenario of declining potential GDP and an economic stagnation trap in Mexico.

Growth Due to the World Cup

Assuming that in June and July 2026 (the dates on which the World Cup will take place) there is an annual growth in visitors equal to that of 2025, a total of 18.39 million visitors would enter the country. Applying the same calculation to total spending, in June and July 2026, visitor spending would amount to $6.22 billion (8.05% more than spending in 2025), meaning that average spending per visitor would be $338.02.

If the number of visitors doubles due to the World Cup matches to be held in Mexico (from June 11 to July 5), the number of tourists in June and July would rise to 36.78 million, and if average visitor spending increases by 20%, total spending would be $14.92 billion. In other words, there would be an additional $8.70 billion in spending between June and July 2026 due to the World Cup.

Taking into account the 2025 GDP and an exchange rate of 18 pesos per dollar for both months of 2026, total tourist spending in June and July 2026 would represent 0.19% of GDP. Considering only the additional spending assumed due to the World Cup's impact, this would represent 0.11% of GDP.

Among locals, World Cup-related consumption will be limited to spending redirected from other products or financed primarily through credit, as there is a marked deterioration in the labor market and the purchasing power of remittances has fallen.

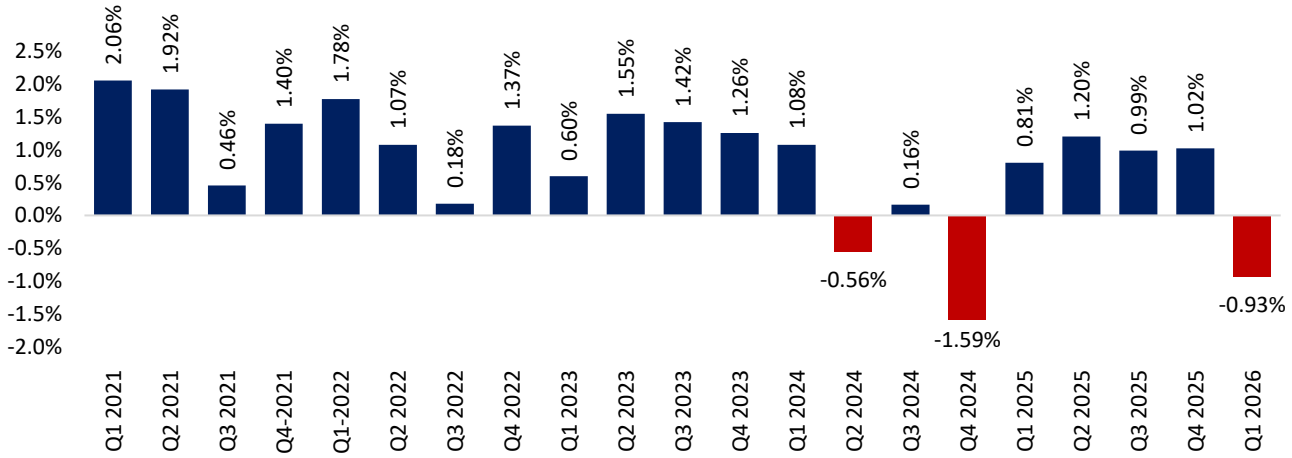
Taking the above into account, it is estimated that the World Cup will add 0.15 percentage points of growth to Mexico's GDP.

Consumption

Private consumption in January showed a monthly decline of 1.55%, the steepest drop since December 2024, when it fell 1.59%, according to seasonally adjusted figures. Compared to January 2025, private consumption grew by 2.66%, due in part to a low-base mathematical effect, as in January 2025, private consumption had fallen by 1.16% year-over-year.

The weakness in consumption is confirmed when considering the Timely Indicator of Private Consumption. This indicator estimates that consumption grew by 0.21% month-over-month in February and 0.03% in March. Consequently, **private consumption would record a quarterly decline of 0.93% (Figure 4), the first since the fourth quarter of 2024 (-1.59%**). Furthermore, it would show annual growth of 2.28% in the first quarter of 2026, contrasting with the 1.19% decline in the first three months of 2025, but remaining below the growth rates of 2022 (5.66%), 2023 (3.25%), and 2024 (5.41%).

Figure 4. Quarterly growth in private consumption, taking into account the IOCP for February and March

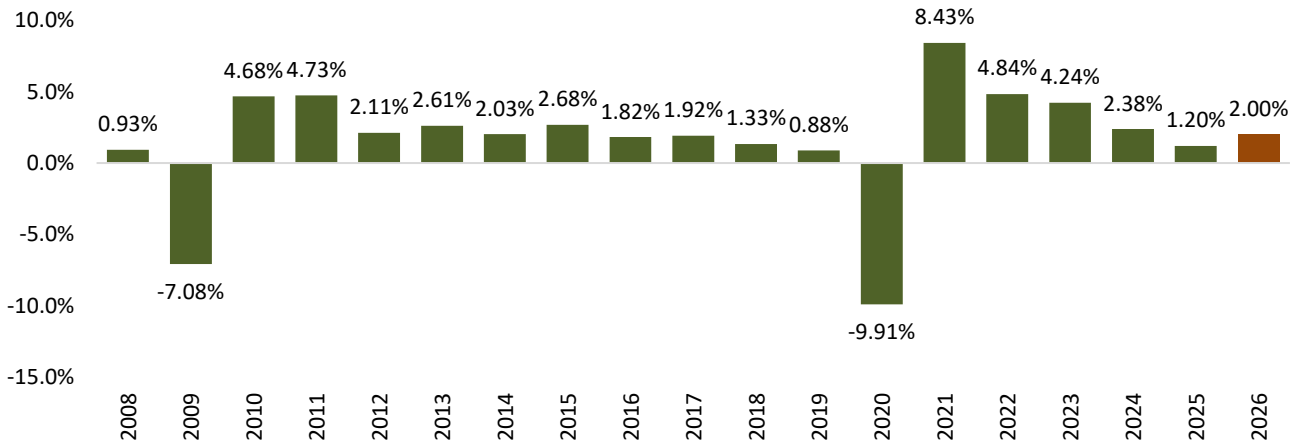


Source: Grupo Financiero BASE based on data from INEGI

Private consumption is determined by various factors that influence household spending decisions, notably the labor market, remittance flows, consumer confidence, interest rates, and inflation. These factors determine households' disposable income and their willingness to consume. Understanding the behavior of these factors is of utmost importance, as consumption accounts for more than 70% of GDP; therefore, a decline in consumption leads to slower economic growth.

By 2026, given a complex economic environment, private consumption is likely to remain weak. However, the World Cup could provide an extra boost to private consumption. With this in mind, **Grupo Financiero BASE estimates growth of between 1.8% and 2.2% in 2026, which would represent an acceleration compared to the 1.20% growth observed in 2025, though it would still be lower than in 2024 (Figure 5).**

Figure 5. Annual consumption growth and projections for 2026



Source: Grupo Financiero BASE based on data from INEGI

Labor Market

Employment data for the first quarter of 2026 show that the deterioration has deepened. The systematic shift toward informality continues to make economic growth extremely costly, reflected in a concentration of the labor force in low-productivity activities that anchors potential GDP. The quarter closes with a precarious labor market, trapped in a cycle of inefficiency and long-term stagnation.

According to the March 2026 National Occupation and Employment Survey (ENOE), the employed population fell by 116,000 people compared to the previous month, standing at 60.15 million, while the unemployed population decreased by 106,000 people, totaling 1.49 million. This caused the Economically Active Population (EAP) to decrease by 222,000 people to reach 61.65 million; this contraction is mainly due to the growth of 611,000 people in the Non-Economically Active Population (NEAP), which stands at 43.58 million, with the non-labor force—comprising those who are neither seeking employment nor available to work, either because some circumstance prevents them from doing so or simply because they lack the desire to do so—reaching its highest level on record at 38.79 million people.

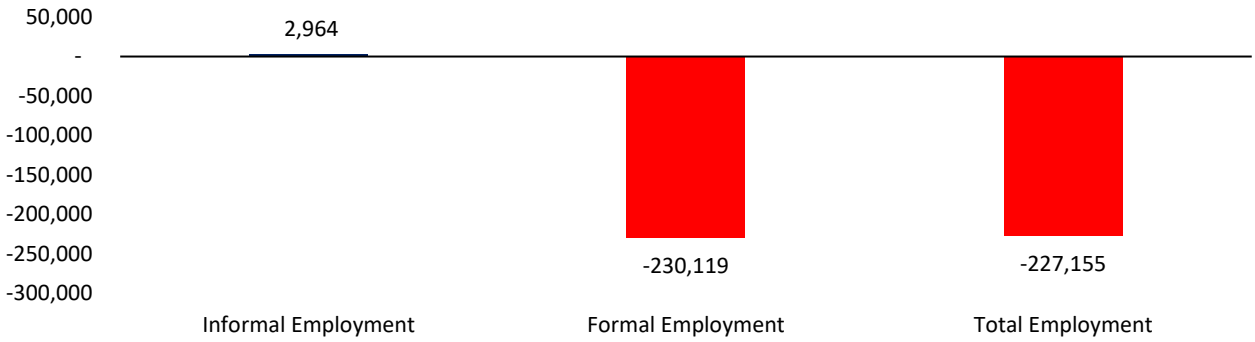
Despite this outflow of people from the labor force, the national unemployment rate rose from 2.72% in February to 2.80% in March, according to seasonally adjusted figures, its highest level since July 2023.

The monthly decline in the employed population was mainly due to a loss of 103,000 formal-sector workers and a decrease of 13,000 in the informal sector. As for the cumulative total in 2026, total employment has fallen by 227,000 people, attributable to a loss of 230,000 formal-sector jobs and an increase of just 3,000 in the informal sector (Figure 6). By employment status, **the formally employed population recorded an annual decline of 0.42%, while the informally employed**

population grew by 1.65%, marking twelve consecutive months of annual growth. As a result, the informality rate rose from 54.76% in February to 54.85% in March.

Before analyzing the data from the Mexican Social Security Institute (IMSS), it is important to note that both sources offer different perspectives: while the IMSS counts "jobs" affiliated with the formal private sector, the ENOE measures "people" using a broader definition of formality that includes workers from the IMSS, ISSSTE, PEMEX, and state institutes, as well as informality in all its forms. Therefore, the IMSS serves as a barometer of formal subordinate employment, while the ENOE provides a structural and comprehensive view of the labor market that administrative records alone cannot offer.

Figure 6. Cumulative job creation in 2026 by type of employment

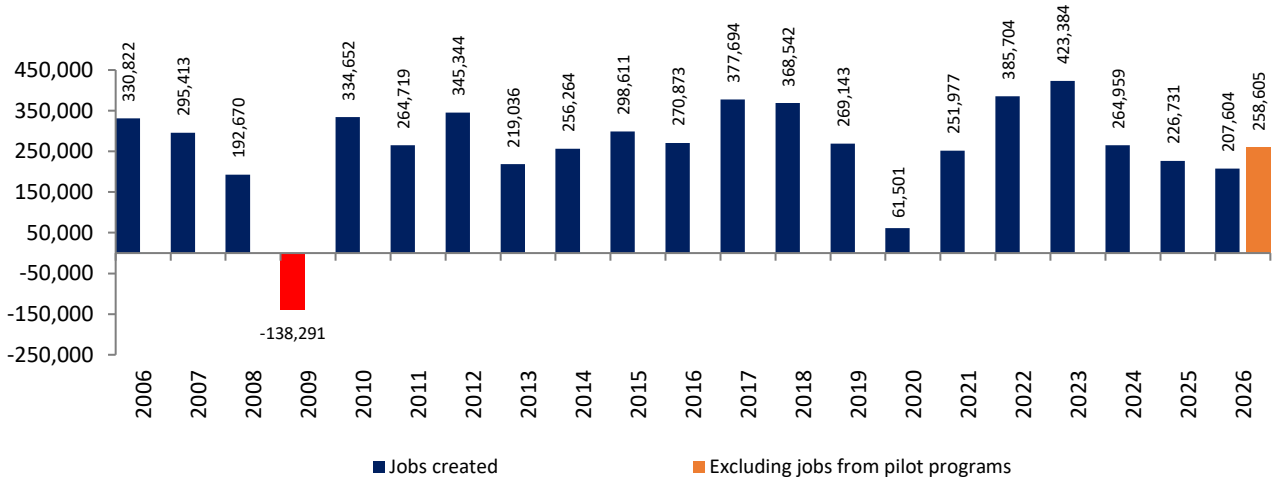


Source: Grupo Financiero BASE based on data from INEGI

In this context, the IMSS reported a total of 22,724,680 jobs in March, the highest level ever recorded for the month of March. Consequently, between January and March, there was a net increase of 207,604 jobs (Figure 7), representing an 8.44% decline compared to the 226,731 jobs created during the same period in 2025. In fact, this is the lowest job creation for a January-March period since 2020, when 61,501 jobs were created, and prior to that, since 2009, when 138,291 jobs were lost.

Regarding wages, the average contribution base stood at 663.50 pesos per day, representing real growth of 2.51%. As a result, the real wage bill grew by 3.69%, slowing for the third consecutive month from 4.38% in December 2025; while this suggests some resilience in purchasing power, its momentum stems from wage adjustments rather than genuine job creation. Consequently, it is estimated that wage bill growth will continue to slow.

Figure 7. Cumulative job growth, January–March



Source: Grupo Financiero BASE based on data from INEGI

Returning to the ENOE data that captures the entire Mexican labor market, **the massive exodus into inactivity—reflected in the historic high of the non-labor force population—exacerbates the outlook by reducing the effective labor supply in the economy's most productive segment**. Similarly, the 1.16% growth in IMSS-affiliated jobs is distorted by the digital platforms pilot program; excluding it, the actual increase drops to just 0.46%. **Even more revealing is the employer registry, which has recorded 21 consecutive months of annual declines, with a loss of 28,168 employers compared to March of last year—a trend not seen since the period from April 2003 to September 2005. This confirms that the formal sector is not only failing to generate quality jobs but is also losing the structural capacity to do so.**

Added to this are the additional pressures stemming from adjustments to the minimum wage and reforms to the workday that will shape the rest of the year. These regulations impose an immediate financial burden on the formal sector, raising hiring costs without being accompanied by a prior increase in productivity. This incentivizes companies to shift toward the informal sector.

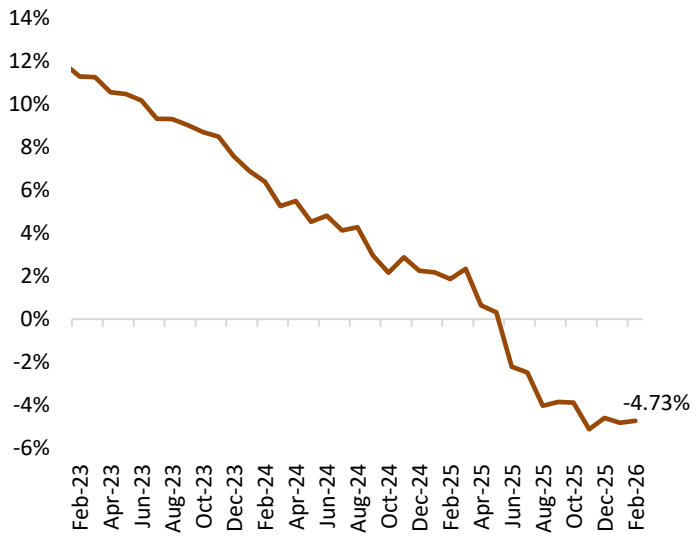
With more people and businesses in the informal sector, economic growth is limited, as on average, informal employment is less productive than formal employment. In 2024 (the latest available data), the informal sector contributed 25.38% of GDP, even though more than half of the employed population was in the informal sector. This indicates that, although the informal sector is larger in number, it contributed only 25.38% of the country's total production value, while the formal sector, with fewer employed people, generated the remaining 74.62%. By 2025, the informal sector's contribution to GDP is estimated to have risen to 26.58%.

By 2026, there is a risk that, faced with unsustainable costs and without a rebound in investment, the formal sector will opt to reduce hiring, allowing the expansion of the informal sector to continue acting as a brake on the country's growth.

Remittances

In February, remittances grew by 0.39% year-over-year. However, annual growth has been irregular for the past 24 months—that is, there have been no two or more consecutive months of growth. Over this 24-month period, remittances have shown an average annual decline of 1.22%. In fact, over the last 12 months, remittances totaled $61,726.95 million, marking a cumulative decline of 4.73% compared to the previous 12-month period (Figure 8).

Figure 8. Cumulative annual growth over the past 12 months

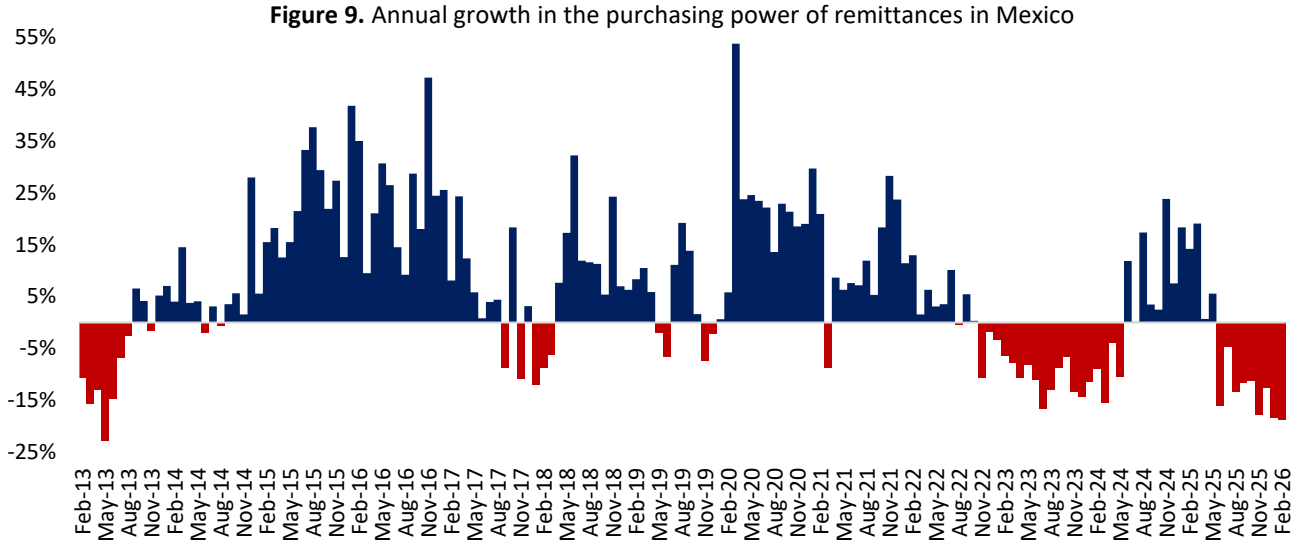


Source: Grupo Financiero BASE based on data from INEGI

For the Mexican economy, what matters is the purchasing power of remittances, which is calculated by converting them into Mexican pesos at the monthly FIX exchange rate and adjusting for inflation. In February, the peso appreciated by 15.81% year-over-year, which has a negative effect on the purchasing power of remittances. In pesos, remittances showed a year-over-year decline of 15.48% in February. Adjusted for inflation, the purchasing power of remittances in Mexico fell by 18.75% year-over-year in February (Figure 9), marking the ninth consecutive month that remittances have recorded a year-over-year decline. This implies that Mexican households receiving remittances have not only received fewer dollars but have also seen their purchasing power severely affected by the peso's appreciation and inflation in Mexico.

The weakness in remittances is due to the deterioration of the U.S. labor market and migrants' fear of going out to work, given the possibility of being deported. According to the establishment survey, a total of 205,000 jobs were created in the first quarter of the year, which—excluding the 61,000 jobs created in the first quarter of last year—represents the lowest job creation since the first quarter of 2020 and, prior to that, since the first quarter of 2010. It is noteworthy that, in March, according to the household survey, the number of employees of Mexican origin fell by 9,000 to 18.68 million, declining for the fourth consecutive month. Over those four months, 1.05 million jobs held by people of Mexican origin have been lost.

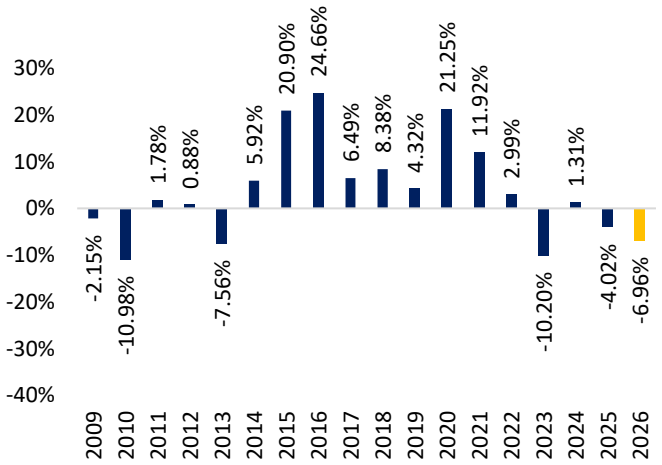
Figure 9. Annual growth in the purchasing power of remittances in Mexico



Source: Grupo Financiero BASE based on data from INEGI

By 2026, remittances in dollars are estimated to rebound by 2.60% compared to 2025, reaching $63.38 billion. Assuming an average exchange rate of 17.67 pesos per dollar in the first half of the year and 18.50 pesos per dollar in the second half (18.08 pesos per dollar for the year) and inflation trending toward 4.2% in December of this year, **the purchasing power of remittances would decline by 6.96% compared to 2025, falling for the second consecutive year** (Figure 10).

Figure 10. Projected annual change in the purchasing power of remittances in Mexico



Source: Grupo Financiero BASE based on data from Bank of Mexico

Finally, another risk factor for remittance flows is the U.S. Department of the Treasury's efforts, through FinCEN, to limit undocumented individuals' access to remittance services. On November 28, 2025, an alert was issued requesting that money service businesses detect, identify, and report suspicious activities related to cross-border fund transfers involving "illegal" aliens, to prevent the exploitation of the financial system by undocumented aliens seeking to move illicitly obtained funds across the border, including through unauthorized employment. This could significantly limit remittance flows, although this will depend on how the alert is implemented and the Treasury Department's monitoring of money service businesses. It is worth noting that approximately 11.5 million Mexicans live in the United States, of whom approximately 35% have irregular immigration status—that is, nearly 4 million. It is estimated that these undocumented migrants are more likely to send remittances due to their ties to family members in Mexico and are estimated to account for nearly 40% of remittances arriving in

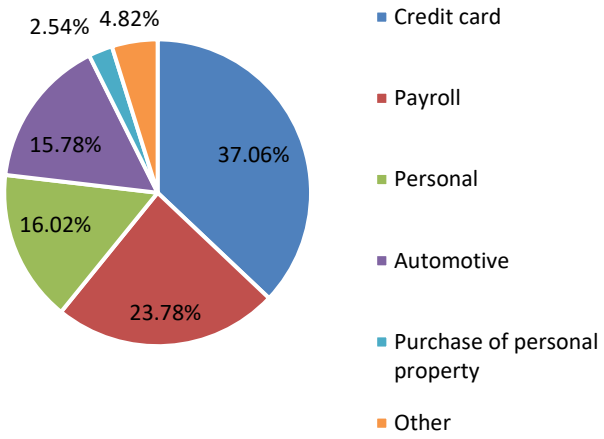
Mexico. If a ban on remittances by undocumented immigrants were to take effect, they would likely seek alternative ways to send money, but a decline in dollar remittances of between 10% and 20% annually would be inevitable.

Consumer Credit

One of the factors that has prevented a greater weakening of private consumption is the increase in credit issuance. According to figures from the Bank of Mexico as of February 2026 (latest available data), the outstanding balance of consumer credit granted by commercial banks grew by 22.63% annually, well above the average growth of 15.17% recorded over the past two years. Within this category, credit card financing increased by 44.20% annually, its highest growth since December 2023 and well above the 14.47% average of the past two years.

Credit cards currently account for 37.06% of Mexico's total consumer credit, the highest proportion since May 2011. While this momentum has boosted consumption in the short term, it poses risks going forward, especially if household incomes do not grow at the same pace as debt. This has served as a support for household spending; however, it could lead to greater fragility in future consumption, as users will have to allocate a larger proportion of their income to interest payments, which could become unsustainable.

Figure 11. Types of consumer credit as a percentage of the total



Source: Grupo Financiero BASE based on data from Bank of Mexico

Furthermore, **some indicators are already showing warning signs. Although the non-performing consumer credit portfolio in February remains at manageable levels with a delinquency rate (IMOR)[2] of 3.44% (Table 1), this represents the highest level since July 2021, suggesting that a segment of the population is losing its ability to pay.**

[2]The delinquency index (IMOR) is calculated as the ratio of the past-due portfolio balance to the total portfolio balance.

Table 1. Delinquency rate (IMOR) for types of consumer credit granted by commercial banks, February 2026

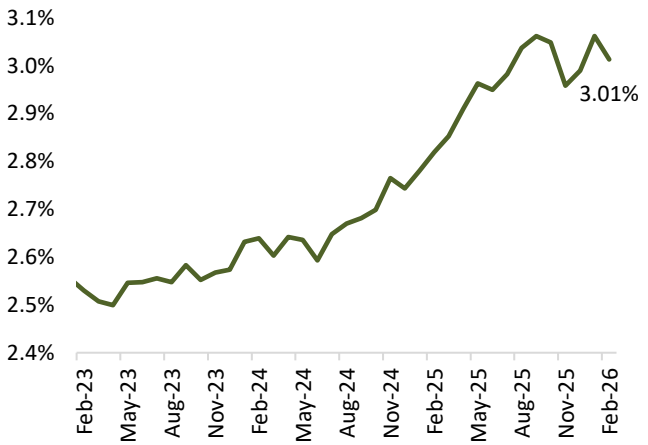
	Delinquency rate	Highest level since	Share of consumer credit
Consumer loans	**3.44%**	**Jul-21**	**100%**
Credit card	3.43%	Jan-26	37.06%
Payroll	2.95%	Jan-26	23.78%
Personal	5.82%	Dec-25	16.02%
Automotive	1.38%	Nov-22	15.78%
Purchase of personal property	6.61%	Oct-21	2.54%
Other	3.10%	Jan-21	4.82%

Source: Source: Grupo Financiero BASE based on data from Bank of Mexico

Domestically, the deterioration in the delinquency rate for auto loans stands out, reaching 1.38%—its highest level since November 2022 and showing a clear upward trend (compared to 1.04% in January of the previous year). Meanwhile, credit for the purchase of personal property reached a delinquency rate of 6.61%, the highest level since October 2021. Both categories belong to the durable goods segment, and their high levels of default suggest that households are facing difficulties in meeting their obligations after committing a large portion of their income.

As for housing loans, in February 2026 the total portfolio showed growth of 5.24%, with a clear downward trend, marking 16 consecutive months of deceleration. Housing loans are growing at a slower pace, as household incomes have been affected by the deterioration of the labor market, the decline in remittances, and high inflation. In fact, the delinquency rate (IMOR) for consumer loans has been above 3% in five of the last seven months (Figure 12), a situation not seen since December 2020 through February 2022, when the rate remained above 3% for 16 consecutive months.

Figure 12. Delinquency Rate (IMOR) for Home Loans



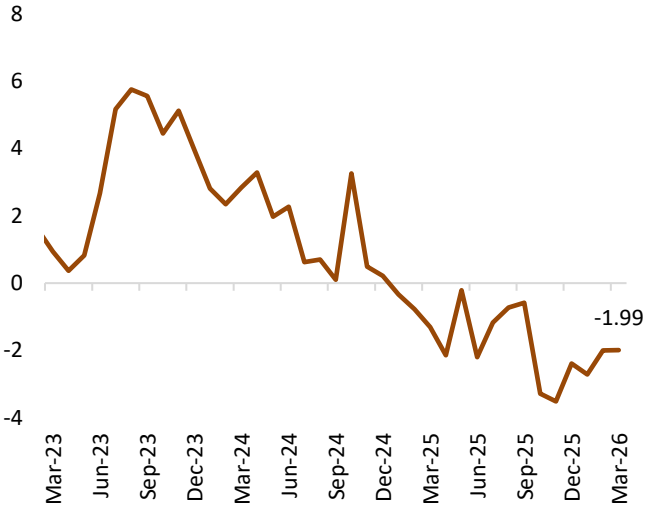
Source: Grupo Financiero BASE based on data from Bank of Mexico

Confidence

Consumer confidence allows us to assess the degree of optimism or pessimism people have regarding their current financial situation and the future of the economy. Therefore, a decline in consumer confidence can lead to greater caution in their spending decisions. During the quarter, consumer confidence continued to decline. The consumer confidence index stood at 44.13 points in March, down 0.27 points from December 2025. Likewise, on a year-over-year basis, consumer confidence fell by 1.99 points, marking 15 consecutive months of declines (Figure 13)—a trend not seen since the period between December 2019 and March 2021, when annual declines were observed for 16 consecutive months. The persistence of this trend suggests that it is not a temporary adjustment, but rather a structural erosion of economic expectations.

All components show annual declines: 1) the component responding to the question about the current economic situation of household members compared to 12 months ago has seen 17 consecutive months of declines. 2) the component responding to the question about the economic situation of household members in 12 months compared to the present has accumulated 15 months of declines, 3) the component responding to the question about the country's economic situation compared to 12 months ago, compared to the same month in 2025, has accumulated 16 months of declines, 4) The component addressing the question regarding the country's economic situation in 12 months compared to the current one has declined for 15 consecutive months. 5) The component addressing the question regarding current prospects for purchasing durable goods has declined for two consecutive months and stands at its lowest level since June 2023. Such declines have not been seen since periods associated with recession in Mexico.

Figure 13. Consumer confidence. Year-over-year change in percentage points



Source: Grupo Financiero BASE based on data from INEGI

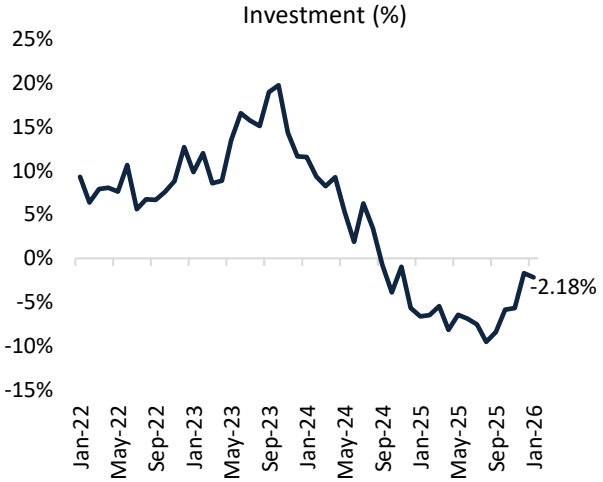
Thus, both the perception of the household situation and that of the country's economic situation have accumulated several months of annual declines, suggesting a deterioration in confidence and the perception of future risks, which implies that consumers will be cautious in their spending decisions.

Investment: Structural Weakness in Growth and a Slowdown in Long-Term Growth

In any economic growth model, fixed investment is a key determinant. Investment is the means of production; without its growth, the economy is doomed to stagnation.

In Mexico, gross fixed investment fell by 2.18% year-over-year in January (Figure 14), marking 17 consecutive months of decline and standing 9.61% below the all-time high recorded in July 2023. This is the longest streak of consecutive declines since the period between November 2018 and February 2021, when investment contracted for 28 consecutive months. By component, investment in machinery and equipment contracted by 8.02% year-on-year in January, marking 14 consecutive months of declines and accumulating a 13.16% contraction over th . Investment in machinery and equipment is now 14.08% below its all-time high reached in August 2024. It is worth noting that the annual decline of 8.02% was the largest for a given month since 2009 (23.49%) and, prior to that year, since 1995 (-27.69%). The decline in fixed investment represents a brake on long-term economic growth, as it implies a reduction in the country's productive capacity.

Figure 14. Annual Growth in Gross Fixed Investment (%)



Source: Grupo Financiero BASE based on data from INEGI

The decline in investment is explained by lower public spending on infrastructure, as well as by uncertainty (both domestic and external) that discourages private investment. In the first two months of the year, public spending on fixed investment fell by 44.9% compared to the same period the previous year, marking the largest recorded cut for such a period. This follows a 28.4% drop in this type of spending in 2025, the largest reduction on record for any single year. This acts as a brake on economic growth while simultaneously jeopardizing the country's productive capacity.

Meanwhile, private investment is also showing weakness; according to preliminary figures, private-sector investment contracted by 4.52% year-over-year, following a 2.33% increase the previous month. As a result, private investment has declined in 16 of the last 18 months. Domestically, the decline was driven by investment in machinery and equipment, which contracted by 10.83% annually, marking 18 consecutive months of decline—the longest streak on record since 1994.

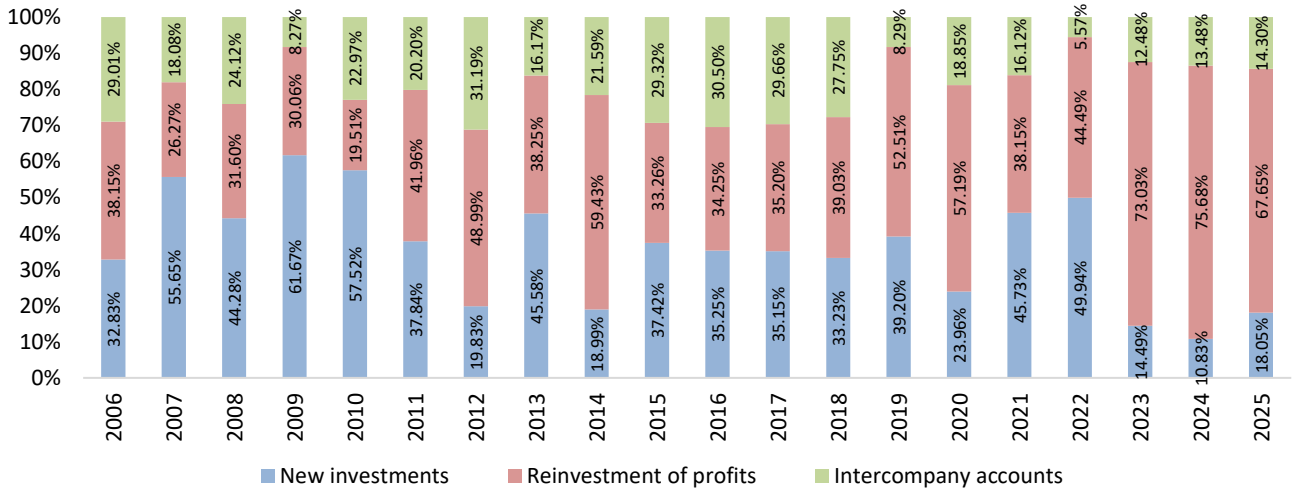
According to the Bank of Mexico's survey of private-sector economic experts' expectations, 0% of the experts surveyed believe it is a good time to invest. A 0% reading has only been recorded in: October 2001, February 2009, November 2016, May and October 2019, March, April, June, and August 2020, and December 2025.

Given the above, it is estimated that gross fixed investment will close 2026 with a contraction of 2.0%[3] . With this, fixed investment will have recorded two consecutive years of declines[4] , something not seen since 2019 and 2020, the only time investment has fallen for two consecutive years.

Meanwhile, foreign direct investment, although it has reached historic highs, is showing worrying signs. Foreign direct investment plays an essential role in the Mexican economy, as it drives job creation, strengthens competition, and contributes to the modernization of the country's productive and technological infrastructure. Over the past decades, it has been a key factor in the development of strategic sectors, particularly in the manufacturing industry, where the automotive, electronic components, telecommunications, and renewable energy sectors stand out.

In 2025 (the latest available data), foreign direct investment in Mexico totaled $40.871 billion, a record based on preliminary figures, but below the approximately $48.357 billion reached in 2013 based on revised figures. Within the 2025 foreign direct investment figures, it is noteworthy that new investments accounted for 18.05% of the total, up from 10.83% in 2024 and 14.49% in 2023, but significantly below the 49.94% observed in 2022 and the 45.73% in 2021. In fact, the proportion of new investments in 2025 was well below the historical average of 42.23% (Figure 15).

Figure 15. FDI by type of investment

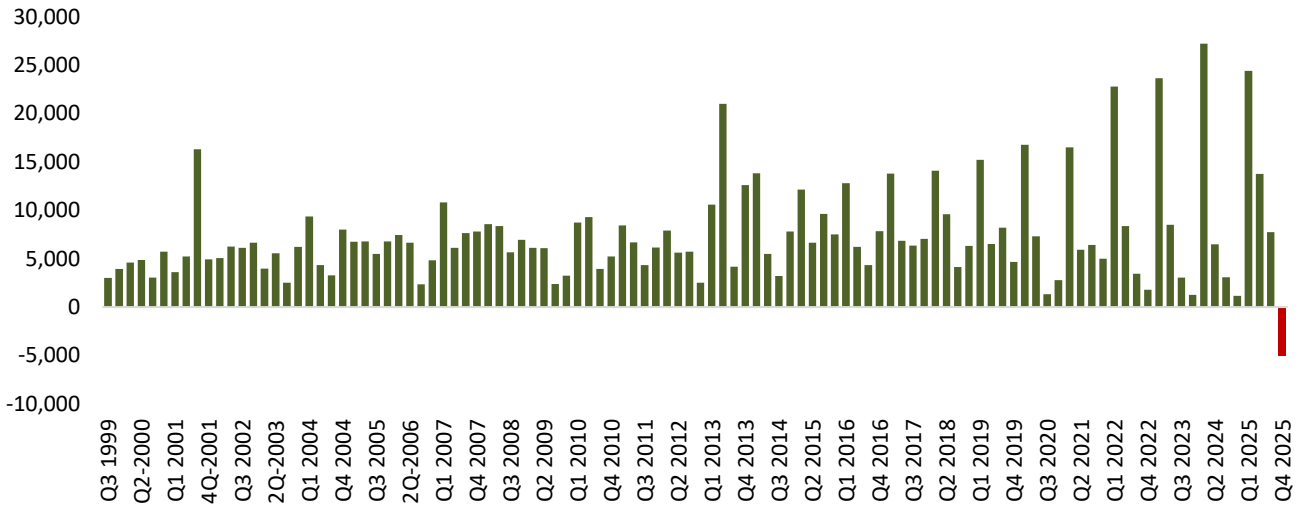


Source: Grupo Financiero BASE based on data from Bank of Mexico

[3] For fixed investment to show 0% growth in 2026 instead of a decline, it would need to register average monthly increases of 0.45%, which is unlikely since it would have to resume the trajectory observed between 2021 and 2023, when uncertainty was much lower and the government was spending more on physical investment.
[4] In 2025, fixed investment contracted by 6.59%.

More concerning is that in the fourth quarter of 2025, a divestment of $5.026 billion was recorded (Figure 16). This implies negative foreign direct investment in Mexico, an unprecedented occurrence since the series began in 1980. This was mainly explained by the reinvestment of profits, which showed an outflow of $4.103 billion, marking two consecutive quarters in negative territory. Likewise, intercompany transactions recorded a divestment of $1.060 billion during the same period. Although a single data point does not indicate a trend, the fact that this is the first period in history with negative foreign direct investment is cause for concern.

Figure 16. Foreign direct investment by quarter, in millions of dollars



Source: Grupo Financiero BASE based on data from Bank of Mexico

Annual foreign direct investment flows have been cited as a favorable indicator reflecting international investor confidence and driving long-term economic growth. Mexico is the United States' main trading partner and has a favorable geographic location, which should facilitate the inflow of foreign investment. However, the investment figures are not as positive when contrasted with the size of the population and the importance of foreign trade in the economy. On a per capita basis, Mexico receives only $310 in foreign direct investment per person, less than half of what the United States ($719) or Canada ($2,309) attract. Even Chile, with a less strategic geographic position and a less close trade relationship with the United States, receives more than double the per capita investment of Mexico. Likewise, as a proportion of total international trade, the flows are small: foreign direct investment in Mexico accounts for only 3.03% of its total trade, compared to 8.55% in Canada or 12.10% in Brazil (Table 2).

Table 2. Foreign Direct Investment by Country

Country	FDI per capita 2025 (dollars)	FDI as a proportion of GDP 2025	FDI as a proportion of international trade 2025
United States	719	0.80%	4.33%
Mexico	310	2.23%	3.03%
Canada	2,309	4.17%	8.55%
Brazil	364	3.41%	12.10%
Colombia	214	2.51%	9.51%
Chile	727	4.08%	7.27%

Source: BASE Financial Group, based on data from the Ministry of Economy, Bank of Canada, Banco de la República (Colombia), Banco de Chile, Central Bank of Brazil, Bloomberg, International Monetary Fund, World Bank, and World Trade Organization.

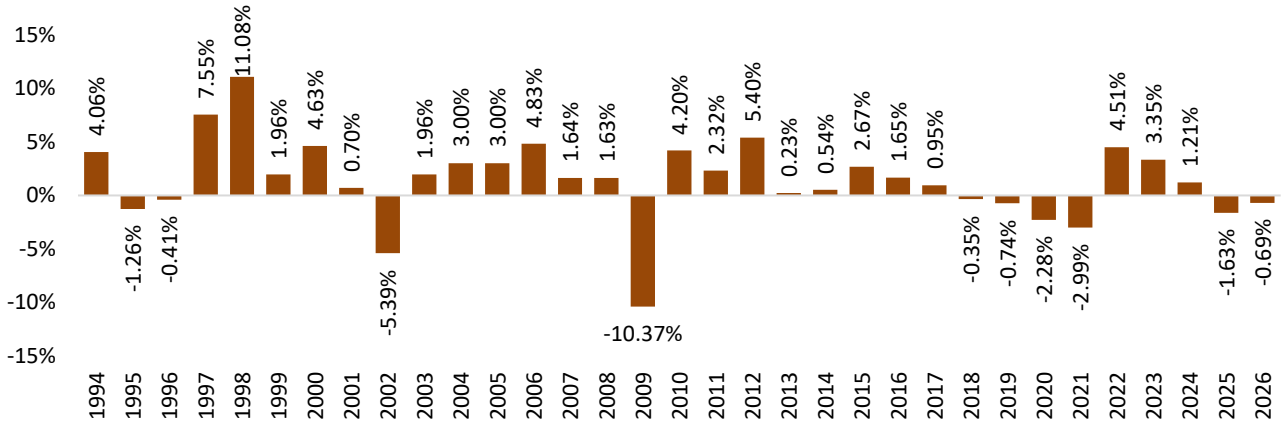
This means that Mexico is not attracting the investment flows it should be receiving given its size and openness to trade. This is due to: 1) a lack of legal certainty, 2) high administrative costs for starting operations or conducting economic activities in Mexico, 3) public insecurity and a weak rule of law, 4) uncertainty about the future of the trade relationship with the United States, 5) a lack of infrastructure, especially safe roads and electricity, and 6) a lack of effective promotion of Mexico abroad.

In fact, if the proportion of new foreign direct investment flowing into Mexico were to rise again to reach 45% of the total—while keeping reinvestment flows and intercompany transactions constant—total foreign direct investment would reach nearly $62 billion. This implies that new investment would amount to approximately $28 billion, representing 1.5% of Mexico's GDP. It is worth noting that foreign direct investment is a flow, just like GDP, so **new investment would boost economic growth by 1.5 percentage points**. **Thus, Mexico's GDP would grow by more than 2% per year**.

Industrial Activity

In the first two months, industrial activity accumulated a contraction of 0.69% (Figure 17). Within this, two sectors recorded annual growth: mining (+0.99%) and construction (+2.99%), while cumulative annual declines were observed in: basic services (-0.29%) and manufacturing (-1.95%). It is noteworthy that the cumulative decline in manufacturing during the first two months has only been greater in: 1996 (-4.73%), 2002 (-7.54%), and 2009 (-13.52%).

Figure 17. Growth in industrial activity during the first two months of each year



Source: Grupo Financiero BASE based on data from INEGI

The decline in industrial activity during the first two months of 2026 confirms that weakness in the manufacturing sector continues, due to: 1) the imposition of sector-specific tariffs on imports in the United States, primarily affecting the automotive and steel industries, and 2) the lack of investment in Mexico, amid institutional deterioration and a loss of business confidence. It is important to note that industrial activity has shown a significant decline since 2024, so the recent drops are not solely attributable to the United States' protectionist trade policy.

Notably, in February, the computer equipment manufacturing sector recorded an annual decline of 4.44%, its first drop since July 2025 and the steepest since December 2024. This is concerning as stagnation may occur in this sector because capacity utilization is near 100%, requiring further investment for growth to continue. This represents a downside risk for exports, as this sector was the main driver of growth in 2025. In fact, exports from this sector to the United States rose by 74.83%[5] in the first two months of the year, as the tariff rate is only 0.13%.

[5] According to data from USA Trade.

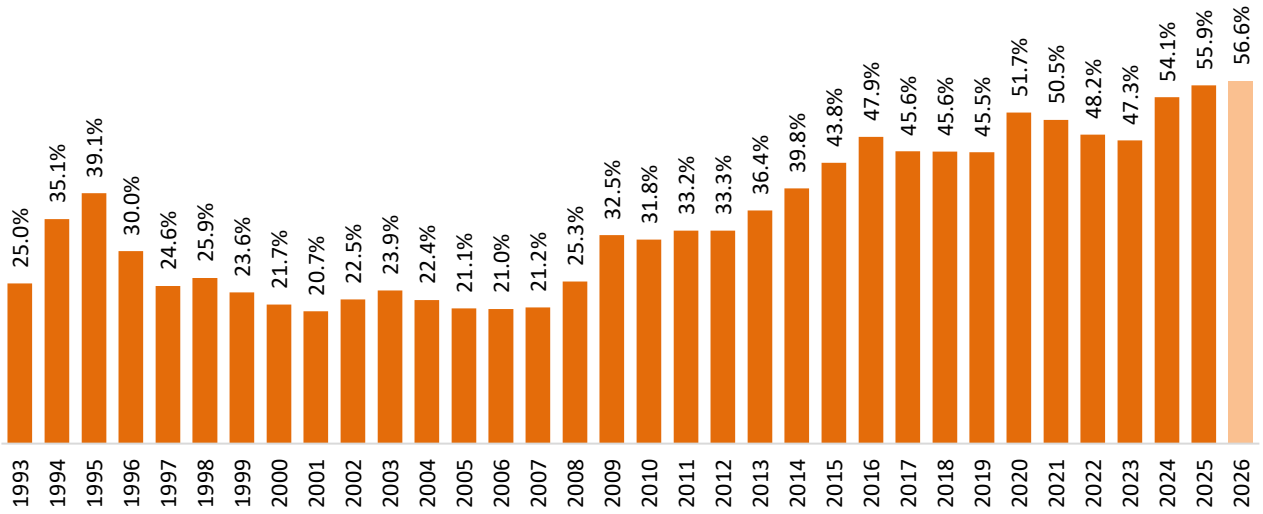
Public Finances

In the first two months of the year, budget revenues totaled 1.42 trillion pesos, showing real growth of 2.0% compared to the same period in 2025. This is mainly because non-oil revenues showed a real annual increase of 3.3% year-to-date, driven by tax revenues that rose by 2.6%. Within this category, the special tax on goods and services (IEPS) stands out, having increased by 14.2% in real annual terms during the first two months of 2026 due to taxes on sugary drinks. Additionally, income tax (ISR) collections rose by 4.9% in real annual terms, coming in 6.3% above projections.

As for spending, in the first two months of the year it totaled 1.52 trillion pesos, growing by 2.5% in real annual terms compared to the same period last year. Despite this, it is noteworthy that spending on physical investment fell by 44.9% to 87,073.2 million pesos, marking the lowest level since the same period in 2020, when spending in this category stood at 80,004 million pesos. By functional classification, economic development was the most affected component, with a 73.8% decline; within this category, fuels and energy fell by 74.8%, transportation by 63.7%, and general economic, commercial, and labor affairs by 98.2%.

Meanwhile, it is noteworthy that the Historical Balance of Public Sector Financial Requirements (SHRFSP) rose to 18.69 trillion pesos in the first two months of 2026, registering a 2.2% increase compared to the same period in 2025, and standing at 49.8% of 2025 GDP. In addition, the gross public sector debt balance amounted to 19.96 trillion pesos, reflecting a 1.85% increase compared to the balance as of February 2025, and standing at 56.6% of 2025 GDP (Figure 18).

Figure 18. Gross debt as a percentage of GDP



Source: Grupo Financiero BASE based on data from the Bank of Mexico.
For 2026, data is shown for the first two months, using 2025 GDP as a reference.

Consequently, the International Monetary Fund estimates that gross public sector debt as a proportion of GDP will reach 62.7% by year-end and could reach 63.6% by 2030. This differs sharply from the estimates made by the Ministry of Finance, which project that by the end of the year, public debt as

a proportion of GDP will be 57.4% and will remain at that level until 2030. This poses a serious risk to Mexico's sovereign debt credit rating.

Due to the weakening of Mexico's institutions, the persistent downside risks to economic growth, and the growing share of spending allocated to social programs, pensions, and the financial cost of debt, it is estimated that Mexico is at high risk of losing its investment-grade rating over the next four years.

Table 3. Estimated Debt-to-GDP Ratio at the End of 2026 and Credit Ratings in Comparable Economies

	S&P	Moody's	Fitch
Investment grade	AAA	Aaa	AAA
	AA+	Aa1	AA+
	AA	Aa2	AA
	AA-	Aa3	AA-
	A+	A1	A+
	A	A2	A
	A-	A3	A-
	BBB+	Baa1	BBB+
	BBB	Baa2	BBB
	BBB-	Baa3	BBB-
Speculative grade	BB+	Ba1	BB+
	BB	Ba2	BB
	BB-	Ba3	BB-
	B+	B1	B+
	B	B2	B
	B-	B3	B-
High-risk speculation	CCC+	Caa1	CCC+
	CCC	Caa2	CCC
	CCC-	Caa3	CCC-
	CC	Ca	CC
	C	C	C
	D		D

Country	Estimated Debt-to-GDP Ratio	Moody's	S&P	Fitch
Mexico	59.9%	Baa2	BBB	BBB-
Chile	43.7%	A2	A	A-
Colombia	61.9%	Baa3	BB-	BB
Brazil	95.0%	Ba1	BB	BB
Spain	98.7%	A3	A+	A
Peru	33.6%	Baa1	BBB-	BBB
Canada	113.0%	Aaa	AAA	AA+
Turkey	25.1%	Ba3	BB-	BB-
India	80.8%	Baa3	BBB	BBB-
Philippines	58.8%	Baa2	BBB+	BBB
Indonesia	41.1%	Baa2	BBB	BBB
Malaysia	70.5%	A3	A-	BBB+
Thailand	66.7%	Baa1	BBB+	BBB+

Source: Grupo Financiero BASE using data from the International Monetary Fund

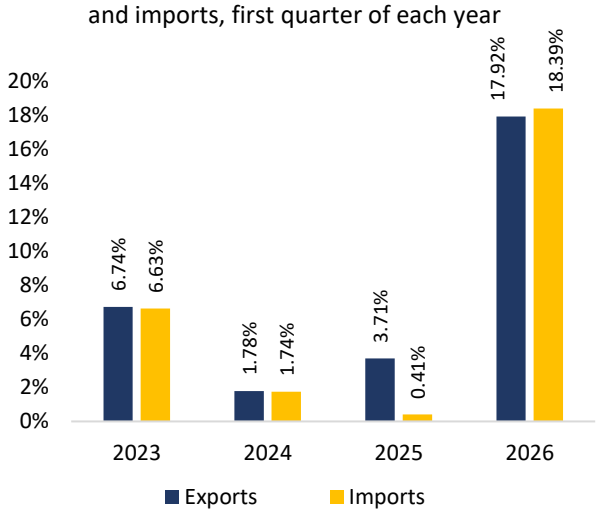
Trade

In the first quarter of 2026, total exports grew by 17.92% year-over-year (Figure 19), marking the strongest growth for a comparable period since 2022 (18.04%). Export growth was driven by the non-oil component, which rose 19.67%. Within this segment, manufacturing exports grew 19.41%, driven by a 30.18% increase in non-automotive manufacturing exports, where the growth has been concentrated in exports of computer equipment.

In contrast, automotive exports have accumulated an annual contraction of 2.91% (Figure 20), a decline slightly smaller than the 3.94% recorded in the first quarter of 2025. It is worth noting that non-automotive manufacturing exports accounted for 67.01% of Mexico's total exports in the first quarter of 2026, up from 60.70% in the same period of 2025 and the highest proportion since 2009 (67.33%), when automotive exports fell due to the Great Recession. It should also be noted that, in the first quarter, extractive exports grew by 94.82% compared to 2025, marking the largest annual increase for a quarter on record—a growth rate inflated by rising precious metal prices. However, these exports account for only 3.09% of the total so far this year.

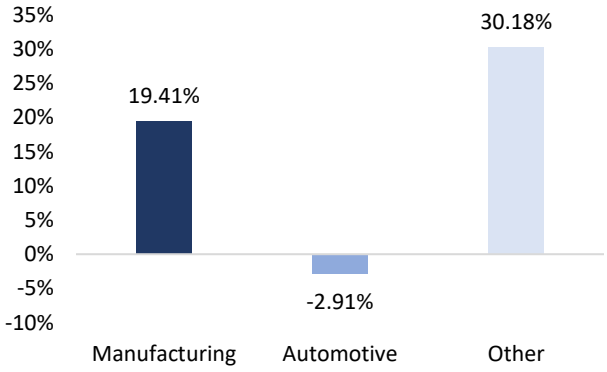
In the first quarter, 83.36% of non-oil exports were destined for the United States, with automotive exports falling 8.8% year-over-year, while the rest of non-oil exports grew 30.5% (Figure 21). It is clear that the decline in total automotive exports during the first quarter was specifically due to trade with the United States and sector-specific tariffs. Non-oil exports to the rest of the world grew by 28.2%, driven by automotive exports, which grew by 38.4%, and the rest, which grew by 24.9% year-over-year.

Figure 19: Annual growth in total exports and imports, first quarter of each year



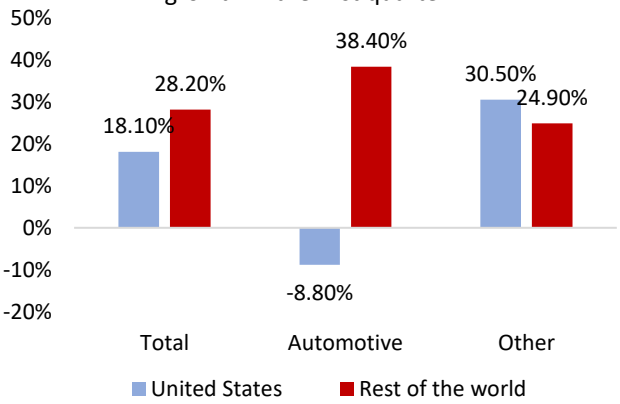
Source: Grupo Financiero BASE based on data from INEGI

Figure 20. Annual export growth, first quarter of 2026



Source: Grupo Financiero BASE based on data from INEGI

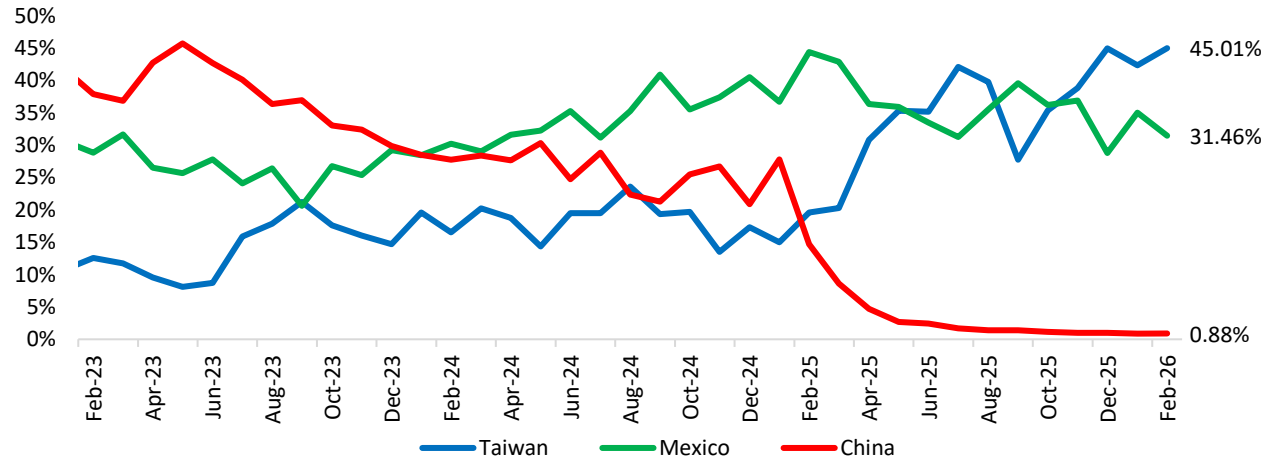
Figure 21. Non-oil exports to the United States and the rest of the world. Annual growth in the first quarter



Source: Grupo Financiero BASE based on data from INEGI

It is important to note that the growth in **computer equipment exports is not a long-term guarantee**. Between February 2024 and May 2025, Mexico became the leading supplier of these products to the United States, replacing China. However, in February of this year (the latest available data), Taiwan ranked, for the fourth consecutive month, as the leading supplier of computer equipment to the United States, accounting for 45.01% of imports of these products (Figure 22).

Figure 22. Share of U.S. imports of computer equipment



Source: Grupo Financiero BASE with information from USA Trade

In 2026, export growth faces downside risks:

1. A slowdown in computer equipment exports, due to the high comparison base in 2025, as well as the lack of growth potential given that plant capacity utilization in this sector is near 100%. Furthermore, **a structural shift in the Mexican export sector focused on computer equipment has not yet taken hold, as exports are strongly determined by U.S. GDP growth and the exchange rate; in other words, this is a sector that responds rapidly to changes in macroeconomic and trade conditions.** The growth of these exports is limited by production capacity[6] , as capacity utilization in the computer equipment sector stands at nearly 100%; therefore, in the absence of new investment, the sector's growth and the maturation of a domestic supply chain will be constrained.
2. Disruptions in global supply chains that limit the arrival of inputs in Mexico, particularly for the manufacture of computer equipment.
3. Tightening of rules of origin in the automotive and steel industries, which would deepen the contraction of these types of exports.
4. Implementation of rules of origin for computer equipment exports, as a large portion of this industry's inputs come from Asian countries and there is evidence of triangulation[7] .
5. The possibility that existing tariffs will remain in place or that new ones will be imposed.

[6] For more details, see the report "Sectoral Analysis of Mexican Exports under Heading 8471: Evolution, Composition, and Economic Context (2025)."

[7] See Annex 1.

In particular, the greatest risks to Mexican exports lie in the automotive and computer equipment industries: the former because it is a major industry but is subject to tariffs in the United States, and the latter because it is the top export to the United States, yet there is evidence of triangulation and plant capacity utilization in Mexico is near 100%. If computer equipment exports had not grown in 2025 (0% growth compared to 2024), Mexico's total exports would have fallen by 0.54%.

Although in numerical terms computer equipment saved export growth in 2025, it did not generate value added comparable to that of other exports, such as automobiles. This also poses a risk for Mexico, as it implies a return to the maquila model, in which one country can easily be substituted for another, in contrast to the high-value-added export model, which fosters the inflow of foreign direct investment, increases productivity, creates jobs, and opens up local supply chains while linking them to those of trading partners.

In 2026, computer equipment exports remain the main driver of Mexico's total exports, but without boosting employment or investment. In the first two months of[8] , total exports have grown 12.15% year-over-year, with computer equipment exports rising 155.54% year-over-year. If, in the first two months of 2026, the growth in computer equipment exports had been zero compared to the same period in 2025, total exports would have contracted by 0.79%.

There is a clear relationship between the level of tariffs levied on exports from each manufacturing subsector and their impact on capacity utilization, production, and employment[9] . The evolution of indicators during the post-tariff period suggests that, in the absence of changes in tariff policy, the most exposed subsectors (particularly metal products, transportation, machinery and equipment, and basic metals) will continue to exert downward pressure on capacity utilization and employment. Although the number of establishments remained stable through February 2026, the industry is absorbing the shock by reducing activity and employment at existing plants rather than by closing production units.

The tariffs imposed by the U.S. administration have been in effect for just over a year, so the tariff impact on manufacturing in Mexico is not yet definitive and cannot be classified as a new equilibrium given the uncertainty surrounding the future of tariffs— ly sector-specific ones. However, structural adjustments tend to materialize with a lag, so this cannot be ruled out for the most affected sectors. Likewise, in discussions prior to the USMCA review, signals have been sent that U.S. tariffs are here to stay, which could bring about a definitive structural change in Mexican manufacturing.

Given the possibility that tariffs on Mexican exports will remain in place, job losses are likely to continue, alongside a further decline in capacity utilization. Since this would increase idle capacity, fixed investment in Mexico will follow a downward trend, affecting productivity and, potentially, the economic complexity of Mexican exports. Furthermore, there is a risk that supply chains will become

[8] Although preliminary data on total exports was published on April 27, the figures disaggregated by heading are not available in the Bank of Mexico's Foreign Trade Cube.
[9] See Annex 2.

disconnected, slowing export growth in the long term. Consequently, the impact on the Mexican economy would be permanent, delaying the achievement of the goals set out in the Mexico Plan.

On the other hand, on March 11, the Office of the U.S. Trade Representative initiated Section 301 investigations into excess capacity in manufacturing sectors for the European Union and the following countries: China, Singapore, Switzerland, Norway, Indonesia, Malaysia, Cambodia, Thailand, South Korea, Vietnam, Taiwan, Bangladesh, Mexico, Japan, and India. Tariffs imposed under Section 301 can be aggressive, ranging from 25% to 100%, though they may also consist of import restrictions and the suspension of trade agreements.

It is estimated that in 2026, total exports will show a 10.0% increase compared to 2025, an upward revision from the previous estimate of 6.5%, assuming that no new tariffs or rules of origin come into effect that would generate further changes in trade between Mexico and the United States.

Inflation and Monetary Policy

Headline inflation closed the first quarter at 4.59%, marking two consecutive months of acceleration and remaining above 4%. March's annual inflation rate was the highest since October 2024, due to a surge in the non-core component and persistently high inflation in the core component.
Core inflation, which determines the trajectory of overall inflation in the medium and long term, stood at 4.45% in March, marking 11 consecutive months above 4%. Within this, goods inflation slowed for the second consecutive month to 4.38%, but has remained above 4% for nine consecutive months. Meanwhile, services inflation stood at 4.51% in March, exceeding the 4.5% threshold for the first time since April 2025 and remaining above 4% since December 2021.

In the breakdown of core inflation, food prices slowed to 5.78% after two months above 6%, but have remained above 4% since March 2025 (13 months). Meanwhile, non-food goods recorded inflation of 3.18% in March, ending a three-month streak of deceleration.

Meanwhile, non-core inflation stood at 5.05% at the end of the first quarter, marking two consecutive months of acceleration in March and representing the highest inflation rate since May 2025. Within this component, agricultural products accelerated substantially to 8.77%, marking the highest inflation since November 2024. Meanwhile, fruits and vegetables accelerated to 21.77%, after standing at 9.88% the previous month. Finally, inflation for energy and government-regulated rates accelerated to 2.21%, the highest since November 2025, due to the acceleration in inflation for government-regulated rates to 6.03% in March—the highest since June 2023.

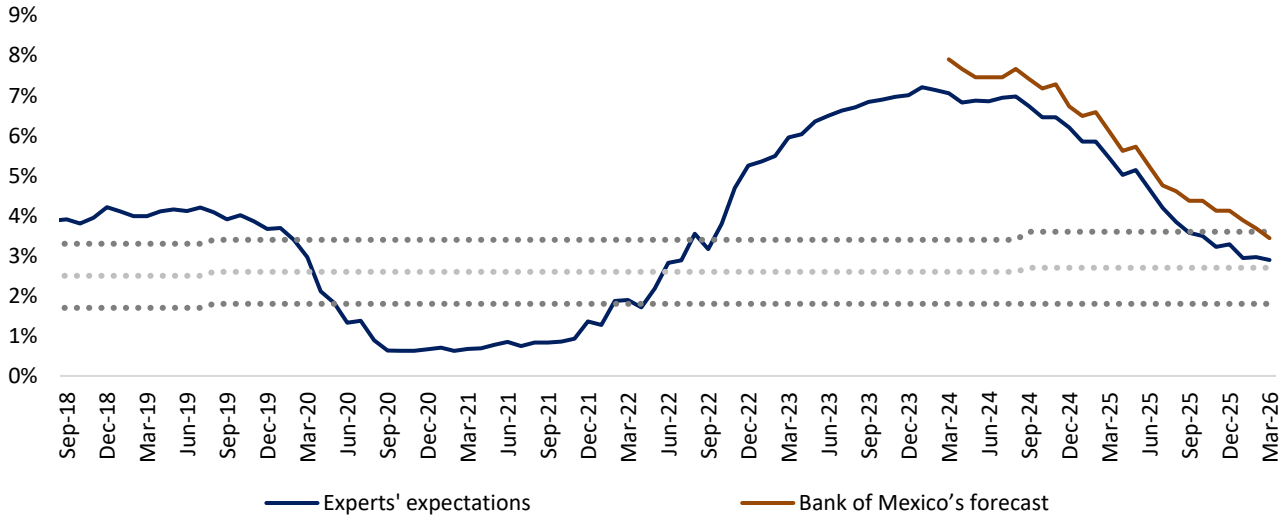
It is worth noting that **monetary policy operates with a lag, so the fight against current inflation is determined by the real (ex ante) interest rate from previous months**. This implies some uncertainty regarding the degree of monetary tightening or neutrality with which high inflation is being combated (or not). Those in favor of interest rate cuts argue that the spike in inflation is due to the non-core component and that the negative output gap—that is, economic growth below its potential—will cause inflation to slow. However, **core inflation remains high, and the output gap may very well not be as**

negative as believed, since potential GDP (what the economy can produce) is estimated to have declined due to the drop in fixed investment, the rise in informality, the decline in productivity, and the weakening of institutions in Mexico.

On the other hand, to calculate the real interest rate and place it within the ranges estimated by the Bank of Mexico itself—restriction, neutrality, or monetary expansion—which determine whether inflation is being actively combated, the 12-month inflation expectation is needed. There are different sources of expectations: if the Bank of Mexico has used its own 12-month forecasts, the estimated real interest rate—and thus the estimated degree of monetary tightening and inflation-fighting—was clearly higher than what would have been obtained if market expectations had been taken into account. Consequently, some members of the Governing Board might consider that a restrictive monetary policy is in place that is actively combating inflation and, therefore, that there is room to continue cutting the interest rate.

When taking into account market inflation expectations, as captured in the Bank of Mexico's Survey of Private Sector Economic Specialists, it turns out that **the real interest rate has remained in neutral territory over the past 7 months**. **It is worth noting that the lag with which monetary policy operates is not always the same, but it is generally recognized to operate between 6 and 18 months after interest rate changes. In this context, it is possible that inflation is no longer being actively combated.**

Figure 23. Ex-ante real interest rate, short term. Calculated using the Fisher equation



Source: Grupo Financiero BASE based on information from the Bank of Mexico

Consequently, there is a risk that inflation will remain at high levels, especially since the core component stands above 4% with no clear signs of moving toward the 3% target. Additionally, there are other risks, such as rising energy prices due to the war, persistently high inflation for fruits and vegetables, and government-regulated rates. Although monetary policy does not directly affect

inflation for these products and services, without adequate signals that inflation is being combated, there could be a domino effect on other products that are indeed affected by interest rate changes.

According to the Taylor rule, Mexico's interest rate should be 7.15%, not 6.75%. This rule accounts for the differences between observed inflation and its target, as well as the output gap, which the International Monetary Fund estimates at -0.1% for Mexico. This is merely an exercise, as the Bank of Mexico has a singular mandate to maintain the currency's purchasing power under a low-inflation framework of 3%, contrary to the U.S. Federal Reserve's dual mandate of full employment and low inflation of 2%.

Finally, **the range of variability of plus or minus 1% error around the Bank of Mexico's 3% inflation target should not be considered a tolerance range, but rather part of the fluctuations that inflation may undergo**.

Outlook and Risks

The Mexican economy continues to face a complex environment in which it is confronted with external and internal risks that threaten economic growth. On the one hand, there is the bilateral relationship with the United States, which remains one of the main sources of uncertainty, as the review of the USMCA approaches. It has already been mentioned that the United States does not plan to remove tariffs and will seek to modify rules of origin. This could affect the inflow of foreign direct investment projects.

On the domestic front, the Mexican economy continues to show weakness in gross fixed investment and an increase in informality, which limits growth in both the short and long term. There is also the concerning decline in public spending on physical investment and the growing rigidity of public spending. Added to this is the legal uncertainty stemming from the reform of the judiciary, which has created a perception of a deterioration in the rule of law and legal certainty. This climate of institutional uncertainty has also been exacerbated by public insecurity, particularly following the episodes of violence in late February.

In this context, the Bank of Mexico decided to cut the benchmark interest rate to 6.75% in its March announcement, a move that sparked controversy. Neither analysts nor the market doubt the Bank of Mexico's autonomy, but there are doubts about the forecasts on which monetary policy decisions are based, as they are overly optimistic and have ceased to serve as the market's benchmark. Doubts about the central bank's decisions and forecasts could become another structural drag on the Mexican economy in the long term, given their implications for consumer inflation.

Table 4. Economic Growth Expectations 2026

Scenarios 2026	Pessimistic		Central		Optimistic	
	Quarterly Growth	Annual Growth	Qtrly Growth	Annual Growth	Qtrly Growth	Annual Growth
Q1 2026	-0.77%	0.20%	-0.77%	0.20%	-0.77%	0.20%
2Q 2026	0.45%	0.60%	0.80%	0.96%	1.20%	1.36%
Q3 2026	0.30%	0.84%	0.45%	1.34%	0.70%	2.00%
Q4 2026	0.40%	0.38%	0.65%	1.13%	0.65%	1.78%
2026	***0.60%***		***1.00%***		***1.45%***	

Source: BASE Financial Group, based on data from INEGI

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FOCUS ECONOMICS
10TH ANNIVERSARY ANALYST FORECAST AWARDS 2026
#1 FORECASTER - Mexico Overall
Grupo Financiero BASE

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Appendices

Appendix 1.

Exports of computer equipment: at risk

In 2025, exports of computer equipment, particularly those under heading 8471 of the Harmonized Commodity Description and Coding System (automatic data-processing machines), became the main driver of Mexico's total exports. That year, Mexican exports grew by 7.64% compared to 2024, with computer equipment exports growing by 144.80% annually. This category alone accounted for 12.85% of total exports. **If these exports had not grown at all during the year (0% compared to 2024), Mexico's total exports would have fallen by 0.54%.**

On an annual basis, computer equipment exports remain the main driver of Mexico's total exports. In the first two months of[10] , total exports have grown 12.15% annually, with computer equipment exports advancing 155.54% annually. **If, in the first two months of 2026, the growth in computer equipment exports had been zero compared to the same period in 2025, total exports would have contracted by 0.79%.**

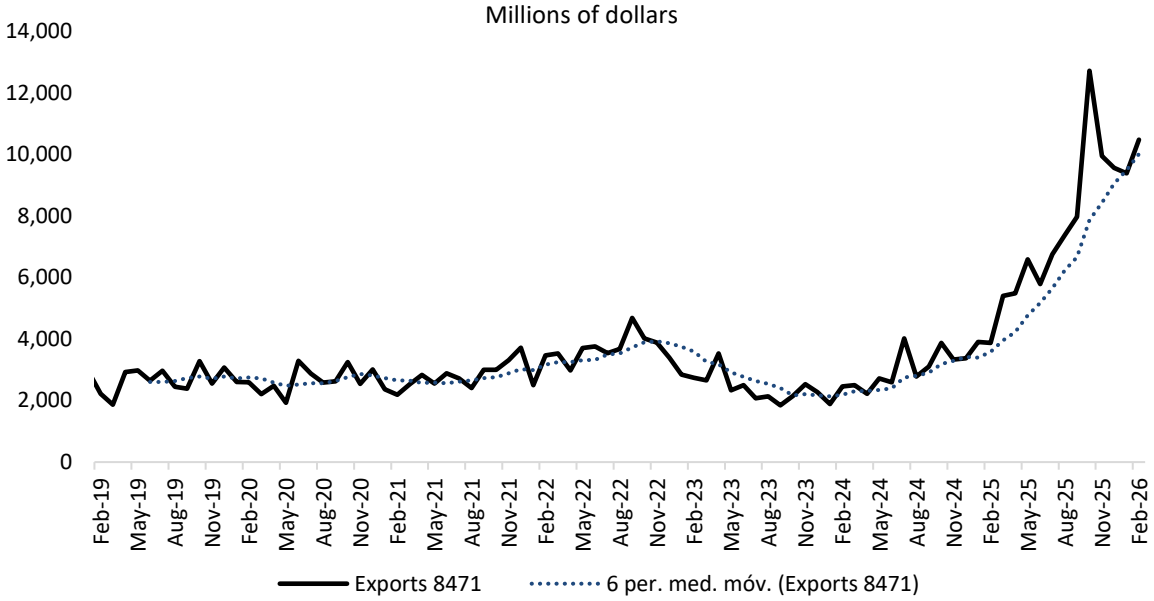
The series are only available in their original format, so they exhibit strong seasonality. Between November 2025 and January 2026, computer equipment exports recorded monthly declines for three consecutive months. However, these declines are consistent with the seasonal performance typically observed, and furthermore, in October 2025 (prior to the monthly declines), exports showed extraordinary monthly growth of 59.55%. Likewise, in February, these exports again showed monthly growth of 11.66%. Because of this, there is still insufficient information to identify a possible trend reversal (Figure 24).

However, Mexican exports of computer equipment to the United States have lost relevance in recent months. This is because **a structural shift in the Mexican export sector focused on computer equipment has not yet taken hold, as exports are strongly determined by U.S. GDP growth and the exchange rate; in other words, this is a sector that responds rapidly to changes in macroeconomic and trade conditions.** Furthermore, the growth of these exports is constrained by production capacity[11] , as the computer equipment sector's capacity utilization rate stands at nearly 100%; thus, in the absence of new investment, the sector's growth and the maturation of a domestic supply chain will be limited.

[10] Although preliminary data on total exports was published on April 27, the figures disaggregated by heading are not available in the Bank of Mexico's Foreign Trade Cube.

[11] For more details, see the report "Sectoral Analysis of Mexican Exports under Heading 8471: Evolution, Composition, and Economic Context (2025)."

Figur 24. Exports of automatic data processing machines under heading 8471.
Millions of dollars



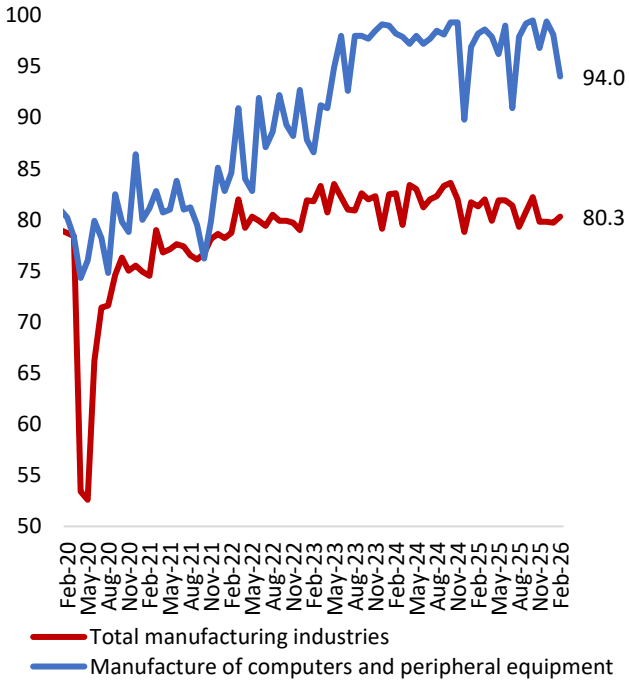
Source: Grupo Financiero BASE based on data from Bank of México

1. **There is evidence of a triangular assembly operation.**

82.14% of exports under heading 8471 are accounted for by subheading 8471.50, which includes central processing units (computers), excluding laptops, all-in-one computers, and desktop computers. In 2025, imports under subheading 8471.50 amounted to only 22.64% of exports under the same subheading; therefore, it cannot be directly argued that triangulation is occurring. However, potential triangulation becomes evident when including the most relevant inputs for computer production. According to their tariff classification, these supplies are:

- 8514.59: Fans, excluding fans for domestic use.
- 8419.50: Heat exchangers.
- 8471.70: Memory units for automatic data-processing machines.

Figure 25. Utilized plant capacity (%)



Source: Grupo Financiero BASE based on data from INEGI

- 8473.30: Specific parts and accessories of computer equipment (motherboards, cabinets, internal components, excluding peripherals).
- 8504.40: Static converters.
- 8542.31: Processors and controllers (microprocessors)
- 8548.00: Includes electrical parts and circuits.

Table 5. Imported inputs for the manufacture of computer equipment (subheading 8471.50)

Subheadings	841459 -- Fans	841950 -- Heat exchange units	847170 -- Storage units for automatic data processing	847330 -- Parts and accessories	850440 -- Electrical static converters	854231 -- Processors and controllers	854800 -- Electrical parts and circuits	847150 -- Processing units for automatic data processing
Relative weight (sum 100%)	1.4%	0.7%	12.5%	51.0%	6.1%	27.8%	0.5%	
China	41%	42%	4%	10%	40%	9%	30%	1%
United States	17%	19%	0%	3%	14%	2%	25%	39%
Vietnam	16%	2%	14%	12%	5%	5%	5%	0%
Germany	6%	1%	0%		1%		2%	0%
Thailand	5%	1%	37%	1%	16%	1%	2%	0%
Philippines	3%		5%	2%	5%		14%	
Sweden		3%						
India		3%			1%		1%	
South Korea	2%	1%	27%	10%	1%	6%	5%	
Malaysia			4%	6%	6%	25%	4%	0%
Taiwan	3%		3%	55%	5%	37%	1%	59%
Singapore			4%				1%	
Japan					1%	1%	5%	0%
Percentage of imports included in the sample	93%	72%	99%	99%	94%	86%	96%	100%

Source: BASE Financial Group with information from the Bank of Mexico.
Note: The column showing imports of central processing units from Mexico is included to identify the countries of origin: China (1%), the United States (39%), and Taiwan (59%). Therefore, finished products from China are not being triangulated. The proportions are based on 2026 figures.

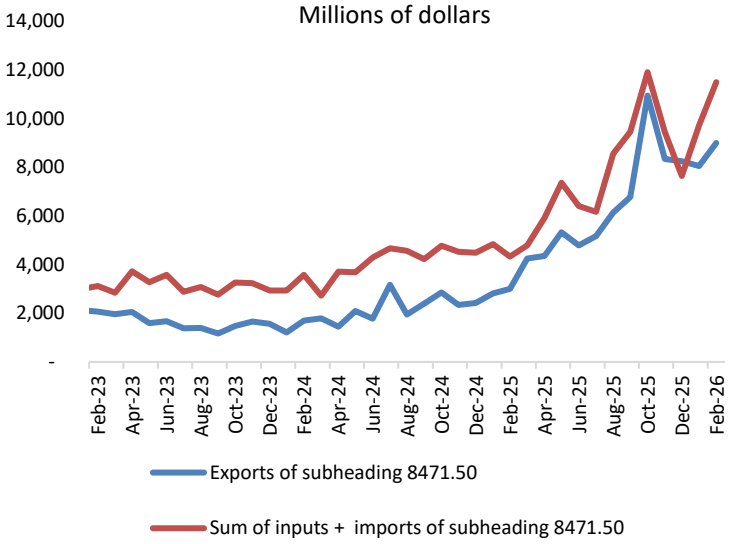
The value of the main imported inputs for computer manufacturing is concentrated in three subheadings: 1) memory units, 2) parts and accessories, and 3) processors and controllers (highlighted in red in Table 5), accounting for 91.2% of the import value in the basket of inputs. In particular, imports of these subheadings come mostly from countries other than China[12] , notably Taiwan, Malaysia, South Korea, Thailand, and Vietnam[13] .

[12] China accounts for a large share of Mexico's imports of low-value inputs, such as fans, heat exchangers, and static converters.
[13] The tariffs that took effect in 2026 on imports from countries with which Mexico does not have a trade agreement were not applied to the aforementioned subheadings of inputs for computer manufacturing.

The relationship between imports of inputs and exports of computer equipment is strong (Figure 26), showing a correlation of 0.97 for the period between January 2023 and February 2026.

This implies that there is no mature supply chain in Mexico in this sector, as a large portion of what is exported was imported from another country. **This could be because Mexico is viewed as an "advantageous" assembly hub, due to 1) the low tariffs charged on imports of computer equipment inputs and 2) access to the growing U.S. market, where there are no rules of origin under the USMCA for this type of product and a low tariff is charged on imports from Mexico.**

Figure 26. Relationship between input imports and exports of subheading 8471 (central processing units). Millions of dollars



Source: Grupo Financiero BASE based on data from INEGI

This also explains why the growth in computer equipment exports was not reflected in similar growth in employment or investment in this sector. Although in numerical terms computer equipment drove export growth in 2025, it did not generate value added comparable to that of other exports, such as automobiles. This also poses a risk for Mexico, as it implies a return to the maquila model, in which one country can easily be substituted for another, in contrast to the high-value-added export model, which fosters the inflow of foreign direct investment, increases productivity, creates jobs, and opens up local supply chains while linking them to those of trading partners.

Furthermore, given the possibility of triangulation, there is a risk of implementing rules of origin under the USMCA, which would jeopardize the future growth of exports in this sector.

In this context, there will be no real change or positive impact from this sector's exports on the Mexican economy until investment growth is observed. Thus, the lack of investment is the main risk, since—with capacity utilization at its limit and the possibility of changes to rules of origin—there could be a stagnation or contraction in computer equipment exports.

Appendix 2. Impact of U.S. Tariffs on Exports and Manufacturing in Mexico: Analysis by Subsector

In March 2025, the U.S. government implemented a series of tariff measures that substantially altered the conditions for Mexican exports to access the U.S. market. On March 4, 2025, a general 25% tariff backed by the International Emergency Economic Powers Act (IEEPA) went into effect, citing the national emergency caused by fentanyl trafficking. Exports that meet the USMCA's rules of origin

were exempt from this tariff, which required Mexican exporters to increase their compliance with the agreement.

At the same time, sector-specific tariffs were implemented under Section 232 of the Trade Expansion Act of 1962, which grants the U.S. president the authority to impose tariffs in response to threats to national security. These sectoral tariffs do not provide exemptions for USMCA compliance and were applied to the following sectors and dates: steel and aluminum at 25% starting March 12, 2025, rising to 50% on June 4, 2025; automobiles, light trucks, and auto parts at 25% starting April 3, 2025; copper at 50% starting August 1, 2025; softwood and sawn lumber at 10%, and kitchen cabinets, vanities, and upholstered furniture at 25%, starting October 14, 2025; and heavy trucks at 25% and buses at 10% starting November 1, 2025.

Additionally, on July 14, 2025, countervailing duties on tomato imports from Mexico took effect, with rates ranging from 17.09% to 21% depending on the product type, following the termination of the Agreement to Suspend an Antidumping Investigation. On May 11, 2025, a sanitary restriction was imposed on imports of cattle, horses, and bison in response to the borers crisis.

Data and Methodology

The analysis covers the period from January 2023 to February 2026, with monthly frequency. Three data sources were used:

- USA Trade Online, the U.S. Census Bureau platform that records the value of imports received from Mexico by four-digit Harmonized Tariff Schedule (HTS) heading, as well as the tariff charged in dollars.
- INEGI's Monthly Manufacturing Industry Survey (EMIM), from which four variables were extracted at the manufacturing subsector level: 1) total employed personnel, 2) plant capacity utilization, 3) value of manufactured product output, and 4) number of establishments, all reported monthly.
- INEGI's TIGIE–SCIAN 2025 correlation table, which establishes the correspondence between tariff headings and the North American Industry Classification System (NAICS). This table enabled the creation of a mapping between the four-digit HTS codes from USA Trade Online and the 21 manufacturing subsectors of the SCIAN, which serve as the unit of analysis for the EMIM.

For the pre-tariff versus post-tariff comparison, March 4, 2025, was used as the cutoff date, corresponding to the entry into force of the first IEEPA tariff. The pre-tariff period spans January 2023 to February 2025 (26 months), and the post-tariff period spans March 2025 to February 2026 (12 months). The change indicators were calculated as the difference between the average for the post-tariff period and the average for the pre-tariff period.

To facilitate reading of the document, the following is a list of short names used to refer to each manufacturing subsector in the figures and analysis.

Table 6. List of Names

Subsector	Subsector Name	Short name
311	Food industry	Food
312	Beverage and tobacco industry	Beverages and tobacco
313	Manufacture of textile materials and textile finishing	Textile Inputs
314	Manufacture of textile products, except apparel	Textiles
315	Manufacture of clothing	Apparel
316	Tanning and finishing of leather and hides	Leather and hides
321	Wood industry	Wood
322	Paper industry	Paper
323	Printing and related industries	Printing
324	Manufacture of petroleum and coal products	Petroleum and coal
325	Chemical industry	Chemicals
326	Plastics and rubber industry	Plastics and rubber
327	Manufacture of non-metallic mineral products	Non-metallic minerals
331	Basic metal industries	Basic metal industries
332	Manufacture of metal products	Metal products
333	Manufacture of machinery and equipment	Machinery and equipment
334	Manufacture of computer, communication, and electronic equipment	Computer equipment
335	Manufacture of electrical appliances and equipment	Electrical appliances
336	Manufacture of transportation equipment	Transportation
337	Manufacture of furniture, mattresses, and blinds	Furniture
339	Other manufacturing industries	Other manufacturing

Source: Grupo Financiero BASE based on data from the Bank of Mexico

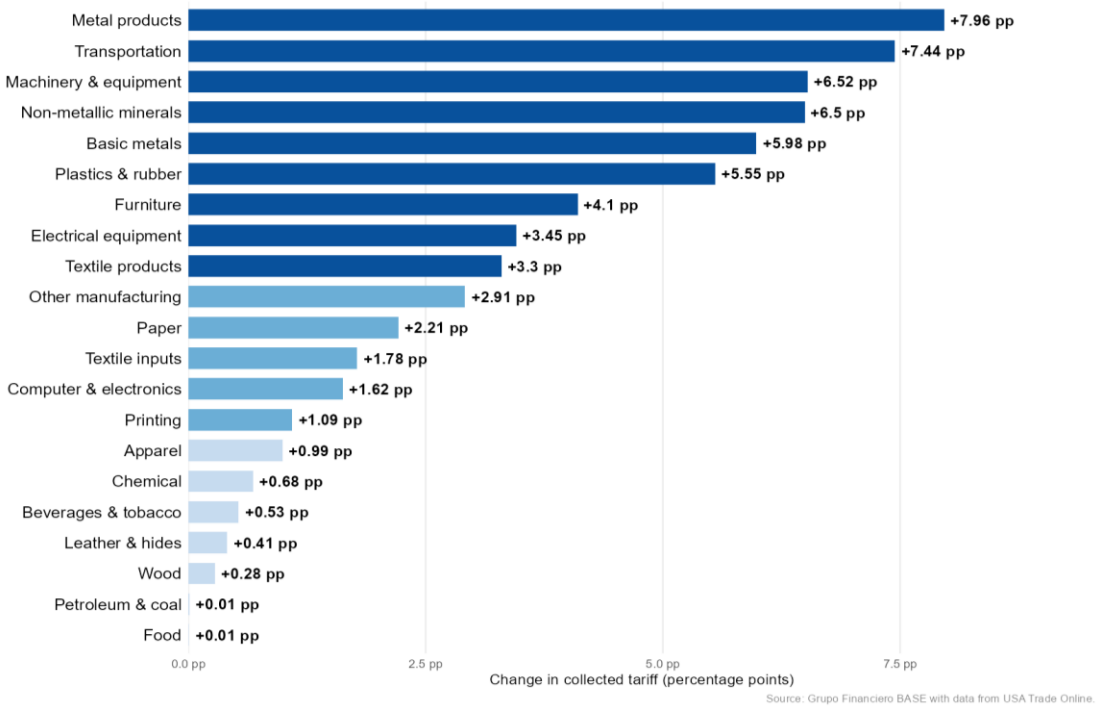
Tariff Exposure by Subsector

The average tariff rate during the pre-tariff period was close to zero for virtually all manufacturing subsectors (Appendix 1), reflecting the preferential access Mexico had to the U.S. market under the USMCA. Starting in March 2025, all 21 subsectors saw increases in their applied tariffs, although the magnitude of these increases varied across sectors (Figure 26).

The six sectors with the largest increases in applied tariffs were metal products (7.96 percentage points), transportation (7.44 pp), machinery and equipment (6.52 pp), non-metallic minerals (6.50 pp), basic metals (5.98 pp), and plastics and rubber (5.55 pp). In all these cases, the applied tariff in the pre-tariff period was less than 0.7%, while in the post-tariff period it ranged between 6.1% and 8.3%.

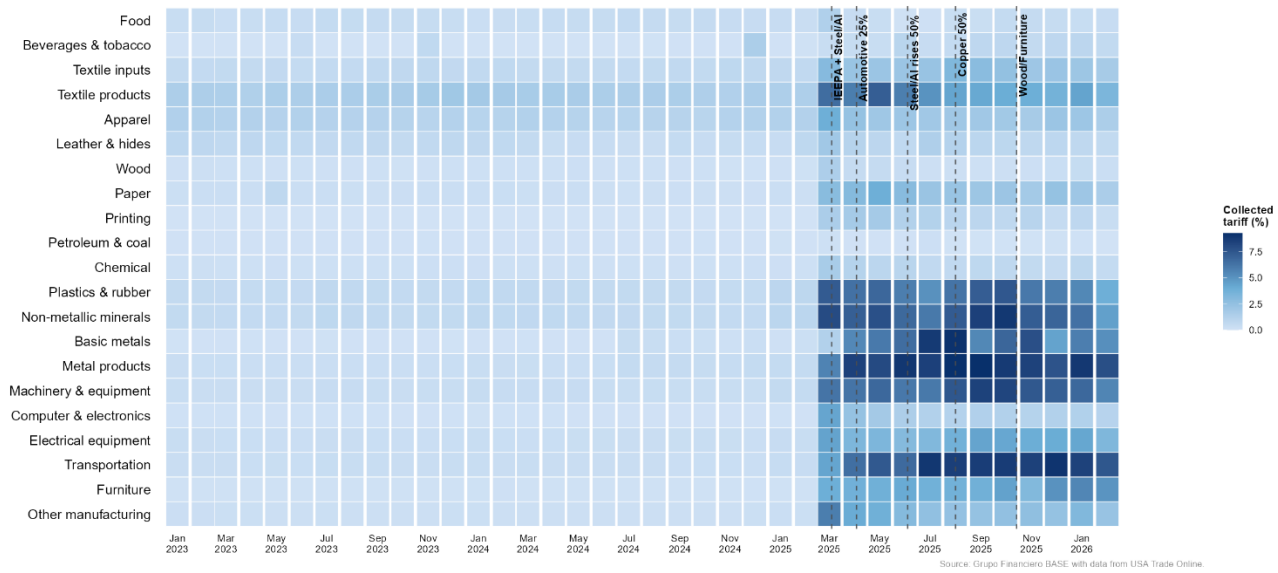
At the opposite end of the spectrum, the subsectors with the smallest tariff increases were food (0.006 pp) and petroleum and coal (0.009 pp), where the tariff rate remained virtually unchanged in both periods. Computer equipment recorded an increase of 1.62 percentage points, rising from a tariff of 0.06% in the pre-tariff period to 1.68% in the post-tariff period.

Figure 27. Tariff impact by manufacturing subsector in Mexico.
Change in percentage points. Post-tariff average vs. pre-tariff average



A structural break can be observed following the entry into force of tariffs (Figure 28), which have been concentrated in the plastics and rubber, non-metallic minerals, basic metals, metal products, machinery and equipment, and transportation equipment industries.

Figure 28. Tariffs levied on Mexican manufacturing exports to the United States.
January 2023–February 2026

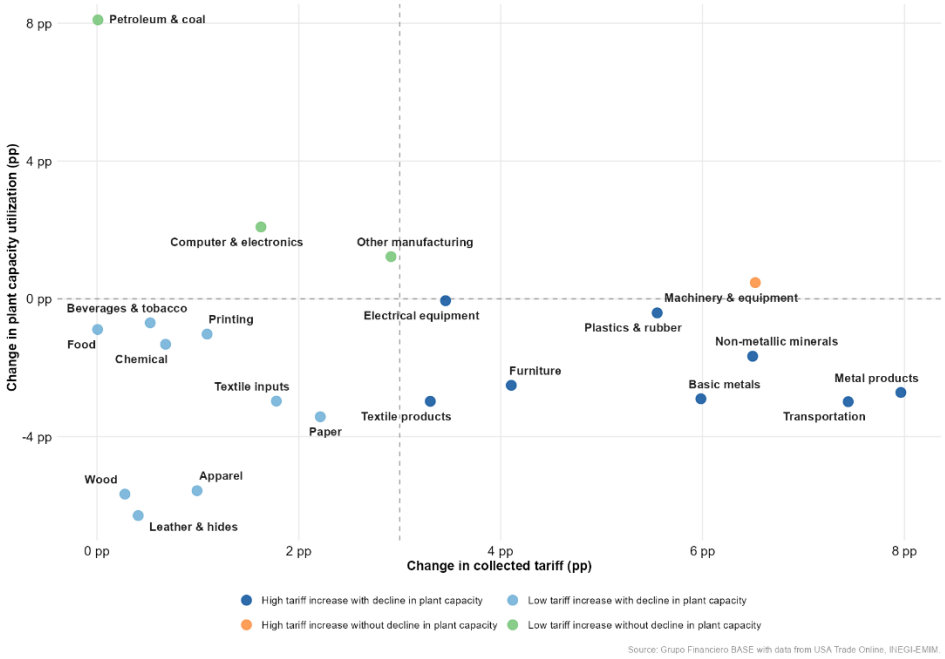


Impact of Tariffs on Production and Employment

The intersection of the change in the tariff levied and the change in production and employment indicators shows a consistent pattern: subsectors with the largest tariff increases generally experience greater declines in capacity utilization and employment in the post-tariff period.

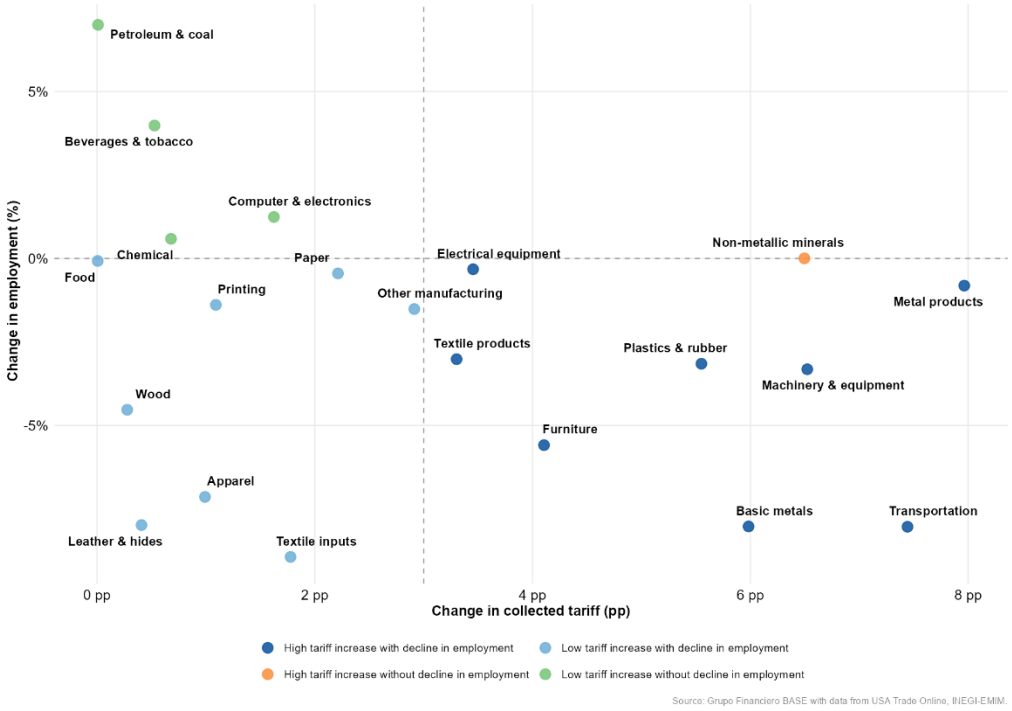
Figure 29. Tariff levied vs. capacity utilization

Change in average capacity utilization, post-tariffs vs. pre-tariffs.



Subsectors with a tariff increase exceeding 3 percentage points mostly recorded declines in average capacity utilization. The metal products manufacturing industry recorded a 2.72 percentage point decline in average capacity utilization, transportation equipment by 2.99 percentage points, basic metals by 2.90 percentage points, textiles by 2.97 percentage points, and furniture by 2.51 percentage points. The exception within the group with the highest tariffs is machinery and equipment, which recorded a 0.47 pp increase in capacity utilization, despite a tariff increase of 6.52 pp.

Figure 30. Tariff levied vs. employed personnel
Change in average employed personnel, post-tariffs vs. pre-tariffs

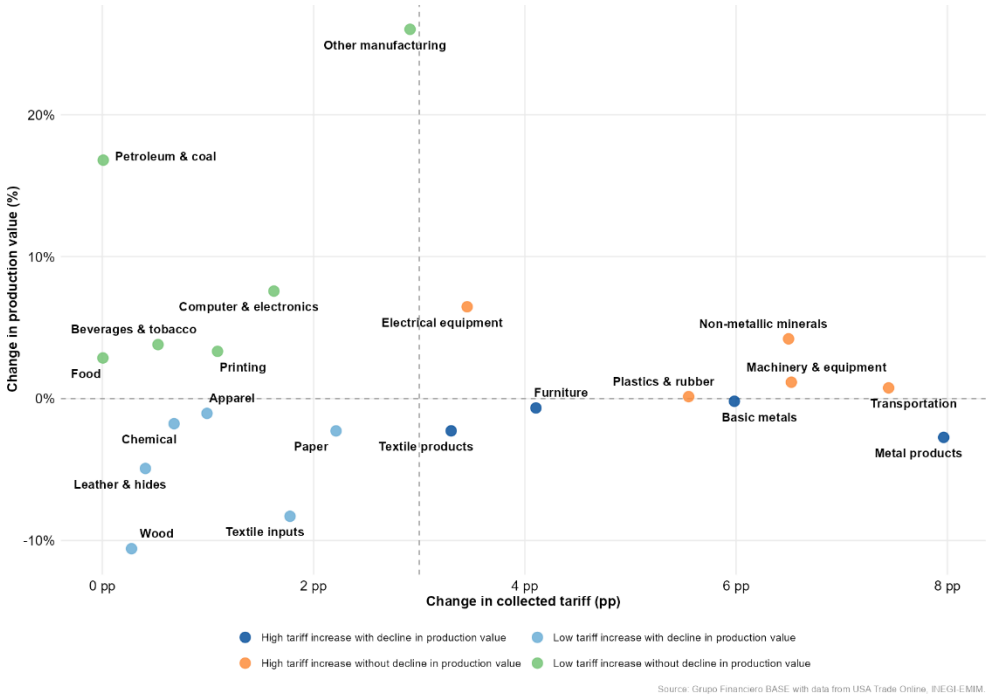


In the case of **employed personnel** (Figure 30), the pattern is consistent, though with greater dispersion. Transportation recorded the largest drop in employment among the sectors with the highest tariffs, with an 8.04% reduction in average employed personnel in the post-tariff period compared to the pre-tariff period. Basic metals recorded a decline of 8.03%, machinery and equipment 3.32%, plastics and rubber 3.15%, and metal products 0.81%.

The computer equipment subsector shows the opposite trend: with a low tariff increase of just 1.62 percentage points, it recorded a 1.24% increase in the number of employed workers, a 2.08 percentage point increase in capacity utilization, and a 7.58% growth in production value during the period.

In **terms of production value**, the pattern is less uniform than in utilized plant capacity and employed personnel, reflecting that this indicator is influenced by both changes in volume and variations in prices (Figure 31). Of the six subsectors with the largest tariff increases, two recorded declines in production value during the post-tariff period: metal products (2.73%) and basic metals (0.19%). The remaining four subsectors in the group with the highest tariffs recorded increases in this indicator: transportation (0.75%), machinery and equipment (1.15%), non-metallic minerals (4.21%), and plastics and rubber (0.14%). In contrast, some of the subsectors with the lowest tariff increases show increases in production value, with the most notable cases being petroleum and coal (16.8%), beverages and tobacco (3.80%), and food (2.86%).

Figure 31. Tariff levied vs. production value
Change in average production value, post-tariffs vs. pre-tariffs



An analysis of tariff exposure and its effects on production and employment indicators for the 21 Mexican manufacturing subsectors during the period from January 2023 to February 2026 leads to the following conclusions:

The tariffs implemented by the United States beginning in March 2025 did not affect Mexican manufacturing uniformly. The magnitude of the tariff increase ranges from 0.006 percentage points in food to 7.96 percentage points in metal products, reflecting the sector-specific and differentiated nature of the trade policy implemented.

The subsectors with the largest tariff increases generally recorded simultaneous declines in capacity utilization and employment in the post-tariff period. This pattern is consistent with the hypothesis that Section 232 sectoral tariffs, by not providing exemptions for compliance with the USMCA, had a direct impact on production conditions in the affected sectors.

The general IEEPA tariff of 25%, by providing exemptions for exports that comply with the USMCA's rules of origin, had a lesser impact, given the increase in the level of compliance with the agreement observed during the analyzed period.

The computer equipment subsector shows divergent behavior compared to the rest, with increases in production and employment during the post-tariff period, consistent with the low tariff level it faced compared to other sectors and countries.

Table 7. Impact of tariffs on Mexico's manufacturing indicators, by subsector.

SCIAN	Subsector name	Pre-tariff rate (%)	Post-tariff rate (%)	Tariff change (pp)	Pre-tariff employment (persons)	Post-tariff employment (persons)	Change in number of employees (%)	Pre-plant capacity (%)	Post-capacity (%)	Change in plant capacity (pp)	Pre-production value (thousands $)	Post-production value (thousands $)	Change in production value (%)	Pre-number of employees	Post-change number of units	Change in number of units (%)
332	Manufacture of metal products	0.37	8.34	7.96	375,632	372,575	-0.81	78.88	76.17	-2.72	33,998,011	33,068,512	-2.73	66,927	66,925	0.00
336	Manufacture of transportation equipment	0.35	7.79	7.44	912,115	838,805	-8.04	89.67	86.68	-2.99	291,293,894	293,491,521	0.75	733	731	-0.31
333	Manufacture of machinery and equipment	0.40	6.92	6.52	135,546	131,046	-3.32	86.44	86.91	0.47	16,124,599	16,310,737	1.15	320	316	-1.30
327	Manufacture of non-metallic mineral products	0.66	7.15	6.50	143,560	143,565	0.00	81.01	79.34	-1.67	30,419,325	31,700,064	4.21	9,884	9,882	-0.02
331	Basic metal industries	0.12	6.10	5.98	93,085	85,612	-8.03	78.78	75.88	-2.90	66,938,187	66,811,480	-0.19	190	190	-0.24
326	Plastics and rubber industry	0.62	6.17	5.55	275,000	266,326	-3.15	77.04	76.63	-0.41	38,350,507	38,403,860	0.14	1,596	1,587	-0.58
337	Manufacture of furniture, mattresses, and blinds	0.09	4.19	4.10	140,551	132,691	-5.59	77.73	75.22	-2.51	6,434,439	6,392,008	-0.66	26,019	26,024	0.02
335	Manufacture of electrical equipment and appliances	0.33	3.79	3.45	194,714	194,085	-0.32	93.10	93.04	-0.05	30,891,379	32,890,245	6.47	218	214	-1.70
314	Manufacture of textiles, except clothing	1.58	4.88	3.30	65,513	63,537	-3.02	79.51	76.53	-2.97	2,007,699	1,962,054	-2.27	25,605	25,602	-0.01
339	Other manufacturing industries	0.22	3.14	2.91	210,888	207,691	-1.52	90.04	91.27	1.22	5,485,156	6,912,652	26.02	336	325	-3.16
322	Paper industry	0.27	2.48	2.21	117,265	116,739	-0.45	82.79	79.37	-3.42	28,662,910	28,009,983	-2.28	1,295	1,294	-0.07
313	Manufacture of textile materials and textile finishing	0.64	2.41	1.78	48,913	44,539	-8.94	71.38	68.42	-2.97	5,101,002	4,677,930	-8.29	161	157	-2.30
334	Manufacture of computer, communication, and electronic equipment	0.06	1.68	1.62	326,134	330,185	1.24	91.67	93.75	2.08	6,248,876	6,722,268	7.58	223	219	-1.66
323	Printing and related industries	0.00	1.09	1.09	118,170	116,527	-1.39	76.76	75.73	-1.02	8,071,099	8,339,881	3.33	17,812	17,807	-0.03
315	Manufacture of clothing	1.18	2.17	0.99	233,923	217,213	-7.14	67.48	61.91	-5.57	6,161,561	6,097,338	-1.04	19,724	19,709	-0.07
325	Chemical industry	0.16	0.84	0.68	164,376	165,340	0.59	64.17	62.85	-1.32	76,161,849	74,814,171	-1.77	481	469	-2.59
312	Beverage and tobacco industry	0.11	0.64	0.53	163,281	169,781	3.98	85.00	84.31	-0.70	55,076,737	57,172,213	3.80	22,913	22,909	-0.02
316	Leather tanning and finishing	0.60	1.00	0.41	132,639	122,045	-7.99	66.22	59.93	-6.29	5,528,380	5,256,125	-4.92	9,333	9,327	-0.06
321	Wood industry	0.14	0.42	0.28	75,498	72,076	-4.53	68.38	62.72	-5.67	3,903,535	3,490,674	-10.58	25,917	25,916	0.00
324	Manufacture of petroleum and coal products	0.05	0.06	0.01	23,801	25,467	7.00	66.09	74.18	8.09	42,236,047	49,333,768	16.80	62	61	-2.22
311	Food industry	0.44	0.44	0.01	884,899	884,227	-0.08	77.42	76.53	-0.89	150,944,011	155,265,621	2.86	172,560	172,562	0.00

Source: Grupo Financiero BASE based on data from INEGI, USA Trade, and our own estimates