



Mexico Country Commodity Report Q4 2022



Mexico

Q4 2022

The IMF estimated a 3.1% growth in Mexico's GDP in 2022 and raised its forecast for 2023 by 0.5% to 1.7%. The upward revision is attributed to a rebound in economic activity and higher-than-expected growth in major trading partner economies. The Consumer Price Index for 2022 reached a record high of 7.8%, but with the demand supply gap stabilizing and global markets recovering, it is expected to fall in coming quarters.

Construction output has been weak, with a 1.1% (in real terms) year-on-year decline expected in 2022, as construction activity remained subdued from January to September 2022. Although upward price pressures, supply chain constraints, interest rate hikes, and infrastructure project cancellations are affecting the industry in the short term, the mid-to long-term outlook appears to be positive, with an 2.8% average annual growth expected between 2024 and 2026.



John Fitzgerald
Vice President
john.fitzgerald@linesight.com



Gavin Flynn
Vice President
gavin.flynn@linesight.com



Eoin Byrne
Vice President
eoin.byrne@linesight.com



Lumber

Lumber prices are heavily dependent on residential construction domestically and are also impacted by demand trends in the US given that around 38% of Mexico's lumber imports are sourced from the US. Declining residential construction demand due to high interest rates and low consumer confidence, in addition to more stable supply chains in Canada, has caused a gradual decline in lumber prices over the past year. With further rate hikes on the horizon that will hit residential investment, prices are expected to go down further.



Cement and aggregates

Cement prices have largely reflected the rise in production costs primarily due to energy cost increases, which have been directly passed onto consumers. However, there has also been strong demand in infrastructure, industrial, and warehouse construction, which will continue to put pressure on cement prices in the near-term.



Concrete blocks and bricks

In addition to higher production costs for bricks, concrete block suppliers will be impacted by additional taxes on key materials. The newly introduced green tax levied on quarry operations in early 2022 has put additional pressure on the concrete supply chains.



Steel (rebar and structural)

Weakening demand growth globally has been a key factor in the decline in steel prices. On the upside, the recovery of the auto manufacturing industry and increased production is likely to reinvigorate demand into the medium term. Furthermore, in an effort to protect the steel industry, the Mexican government has introduced a 15% tariff on 224 steel items, which will keep prices relatively high.



Copper

Domestic copper demand remains uncertain. Demand from the construction sector is weak, given a lack of investment and cost hikes that have led to many major energy and infrastructure projects being postponed or canceled in addition to weak demand from the residential sector. However, demand for copper from auto manufacturing is expected to brighten; US automobile exports picked up towards the end of 2022 and are likely to increase further in 2023.

Mexico – Commodity Report



Materials	Q1 2023 (f)	Q3 – Q4 2022 (e)
	MXN	% change
Copper (MXN/T)	142,441	3.7% ↑
Steel rebar (MXN/T)	19,427	-4.3% ↓
Steel flat (MXN/T)	25,435	-1.1% ↓
Stainless steel (MXN/T)	69,485	-18.2% ↓
Lumber (MXN/cu.ft.)	40.1	1.1% ↑
Asphalt (MXN/T)	10,589	-14.3% ↓
Limestone (MXN/T)	178	0.2% ↑
Cement (MXN/T)	2,978	1.9% ↑
Concrete (MXN/CY)	1,476	0.5% ↑
Welded mesh (MXN/unit)	4,327	-4.3% ↓
Bricks (MXN/'000 unit)	7,677	1.7% ↑
Drywall (MXN/unit)	164	0.2% ↑
Diesel (MXN/gallon)	86.4	-0.2% ↓

(f) Forecast (e) Estimated

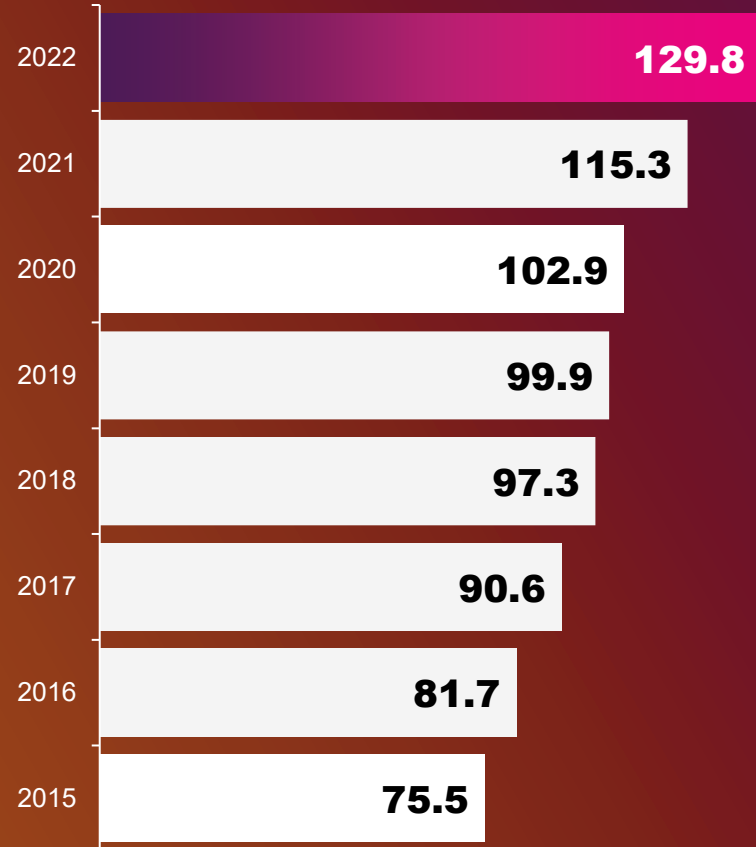
Welded mesh: 98.4 X 1,574.8 in; dia-0.19 in Drywall: 56.7 X 48 X 5.1 in (L X W X T)

Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 Copper	+0.5% ↑	 Low Copper prices picked up in Q4 2022, owing in part to concerns over supply tightness and disruptions in Peru caused by political unrest. Despite the slowing global economy, which will weigh on prices, volatility is expected to continue in the coming quarters given ongoing concerns over supply shocks and weak demand.
 Steel prices - Steel rebar - Flat steel	-2.8% ↓ -1.2% ↓	 Low Steel prices continued to decline in Q4 2022, reflecting weakening demand domestically and falling prices globally. Although prices have dropped from the highs of mid-2022, they are still relatively high compared to levels before early 2021, due to elevated production costs.
 Stainless Steel	-4.0% ↓	 Low Stainless steel prices have trended downwards from recent high levels. Weaker demand will contribute to further downward pressure, but the high costs for key raw materials, notably nickel, will prevent a sharp decline in the coming quarters.
 Lumber	-2.8% ↓	 Low Lumber prices edged upwards in late 2022, but price pressures will dissipate given the weak outlook for the construction industry, with residential construction, in particular, to be weighed down in the short term by the hike in interest rates.
 Asphalt	-9.6% ↓	 Low Asphalt prices fell sharply in Q4 2022, and this downward trend is expected to persist in the coming months. However, with crude oil prices remaining close to current levels, prices on average will be relatively stable throughout the year.
 Limestone	+3.1% ↑	 Low Prices for limestone have been stable in recent quarters, and high production costs will keep prices high in the coming quarters.






Mexico – Commodity Report



*Average national producer price index construction, Residential construction 2015-2022



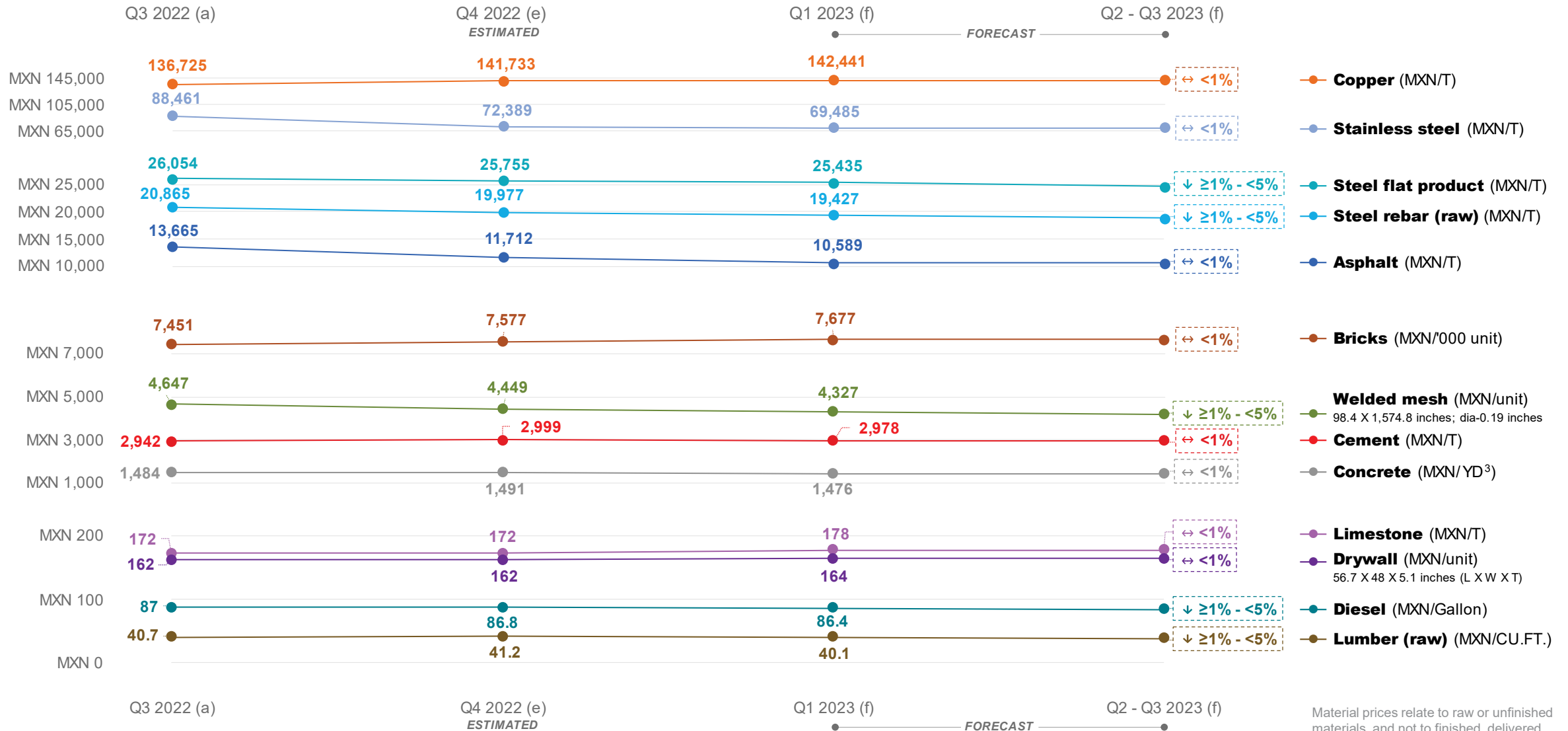
*(formerly INCEVIS) (2015-2020), Base July 19=100

Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Cement Concrete	-0.7% ↓ -1.0% ↓	Moderate	Concrete and cement prices have continued on an upward trend, with producers passing on high production costs. Infrastructure construction has contributed to strong demand for bulk cement and ready-mixed concrete, but weaker residential growth has impacted the sales of bagged products.
 Welded mesh	-2.8% ↓	Low	In line with trends for steel, prices for welded mesh is expected to trend downwards in the coming quarters.
 Bricks	+1.3% ↑	Low	Owing to higher production costs, brick prices rose in Q4 2022. As demand weakens in the coming quarters, upward price pressure will ease, but prices will remain relatively high.
 Drywall	+1.0% ↑	Low	Plasterboard prices will remain high, given that producers are facing higher costs. However, weak growth in buildings construction will limit further rises.
 Diesel	-0.5% ↓	Low	Diesel prices have edged lower with global crude prices stabilizing. Government subsidies will help contain price inflation in the coming quarters.

* Level of impact rating reflects a combination of factors: the price movement and also price level (compared to recent past beyond the last quarter), the importance of the material, and general state of the supply chain in terms of stability.

Please note that commodity prices are based on representative materials available in the respective countries, and as these materials may not be standard across all markets, cross-country comparisons on prices can be ineffective. For example, asphalt types can vary between hot, cold or a bitumen price, and standard unit sizes for materials can vary across countries.

Mexico – Construction Materials Pricing (2021-2023)



Material prices relate to raw or unfinished materials, and not to finished, delivered and erected on-site prices.

Please note that commodity prices are based on representative materials available in the respective countries, and as these materials may not be standard across all markets, cross-country comparisons on prices can be ineffective. For example, asphalt types can vary between hot, cold or a bitumen price, and standard unit sizes for materials can vary across countries.

Mexico – Report methodology



Linesight has commissioned independent global research to track construction materials and commodity prices. The approach and methodology for the collection of construction material pricing and other indicators is based on primary and secondary research.

Primary and secondary research

Primary research is conducted on a quarterly basis with stakeholders in the value chain, including manufacturers and suppliers/distributors of the target materials, to ascertain market information on prices in recent quarters, and also on projections for changes in the coming quarter and remainder of the year. The market analysis also involves a thorough assessment of secondary sources of data on materials and labour prices, in addition to underlying demand and supply trends that will impact market prices.

Sources include GlobalData's Construction Intelligence Center (CIC), the World Bank, IMF, OECD, as well as country specific national statistics offices, such as the U.S. Bureau of Economic Analysis, Bureau of Labor Statistics, and also industry specific associations and publications.

Definitions

- Commodity prices are net of taxes for all the countries
- Prices are not customer delivered
- All commodities are raw materials
- Nominal and real data

Nominal data series do not exclude changes in prices and are also referred to as current prices series.

Annual changes in nominal data for construction output will include changes in construction activity, as well as changes in costs for materials and equipment.

Real data series are calculated by keeping prices constant (so, are also referred to as constant price series), and therefore, they reflect changes in activity only. Growth rates in nominal terms can overstate the pace of growth in construction activity if there is high inflation stemming from rising prices for key inputs.

Sample sources – Mexico

For Mexico, sources for this report include, but are not limited to:

- IMF
- National Institute of Statistics and Geography (INEGI)
- GlobalData's Construction Intelligence Center (CIC)

Linesight 

