



Mexico

Country Insights and Commodity Report

Q1 2023     

Mexico

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According to the IMF, Mexico's GDP grew by 3% in 2022 but is expected to grow by 1.8% in 2023. The Mexican government's budget for 2023, on the other hand, predicts a 3% growth rate for the economy. Inflation is also easing out, with annual headline inflation falling to 6.24% in mid-April, the lowest level since October 2021.

The Mexican construction industry was expected to contract by 1.7% in 2023, but this has now been reduced to a 0.5% contraction. Though inflation is easing out in the country, still the construction industry is facing challenges such as elevated construction costs and subdued investor confidence amid a weak global outlook. Despite the current challenges, the industry is expected to recover in the short to medium term and to grow at an annual rate of 2.6% between 2024 and 2027. This expansion is expected because of investments in infrastructure and manufacturing projects, as well as anticipated nearshoring activities.



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Lumber

Lumber prices in Mexico have been declining, with the country importing increasing volumes of cheaper US lumbers. A decline in housebuilding in the US has contributed to a fall in lumber prices, while supply chains have improved. With demand unlikely to pick up in the coming quarters, prices will remain around current low levels.



Cement and aggregates

Producers of cement and aggregates had been warning buyers of imminent price hikes in early 2023, and these have now been reflected in recent trends. The price rises have reflected increased production costs, as well as the impact of green taxes for limestone extracting companies.



Concrete blocks and bricks

Brick prices have edged upwards but have not faced the same upward price pressures as other key materials. On a year-on-year basis, brick prices were up by around 5% in March 2023. Weak building construction activity has been a factor in containing brick price inflation.



Steel (rebar and structural)

Higher costs, in part reflecting the jump in coking coal prices in early 2023, have contributed to renewed steel price increases in recent months. However, prices are set to remain around current levels in the coming quarters, with production cost pressures likely to ease.



Copper

Copper prices will remain volatile, with the potential for further periods of concern over supply disruption stemming from unrest in key supplier markets in Chile and Peru, along with uncertainty over the strength of global demand. In the medium to long term, the EV production and the energy transition will drive up copper demand.

Mexico – Commodity Report



Materials	Q2 2023 (f)	Q4 2022 – Q1 2023 (e)
	MXN	% change
Copper (MXN/T)	155,360	7.5% ↑ ●
Steel rebar (MXN/T)	22,098	8.2% ↑ ●
Steel flat (MXN/T)	26,013	0.0% ↔ ■
Stainless steel (MXN/T)	70,582	-4.4% ↓ ●
Lumber (MXN/cu.ft.)	38.7	-5.1% ↓ ●
Asphalt (MXN/T)	10,758	-9.1% ↓ ●
Limestone (MXN/T)	191	8.8% ↑ ●
Cement (MXN/T)	3,213	5.0% ↑ ●
Concrete (MXN/CY)	1,584	3.2% ↑ ●
Welded mesh (MXN/unit)	4,962	6.2% ↑ ●
Bricks (MXN/'000 unit)	7,815	1.1% ↑ ●
Drywall (MXN/unit)	182	9.8% ↑ ●
Diesel (MXN/gallon)	85.6	0.6% ↑ ■

(f) Forecast (e) Estimated

- Q4 2022 to Q1 2023 % change greater than estimation in our Q4 2022 report
- Q4 2022 to Q1 2023 % change less than estimation in our Q4 2022 report

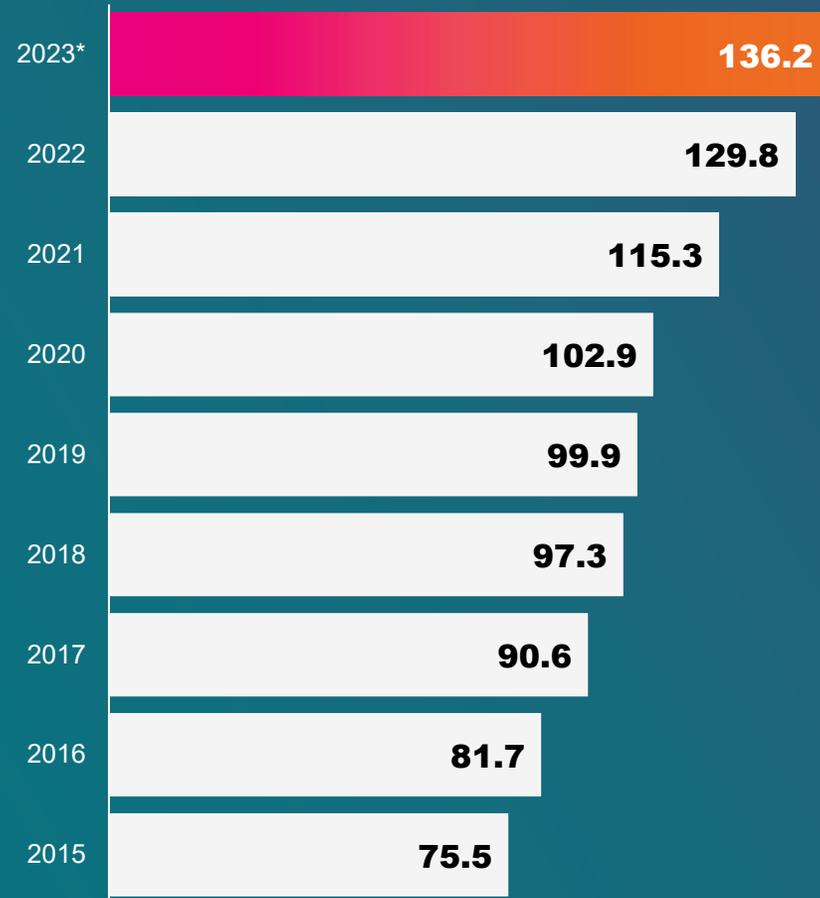
Welded mesh: 98.4 X 1,574.8 in; dia-0.19 in Drywall: 56.7 X 48 X 5.1 in (L X W X T)

Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 Copper	+2.0% ↑	 Low There was a jump in copper prices in January, when prices reached a seven-month high, driven by expectations of a boost to demand from China, along with concerns over supply disruptions with unrest in Chile and Peru. However, prices have eased back since then. Volatility is expected to continue in the coming quarters given ongoing concerns over supplies and demand shocks.
 Steel prices - Steel rebar - Flat steel	+1.0% ↑ +1.0% ↑	 Low Steel rebar prices have regained ground in recent months, having dropped by around 28% over the course of the second half of last year. Prices for flat products have been relatively stable in comparison. Prices are still inflated when compared to levels pre 2021 as a result of high production costs and investment in railway construction.
 Stainless Steel	+2.0% ↑	 Low Weak demand has contributed to an easing in stainless steel prices, but relatively high raw materials prices will be a factor in containing further price weakness.
 Lumber	-1.0% ↓	 Low Rising interest will be a factor in dampening investment growth in the housebuilding sector, and this will contain lumber price inflation. Mexico's imports of wood from the US jumped in 2022, rising by 8% to the third highest volume on record.
 Asphalt	+1.0% ↑	 Low Following a 24% drop in prices in the second half of 2022, prices have stabilized at a relatively low level. Road infrastructure spending will remain sluggish in the coming quarters, but there could be renewed upward pressure on prices stemming from a rise in crude oil prices.
 Limestone	+2.0% ↑	 Low Limestone prices rose sharply in the first quarter of 2023 after remaining relatively stable in the second half of last year. Producers have continued to raise prices because input costs are still elevated compounded by the impact of green taxes on limestone extraction companies.

Mexico – Commodity Report



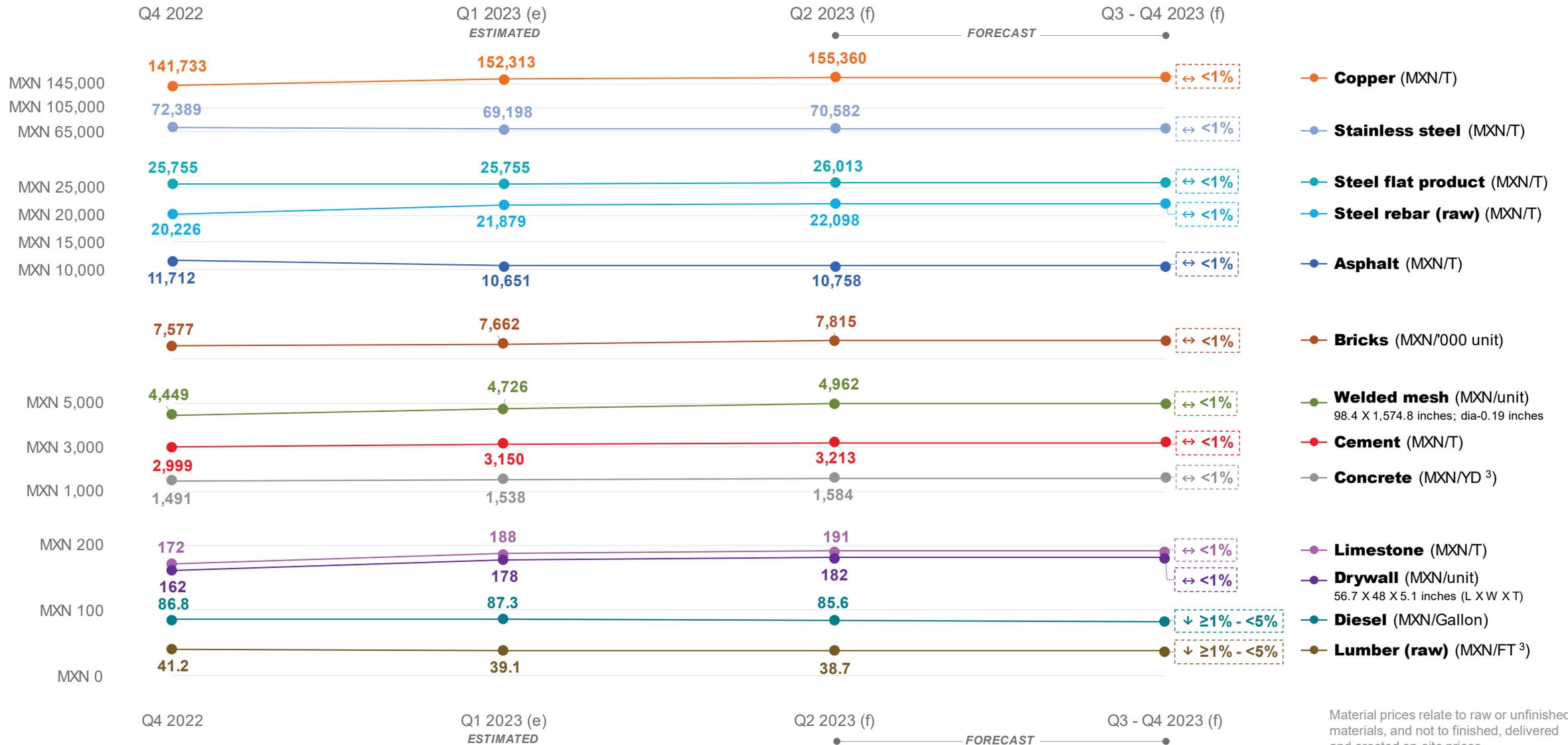
Building Construction Price Index 2015-2023 (2019 = 100)



Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 Cement Concrete	+2.0% ↑ +3.0% ↑	 Moderate Facing higher production costs, cement manufacturers have pushed up prices even further in recent months, such that in March prices were up by 15% compared to levels in March last year. Concrete prices are also on an upward trend reflecting the jump in key materials.
 Welded mesh	+5.0% ↑	 Low Welded mesh products have increased in price, jumping by around 6% on a quarterly average basis between Q1 2023 and the previous quarter. Prices will remain relatively high reflecting high production cost pressures.
 Bricks	+2.0% ↑	 Low Brick prices have edge upwards in recent months. Building construction activity has been in decline, but production costs are still elevated, and these are being passed on to buyers.
 Drywall	+2.0% ↑	 Low Drywall prices rose by close to 10% quarter on quarter in Q1 2023. As with the trends in other buildings materials, this has been entirely due to production costs being passed on to buyers, rather than improved demand.
 Diesel	-2.0% ↓	 Low State subsidies have kept diesel prices relatively stable in recent quarters, with costs covered by the country's higher crude oil revenues.

* 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 (2022-2023)



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

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Mexico – Macroeconomic overview



Economic indicators



1.8%

GDP growth in 2023 (f)
and **3%** in 2022



2.42%

inflation rate in 2023 (f)
and **0.98%** for 2022



97.60%

employment rate in Mar
2023 compared to **96.96%** in
Mar 2022



3.28%

unemployment rate for 2023 (f)
and **3.27%** in 2022



128.39

Consumer Price Index in Mar
2023 and **120.16** in Mar 2022



121.26

Producer Price Index in Mar 2023
and **116.86** in Mar 2022

Mexico – Construction overview



Output 2022 and 2023 (in MXN millions)

	Total 2022	Total 2023 (f)	Total 2024 (f)
Commercial 	394,242	389,645	399,589
Energy and utilities 	497,827	514,713	531,581
Industrial 	293,428	288,791	294,980
Infrastructure 	483,547	479,776	490,559
Institutional 	104,990	101,943	104,245
Residential 	608,418	594,804	601,790

*The output is in real terms at constant prices with 2017 as base year

Long lead equipment (LLE) - Supply Chain Overview

2022 was a turbulent year for the global supply chain with the fallout from the global pandemic combined with the emergence of the Russia-Ukraine conflict, leading to supply chain disruptions across the globe. However, 2023 is showing signs of relief in the market for long lead equipment (LLE). The following are the specifics of the LLE supply chain dynamic:

- Demand:** Demand for LLE has remained exceptionally high across all regions and industry sectors. Organizations have moved to expand their supply chain portfolios and include secondary and tertiary suppliers, whilst most are continuing to invest in inventory management systems to prevent any supply chain disruptions. There is no sign of reduced demand, so the constraints to the supply chain will continue for the remainder of 2023.
- Supply:** The stock levels of raw materials finally started to stabilize, alleviating some recent pressures on manufacturers and suppliers. However, it is worth noting that most LLE suppliers have reported being at operational capacity, with order books full up to Q3 2024, which may cause some concern for those relying on their products. Nevertheless, there is some hope as Tier 2 and Tier 3 supply chains have started to increase their capacity and support the larger demand within the market, which may help to mitigate any negative impact of capacity restrictions.
- Freight durations and costs:** Freight durations have begun to shorten in early 2023 as the global infrastructure and operations have developed to meet the rising demand and freight companies are shipping much faster than they did during the pandemic. Average freight costs have also reduced to align with pre-pandemic levels suggesting a return to normality within the industry. The benefits have been experienced in early 2023 and further reductions are expected throughout the rest of 2023.

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)
- Economic Research Institute
- Public Holidays

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