



# Mexico

## Country Commodity Report

**Q2 2023**





# Mexico

## Q2 2023

In Q1 2023, the Mexican economy continued its growth trajectory, with notable contributions from service sector exports and increased manufacturing activity. Additionally, inflation showed signs of improvement, as it was on a declining trend during this period. The Economy Ministry reported a significant surge in foreign direct investment (FDI) in Mexico, reaching MXN 347.1bn (US\$18.6bn) compared to MXN 235.2bn (\$US12.6bn) in the previous year. This surge in FDI is attributed to the rising demand for nearshoring, which has seen increasing investments in corporate nearshoring activities and public infrastructure projects.

Commodity prices are gradually edging downward; however, labor costs are still elevated. The construction industry is expected to witness a growth of 1.6% in real terms due to increased investment in corporate nearshoring and public infrastructure. The Commercial and Residential sectors, though, are expected to remain sluggish. In contrast, the Data Centers and Industrial sectors are projected to experience growth.



**John Fitzgerald**  
Vice President



**Eoin Byrne**  
Vice President



**Dawn Cantrell**  
Vice President



## Key Indicators

### GDP

Grew by 3.7% at an adjusted annualized rate in Q1 2023



- Grew by 1% on QoQ basis
- Private consumption remains dynamic due to increased real wages and formal employment
- Investment in machinery and equipment experiences rapid growth as manufacturing production normalizes

### CPI

Grew by 5.06% YoY in June 2023



- Inflation is experiencing a rapid decline, attributed to the delayed impact of tighter financial conditions, lower raw material prices, and the impressive rebound of the Mexican peso in recent months





### Construction output

Expected to grow by 1.6% in 2023



- The expected growth acceleration will be backed by sustained economic expansion and a rise in corporate nearshoring investment and public infrastructure spending
- The industry is expected to grow at an annual rate of 2.6% between 2025 and 2027

## Commodities Pricing Snapshot

	Price % change		Remarks
	QoQ		
	Q1 - Q2 '23 (e)	Q2 (e) - Q3 '23 (f)	
 <b>Copper</b>	↓ -7%	↓ -4%	Prices have declined and likely to remain volatile
 <b>Steel rebar (raw)</b>	↑ 1%	↓ -5%	Prices declined from the highs of 2022, likely to edge downwards
 <b>Cement</b>	↑ 1%	↓ -1%	Prices continued on an upward trend, likely to moderate
 <b>Lumber</b>	↓ -4%	↓ -1%	Prices edging down, likely to decline further

(e) - estimate

(f) - forecast

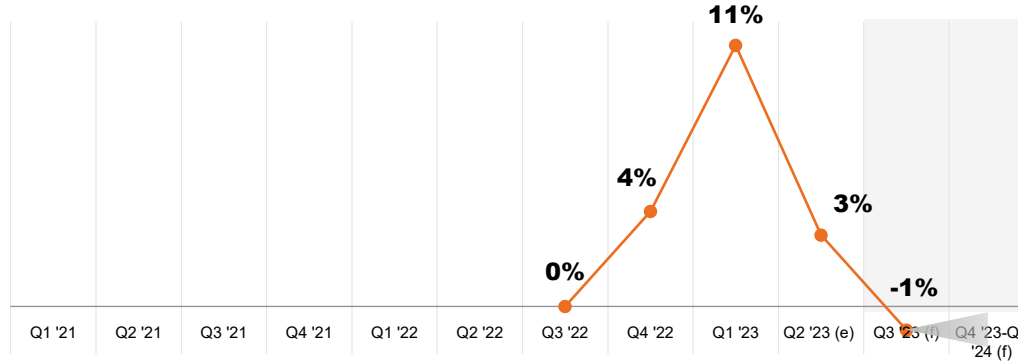
# Mexico – Construction Materials Price Trends



## Copper

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Low	Low	Low	
Price (MXN/t)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
141,074	135,842	↓ -7.4%	↓ -3.7%

Price change comparison against Q3 2022



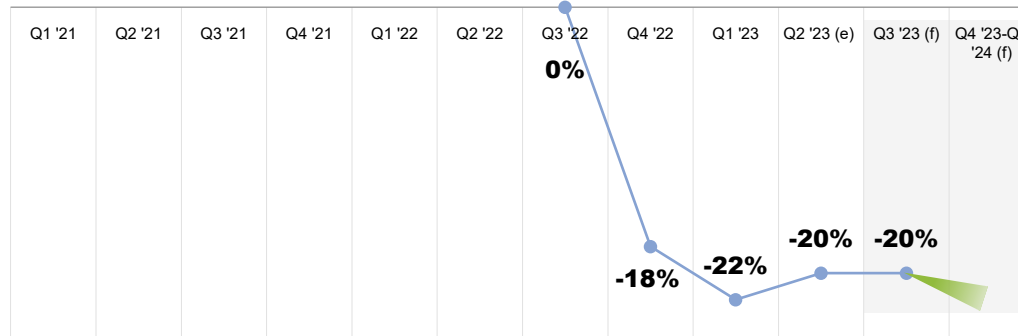
- Copper prices fell by 7.4% QoQ in Q2 2023 reflecting global trends amid softer demand from China and decreased industrial consumption amid global economic weakness
- Prices will be volatile on a monthly basis, but the quarterly average prices will remain close to current levels in the coming quarters



## Stainless Steel

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Low	Low	
Price (MXN/t)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
70,661	71,015	↑ 2.1%	↑ 0.5%

Price change comparison against Q3 2022



- Having fallen sharply in previous quarters, stainless steel prices edged up marginally on a quarterly average basis in Q2 2023
- Demand from the automotive manufacturing sector has provided support for this metal, at a time of weakening demand in the construction industry
- Falling prices for key inputs will keep stainless steel prices relatively low in the coming quarters

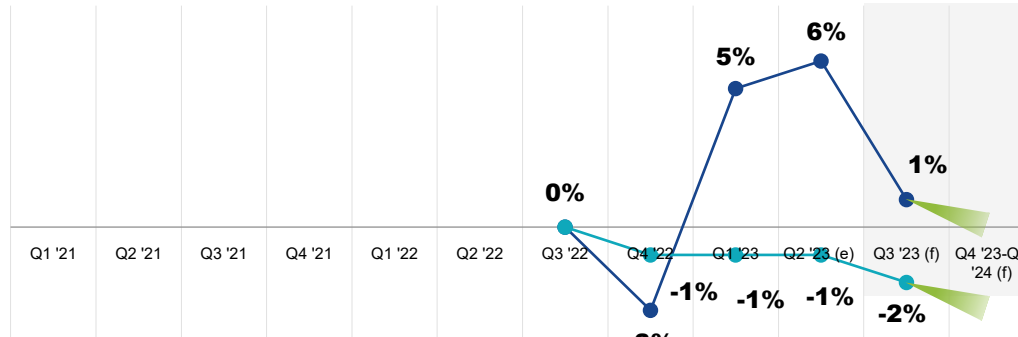
# Mexico – Construction Materials Price Trends



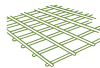
## Steel – rebar and flat

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Moderate	Moderate	
Price		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
<b>Steel rebar (raw) (MXN/t)</b>			
22,203	21,089	↑ 1.5%	↓ -5.0%
<b>Steel flat product (MXN/t)</b>			
25,761	25,633	↔ 0%	↓ -0.5%

### Price change comparison against Q3 2022



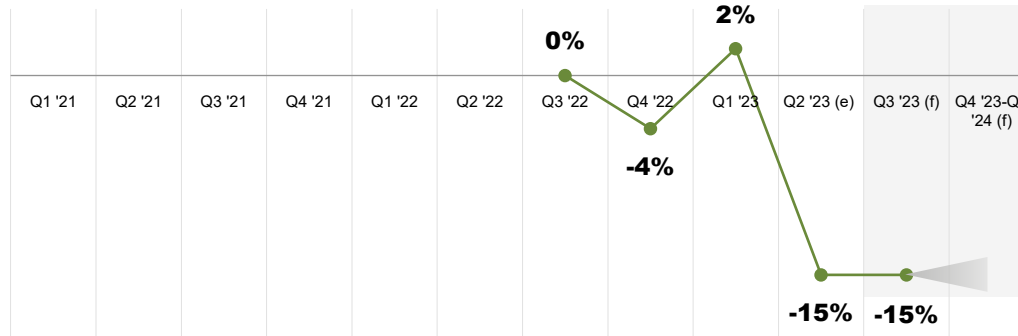
- Although rebar prices edged up again in Q2 2023 on a quarterly average basis, prices have been more volatile on a monthly basis, and fell back sharply in June. Compared to June 2022, prices in June 2023 were down by 22%. Decline expected to continue in Q3 2023, with prices falling further in the following two months amid weakness on the demand side
- Prices for flat steel have been comparatively stable. However, there will be a decline in the coming quarters reflecting demand-side weakness and easing production costs



## Welded mesh

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Low	Low	
Price (MXN/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
3,967	3,927.7	↓ -16.1%	↓ -1.0%

### Price change comparison against Q3 2022



- Welded mesh prices have fallen sharply, dropping by 16% in Q2 2023 on a QoQ basis
- A general downward trend in steel prices along with weak demand from the construction sector will keep prices at the current relatively low level in the coming quarters

\* 98.4 X 1,574.8 inches; diameter 0.19 inches

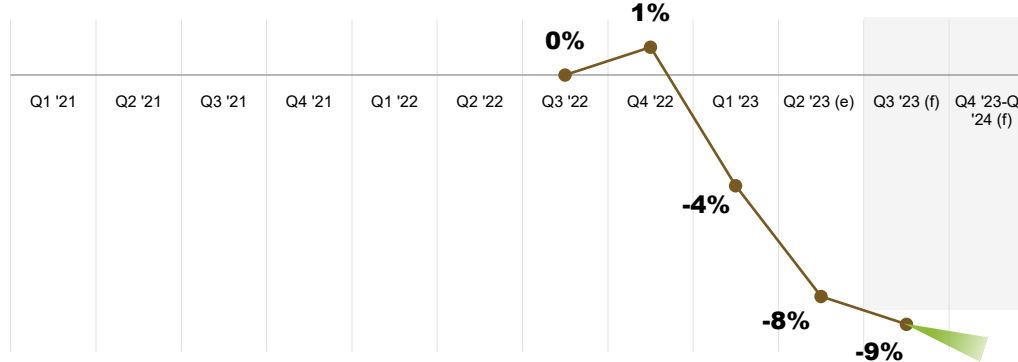
# Mexico – Construction Materials Price Trends



## Lumber (raw)

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
●●●● Moderate		●●●● Low	●●●● Low
Price (MXN/ft <sup>3</sup> )		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
37.4	37.2	↓ -4.2%	↓ -0.5%

Price change comparison against Q3 2022



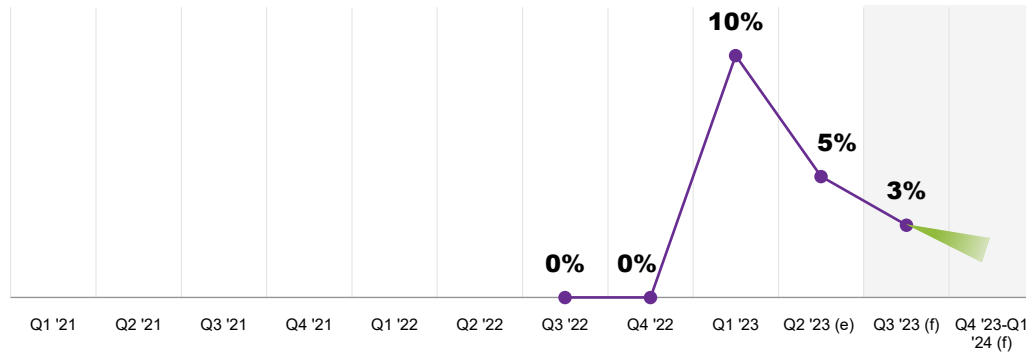
- Lumber prices declined by 4.2% QoQ in Q2 2023, continuing on a downward trend in recent quarters, reflecting improved supply and weaker demand
- Prices edged up late in the quarter, with regional prices being impacted by wildfires in Canada in June that resulted in the mills shutting down
- With high interest rates limiting new investment in the Residential sector, the price of lumber is expected to edge down further in the short term



## Drywall

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
●●●● Low		●●●● Low	●●●● Low
Price (MXN/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
170.0	167.5	↓ -4.5%	↓ -1.5%

Price change comparison against Q3 2022



- Drywall prices fell back in Q2 2023, dropping by 4.5% QoQ
- Prices had increased earlier in the year, but with sluggish demand from new residential construction, prices are set to continue on a downward trend in the short term

\*56.7 X 48 X 5.1 inches (L X W X T)

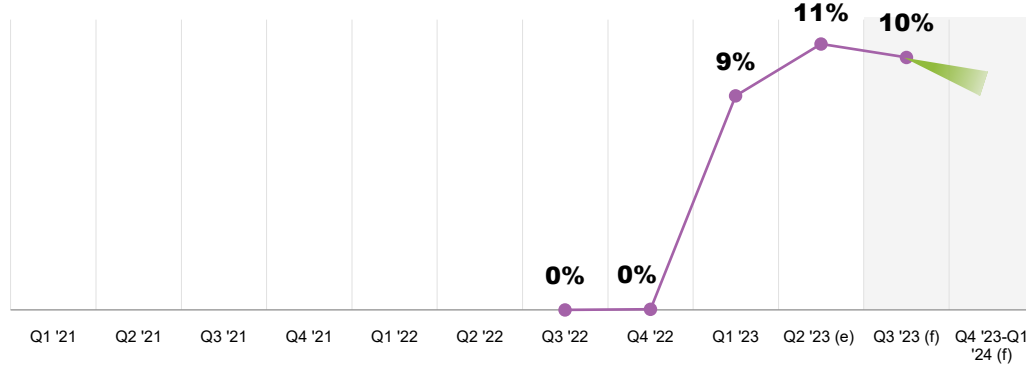
# Mexico – Construction Materials Price Trends



## Limestone

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Low	Low	
Price (MXN/t)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
191.3	190.4	↑ 2.0%	↓ -0.5%

Price change comparison against Q3 2022



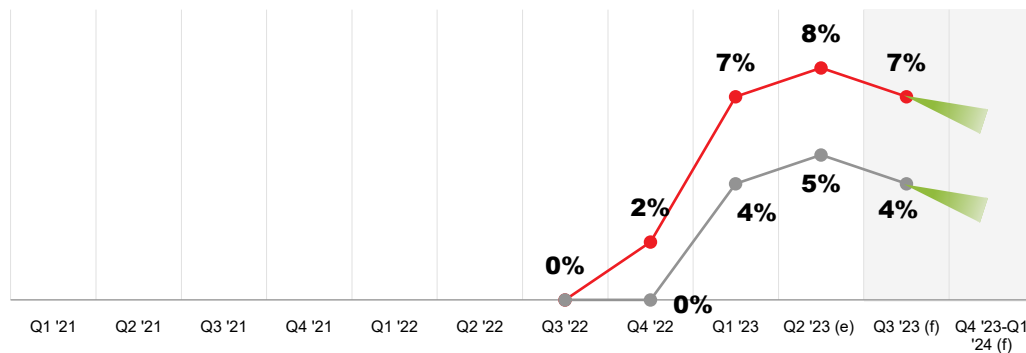
- Having risen sharply in the previous quarter, limestone prices increased further in Q2 2023, up by 2% QoQ, with supply-side pressures still contributing to higher prices
- Rising environmental concern over limestone quarrying may constrain the supply of limestone, but weaker demand and easing price pressures in the short term will result in a decline in prices

## Cement and Concrete

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Moderate	Moderate	
Price		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
<b>3,168</b>	<b>3,142</b>	↑ 0.6%	↓ -0.8%
<b>1,554</b>	<b>1,546</b>	↑ 1.0%	↓ -0.5%

● **Cement** (MXN/t)  
● **Concrete** (MXN/yd<sup>3</sup>)

Price change comparison against Q3 2022



- Cement and concrete prices continued on an upward trend in Q2 2023 on a quarterly average basis as producers are recovering from the high production costs incurred over the past year
- However, prices have started to fall on a monthly basis, with cement being 1.5% cheaper in June compared to March
- Prices are expected to fall in the coming quarters, with cost pressures easing. Overall construction industry growth will also be limited, with weakness on the building construction side offsetting investment in infrastructure growth

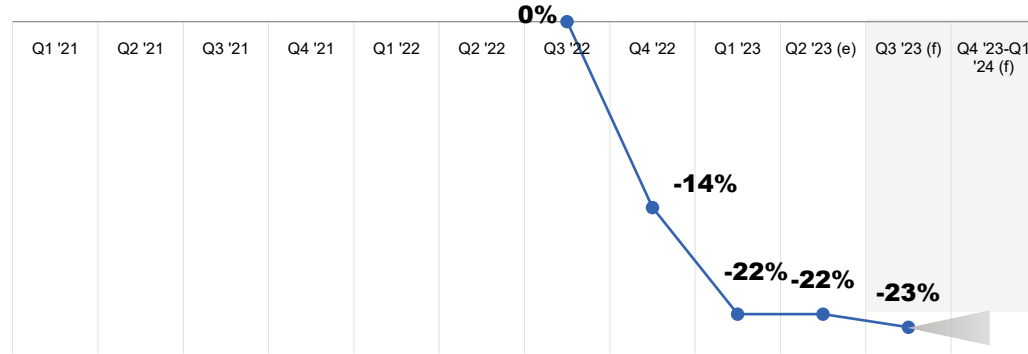
# Mexico – Construction Materials Price Trends



## Asphalt

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Low	Low	
Price (MXN/t)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
10,625	10,572	↓ -0.2%	↓ -0.5%

### Price change comparison against Q3 2022



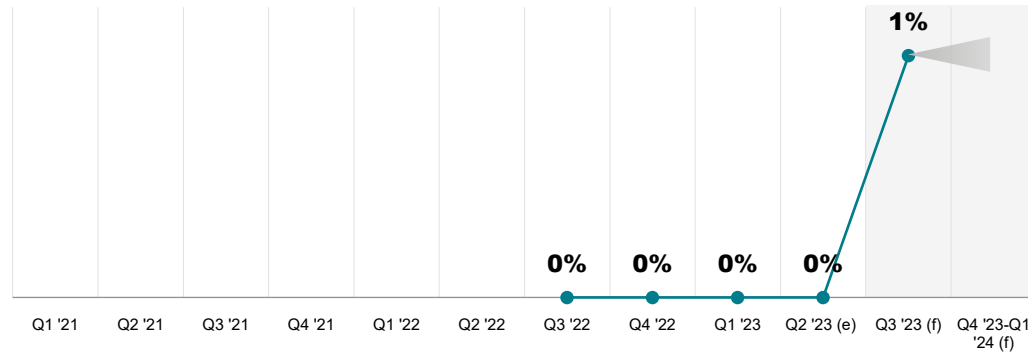
- Asphalt prices dropped back early in 2023, and prices have remained relatively low in recent months reflecting trends in prices for petroleum products
- On a quarterly average basis, prices in Q2 2023 were 22% lower than in Q3 2022
- Increased spending on road infrastructure projects will provide some support on the demand side, but key input costs are expected to remain relatively stable



## Diesel

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Low	Low	
Price (MXN/gallon)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
87.25	87.69	↓ -0.1%	↑ 0.5%

### Price change comparison against Q3 2022



- In Q2 2023, diesel prices were fairly stable on a quarterly average basis, with state subsidies in place
- Although subsidies have kept diesel prices relatively stable in recent quarters, the cost of the fuel price subsidy policy has been covered by the country's higher crude oil revenues
- Prices are expected to remain relatively stable in the short term, with subsidies in place to contain fluctuations in global oil prices



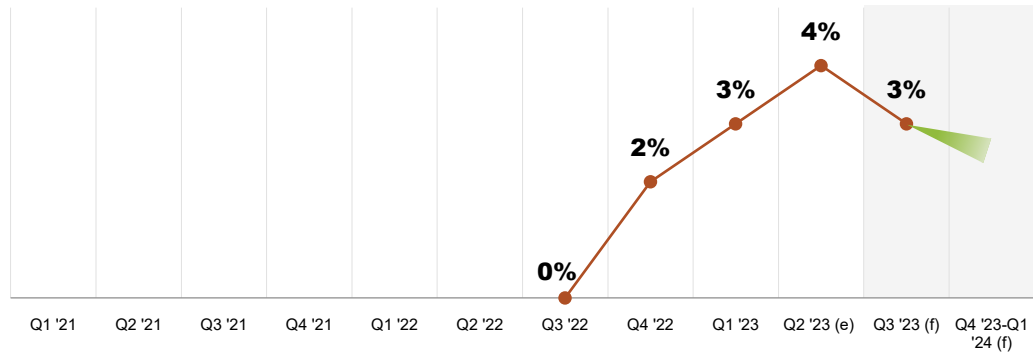
# Mexico – Construction Materials Price Trends



## Bricks

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price (MXN/'000 unit)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
7,725	7,687	↑ 0.8%	↓ -0.5%

### Price change comparison against Q3 2022



- Brick prices continued to edge upwards in Q2 2023, rising by 1% on a QoQ basis, with producers still recovering from the high production costs incurred last year
- However, prices started to ease back in June, and with residential construction set to decline, brick prices will fall steadily in the short term. In Q1 2023, gross fixed investment on residential buildings fell 1.2% YoY

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

Level of Impact					
Price Change Estimate (e) vs Forecast (f)		Material Availability		General State of Supply Chain	
Range	Impact	State	Impact	State	Impact
≥5%	High	<b>Deficit</b>	High	<b>Stressed</b>	High
≥1% - <5%	Moderate	<b>Balanced</b>	Moderate	<b>Adequate</b>	Moderate
<1%	Low	<b>Surplus</b>	Low	<b>Easily Available</b>	Low

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

QoQ                      Quarter on Quarter  
 YoY                     Year on Year  
 MoM                    Month on Month  
 GDP                    Gross Domestic Product  
 CPI                     Consumer Price Index (wherever not specified)  
 e                         estimated  
 f                         forecasted  
 EV                        Electric Vehicles  
 DC                        Data Centre



# Mexico – Industry trends



## Sector trends



### Data Centers

The Mexico data center market has witnessed significant growth in recent years due to rising demand for cloud computing, big data analytics, and IoT. Queretaro is the primary location for data center development in Mexico. However, companies are also expanding in regions like Bajío, a region within the central Mexican plateau that includes cities such as Aguascalientes and Guadalajara. The Mexico Data Center Association anticipates an investment of US\$8.5bn in the Bajío region.



### Life Sciences

According to the National Institute of Statistics and Geography (INEGI) and the Mexico Health Review, Mexico is Latin America's second-largest market for pharmaceuticals and medical devices (after Brazil). Large pharmaceutical companies are located in Mexico, which has positioned the country as one of the main manufacturing centers worldwide. Currently, 20 of the 25 largest pharmaceutical companies in the world have operations in Mexico and the market for generics has been growing exponentially in the country.



### High-tech Industrial

The industrial construction sector is projected to rebound by 2.9% in 2023, following a contraction in 2022. This growth is driven by the government's focus on establishing industrial parks throughout the country. Recently Tesla also announced an investment of MXN93.3 billion (US\$5 billion) to build a new gigafactory in Monterrey.

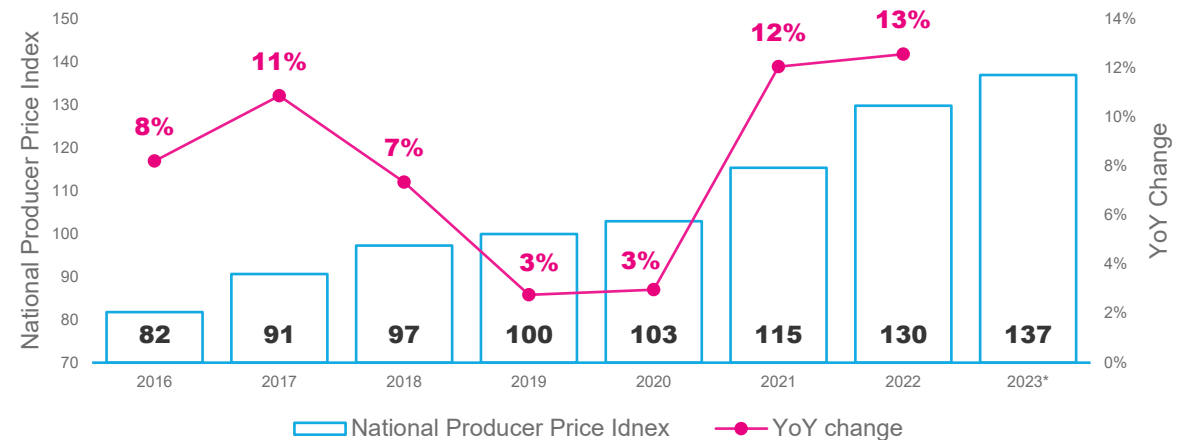


### Renewable Energy

Mexico has set ambitious targets for its renewable energy sector, aiming to double its production by 2030. Despite several ongoing large-scale green energy projects and expansion plans, challenges remain in the form of incomplete climate policies and regulatory shortcomings, which could hinder further development.

The government has established notable renewable energy goals, seeking to achieve 35% of electricity generation from clean sources by 2024, up from around 29% in 2022. In line with these objectives, various new projects scheduled for 2023 are expected to support Mexico's climate objectives.

## National producer price index<sup>+</sup>



+Base July 2019=100 (SCIAN 2013), Construction, Residential construction by city (formerly INCEVIS)

\*Average taken from Jan-23 to June-23

Change in index from June 2022 to June 2023 is 4.1%

# Mexico – Report methodology



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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.

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## 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
- Mexican Data Center Association

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