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How Can SMEs Respond to Insufficient Demand?

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July, 2026

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We are convinced that **education, experience, commitment, and innovation** are the foundation for delivering successful solutions for your business.

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If you wish to know more about our services or have any inquiries regarding our company, please contact us via email at **info@competimex.com.** We are also available through **+52 (55) 5616 7283 ext. 101.**

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How Can SMEs Respond to Insufficient Demand?

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• When demand is weak, companies must actively compete for market share rather than wait for the market to grow on its own.
• In an uncertain environment, liquidity and productivity are among an SME's most valuable assets.
• Consumers continue to spend but prioritize essential expenses and postpone major purchases. Therefore, SMEs must deepen their understanding of customers, deliver greater value, and make decisions based on relevant market intelligence.

The economy is facing a weak-demand environment, with private consumption continuing to grow, albeit at an increasingly slower pace, while consumer confidence remains subdued. In this context, SMEs cannot rely on a market recovery; instead, they must strengthen liquidity, improve productivity, and differentiate their value proposition.

When the Market Stops Growing

In recent years, the Mexican economy has avoided a severe contraction, largely supported by household consumption. However, the latest indicators suggest that this key growth engine is beginning to lose momentum and is no longer sufficient to drive stronger economic expansion. **For small and medium-sized enterprises, the challenge is not to wait for an automatic market recovery, but to adapt their strategies to an economy in which customers are spending more cautiously,** private investment remains stagnant, and consumer confidence has yet to gain firm footing.

An Economy That Remains Resilient but Struggles to Gain Momentum

Domestic demand continues to grow, although at a pace insufficient to generate stronger productive activity. Private consumption remains positive, but growth is becoming increasingly subdued. In April, household spending rose by just 0.1% compared with the previous month and by 2.1% year over year in real terms—a positive rate, but well below the momentum recorded during the post-pandemic recovery.

More concerning is the composition of consumption. While spending on domestically produced goods and services remained virtually stagnant, **growth was**

driven primarily by imported goods, which increased by more than 10% year over year. This reflects a growing preference for foreign products and the limited ability of domestic producers to capture that demand. At the same time, private investment has yet to emerge as a new engine of economic growth, while **formal employment growth has slowed, constraining sustained gains in household income.**

Taken together, the figures suggest that the largest demand-side component of GDP continues to show positive momentum, but lacks the strength needed to offset weak investment and subdued productive activity. **The conclusion is clear: the issue is no longer a lack of consumers, but rather insufficient demand to generate a virtuous cycle of investment, employment, and production.**

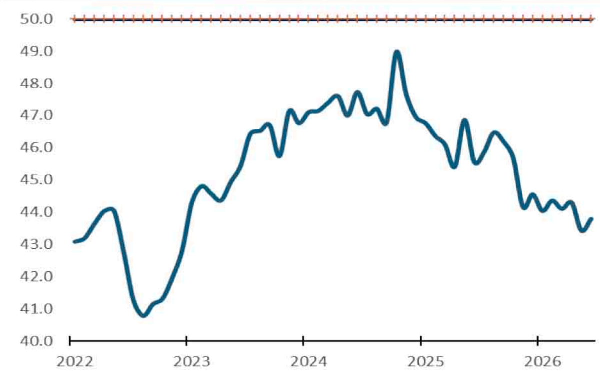
Consumers Are Still Spending—But Differently

One of the most significant features of recent demand trends is that there is no contradiction between continued consumption growth and a virtually stagnant economy. The key distinction lies in the quality of that growth.

Households continue to spend, but their priorities have shifted. **Consumer confidence remains below the levels recorded a year ago, while expectations regarding the country's economic outlook continue to deteriorate.** This does not necessarily lead consumers to stop spending, but it does prompt them to postpone major purchases and prioritize everyday necessities over higher-value items.

This trend is also evident in ANTAD sales data. While self-service stores continue to perform relatively steadily, department stores are showing greater weakness, indicating that h**ouseholds are postponing purchases of durable and discretionary goods.** Another important factor is that **a growing share of consumer spending is directed toward imported goods, reducing its multiplier effect on domestic production.**

Consumer Confidence Index*
January 2022–June 2026
(Points, seasonally adjusted series)



Source: Competimex, S.C., based on data from INEGI and Banco de México, National Consumer Confidence Survey (ENCO), 2026.
Weighted average; the midpoint value of 50 represents the threshold between predominantly optimistic and pessimistic responses.

What Does This Environment Mean for SMEs?

In a low-growth market, sales increasingly depend on each company's ability to differentiate itself from competitors.

Under these conditions, **competing solely through discounts can rapidly erode profit margins. A sustainable competitive advantage comes from delivering greater value, strengthening customer relationships, and operating more efficiently.**

At the same time, economic uncertainty requires more disciplined liquidity management. Reducing excess inventory, improving collections, negotiating better terms with suppliers, and continuously monitoring working capital can make a decisive difference.

Productivity Must Replace Reliance on Automatic Growth

In an environment where the market is expanding only marginally, productivity becomes the primary driver of competitiveness. This does not necessarily require major investments, but rather directing resources toward initiatives that generate measurable efficiencies.

Digitizing administrative processes, adopting artificial intelligence tools for repetitive tasks, and strengthening e-commerce channels often deliver faster returns than expanding installed capacity in a market with insufficient demand.

In an increasingly competitive market, data-driven management is no longer an advantage—it is a necessity.

Preparing for Growth When Conditions Improve

Economic recovery will depend on more than increased household consumption. Restoring confidence will be essential to encourage investment, create jobs, and stimulate productive projects. **In a market that no longer grows on its own, the difference between moving forward and falling behind will depend less on the macroeconomic environment and far more on the quality of business decisions.**

At Competimex, S.C., we bring more than 25 years of experience supporting companies in their administrative and financial management. Our approach combines comprehensive impact analysis, cost-structure optimization, and the proper alignment of accounting, tax, and financial strategies, enabling organizations to adapt to changing business and economic conditions in a structured, efficient, and sustainable manner.

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