

IHS Markit Mexico Manufacturing PMI™

Mexican manufacturing downturn deepens as pandemic escalates

Key findings

New orders and production contract at quicker rates

Staffing levels fall sharply amid rise in COVID-19 contamination

Input cost inflation holds close to December's near five-year high

Data were collected 12-21 January 2022.

Goods producers in Mexico recorded a sharper deterioration in business conditions at the start of 2022, amid the new wave of COVID-19 and ongoing problems in supply chains. Sales and production contracted at quicker rates, and labour shortages intensified as staff absences increased due to rising levels of infection among workers. Concerns surrounding the escalation of the pandemic dragged down business confidence to a one-year low.

On the price front, input costs rose at the second-fastest pace in close to five years and output charge inflation hit a 40-month high.

Falling from 49.4 in December to 46.1 in January, the seasonally adjusted IHS Markit Mexico Manufacturing PMI™ pointed to a marked deterioration in the health of the sector that was the most pronounced since last March.

Manufacturers reported another monthly contraction in output, the twenty-third in successive months. The rate of reduction was marked and the fastest since August 2021. According to panellists, the downturn stemmed from raw material shortages, elevated levels of staff absence and a further decline in new work intakes.

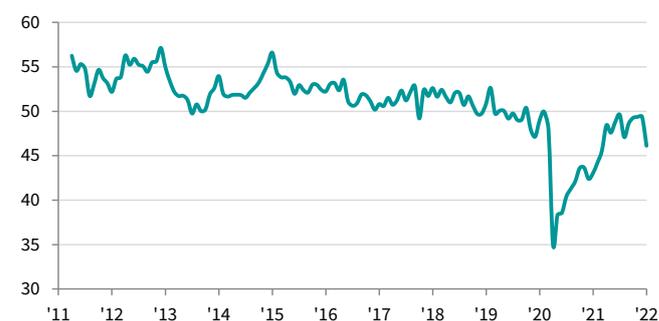
Not only did sales fall for the twenty-third consecutive month, but also to the greatest extent since last March. Monitored companies indicated that new orders were curbed by the pandemic, difficulties sourcing key raw materials and lower client requirements.

International demand for Mexican manufactured goods worsened in January, as has been the case for nearly two

continued...

Mexico Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Pollyanna De Lima, Economics Associate Director at IHS Markit, said:

"The new wave of COVID-19 contamination exacerbated the already-tough challenges facing Mexican manufacturers. Companies have struggled to see a monthly increase in new orders for a while, and the contraction gained speed in January. Production volumes were trimmed as a result and business confidence took a hit."

"Survey participants indicated that domestic and international demand for their goods deteriorated as a result of the intensification of the pandemic and ongoing problems sourcing raw materials. These factors led to a sharper reduction in output, with companies also reporting that staff absence hampered production. Such issues are expected by firms to persist in 2022, as seen by the lowest level of positive sentiment in a year."

"Inflationary pressures showed no signs of abating, presenting another headwind to the outlook. Input costs increased at the second-fastest rate in nearly five years at the start of the year, while output charge inflation hit a 40-month high."

years. The rate of contraction was solid and faster than any seen prior to the onset of the pandemic. Companies indicated that the global surge in COVID-19 cases restricted external sales, particularly to the US.

Manufacturing employment declined further at the start of the year, taking the current stretch of job shedding to two years. The rate of reduction was sharp and the quickest seen since July 2020. Anecdotal evidence highlighted elevated levels of COVID-19 infections among workers.

Increased staff absence in turn exacerbated capacity pressures caused by raw material scarcity. Firms signalled the second-sharpest overall expansion in outstanding business since data collection started in April 2011.

Goods producers signalled another substantial increase in input costs during January, which they often associated with currency weakness, the pandemic, transportation problems and raw material scarcity. The overall rate of inflation was broadly similar to December's near five-year high.

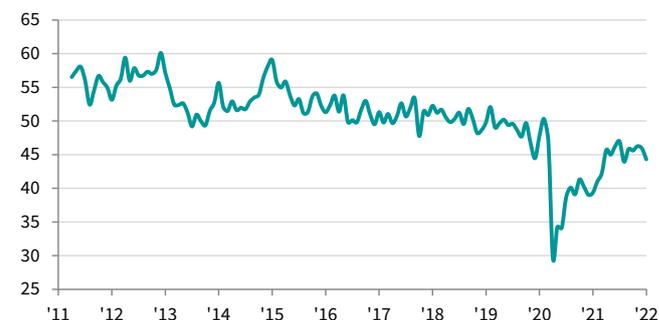
Additional cost burdens continued to be transferred to clients, with January data showing the strongest increase in output charges in just under three-and-a-half years.

Elsewhere, stocks of both inputs and output decreased at quicker rates at the start of the year. The latter was linked to raw material shortages, cashflow issues, reduced client requirements and a lack of new projects. Concurrently, the fall in input holdings was attributed to difficulties sourcing and receiving inputs.

Business confidence slipped to a one-year low in January, as companies became increasingly concerned about the intensification of the pandemic, the reintroduction of restrictions and ongoing supply-chain problems.

Output Index

sa, >50 = growth since previous month



Source: IHS Markit.

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Survey methodology

The IHS Markit Mexico Manufacturing PMI™ is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 350 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history

Data were collected 12-21 January 2022.

Survey data were first collected April 2011.

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