News Release

Embargoed until 0930 CDT (1430 UTC) 1 September 2022

S&P Global Mexico Manufacturing PMI™

Mexican manufacturing sector deteriorates again in August

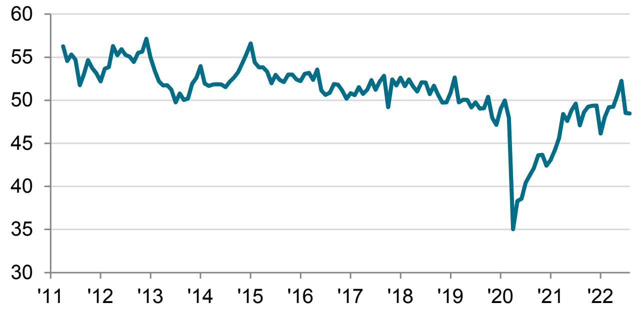
Key findings

Manufacturing output declines for a second month running

New orders fall at sharpest pace since January

Firms reduce input purchasing amid elevated cost pressures

Mexico Manufacturing PMI
sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 12-22 August 2022.

The Mexican manufacturing sector remained in contraction territory midway through the third quarter, latest PMI™ data from S&P Global showed, as output, new orders and employment all fell further. According to surveyed businesses, weaker demand conditions, inflation and input shortages hindered growth across the Mexican goods-producing sector.

There was also evidence of companies moving into retrenchment mode as inventory levels and input purchasing were reduced. The latest survey data continued to signal steep price pressures, while business confidence matched July's six-month low.

The headline S&P Global Mexico Manufacturing Purchasing Managers' Index™ (PMI™) recorded 48.5 in August, unchanged from July, signalling a second successive month beneath the vital 50.0 threshold that separates growth from contraction. Overall, August's deterioration was moderate.

Latest survey data signalled another monthly decrease in Mexican manufacturing output volumes. Anecdotal evidence suggested the decline was mainly due to falling new business intakes, although other firms commented on a lack of available inputs. The drop in production was solid but softer than in July.

New orders placed with Mexican factories fell for a second month running in August, with the rate of decrease quickening to the fastest since January. Some companies commented on reduced client appetite due to higher prices. New business from overseas customers also fell, albeit to a weaker degree than that of overall new orders.

In line with weaker demand conditions and high market prices for certain inputs, Mexican manufacturers reduced their input purchasing in August. A number of companies commented on efforts to keep stock levels lean. Indeed, both pre- and post-production inventories fell during the latest survey period.

Comment

Joe Hayes, Senior Economist at S&P Global Market Intelligence, said:

"August PMI data shed further light on the struggles shared by Mexican manufacturers. Supply problems continue to hinder production capabilities, with firms often reporting shortages of materials and delayed shipments from suppliers.

"That said, demand conditions are becoming increasingly more challenging, as seen by new orders falling at the fastest rate since the beginning of the year. This partly reflects the high inflation environment, with companies reporting reluctance among their clients due to high price levels.

"As such, we're seeing evidence that companies are now moving into retrenchment mode and are bracing for a period of difficulty. Inventory levels are being trimmed, and companies are paring back their input purchasing in line with a bleaker outlook for the economy."

Nevertheless, where companies attempted to build up stocks, they were inhibited by deteriorating supplier performance as August survey data highlighted a further lengthening of input lead times. On a positive note, incidences of delivery delays were at their least widespread in four months, reflecting stable performances from some vendors.

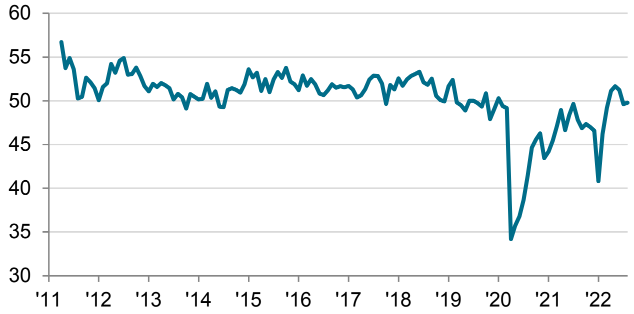
Meanwhile, inflationary pressures remained elevated during August. Average input cost burdens rose at one of the steepest rates in the survey history as suppliers reportedly lifted their fees further. Output charges were subsequently raised as firms looked to protect their margins, with the rate of inflation broadly unchanged from July's three-month high.

Elsewhere, there was a further, albeit only fractional, decrease in employment levels across the Mexican manufacturing sector. Although some companies reportedly filled vacancies, others mentioned resignations and the non-renewal of temporary contracts. That said, there were signs of capacity pressures as backlogs of work continued to rise, although the rate of accumulation was the slowest since March.

Lastly, business confidence remained subdued. Inflation, economic uncertainty, the war in Ukraine and concerns surrounding material supplies underpinned the weak outlook. Overall, the level of business confidence was the joint-weakest in seven months.

PMI Output Index

sa, >50 = growth since previous month



Source: S&P Global.

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Survey methodology

The S&P Global Mexico Manufacturing PMI™ is compiled by S&P Global 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. Data collection began in April 2011.

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.

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About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. ihsmarkit.com/products/pmi.html.

PMI™ by S&P Global