

News Release

Embargoed until 0900 CST (1500 UTC) 2 January 2024

S&P Global Mexico Manufacturing PMI[®]

Manufacturers step-up input buying at year-end as new orders rise

Key findings

Second-strongest upturn in buying levels since February 2018

Third successive increase in output and sales

Input cost inflation hits one-year high

The Mexican manufacturing industry ended 2023 in a much better shape than it started, with sustained increases in output and new orders prompting firms to scale up buying levels and stocks of purchases. Moreover, the overall level of positive sentiment was above that seen one year ago.

Although cost inflation climbed to a 12-month high, it remained below all of those seen during 2022. Factory gate charges rose for the first time in three months, albeit only slightly.

The headline S&P Global Mexico Manufacturing Purchasing Managers' Index™ (PMI[®]) slipped to 52.0 in December, from 52.5 in November, and pointed to a moderate improvement in the health of the sector that outpaced the series trend. Moreover, favourable readings throughout the latest three months rounded off the best quarterly performance for the sector since Q1 2018.

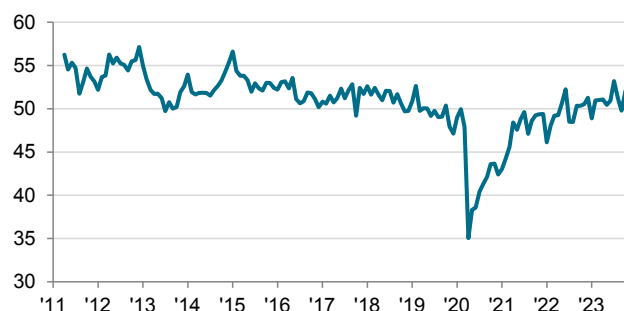
Output growth improved to a five-month high in December, with firms attributing the upturn to the launch of new designs, efforts to lift stocks and positive sales developments.

Although new work intakes rose further at the end of 2023, growth lost momentum. The rate of expansion was moderate and the slowest for three months, but remained above the long-run series average. Where sales increased, goods producers mentioned healthy client appetite and favourable demand conditions.

A key aspect of the slowdown in total sales growth was weakness in international sales trends. New export orders decreased for the fourth month in a row during December, though to the least extent over this period.

Ongoing increases in new orders and attempts to lift safety stocks fuelled another upturn in buying levels during December. Moreover, input purchasing rose at the second-fastest pace in close to six years.

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



Source: S&P Global PMI.
Data were collected 6-14 December 2023.

Comment

Pollyanna De Lima, Economics Associate Director at S&P Global Market Intelligence, said:

"2023 was a challenging year for Mexican manufacturers, but business conditions improved considerably heading towards 2024. Through the entirety of the fourth quarter companies lifted production volumes, spurred by new business gains. Such was the strength of the latest three-month performance that the PMI recorded its highest quarterly reading since early 2018."

"A key feature of the PMI results for December was the notable upturn in buying levels, one that was among the strongest in six years. This expansion shows the manufacturing industry carrying favourable momentum into 2024, particularly when combined with new work in the pipeline, rising backlogs and positive expectations for the year ahead."

"Nevertheless, 2024 doesn't look set to be all sunshine and roses. Manufacturers pared back their growth forecasts amid election uncertainty and lingering concerns surrounding highway insecurity. Other drawbacks evident in the latest results included persistent weakness in international orders, an intensification of cost pressures and the end of charge discounting. The latter could potentially disrupt sales in the near-term."

PMI[®]

by S&P Global

© 2024 S&P Global

Robust demand for inputs, coupled with low stock levels at suppliers, reportedly urged them to lift their fees. Average purchasing costs rose to the greatest extent in a year, but the rate of inflation was below all of those recorded in 2022.

Following broadly stable factory gate charges in the two previous months, there was a renewed increase in December. Despite being slight, the pace of inflation was the quickest seen since the start of the year. Anecdotal evidence pointed to the partial passing on of cost increases to clients.

December data indicated that recent efforts to hedge against input shortages underpinned another round of inventory growth at Mexican manufacturers. Furthermore, the pace of stock accumulation was marked and one of the strongest registered in close to 13 years of data collection.

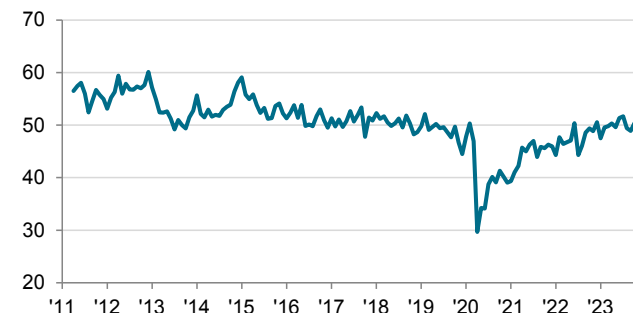
Holdings of finished products likewise increased, but the pace of accumulation eased to the slowest in the current three-month sequence of growth.

With regards to capacities, the latest results pointed to ongoing pressure at suppliers to the Mexican manufacturing industry. Delivery times reportedly lengthened due to low stock levels at vendors and highway insecurity. Goods producers themselves saw a mild accumulation in their own backlogs, ending a two-month sequence of depletion.

Concerns surrounding highway insecurity and election uncertainty collectively dampened business confidence in December. Overall, however, sentiment regarding the year-ahead outlook for production remained positive as firms forecast new business gains. Recent partnerships with suppliers, product diversification, tourism, expositions and fairs likewise supported optimism.

PMI Output Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

Contact

Pollyanna De Lima
Economics Associate Director
S&P Global Market Intelligence
T: +44-1491-461-075
pollyanna.delima@spglobal.com

Katherine Smith
Corporate Communications
S&P Global Market Intelligence
T: +1 (781) 301-9311
katherine.smith@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).

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@spglobal.com.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.