

News Release

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S&P Global Mexico Manufacturing PMI™

Demand resilience keeps PMI inside growth territory in August

Key findings

Health of manufacturing economy improves further...

...supported by sustained increase in new orders

Cost inflation ticks higher

The S&P Global PMI™ data for Mexico signalled mixed trends across the manufacturing industry in August. There were further, albeit softer, expansions in total new orders and exports. However, production growth was halted by slower sales growth and sufficient stock levels at some units. Input buying growth eased, while employment was broadly stagnant. On the price front, a sharper increase in input costs contrasted with a third successive reduction in selling charges.

Posting 51.2 in August, the S&P Global Mexico Manufacturing Purchasing Managers' Index™ (PMI™) was inside growth territory — above the neutral level of 50.0 — for the seventh straight month. That said, the headline figure slipped from 53.2 in July and signalled only a slight improvement in the health of the sector.

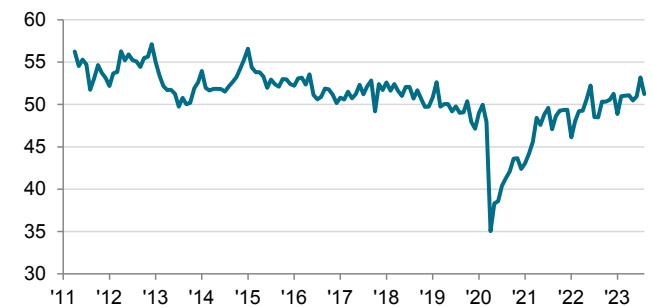
The above-50.0 reading mainly reflected a sustained increase in new orders placed with goods producers. Sales expanded at a moderate pace that was nonetheless the second-fastest in four-and-a-half years. Survey participants attributed the rise to fruitful advertising and the approval of pending quotations.

New export orders rose for the second straight month in August, but the rate of growth eased from July's 53-month high.

While higher sales supported production at some units, several firms trimmed output due to a lack of incoming new work and sufficient stocks to fulfil any immediate uptick in demand. Overall output decreased for the first time in three months, albeit marginally.

Mexican manufacturers noted a resurgence of cost inflationary pressures midway through the third quarter. Input prices rose at the quickest rate in six months, but one that was less pronounced than those registered throughout 2022. Panellists noted upward pressure from chemical, foodstuff and metal costs.

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



Source: S&P Global PMI.
Data were collected 10-22 August 2023.

Comment

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

"August's PMI results for Mexico shone a light on the nation's manufacturing industry resilience. While a setback in output posed a hurdle to the sector's performance, the sustained increases in total new orders and international sales hint at a promising trajectory.

"When combined with the backdrop of input buying growth, restocking efforts, improved business confidence and several mentions of orders pending approval, the PMI indices paint a positive picture for the sector at least in the near-term.

"Inflation remained a major challenge for goods producers, with input costs increasing at a stronger rate in August. That said, strategic approaches adopted by businesses to maintain competitiveness meant that lower factory gate prices continued to keep new business afloat."

PMI™

by S&P Global

Goods producers opted to absorb additional cost burdens amid competitive pressures and efforts to prevent any negative impact on sales. Output charges decreased for the third successive month in August, though only marginally overall.

Elsewhere, firms continued to acquire additional inputs midway through the third quarter. Quantities of purchases expanded for the seventh month in a row and at the second-quickest pace since mid-2022.

Subsequently, stocks of purchases rose further in August. Having eased from July's near-record rate, however, the pace of accumulation was only marginal.

Post-production inventories also increased in August. Demand resilience and forecasts of growth in the near-term supported the rise, according to anecdotal evidence. Little-changed since July, the pace of accumulation was only slight.

Manufacturing companies again signalled longer lead times on inputs during August. Delays reportedly stemmed from highway insecurity, input shortages at distributors and saturated maritime transportation. The deterioration in vendor performance was moderate, however, and less pronounced than in July.

Manufacturers' capacities remained under pressure in August, as signalled by another increase in outstanding business volumes. That said, then rate of backlog accumulation was moderate and noticeably softer than in July.

As for headcounts, August data showed broadly no change in manufacturing employment, with around 93% of panellists reporting the same level of staffing as in July.

PMI Output Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

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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.