

# News Release

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## S&P Global Mexico Manufacturing PMI®

### Production improves in March on firmer sales growth

#### Key findings

Faster increases in output and new orders

Cost pressures recede, charge inflation ticks higher

Subdued sales to US dampen exports and business confidence

Growth across Mexico's manufacturing industry was broadly stable in March, as stronger expansions in new orders and production contrasted with softer job creation and an outright fall in stocks of purchases. New export orders decreased at the fastest pace in five months, with firms particularly mentioning weaker demand from the US. This, alongside competitive pressures and insecurity, curbed business optimism. Cost pressures remained elevated by historical standards, despite retreating to a six-month low, underpinning a stronger increase in factory gate charges.

Posting 52.2 in March, broadly unchanged from 52.3 in February, the headline S&P Global Mexico Manufacturing Purchasing Managers' Index™ (PMI®) signalled a further improvement in the health of the sector. Although moderate, the pace of growth was above its long-run trend.

Production rose for the second month in a row during March, with growth linked to higher new orders, restocking efforts and demand resilience. The pace of expansion was fractionally higher than in February and the strongest in over six years.

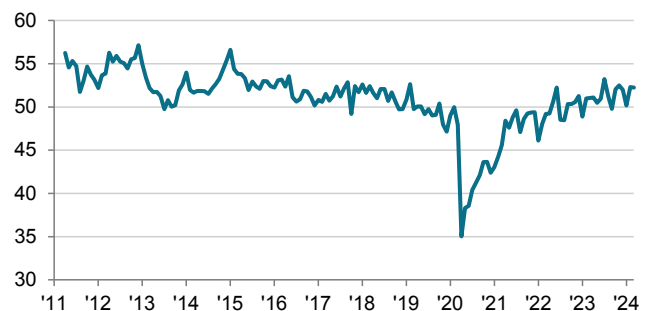
Factory orders increased solidly and at a faster pace than in February. There was evidence from survey participants of restocking efforts among customers and expanded client bases, alongside the approval of pending quotations.

The latest results indicated that March's increase in total sales was centred on the domestic market as new export orders slipped back into contraction. In particular, panellists commented on weaker demand from the US. International orders decreased at the quickest pace since last October.

Although firms remained confident that positive trends in output and new orders will be sustained in the year ahead, optimism faded in March. There were heightened concerns surrounding insecurity, competitive conditions and faltering demand from the US.

Mexico Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-20 March 2024.

#### Comment

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

*"Mexico's manufacturing sector expanded further in March, underpinned by a solid rise in domestic new orders as pending contracts continued to get the green light. This buoyant client appetite had positive impacts on factory production, buying levels and employment."*

*"Supply-side constraints persisted – reflecting issues in the Red Sea, highway insecurity and water shortages – exerting pressure on input prices which again increased at an elevated rate. Firms were able to pass on a small proportion of their additional cost burdens to clients by raising charges to the greatest extent in nearly a year-and-a-half."*

*"The upcoming elections in the US was reported as factor behind March's solid decline in new export orders and fading business confidence among Mexican manufacturers. Participants of the PMI survey also expect price pressures, insecurity and competitive conditions to restrict growth in the medium-term."*

PMI®

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Delays in the delivery of inputs remained a key theme among manufacturers, with the current sequence of worsening vendor performance exceeding four years. Transportation challenges, disruptions in the Red Sea, road insecurity and water shortages were reported as sources of lengthening lead times.

These factors reportedly underpinned further hikes in input prices. The overall rate of cost inflation receded to a six-month low, but remained elevated in the context of the series history.

Mexican manufacturers were able to pass on their higher cost burdens to clients, however, with output charge inflation reaching a 17-month high in March. The rate of increase was above its long-run trend, but considerably below that seen for input costs.

Higher workloads encouraged firms to recruit additional workers in March. The latest uptick in employment was slight and softer than in February, however.

Backlogs of work continued to rise as material shortages and lengthening lead times on inputs restricted production capabilities. Moreover, outstanding business increased at a marked pace that was the strongest since July 2023.

Input stocks fell in March, despite a sustained increase in buying levels. The pace of inventory depletion was slight.

The uptick in purchasing activity was moderate and slower than in the previous month, but outpaced the long-run series average.

Finally, firms signalled the first decline in stocks of finished products in six months. Despite being moderate, the rate of depletion was the fastest since January 2023.

## 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@spglobal.com](mailto:economics@spglobal.com).

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