

News Release

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S&P Global Mexico Manufacturing PMI[®]

Input price inflation hits two-year high

Key findings

Firms signal slower declines in sales and production

Pick-up in cost pressures triggers sharper rise in charges

Lead times lengthen to greatest extent since September 2022

Although Mexico's manufacturing industry remained in contraction territory during November, the latest PMI[®] data compiled by S&P Global highlighted softer reductions in total sales and production volumes. There was also a renewed increase in buying levels, but downturns in international sales and employment gathered pace. On the price front, a substantial intensification of cost pressures urged companies to lift selling charges to the greatest extent since August 2022.

Posting 49.9 in November, up from 48.4 in October, the S&P Global Mexico Manufacturing Purchasing Managers' Index[™] (PMI) indicated only a fractional deterioration in operating conditions. The upward movement in the headline figure stemmed from softer declines in new work intakes and output, but also a substantially sharper lengthening of supplier delivery times.

Although goods producers experienced another decline in new order volumes, the overall rate of reduction eased to the joint-weakest in the current five-month sequence of contraction (equal to July). Where a fall in sales was reported, panel members commented on challenges at clients relating to cashflows, investment and sales.

In contrast to the trend for total new orders, international sales decreased to a greater degree. The latest drop was solid and the second-fastest in just under three years (behind August). Survey participants commonly reported weaker demand from the US.

Similar to the trend for total sales, Mexican factory production decreased only slightly midway through the fourth quarter. The pace of reduction was also the least pronounced since the current sequence of contraction began in July.

November data showed an intensification of cost pressures across the manufacturing economy, which firms partly attributed to a fall in the Mexican peso (against the US dollar) making imported materials costlier. The overall rate

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



Source: S&P Global PMI.
Data were collected 12-21 November 2024.

Comment

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

"Although it was encouraging to see softer declines in sales and production at Mexican manufacturers, the dip in business confidence and pick-up in cost pressures could cast a shadow on near-term prospects."

"Concerns over highway insecurity, competition and protectionism weighed heavily on firms already grappling with financial strains which, combined with a lack of new work, led to deeper workforce cuts in November."

"With the Mexican peso depreciating against the US dollar, firms paid more for imported materials and attempted to recover some of this extra expense by lifting their selling prices to a greater degree. Considering the subdued demand environment, rising selling prices has the potential to drag down sales further. Companies must navigate these turbulent waters carefully to ensure long-term sustainability."

"Moving forward, the interplay between inflation and monetary policy will be critical; if inflation persists, the central bank may be compelled to pause interest rate cuts, potentially stifling growth further."

PMI[®]

by S&P Global

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of inflation was the steepest seen in two years.

Triggered by rising cost pressures, manufacturers continued to increase their selling prices in November. Having accelerated to the fastest since August 2022, the rate of change in inflation was marked.

The latest data revealed that highway insecurity, issues with sea transportation and delays at customs caused a further lengthening of supplier delivery times. The extent to which vendor performance worsened was marked and the most severe since September 2022.

Goods producers indicated that the late arrival of previously purchased materials underpinned another increase in backlogs at their units. Despite slowing from October, the pace of accumulation remained marked.

Below-target sales prompted companies to streamline input inventories again. In some instances, firms suggested that financial difficulties also hindered their ability to rebuild stocks. Holdings of pre-production items decreased for the ninth successive month, albeit to the least extent since April.

In contrast to the trend for input stocks, holdings of post-production items rose in November for the first time in nine months. The uptick was only fractional, however.

Reflecting ongoing declines in new business intakes, Mexican manufacturers trimmed payroll numbers in November. The latest fall in employment was the seventh in consecutive months and sharper than in October.

Finally, business optimism faded in November amid concerns surrounding competitive conditions, insecurity and protectionism. The overall level of positive sentiment was below its trend.

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.

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