News Release

Embargoed for Immediate Release

S&P Global Mexico Manufacturing PMI™

Mexico Manufacturing PMI is being released ahead of official release time due to inadvertent early release on third party distributor platform. The data can now be used and reported on.

PMI®

by S&P Global

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S&P Global Mexico Manufacturing PMI™

Acute price pressures send manufacturing industry back into contraction

Key findings

Renewed declines in new orders and production

Input cost inflation softens, but remains elevated

Stronger increase in output charges

Following a brief recovery in June, Mexico's manufacturing industry was back in contraction during July, as acute price pressures and firms' inability to supply goods in a timely manner due to input shortages restricted sales. Companies scaled back production volumes, trimmed input buying and shed jobs. The rate of input price inflation was among the strongest on record, despite easing since June, and output charges were lifted to a greater extent. Concerns over spiralling costs and unresolved supply-side issues curbed business confidence.

Following back-to-back improvements in operating conditions in May and June, the latest data pointed to a deterioration at the start of the third quarter. The headline S&P Global Mexico Manufacturing Purchasing Managers' Index™ (PMI™) fell from June's 40-month high of 52.2 to 48.5 in July, pointing to a moderate deterioration in the health of the sector.

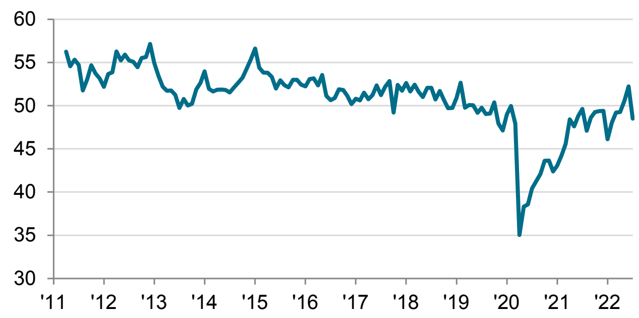
According to survey participants, input shortages, solvency issues, rising prices, falling sales and drought conditions all dampened production volumes in July. Having increased marginally in June, output decreased markedly at the start of the third quarter.

July data pointed to a solid contraction in new work intakes at Mexican goods producers, after a return to growth in June. Monitored firms indicated that acute price pressures and the cost-of-living crisis curtailed demand, while some also mentioned that existing orders had been cancelled due to their inability to meet delivery deadlines amid raw material scarcity.

Price pressures remained intense in July, which companies blamed on global shortages of inputs, the war in Ukraine and peso depreciation. Panellists cited higher energy, material, oil and transportation costs. Despite easing to a three-month low, the overall rate of inflation was among the highest in the survey history (since 2011).

Mexico Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 12-21 July 2022.

Comment

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

“Stubborn inflation, rising interest rates, input shortages and drought conditions took their toll on the manufacturing industry, dragging it back into contraction during July. PMI data highlighted renewed declines in total orders and production.

"Companies are now reporting trepidation over their financials, a factor which restricted input buying and led to the non-renewal of temporary contracts. Employment decreased for the first time in four months.

"Solvency concerns, alongside supply-chain constraints, the war in Ukraine and acute price pressures stifled business confidence in July. Almost one-quarter of panellists predict lower output in the coming 12 months compared to present levels.

"Although July's results showed a mild easing of input price inflation, the rate of increase remained among the highest on record. Firms opted to pass on at least part of their additional cost burdens to clients by lifting their fees again. The rate of charge inflation was much weaker than that seen for costs, but nevertheless quickened to the second-highest in over four years."

PMI™ by S&P Global

Ongoing cost increases led firms to lift their own fees further. The rate of charge inflation was the second-fastest in over four years, behind April.

Concerns surrounding inflation, weak underlying demand, financial difficulties and the war in Ukraine restricted business confidence in July. The overall level of positive sentiment slipped to a six-month low and was far lower than its long-run average.

Mexican firms tightened the purse strings in July, reducing input buying and jobs amid a worrying financial outlook. Substantial price pressures and a lack of money to make purchases reportedly led to a renewed decline in quantities of purchases. Concurrently, employment fell for the first time in four months.

Input shortages at vendors caused further delivery delays in July. Average lead times on inputs lengthened to a lesser extent than in June, but one that was historically marked.

In turn, delivery delays amid shortages among vendors contributed to another decline in pre-production inventories at Mexican manufacturers. The rate of depletion was, however, marginal.

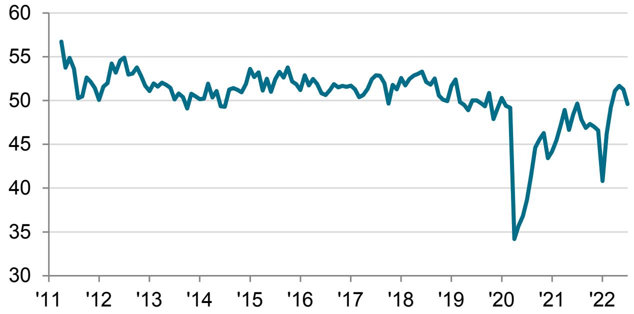
The lack of raw material availability also caused a renewed fall in post-production inventories. Intense droughts and lower sales were also cited as reasons behind the drop.

Mexican manufacturers continued to see their outstanding business piling up in July. The rate of backlog accumulation remained sharp, despite easing to a three-month low.

Finally, growth of export orders was sustained in July. That said, the rate of expansion was marginal and softened to the slowest in the current four-month sequence of increases. The slowdown was attributed to input shortages and weak sales to clients based in the US.

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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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com.

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.

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