News Release

Embargoed until 0900 CST (1500 UTC) 3 July 2023

S&P Global Mexico Manufacturing PMI™

Mixed fortunes for manufacturing industry as sales decline and production expands in June

Key findings

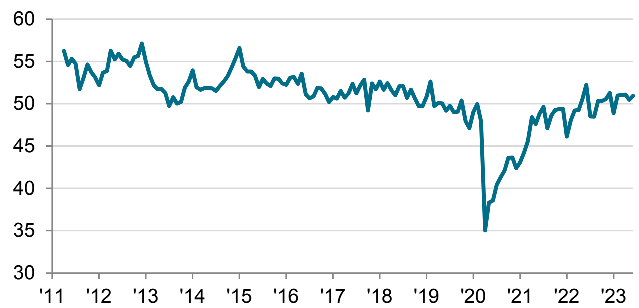
Renewed rise in production contrasts with further fall in sales

Cost inflation ticks higher...

... but charges decline for first time in 19 months

Mexico Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.
Data were collected 12-22 June 2023.

The Mexican manufacturing industry experienced a fusion of challenges and positive developments in June. While sales decreased again due to weak demand conditions, lower exports and a reluctance among clients to commit to new orders, there was a renewed expansion in production. At the same time, persistent supply-chain disruptions underpinned a stronger increase in input costs, but competitive pressures limited firms' ability to pass these on to clients and output charges were discounted.

Posting above the neutral 50.0 mark that separates growth from contraction, the S&P Global Mexico Manufacturing Purchasing Managers' Index™ (PMI™) signalled a fifth consecutive monthly improvement in the health of the sector. The headline figure rose from 50.5 in May to 50.9 and was consistent with a slight rate of expansion.

June data revealed a renewed increase in manufacturing output across Mexico. The rate of expansion was mild, albeit the quickest in over four years. Companies that lifted production mentioned improvements in demand for their goods, the clearing of outstanding business and a greater availability of certain raw materials.

New orders decreased at the end of the second quarter, with survey members attributing the downturn to subdued demand and a reluctance among clients to move forward with pending quotations. That said, the overall rate of reduction was fractional as some firms indicated that restocking initiatives at their customers and the approval of outstanding proposals supported sales.

As has been the case on a monthly basis since March, new export orders decreased in June. Panellists suggested that challenging economic conditions internationally and weak sales to the US dampened external orders. The pace of contraction was slight, however, and softened since May.

Goods producers signalled another increase in input costs during June, which they attributed to price list adjustments

Comment

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

"Despite the headwinds of weak demand conditions, the PMI data showed a glimmer of optimism in the form of renewed production growth in June. This was partly achieved via the clearing of outstanding business, although some firms also noted improved demand for certain products. Client interest was there, as several panellists mentioned having quotations pending approval, but for now buyers weren't prepared to commit to new purchases.

"Lower output prices have emerged as a consequence of adverse sales developments and intense competition. While this may benefit clients, it adds pressure to manufacturers' margins and could restrict investment and hiring.

"Companies again faced higher input costs in June, with inflation ticking higher. Price pressures, combined with subdued investment, political uncertainty and concerns surrounding raw material shortages dragged down business confidence to a three-month low."

at vendors and shortages of some items. Chemical, foodstuff, metal, plastic, textile and electronic component costs were reportedly higher. The overall rate of inflation accelerated from May, but was among the lowest over the past couple of years.

Competitive conditions, attempts to increase market share and adverse sales developments all led to discounted selling prices in June. Output charges fell for the first time in 19 months, albeit fractionally.

Elsewhere, goods producers signalled a decline in payroll numbers. The latest fall, the first in five months, was linked to resignations, downsizing, staff churn and new hire no-show. Input buying rose further, extending the current sequence of expansion to five months. According to panel members, the upturn stemmed from restocking initiatives and improved liquidity. The rate of growth was marginal and broadly similar to May.

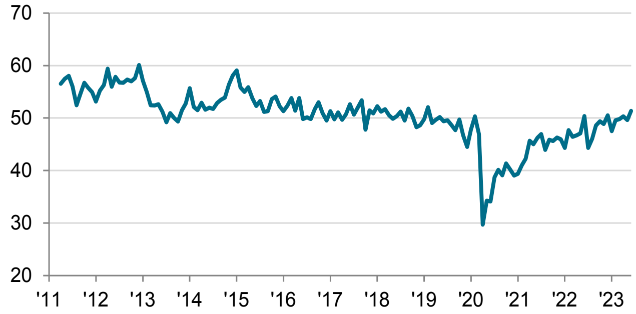
Lead times on inputs lengthened further in June, albeit to one of the least extents seen since the COVID-19 outbreak. Delays were often associated with input shortages among suppliers.

Firms noted an increase in input inventories in June. Although moderate, the rate of accumulation picked up since May. Holdings of finished goods decreased, albeit fractionally.

Finally, advertising, forecasts of higher sales, new product releases and productivity gains supported business optimism in June. Concurrently, concerns about raw material availability, political uncertainty, price pressures and subdued investment dragged down overall sentiment to a three-month low.

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@ihsmarkit.com.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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.

PMI™ by S&P Global