

# News Release

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## S&P Global Mexico Manufacturing PMI<sup>®</sup>

### Growth of output and new orders reinstated in February

#### Key findings

Production and sales increase, following brief falls in January

Pick-up in backlogs underpins recruitment

Business sentiment strengthens

The PMI<sup>®</sup> results for Mexico's manufacturing industry showed an improvement in operating conditions during February, as the reinstatement of sales growth underpinned a renewed expansion in output. Labour and input shortages drove a solid increase in backlogs, with firms hiring extra staff as a result. Strengthening optimism towards the outlook also induced job creation.

Supply chains remained under pressure amid highway insecurity, problems with maritime transportation and water shortages. Subsequently, there was another sharp increase in input costs.

Up from 50.2 in January to 52.3 in February, the headline S&P Global Mexico Manufacturing Purchasing Managers' Index<sup>™</sup> (PMI) signalled the strongest improvement in the health of the sector for three months. The headline figure posted above its long-run average (50.9) and was in expansion territory for the fifth successive month.

Spurred by the approval of several projects, overall sales rose in February. Anecdotal evidence also indicated that stock building efforts among customers and expanded clientele underpinned new order growth. The increase was moderate, but more than offset January's fall.

Buoyed by rising intakes of new business, Mexican manufacturers scaled up production volumes in February. The increase followed a decline in January, and was the fastest seen in five years.

Underlying data indicated that growth of total sales was mainly domestic-driven, as new export orders were broadly stable. That nevertheless represented an improvement from falling international orders in each of the prior five months. Some panellists reported better demand from clients based in Japan, Germany, South America Spain and the US. Others noted reduced interest from France and Central America.

Mexico Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-21 February 2024.

#### Comment

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

*"Factory production and sales in Mexico, which were negatively impacted by delayed project approvals in January, rebounded halfway through the first quarter as contracts got the green light. Restocking efforts among manufacturers and their clients also underpinned growth."*

*"Firms' success in securing new orders created a cascade of positivity for the sector, inducing a stronger upturn in input purchasing and the first increase in net employment for three months. February's hiring also reflected companies' upbeat projections for the year ahead."*

*"Nevertheless, the latest set of PMI data highlighted some challenges. Highway insecurity, water shortages and problems with maritime transportation led to further delivery delays among suppliers. At the same time, input and labour shortages prompted a solid increase in manufacturers' backlogs."*

*"Material shortages also kept cost pressures elevated in February. The latest rise in input prices was the second-strongest in 14 months."*

PMI<sup>®</sup>

by S&P Global

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There was a solid increase in work pending completion at goods producers in Mexico, one that was the most pronounced since July 2023. Among the reasons listed for rising backlogs were staff shortages and a lack of critical inputs.

In response, firms hired extra workers and purchased additional materials. The rise in employment was moderate, but the strongest in 14 months. Buying levels also expanded at a faster rate.

Manufacturers continued to report challenges receiving inputs from their suppliers in a timely manner. According to respondents, highway insecurity, sea transportation issues and water shortages caused delivery delays.

Prior efforts to add to inventories via the purchasing of raw materials meant that input stocks at goods producers rose in February. The accumulation was solid and reversed the decline seen in January.

Holdings of finished products likewise increased, stretching the current sequence of accumulation to five months. Anecdotal evidence pointed to the intentional rebuilding of inventories to safeguard against shortages amid expectations of sales growth.

There was an improvement in business confidence during February, after sentiment had slipped to a ten-month low in January. New designs, forecasts of better demand conditions and expectations that pending contracts will be signed were central to upbeat projections.

Input costs in Mexico's manufacturing economy rose sharply in February, and at the second-fastest rate in 14 months. That said, with fewer than 6% of panellists increasing their fees, the rate of charge inflation remained mild.

## 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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