News Release

Embargoed until 0930 CDT (1530 UTC) 1 November 2022

S&P Global Mexico Manufacturing PMI™

Declines in factory orders and production soften in October

Key findings

Slowest contractions in new orders and output for four months

Subdued sales and cashflow issues lead to destocking

Input cost inflation quickens, but charges rise at weaker pace

The Mexican manufacturing sector started the final quarter with another reduction in output as inflationary pressures, cashflow problems and material shortages dampened client demand. That said, rates of contraction in production and sales moderated to the weakest in four months. This lack of new work coupled with efforts to free-up capital led firms to trim buying levels and deplete their stocks of both inputs and finished products. The latest results also showed a renewed acceleration in input cost inflation, but competitive conditions resulted in a slower rise in selling prices.

The S&P Global Mexico Manufacturing *Purchasing Managers' Index™ (PMI™)* was at 50.3 in October, unchanged from September and above the 50.0 no-change mark for the second month running amid a fractional rise in factory jobs and lengthening delivery times.

Mexican goods producers scaled down output for the fourth month running in October. The downturn was attributed to input scarcity and a lack of new work. The rate of contraction was marginal, however, and the slowest over this sequence.

New work intakes also decreased at a marginal pace that was the weakest in four months. Where a fall was reported, survey participants mentioned weak client demand, lingering troubles in the automotive sector and material shortages.

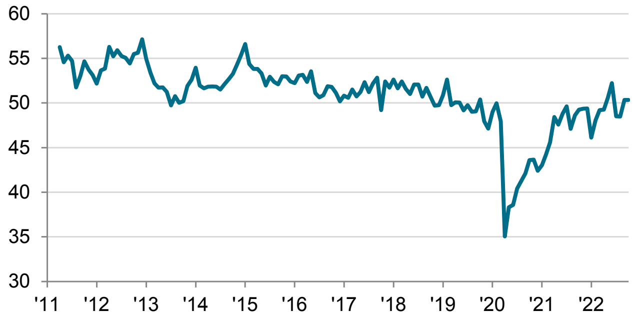
Subdued international demand for manufacturing goods hampered overall sales, with firms noting a third successive drop in exports that was the fastest in seven months. The downturn was associated with material shortages, cashflow problems at clients and acute price pressures.

A lack of new work led Mexican manufacturers to scale down input purchasing in October, with a number of firms mentioning an increased need to free-up capital. Buying levels fell for the fourth month running and at the quickest rate since April.

Subsequently, there was another decline in input inventories

Mexico Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-21 October 2022.

Comment

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

"Demand, supply and cash shortfalls continued to prevent a recovery of the Mexican manufacturing industry. Clients again reduced orders due to inflationary pressures, liquidity squeezes and low sales at their end, while goods producers cut input purchasing and focused on destocking in order to free-up working capital.

"Input scarcity, the war in Ukraine, energy price volatility and transportation difficulties pushed up cost inflation in October. While some companies tried to protect margins by lifting selling prices, others refrained from doing so due to competitive conditions. As a result, overall output charges rose at the slowest pace in 11 months.

"Firms were on average optimistic that output levels would be higher in a year's time, but worries over insolvency risks and unrelenting inflationary pressures dampened confidence."

PMI™ by S&P Global

at the start of the fourth quarter. The pace of depletion was marked and the most pronounced since February. Survey participants signalled efforts to avoid overstocking and improve cashflows.

Holdings of manufactured goods likewise decreased in October. The decline was only slight and broadly similar to those seen in the current four-month sequence of falls. A number of companies indicated that they were making products as needed.

Energy price volatility, the war in Ukraine, transportation difficulties and input shortages reportedly exerted upward pressure on input price inflation in October. Cost burdens increased sharply and at a faster rate than in September.

Some companies opted to pass on cost hikes to their clients in October by lifting selling prices, while others refrained from doing so due to competitive pressures. Overall output charges rose at a moderate pace that was the slowest in the current 11-month sequence of inflation.

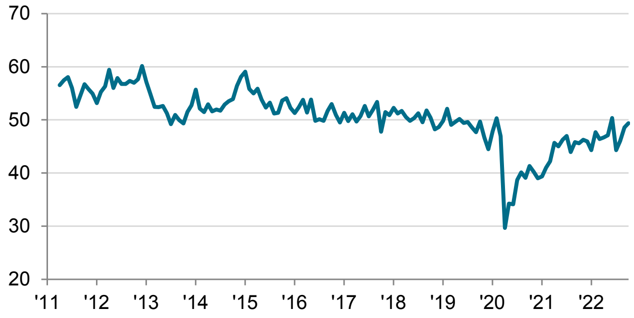
Raw material scarcity, lengthening supplier delivery times, liquidity issues and problems at customs underpinned another upturn in outstanding business volumes at Mexican goods producers. The rate of accumulation was marked and among the strongest on record.

Companies sought to alleviate capacity pressures by hiring temporary labour in October. The pace of job creation was only fractional, however.

Average lead times on inputs lengthened sharply in October, albeit to the least extent in a year-and-a-half. Shortages at vendors, issues at customs and transportation problems were cited as sources of delays.

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.

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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