

News Release

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S&P Global Mexico Manufacturing PMI™

Input price inflation approaches survey peak

Key findings

Cost burdens rise at second-fastest rate on record...

...prompting further increases in output charges

Production and new orders contract further in March

The Mexican manufacturing sector downturn was extended to March, with companies signalling further declines in sales, output and employment. Concurrently, the rate of input cost inflation jumped to the second-highest in the 11-year survey history, reportedly owing to global shortages of raw materials, the pandemic and Russia's war against Ukraine. Firms continued to transfer additional cost burdens to clients, with output charges increasing at the strongest rate in over three-and-a-half years.

At 49.2 in March, the seasonally adjusted S&P Global Mexico Manufacturing Purchasing Managers' Index™ (PMI™) was in contraction territory for the twenty-fifth month running. However, rising from 48.0 in February, the headline figure was consistent with a marginal deterioration in business conditions. The upward movement in the PMI reflected slower reductions in new orders, stocks of purchases and employment, as well as a sharper deterioration in supplier performance.

According to monitored companies, ongoing declines in sales, raw material scarcity and weak underlying demand all contributed to another fall in production volumes. The rate of contraction quickened from February, but was moderate relative to those seen at the turn of the year.

New work intakes decreased further in March, amid reports of market uncertainty, input shortages and troubles in the automotive sector. However, total sales fell at a moderate pace that was the slowest since last November.

Parallel to this, there was a solid contraction in new export orders in March, which companies attributed to subdued demand conditions, the pandemic and mounting inflation.

The latest results pointed to acute price pressures in Mexico's manufacturing industry. Input costs rose at the second-fastest rate since data collection started in April 2011, behind only October 2011. Survey members noted higher prices for a wide range of chemicals, electronic components,

Mexico Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 11-23 March 2022.

Comment

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

"With Mexico's manufacturing industry stuck in contraction and inflationary pressures mounting, the latest results ring alarm bells for policymakers. PMI data showed the second-sharpest increase in input costs in the 11-year survey history, which companies often linked to raw material scarcity, the pandemic and Russia's war against Ukraine.

"The combination of ongoing interest rate hikes and acute price pressures is likely to curtail business investment and consumption, making it more difficult for the economy to recover.

"Firms have been signalling staff cuts for a while now, as they attempt to keep a lid on expenses, with job shedding extended to March. Inflation was also reported as a key drag on export orders.

"While operating conditions remained challenging, businesses on average predicted output growth in the year ahead. However, here too we saw the impact of supply-chain issues, rising cost burdens and the Russia-Ukraine war — all of which dragged down sentiment from February's four-month high."

PMI™

by S&P Global

energy, foodstuff, plastics, metals, packaging and textiles. Increases were mostly associated with global shortages of raw materials, the pandemic and the Russia-Ukraine war.

With cost burdens surging, manufacturers increased their own selling prices in March. The rate of charge inflation was solid and the highest since August 2018.

Goods producers sought to lower their operating expenses by reducing payroll numbers in March, although some firms linked job shedding to downsizing, falling orders and the non-replacement of voluntary leavers. Yet, the rate of contraction in employment eased to the weakest in eight months.

Inventories trends were broadly similar as both pre- and post-production stocks decreased at slower rates in March. The latest fall in holdings of finished goods was attributed to shortages of labour and inputs, while input inventories reportedly contracted due to supply-chain problems and difficulties sourcing raw materials. March saw a further, albeit slower, reduction in quantities of purchases.

Indeed, vendor performance worsened further and to a greater extent. Delays were often associated with global shortages of inputs, the pandemic, a lack of container availability and Russia's war against Ukraine.

Subsequently, manufacturers saw their own backlogs rise in March, with the rate of accumulation one of the sharpest on record.

Looking ahead, optimistic projections towards output were retained, but overall confidence was dampened by inflation concerns, raw material scarcity and the war in Ukraine.

PMI Output Index

sa, >50 = growth since previous month



Sources: 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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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.