

# News Release

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## S&P Global Mexico Manufacturing PMI™

### Manufacturing conditions in Mexico improve further at year end

#### Key findings

Headline PMI rises to 51.3 in December

Factory orders continue to expand...

...underpinning first increase in production in six months

The Mexican manufacturing industry ended 2022 in a better shape than it started, with a further expansion in new orders underpinning a renewed upturn in production and input buying. Firms continued to add to their payrolls and maintained an upbeat view towards growth prospects. While input cost inflation remained high, the latest increase was the slowest in ten months. Concurrently, charges rose only marginally.

The S&P Global Mexico Manufacturing Purchasing Managers' Index™ (PMI™) was above the neutral 50.0 mark for the fourth successive month in December. Moreover, rising from 50.6 in November to 51.3, the latest reading indicated the strongest improvement in the health of the sector since June.

New orders provided the main impetus to the headline figure, rising slightly but nevertheless at the fastest pace in close to four years. According to survey participants, sales were boosted by better underlying demand and clients bringing purchases forward in anticipation of higher selling prices next year.

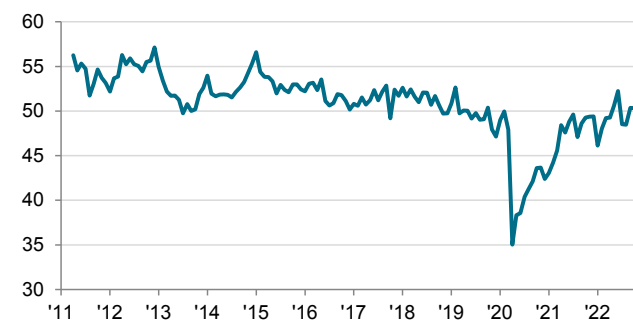
International orders were broadly stable in December, after falling in each of the prior four months. Some firms reported higher sales to the US and restocking efforts among other external clients. However, several companies continued to see exports dampened by troubles in the automotive sector and challenging economic conditions in Europe.

With the upturn in total new work extended to December, manufacturers scaled up output. New product releases and reduced pressure on supply chains relative to earlier in the year also underpinned growth, according to panellists. The rise in production was mild, but the first in six months and the quickest since February 2019.

Buoyed by signs of a recovery in demand, companies purchased additional inputs in December to supplement greater production. The rate of growth was slight, however.

Mexico Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 06-15 December 2022.

#### Comment

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

"December's PMI figure was encouragingly the best we've seen for six months, as firms scaled up production for the first time since June due to back-to-back increases in factory orders. Job creation was sustained, with growth even ticking higher. Hence, manufacturing will enter 2023 on a much better footing than it did in 2022.

"Rates of inflation for both input costs and output charges moderated at the end of the year. The former is still running at an elevated level, but the results provide signs that at least for now inflation continues to retreat.

"The sustained rise in new business was insufficient to improve optimism among goods producers. Companies remained worried about automotive sector weakness, component shortages, a lack of investment, the war in Ukraine and inflation."

PMI™

by S&P Global

Job creation continued in December, marking a four-month sequence of growth. Although moderate, the pace of expansion was the quickest since February 2019.

Despite the uptick in headcounts, companies continued to see an increase in outstanding business volumes at the end of 2022. The rate of accumulation was solid and quicker than that recorded in November. Companies suggested that shortages of some inputs prevented them from finishing products.

Supplier delivery times lengthened further in December, but did so to the same extent as in November and was therefore the joint-slowest since March 2020. Disruptions at customs and shortages of some raw materials reportedly caused delays.

December data pointed to another monthly drop in holdings of pre-production items at Mexican manufacturers. The fall was the thirty-eighth in successive months, albeit moderate overall.

Post-production inventories increased in December, ending a five-month sequence of depletion. Anecdotal evidence indicated that demand resilience and efforts to prepare for future sales supported the rise in stocks. The rate of accumulation was, however, marginal.

Input costs rose further in December, amid reports of raw material scarcity and the war in Ukraine. Although the slowest in ten months, the rate of inflation remained historically high.

Some firms transferred cost increases to their clients, while others refrained from doing so due to promotional activities and efforts to improve working capital. The rate of charge inflation was the weakest in 13 months.

## 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](mailto:economics@ihsmarkit.com).

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