News Release

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S&P Global Mexico Manufacturing PMI™

PMI slips into contraction territory at start of 2023

Key findings

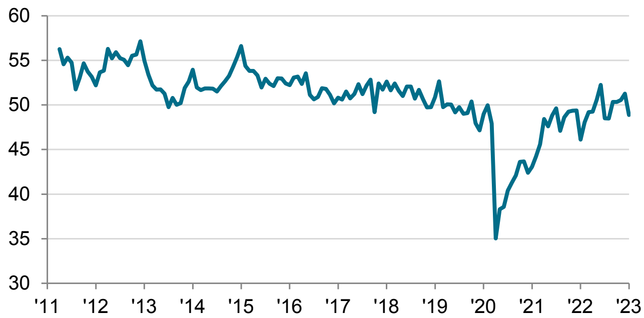
Business conditions worsen for first time in five months

Firms scale down production amid renewed decline in sales

Input cost inflation eases to 14-month low

Mexico Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-23 January 2023.

There was a mild deterioration in the health of the Mexican manufacturing industry at the start of 2023, following the best improvement for six months in December. A renewed decline in sales led firms to trim production and buying levels, factors which resulted in broad-based contractions in stocks. In all of the aforementioned cases, however, rates of reduction were moderate. Meanwhile, input costs rose at the slowest rate since November 2021 and the pace of charge inflation was little-changed from December's 13-month low.

Posting 48.9 in January, down from a six-month high of 51.3 in December, the S&P Global Mexico Manufacturing Purchasing Managers' Index™ (PMI™) was in sub-50.0 territory for the first time since last August. The latest reading pointed to renewed downturn in operating conditions, but one that was mild overall.

Mexican goods producers indicated that new business inflows returned to contraction territory. The latest fall was the first in three months and the fastest since August 2022, albeit modest. Where a reduction was reported, panellists cited that lower sales at their clients meant that they held sufficient items in stocks, reducing their need to purchase extra items. Inflationary pressures and a challenging economic landscape also dampened new orders.

As a result, goods producers trimmed production volumes at the start of the year. The fall was the quickest in five months and contrasted with growth in December, but was moderate overall.

Some firms expect output levels to increase in 2023, with optimism pinned on hopes of a recovery in demand. There were also mentions that new product launches and advertising could boost sales. That said, other companies were concerned about price pressures and raw material scarcity, factors which ultimately dragged business confidence down to a five-month low in January.

Input costs rose at the slowest pace in 14 months during

Comment

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

"There was a reversal of fortunes for the Mexican manufacturing industry, which slipped back into contraction in January after expanding at the end of 2022. Companies generally suggested that their clients had excessive stocks which they struggled to sell, meaning they were more reluctant to place new orders. According to goods producers, a challenging economic landscape and price pressures deterred sales at the start of 2023.

"That said, comfort can be taken from the fact that contractions in sales and output were mild, with only marginal declines seen for input purchasing and headcounts.

"Firms were tentatively optimistic that new product releases and advertising could help boost sales and subsequently production volumes over the year, but inflation and input shortage worries dampened business confidence.

"Although the PMI Input Prices Index showed the slowest monthly rate of inflation for 14 months, it remained historically high. Firms listed several items as having increased in price, including chemicals, energy, electronic components and transportation."

January, albeit one that was still sharp in the context of historical data. According to panellists, chemicals, energy, foodstuff, metals, electronic components, plastics, textiles and transportation were the key sources of inflationary pressures.

Output prices also rose at the start of the year, but the rate of inflation was little-changed from December's 13-month low. In fact, around 95% of panellists reported stable average charges in January.

The combination of acute cost inflation and falling sales deterred goods producers from purchasing additional raw materials and semi-finished items in January. The decline in buying levels was marginal overall, but contrasted with growth in December.

Subdued input demand alleviated some supply-chain pressures in January, as evidenced by the weakest extension to average lead times in nearly three years. Nevertheless, in some instances, firms mentioned shortages of components among suppliers and the late delivery of imported items.

Although stocks of purchases decreased further in January, the rate of contraction was marginal and one of the slowest seen over the current 39-month sequence of depletion.

Holdings of finished products likewise declined in January, as companies often opted to produce as required. The latest fall in stocks was the sixth in seven months, following a brief increase in December.

Mexican manufacturers signalled lower payroll numbers in January, which they attributed to voluntary resignations, difficulties hiring suitable workers and sometimes downsizing. The contraction was marginal, but ended a four-month sequence of job creation.

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.

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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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