News Release

Embargoed until 0930 CDT (1430 UTC) 1 July 2022

S&P Global Mexico Manufacturing PMI™

June sees renewed growth of production and new orders

Key findings

Output and sales rise for first time since onset of COVID-19

Input buying expands solidly...

...despite near-record increase in purchasing costs

PMI™ data for June pointed to tentative signs of a recovery in demand for Mexican goods, evidenced by a renewed rise in factory orders. Despite being marginal, the uptick in sales led businesses to scale up production, lift input buying and continue hiring. Supply-chain issues persisted, however, with the latest results showing an intensification of delivery delays as well as near-record increases in input costs and outstanding business volumes.

Rising from 50.6 in May to 52.2 in June, the headline S&P Global Mexico Manufacturing Purchasing Managers' Index™ (PMI™) signalled a second successive improvement in the health of the sector. Although moderate, the rate of expansion was the strongest since February 2019 and contributed to an above-50.0 average for Q2 2022.

New orders, the largest sub-component of the PMI, was in expansion territory for the first time since the onset of COVID-19. According to panel members, marketing efforts, product diversification and new client wins all underpinned sales growth. The pace of increase was only marginal, however, owing to competitive pressures and some firms' inability to take on new work due to input shortages.

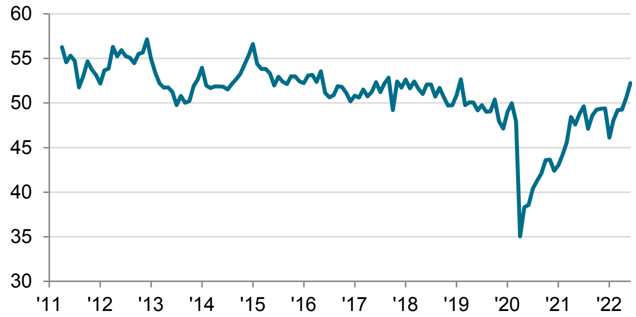
There was a positive contribution from international markets to overall sales, with new work from abroad increasing for the third month in succession. Anecdotal evidence pointed to higher demand, particularly from the US, and the securing of new clients who were unable to source products from their usual providers. External sales rose at a moderate pace that was the softest in three months, however.

Greater sales volumes, new client wins and projects in the pipeline led to a renewed increase in manufacturing production across Mexico. The rise ended a 27-month period of contractions, but was marginal overall. Growth was reportedly curbed by inflationary pressures, subdued demand conditions and a lack of raw material availability.

Owing to stock-building initiatives and efforts to mitigate

Mexico Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 13-22 June 2022.

Comment

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

"Improved demand conditions, particularly from external markets, paved the way for Mexican manufacturers to take a step in the right direction towards a recovery in June. In some instances, firms were able to fill the shoes of their competitors, supplying goods to new clients who were unable to source them elsewhere.

"Motivated by rising pipelines of new work, and in attempts to minimise future stockouts, firms lifted production volumes and buying levels in June. However, with supply-chain disruptions intensifying, economic growth was somewhat restricted while price pressures remained elevated. Problems among suppliers continued to spill over to goods producers who saw their own levels of outstanding business mount in June.

"June data showed one of the strongest increases in input costs in over 11 years of data collection as the war in Ukraine, lockdowns in China and energy price volatility exacerbated lingering disruptions in supply chains. There was a softer rise in factory gate charges, albeit one that was marked and above the long-run series average."

against input shortages, firms scaled up input buying levels halfway through 2022. The increase was solid, the first in 28 months and the strongest since February 2018.

With imbalances between input demand and supply persisting, there was another substantial rise in purchasing costs in June. The war in Ukraine and energy price volatility were also cited as sources of inflationary pressures. The rate of increase in overall input costs was the third-highest in over 11 years of data collection.

Supply-chain issues also meant that firms continued to experience severe delays in the delivery of purchased inputs. Vendor performance worsened to the greatest extent in six months.

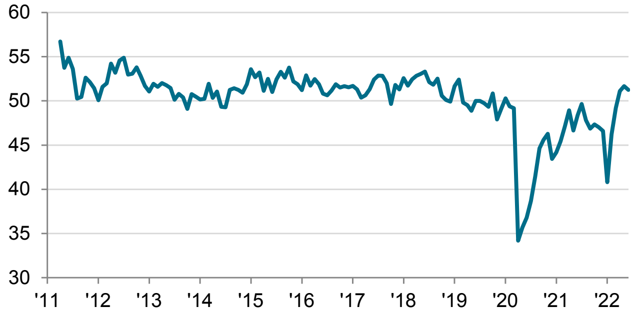
Hence, companies reported another decline in stocks of purchases in June. The fall was the thirty-second in consecutive months, though the slowest over this period.

Amid reports of raw material scarcity and delivery delays, outstanding business continued to pile up in June. In fact, the rate of backlog accumulation was little-changed from May's record.

June data highlighted another round of job creation in Mexico's manufacturing industry, as firms sought to replace voluntary leavers and meet greater production requirements. The upturn in employment was slight, and eased from May, but the third in consecutive months.

Mexican manufacturers continued to transfer additional cost burdens to their clients by lifting selling prices further. Despite easing to a three-month low, the rate of charge inflation was marked and above its long-run average.

PMI Output Index
sa, >50 = growth since previous month



Source: S&P Global.

Contact

Pollyanna De Lima
Economics Associate Director
S&P Global Market Intelligence
T: +44-1491-461-075
pollyanna.delima@spglobal.com

Katherine Smith
Corporate Communications
S&P Global Market Intelligence
T: +1 (781) 301-9311
katherine.smith@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click here.

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 S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.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.

PMI™ by S&P Global