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IHS Markit Mexico Manufacturing PMI™

Factory orders, production and employment all contract at slower rates

Key findings

Weakest decline in new business since onset of COVID-19

Downturn in output eases noticeably

Employment falls at slowest pace since March 2020

Data were collected 12-22 April 2021.

Business closures, subdued sales and raw material shortages led to a further deterioration in the health of the Mexican manufacturing industry during April, with all but two survey measures (business expectations and input costs) in contraction territory. That said, there were notably softer reductions in new orders, output, exports, employment and stocks as some firms experienced greater demand for their goods.

Meanwhile, supply-chain constraints, raw material shortages and the Suez Canal blockage underpinned a further increase in delivery times and the sharpest rise in input costs since July 2018.

The seasonally adjusted IHS Markit Mexico Manufacturing PMI™ stood at 48.4 in April, rising from 45.6 in March and highlighting the slowest deterioration in operating conditions in the current 14-month sequence of contraction.

New orders decreased further in April, but the rate of reduction eased to the slowest since the current period of contraction started in March 2020. Companies that reported lower sales commented on business closures and weak demand, but others indicated that stock-building efforts among clients and the reopening of some firms underpinned new order growth.

New orders from abroad decreased at the weakest pace since last August, as a number of companies were able to secure international sales due to the lifting of COVID-19 restrictions in key export markets.

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Mexico Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Pollyanna De Lima, Economics Associate Director at IHS Markit, said:

"The Mexican manufacturing sector showed tentative signs of recovery in April, with key survey indices moving towards the stabilisation figure of 50.0.

"A few companies noted that stronger demand for their goods supported job creation and production growth, but with a larger proportion of firms still observing declines, the survey's measures of new orders, output and employment all remained in contraction territory.

"COVID-19 restrictions and a lack of raw material availability were cited as the key factors impeding a recovery. Input scarcity caused further delivery delays among suppliers, another decline in stocks of purchases and increases in cost burdens.

"Input prices rose at the steepest rate since mid-2018, but companies once again refrained from lifting their factory gate charges amid a lack of pricing power due to subdued demand conditions. Some firms suggested that a spike in raw material and shipping costs prevented them from making additional purchases."

April saw output decline for the fourteenth straight month, though to the weakest extent since March last year. Whereas raw material shortages, falling sales and business closures led to lower production volumes at some plants, a few companies lifted output due to stronger demand for their goods.

The recent sequence of job shedding extended into April, but here too a slowdown was recorded. In fact, employment fell at the weakest rate in over a year. Where payroll numbers decreased, survey members mentioned subdued sales and spare capacity. Indeed, backlogs of work declined markedly.

April data pointed to a solid contraction in quantities of purchases among Mexican manufacturers, but one that was nevertheless the slowest since March 2020. Some companies lowered input buying due to subdued sales and increased shipping fees, while others acquired more materials in line with improved demand for their goods.

There was a further decline in pre-production inventories in April, albeit one that was the slowest for over a year. Where a reduction was signalled, panellists mentioned bottlenecks at logistics firms. Indeed, average delivery times lengthened markedly amid the Suez Canal blockage and supply-chain constraints.

A lack of availability of materials and elevated shipping fees continued to push up the rate of input cost inflation, which hit a 33-month high in April. Once again, firms absorbed the additional cost burden and reduced their selling prices amid efforts to stimulate demand. That said, the rate of discounting was slight overall and the weakest since March 2020.

Hopes that COVID-19 restrictions will be lifted boosted business confidence in April, with the overall level of positive sentiment at a two-month high.

Survey methodology

The IHS Markit Mexico Manufacturing PMI™ is compiled by IHS Markit 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.

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.

Survey dates and history

Data were collected 12-22 April 2021.

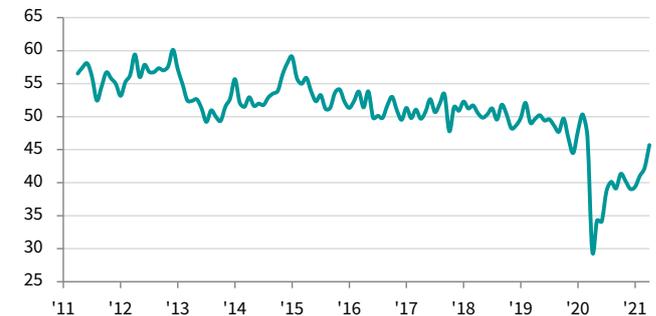
Survey data were first collected April 2011.

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Output Index

sa, >50 = growth since previous month



Source: IHS Markit.

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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