October data indicated that supply-demand mismatches continued to weigh on the performance of the Mexican manufacturing sector. Firms reported that global shortages of raw materials curbed production volumes, pushed up input costs and caused a near-record lengthening of supplier delivery times. The lack of items and elevated prices for them also prevented companies from making additional purchases. Subsequently, pre- and post-production stocks declined.

According to manufacturers, bottlenecks at global logistics firms also impacted the demand side of the economy, with many clients postponing orders due to a lack of goods. However, total new orders declined at the slowest pace since July.

The seasonally adjusted IHS Markit Mexico Manufacturing PMI™ moved closer to the 50.0 no-change mark in October, rising from 48.6 in September to 49.3. The upward movement in the headline figure reflected softer contractions in new orders, stocks of purchases and employment. At the same time, delivery times lengthened to one of the greatest extents in the survey history.

Output decreased for the twentieth month in a row during October, with the rate of contraction little-changed from September’s solid pace. Where a fall was reported, panellists mentioned a lack of raw material availability, business closures and subdued sales.

Indeed, new orders continued to fall. In some instances, the downturn was associated with a reluctance to lower prices.
as per clients’ requests. The contraction was also attributed to shutdowns, weak demand and shortages of goods for sale.

October data pointed to the first increase in manufacturing charges in over two years. The upturn was linked to the pass-through of rising cost burdens to clients.

Not only did input prices rise sharply in October, but they did so at the fastest rate in just under three-and-a-half years. Firms reported higher electronic component, metal, oil, resin and transportation costs. Increases were largely attributed to a lack of availability for these items.

Raw material scarcity continued to translate to delivery delays among suppliers to the manufacturing industry. Vendor performance worsened at the third-sharpest pace since the survey started in April 2011.

The combination of cost pressures and raw material shortages led goods producers to purchase fewer inputs in October. The rate of contraction was moderate, however, and eased to the weakest since March 2020.

As a result, stocks of purchases declined further at the start of the final quarter, taking the current sequence of contraction to two years. That said, the pace of reduction was moderate and the slowest in 19 months.

Holdings of manufactured goods likewise fell in October, stretching the current uninterrupted period of contraction to 20 months.

Although employment decreased again in October, the pace of job shedding was moderate and softened from September. Anecdotal evidence highlighted subdued sales, resignations, downsizing and shutdowns.

Business sentiment hit a 42-month high in October, reflecting expectations that the pandemic will recede and raw material availability will improve.