News Release

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IHS Markit Mexico Manufacturing PMI™

Supply-side constraints weigh on manufacturing sector performance

Key findings

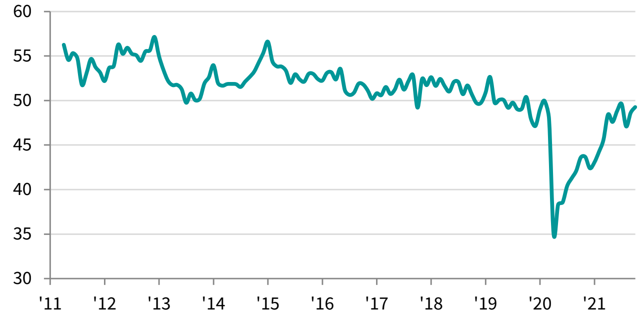
Raw material shortages cause further drop in output

Clients postpone purchases due to lack of items

Delivery times lengthen at near-record rate

Mexico Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Data were collected 12-21 October 2021.

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

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Comment

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

"The key element behind the disappointing readings for most indices of the PMI survey was raw material shortages. Such issues restricted input purchasing, caused further declines in inventories, dampened production and triggered delivery delays.

"Companies also noted that raw material scarcity influenced purchasing decisions among their own clients, who often postponed purchases in view that items would not be distributed in a timely manner.

"With too many pesos chasing too few goods, inflationary pressures escalated. Input cost inflation hit a 39-month high and charges increased for the first time in over two years. Panel members reported that some orders were lost due to a reluctance among clients to pay more for certain goods.

"On the bright side, the survey showed slower rates of contraction in new orders, stocks, quantity of purchases and employment. Parallel to this, there was a substantial improvement in business confidence. Companies expect supply-chain constraints to ease in the coming year and the pandemic to recede further, which they hope will underpin output growth."

PMI®
By IHS Markit

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.

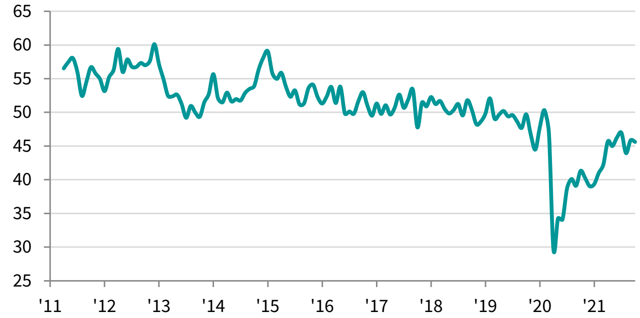
Holdings of manufactured goods likewise fell in October, stretching the current uninterrupted period of contraction to 20 months.

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.

Output Index

sa, >50 = growth since previous month



Source: IHS Markit.

Contact

Pollyanna De Lima
Economics Associate Director
IHS Markit
T: +44-149-146-1075
pollyanna.delima@ihsmarkit.com

Katherine Smith
Public Relations
IHS Markit
T: +1 781 301 9311
katherine.smith@ihsmarkit.com

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 12-21 October 2021.

Survey data were first collected April 2011.

About 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.