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IHS Markit Mexico Manufacturing PMI™

Manufacturing sector downturn eases in March

Key findings

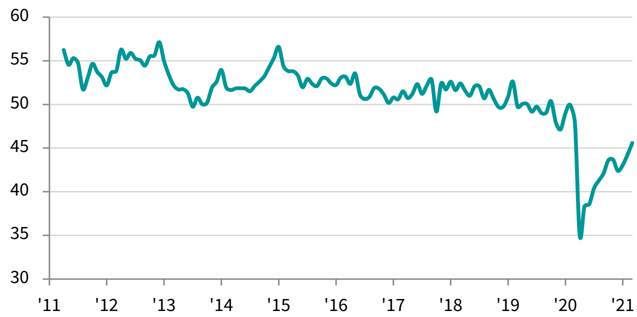
Factory orders and production fall for thirteenth straight month...

...but rates of contraction soften

Slower reductions in input buying and employment

Mexico Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Data were collected 12-23 March 2021.

Business conditions in Mexico's manufacturing industry continued to worsen in March, with companies indicating that coronavirus disease 2019 (COVID-19) restrictions hampered factory orders and production. The challenging operating environment led firms to further reduce headcounts and purchasing activity. In all four cases, rates of contraction remained sharper than any seen prior to the COVID-19 crisis, despite easing from February.

On the price front, supply-chain disruptions and unfavourable exchange rates pushed the rate of input cost inflation to a 28-month high. Survey participants continued to absorb additional cost burdens and lowered their charges again.

The seasonally adjusted IHS Markit Mexico Manufacturing PMI™ increased from 44.2 in February to a one-year high of 45.6 in March. This signalled a slower, but still sharp, deterioration in business conditions. With the PMI rising in each month throughout the opening quarter, the average reading for Q1 2021 (44.3) was above that seen in Q4 2020 (43.2).

There were widespread reports that business closures, due to COVID-19 controls, caused contractions in factory output during March. The overall fall was the slowest over the past 12 months, but sharper than any seen prior to that.

Firms reported a further decline in new orders during March, marking a 13-month sequence of contraction. As was the case for production, the pace of reduction was the weakest since March 2020 but faster than those seen before the

continued...

Comment

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

"The Mexican manufacturing sector was again hampered by COVID-19 restrictions, with business closures causing further reductions in sales and output. Subsequently, firms continued to lower input purchasing and employment. However, rates of contraction did at least slow.

"While the COVID-19 vaccination program lifted business confidence to a one-year high in February, growing concerns about a further wave of infections and the possibility that controls could tighten restricted sentiment in March. Uncertainty could further delay the recovery, dampening business investments and preventing job creation.

"Manufacturers continued to report that supply-chain disruptions and peso weakness pushed up input prices. The latest rise was the strongest in close to two-and-a-half years. Companies again absorbed the additional cost burden and lowered selling prices to try and boost sales."

pandemic.

March data pointed to a thirteenth successive monthly drop in new export orders. Although the slowest since last August, the rate of contraction remained sharp.

Goods producers indicated that the combination of fewer sales, elevated prices and business closures led them to scale back input buying in March. The rate of contraction in quantity of purchases was sharp and similar to that noted halfway through the first quarter.

Manufacturing employment decreased for the fourteenth month in a row, but at the slowest pace in a year. Companies that reported lower payroll numbers mentioned subdued demand conditions, downsizing, shutdowns and the non-renewal of temporary contracts.

Mexican manufacturers noted the sharpest increase in input costs since November 2018. According to survey participants, unfavourable exchange rates, material shortages and supplier price adjustments all exerted upward pressures on inflation.

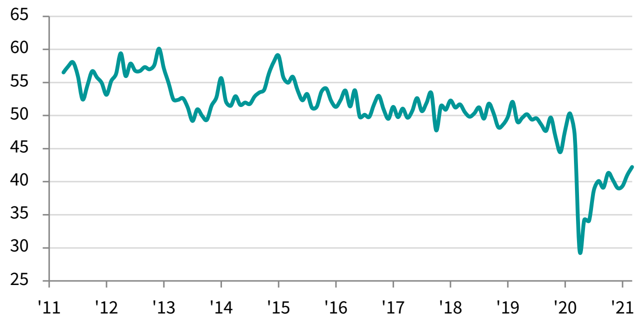
Companies refrained from lifting their charges amid ongoing efforts to attract new business. Factory gate prices decreased for the seventeenth month in a row during March, but at the slowest rate since October 2020.

On the stock front, the March results highlighted ongoing declines in both pre- and post-production inventories. Moreover, rates of depletion remained historically marked.

Finally, business optimism was hampered by concerns that COVID-19 restrictions may linger and that the economic recovery will be slow. Having fallen from February's one-year high, the level of positive sentiment was well below the series average (since April 2012).

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 12-23 March 2021.

Survey data were first collected April 2011.

About IHS Markit

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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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