

IHS Markit Mexico Manufacturing PMI™

Input cost inflation remains elevated amid lingering supply-chain problems

Key findings

Rate of input cost inflation close to October's 39-month high

Lead times on inputs lengthen at near-record pace

Production falls further in November

Data were collected 12-22 November 2021.

Mexican manufacturers signalled that supply-side issues continued to weigh on their performance during November. Raw material shortages and higher prices for energy, fuel, materials and transportation caused a further sharp increase in input costs that was similar to October's recent high. Delivery times again lengthened at a near-record pace, a factor that caused falls in stocks and production. Demand conditions remained challenging, with the latest data showing a twenty-first successive decline in factory orders.

Posting 49.4 in November, little-changed from 49.3 in October, the seasonally adjusted IHS Markit Mexico Manufacturing PMI™ signalled a further deterioration in the health of the sector that was, however, mild compared to those seen since the onset of COVID-19. Four of the five sub-components of the PMI were in contraction territory, while vendor performance continued to worsen.

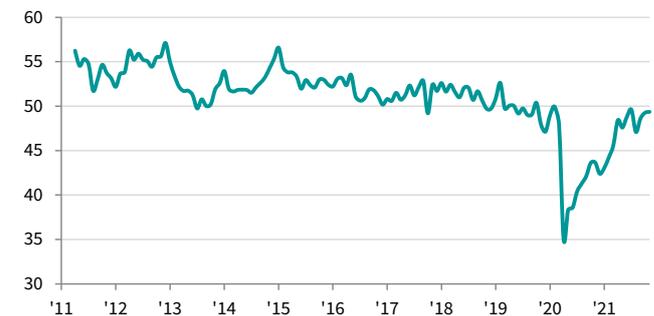
Goods producers indicated severe input delivery delays, which they commonly associated with the shipping crisis and material shortages among suppliers. Firms noted difficulties receiving items from Asia and Europe in particular. Average lead times lengthened to one of the greatest extents seen since data collection started nearly 11 years ago, beaten only by those recorded in April and May 2020.

Manufacturers indicated that these supply problems continued to exert upward pressure on input costs, which rose at a rate that was close to October's 39-month high. Peso depreciation and higher prices for energy and fuel were also commonly mentioned.

continued...

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 performance of Mexican manufacturers was again negatively impacted by supply-chain constraints, although subdued demand conditions partly contributed to the latest contraction in output."

"In some instances, companies indicated having purchased fewer inputs due to elevated prices for many items, exacerbating their stock-replenishing problems arising from lengthening delivery times. Holdings of raw materials and finished products decreased further, with a number of firms indicating that goods have been made on demand only."

"The survey highlighted that inflationary pressures remained elevated, with the latest increase in input costs the second-strongest in over three years. Despite this, output charges were lowered in efforts to boost sales."

"Business confidence took a hit in November as companies became increasingly concerned about the persistence of cost inflationary pressures and raw material scarcity."

Several companies suggested that input buying was postponed due to elevated cost pressures, cashflow issues and subdued sales. Quantities of purchases fell at a moderate pace that, although quicker than in October, was one of the slowest seen since the COVID-19 outbreak.

Amid reports of raw material scarcity, cashflow problems and low sales, production decreased in November. That said, the rate of contraction was the slowest since July and one of the weakest registered in a year-and-a-half.

Factory orders in Mexico continued to decrease halfway through the final quarter of 2021. However, the pace of contraction was only slight. According to panellists, some clients have been paring down orders, while general demand conditions remained sluggish.

International demand for Mexican goods also remained subdued in November, as highlighted by another decline in external sales. Here the contraction was marked and the fastest since April.

As a consequence of ongoing declines in sales, Mexican manufacturers reduced headcounts in November. The rate of job shedding was solid and the second-fastest in six months.

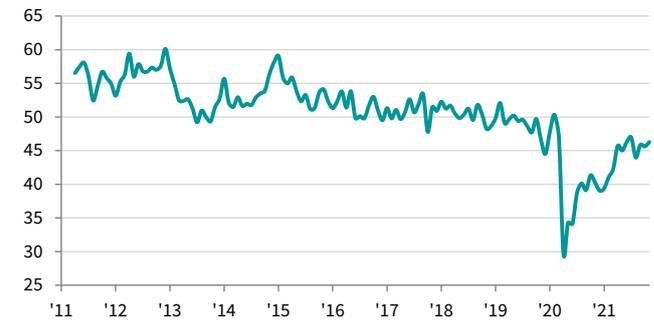
On the inventory front, holdings of both inputs and finished items continued to decline in November. Rates of depletion were solid and quickened in both cases.

Reversing the increase recorded in October, output prices declined in November. However, the rate of discounting was only slight as the vast majority of firms left their fees unchanged.

Business optimism weakened in November as several companies became increasingly concerned about the negative impacts of the pandemic, inflationary pressures and lingering shortages of raw materials on growth prospects.

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 12-22 November 2021.

Survey data were first collected April 2011.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, click [here](#).

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