

# IHS Markit Mexico Manufacturing PMI™

## Contractions in factory orders and production accelerate

### Key findings

Sales and output decline at quicker rates in May

Input purchasing and employment decrease

Companies lower selling prices despite increase in cost burdens

Data were collected 12-20 May 2021.

The health of the Mexican manufacturing sector continued to worsen in May, with survey participants noting further declines in new orders, output, exports, quantity of purchases, employment and stocks. Meanwhile, input costs increased markedly, but companies lowered their output prices amid ongoing efforts to stimulate demand. Encouragingly, business confidence strengthened to a 16-month high in May.

At 47.6 in May, down from 48.4 in April, the seasonally adjusted IHS Markit Mexico Manufacturing PMI™ highlighted a further deterioration in operating conditions at goods producers. The headline figure was below the critical 50.0 threshold for the fifteenth month in a row, with four of its five sub-components in contraction territory. Concurrently, there was sharp deterioration in suppliers' delivery times.

Manufacturing production decreased for the fifteenth consecutive month in May, with companies linking the fall to subdued sales, raw material shortages and the COVID-19 crisis. The rate of contraction was solid and picked up since April, but was the second-slowest in over a year.

New business continued to decline, taking the current stretch of reduction to 15 months. Despite accelerating from April, the pace of contraction was the second-weakest in this sequence. Panel members that reported lower sales cited weak demand, competitive pressures and the negative impacts of the pandemic.

New export orders also decreased further, marking a  
*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:

*"PMI data for May suggested that Mexican manufacturers continued to struggle, with new orders again undermined by the COVID-19 pandemic. Subsequently, companies further restricted input purchasing and looked to streamline inventories."*

*"Factories continued to operate below capacity, with goods producers reporting reduced working hours and the termination of temporary employment as sales remained weak. The fall in jobs was the quickest since February."*

*"Adding to the challenges faced by manufacturers were rising input prices as raw material shortages pushed up cost burdens. Margins continued to be squeezed, with firms on average reducing their own charges in efforts to boost demand."*

*"There was one bright spot in May, with companies more upbeat towards the year-ahead outlook for production. Optimism was, however, pinned on hopes that the COVID-19 pandemic will be brought under control."*

15-month sequence of reduction. Despite being solid, the rate of contraction was the weakest since March 2020. Measures to curb the spread of the virus and subdued international demand were cited as the key factors leading to the fall in external sales.

Goods producers purchased fewer inputs halfway through the second quarter. Firms suggested that falling new orders, elevated prices, business closures and raw material shortages prevented them from buying additional materials. The pace of decline quickened from April and was faster than any seen in the series history (since 2011) prior to the COVID-19 crisis.

Employment decreased in May, with the rate of contraction quickening to the fastest in three months. According to panellists, job shedding stemmed from a lack of new work, resignations and the termination of temporary contracts.

Amid reports of higher prices for chemicals, metals, packaging, paper, plastics, rubber, timber and textiles, average input costs rose further. However, the rate of inflation softened from April's 33-month high and was below its long-run average.

Mexican manufacturers lowered their selling prices again due to ongoing efforts to boost sales. The rate of discounting was moderate, albeit quicker than that registered in April.

Stocks of both inputs and finished products declined at quicker rates during May. The former was associated with restricted purchasing activity and longer suppliers' delivery times.

On a more positive note, manufacturers indicated that new product launches, vaccine progress and promotional activity could underpin output growth over the course of the coming year. The overall level of business confidence climbed to a 16-month high.

## Output Index

sa, >50 = growth since previous month



Source: IHS Markit.

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### 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 12-20 May 2021.

Survey data were first collected April 2011.

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