

IHS Markit Mexico Manufacturing PMI™

Input costs rise at near-record rate in December

Key findings

Third-quietest increase in purchasing prices in survey history

Unprecedented lengthening of supplier delivery times

Factory orders and production contract at quicker rates

Data were collected 06-15 December 2021.

The Mexican manufacturing sector remained stuck in contraction at the end of 2021. Weaknesses on the demand side of the economy meant that factory orders declined further, resulting in another reduction in output. Ongoing issues on the supply side translated into severe delays in delivery times and a near-record increase in purchasing prices. Additional cost burdens were shared with customers, as seen by a renewed and solid upturn in selling prices. Companies maintained a cautious approach towards stocks, with inventories of both inputs and finished products continuing to fall.

The seasonally adjusted IHS Markit Mexico Manufacturing PMI™ was at 49.4 in December, unchanged from November and signalling a marginal deterioration in the health of the sector. While three of its five sub-components — output, new orders and employment — declined at quicker rates, these were offset by a slower reduction in stocks of purchases and a record extension to delivery times.

Goods producers again indicated that limited container availability, transportation problems and global shortages of raw materials caused severe delays in average lead times. Vendor performance worsened to the greatest extent since data collection started in April 2011.

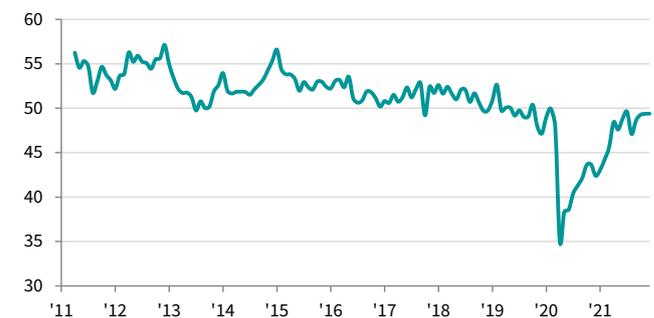
Problems in supply chains also meant that companies faced another monthly increase in input costs during December. The overall rate of purchasing price inflation was sharp and the third-fastest on record.

According to survey participants, ongoing issues sourcing

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:

"2021 was not a great year for Mexican manufacturers, and December was no different. The latest set of PMI data showed further contractions in output, new orders and exports, with respective sequences of reduction extended to 22 months.

"In addition to being heavily impacted by supply-chain issues, companies continued to see their order books shrink as demand was dampened by a combination of market uncertainty, rising prices, reduced client requirements and an inability to distribute goods in a timely manner due to lingering problems sourcing raw materials.

"Panel members observed an unprecedented lengthening of delivery times during December, and the third-sharpest increase in input prices on record. This time around, rising cost burdens fed through to final output charges which rose at the fastest rate in close to three-and-a-half years.

"Worryingly, companies don't expect supply-side problems and price pressures to dissipate in 2022. Business sentiment towards the year-ahead outlook for production fell to an eight-month low as said concerns mounted."

raw materials prevented clients from placing new orders in December. Sales were also curbed by fewer customer requirements, challenging market conditions and the pandemic. Factory orders decreased at a moderate pace overall, albeit one that was the quickest since August.

Subdued sales and raw material scarcity in turn led manufacturers to scale back production. The latest fall in output was faster than that seen in November, but among the weakest seen in the current 22-month period of downturn.

Although Mexican manufacturers expect output to expand over the course of the coming 12 months, overall sentiment was dampened by concerns surrounding supply-chain issues, price pressures and market uncertainty. The overall level of confidence fell to an eight-month low.

On the inventory front, the latest data continued to signal broad-based declines in stocks of inputs and output. In both cases, however, rates of depletion eased from November.

Latest data indicated that Mexican manufacturers purchased fewer inputs in December, amid sustained declines in new orders and the cancellation of projects. The fall was the twenty-second in as many months and the fastest since August.

Manufacturing sector employment in Mexico declined further in December, with companies signalling that staff left in search of better opportunities due to a lack of work and that temporary workers were let go. The overall rate of job shedding accelerated to the fastest since May.

Finally, following a reduction in November, output prices rose at the end of the year as companies passed on to clients part of their additional cost burdens. The overall rate of charge inflation climbed to a 39-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 06-15 December 2021.

Survey data were first collected April 2011.

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