News Release

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S&P Global Mexico Manufacturing PMI™

Input costs rise at near-record rate in April, charge inflation hits 46-month high

Key findings

Input price inflation holds close to March's recent high

Factory gate charges increase at quickest pace since mid-2018

Output and sales remain in contraction territory

Mexican manufacturers responded to shrinking demand with a further downward adjustment to output. Input purchasing and inventories were likewise trimmed down, owing to a combination of ongoing declines in new orders and acute price pressures. Energy price volatility, raw material scarcity, Russia's war against Ukraine and limited shipping availability all led to the third-sharpest rise in input costs in the survey history. Concurrently, the rate of charge inflation climbed to a 46-month high. Encouragingly, however, April saw renewed job creation, a rebound in export sales and a notable improvement in business confidence.

The headline S&P Global Mexico Manufacturing Purchasing Managers' Index™ (PMI™) posted 49.3 in April (March: 49.2), the highest reading in 2022 so far but still indicative of deteriorating business conditions. Three of its five sub-components — output, new orders and stocks of purchases — were in contraction, while a renewed upturn in employment curbed the downturn. Meanwhile, delivery times lengthened further, albeit to the least extent in a year.

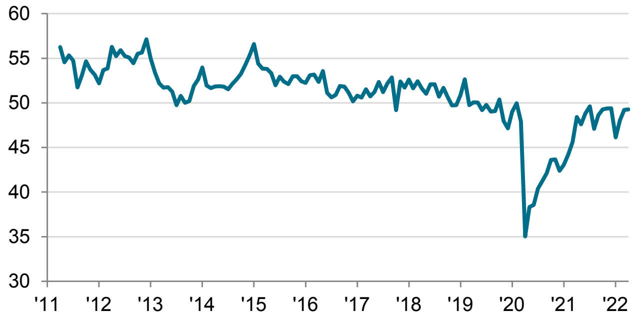
As a result of falling sales, elevated price pressures and raw material scarcity, production volumes decreased further in April. The rate of contraction was solid and broadly similar to that recorded in March.

Factory orders fell for the twenty-sixth month running in April, and at a faster pace than in March. According to panel members, subdued demand and acute price pressures restricted sales. Weakness stemmed from the domestic market, however, with exports expanding for the first time since the onset of COVID-19.

Manufacturers signalled a substantial upturn in input prices in April, which they associated with higher energy, raw material and transportation costs. Increases were also partly attributed to the Russia-Ukraine war. Little-changed from March, the overall rate of inflation was the third-highest since data collection started in April 2011. Companies continued

Mexico Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 11-21 April 2022.

Comment

Pollyanna De Lima, Economics Associate Director at S&P Global, said:

"We continue to see signs of underlying fragilities in the Mexican manufacturing sector, with new orders, production and inventories declining further in April.

"The renewed increases in employment and exports were encouraging signs, but evidence that firms are looking beyond short-term inventory cycle influences in input purchasing decisions reminds us that they are longing to see a rebound in demand.

"Among firms, there were expectations that the worst of the downturn was behind them given the recovery in business confidence. Nonetheless, upbeat growth forecasts were pinned on hopes of improvements in supply chains, supportive demand conditions, an economic revival and the resolution of geopolitical tensions.

"Reports of acute price pressures remained widespread in April, as firms encountered higher energy, raw material and transportation costs. The rate of inflation continued to run close to record highs and translated into the steepest rise in selling charges in close to four years."

to transfer additional cost burdens through to clients, with output charges rising for the fifth month running in April. The rate of inflation was marked and the strongest in just under four years.

Goods producers indicated that input buying levels had been reduced in order to realign stocks with demand and due to elevated price pressures. The fall was moderate, but nonetheless the fastest since January.

Input holdings decreased further in April, albeit at the slowest pace since February 2020. On the other hand, stocks of finished goods fell at a marked rate that was faster than in March.

Supply-chain pressures somewhat abated in April, with vendor performance worsening to the least extent in a year. Where delays were reported, survey participants mentioned the war in Ukraine, bottlenecks at global logistic firms and a mismatch between input demand and supply.

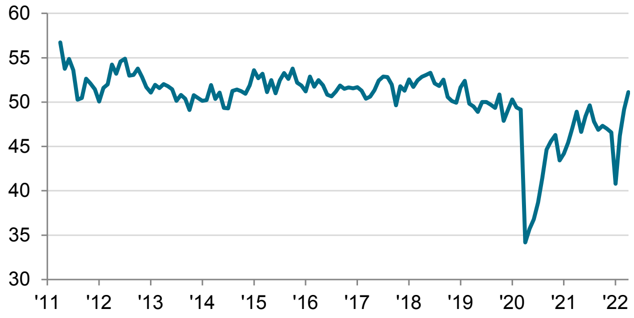
April data pointed to an increasing degree of pressure on the capacity of Mexican manufacturers, evidenced by a sharp rise in outstanding business. The accumulation was the second-strongest on record, and often attributed to raw material scarcity as well as logistical issues.

Business confidence bounced back in April, reaching its second-highest level since August 2018. Upbeat growth forecasts were pinned on hopes of an economic rebound, a resolution to geopolitical tensions, improvements in supply chains and greater tourism.

Optimism towards the outlook supported job creation in April, with employment increasing for the first time since January 2020 and at the strongest rate in over three years.

PMI Output Index

sa, >50 = growth since previous month



Source: S&P Global.

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Survey methodology

The S&P Global Mexico Manufacturing PMI™ is compiled by S&P Global 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. Data collection began in April 2011.

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.

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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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