

IHS Markit Mexico Manufacturing PMI™

New orders and production contract at faster rates

Key findings

Marked declines in factory sales and output

Business confidence dampened by COVID-19 uncertainty

Further cuts to job numbers

Data were collected 12-20 August 2021.

PMI™ data showed that the Mexican manufacturing industry was in the red in August, as has been the case for one-and-a-half years. Moreover, a quicker contraction in new work intakes resulted in sharper declines in production, employment, input buying and stocks. Supply-chain constraints continued to exert upward pressure on input prices, but companies absorbed the additional cost burdens and lowered their charges amid efforts to stimulate demand. Also, business confidence weakened due to growing concerns surrounding COVID-19.

At 47.1 in August, the seasonally adjusted IHS Markit Mexico Manufacturing PMI™ slipped deeper into contraction territory, after moving closer to the stabilisation mark in July (49.6). The latest reading was consistent with a moderate deterioration in the health of the sector that was nonetheless the most pronounced since March.

New orders decreased for the eighteenth month in a row halfway through the third quarter, and at the fastest pace since March. Panellists blamed the contraction on the pandemic, business closures and subdued client demand. New export orders also fell further, and at the fastest rate in three months. Anecdotal evidence highlighted subdued demand from the US and the closure of other clients' businesses worldwide as the main factors restricting international sales.

As a result of lower order book volumes, raw material scarcity and tough market conditions, manufacturers scaled down production during August. Output fell at a rate that was

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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:

"Domestic and international demand for Mexican-manufactured goods remained weak in August, further delaying any recovery. This shortage of new work coupled with a lack of backlogs continued to restrict production and prevent job creation. It was in February 2020 when sales and output last expanded."

"Once again, there were several mentions that supply shortages resulted in longer delivery times and an uptick in cost pressures. The rate of input price inflation was elevated by historical standards, despite easing from July's recent high."

"However, Mexican manufacturers refrained from passing higher costs on to clients and lowered their charges to support demand."

"With firms under financial pressure, there was another reduction in input buying and run down of stocks as pricing power remained limited."

unprecedented in the survey history prior to the pandemic, but much softer than those seen in late-2020.

Although firms expect an increase in output over the course of the coming 12 months, the overall degree of optimism weakened to a four-month low amid pandemic-related uncertainty.

Challenging market conditions and future uncertainty led companies to trim headcounts again in August. The fall in employment was the nineteenth in as many months and the quickest since May, but only moderate overall.

Mexican manufacturers reduced their buying levels in August, in tandem with a lack of new work. The rate of contraction was solid and the joint-fastest in five months. Subsequently, input holdings continued to fall. The rate of depletion was the most marked since March.

Another factor causing the decline in stocks of purchases was a further lengthening of suppliers' delivery times. According to panel members, the deterioration in vendor performance stemmed from shortages of containers, a lack of raw material availability and other logistical issues.

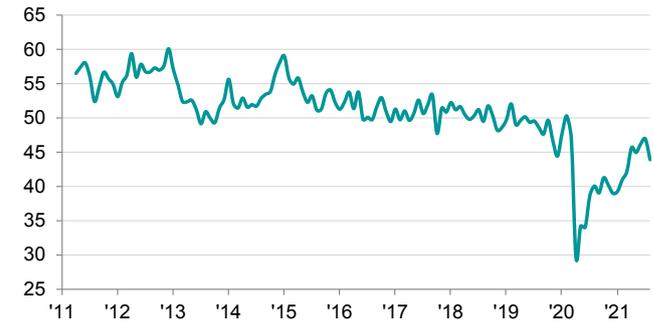
This, in turn, underpinned another increase in input costs. Despite easing to a three-month low, the rate of inflation remained elevated by historical standards. Survey members reported difficulties in sourcing a wide range of chemicals, metals, plastics and textiles.

Output charges declined in August, with a number of companies linking discounts to sales-boosting initiatives. That said, the rate of decrease was only marginal.

August data pointed to spare capacity among Mexican manufacturers, with companies able to reduce outstanding business due to subdued sales. The rate of backlog depletion was, however, modest.

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 August 2021.

Survey data were first collected April 2011.

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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