

News Release

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S&P Global Mexico Manufacturing PMI®

PMI slips to two-year low as downturn in new orders

Key findings

At 48.5, PMI signals further deterioration in business conditions

Contractions in new orders and production quicken

Cost inflation climbs to highest since

August data showed back-to-back months of deterioration in business conditions across Mexico's manufacturing industry. According to the latest S&P Global PMI® survey, output fell at a quicker pace amid declining new orders. Job shedding entered its fourth month, while firms continued to streamline stocks due to reduced workloads and cashflow challenges.

Despite weaker demand across the sector, input cost inflation climbed to a 21-month high. The hike in selling prices was relatively mild and broadly similar to that seen in July.

The S&P Global Mexico Manufacturing Purchasing Managers' Index™ (PMI) came in at 48.5 in August, below the no-change mark of 50.0 and at its lowest level for two years. Yet, the latest reading was consistent with only a moderate rate of deterioration in the health of the sector.

Goods producers scaled back output for the second successive month in August. Although modest, the rate of contraction accelerated to the fastest since the start of 2023. When explaining the fall, survey participants commented on lower sales volumes, challenging market conditions and project approvals taking longer than expected.

New orders also fell for the second straight month midway through the third quarter. Moreover, the rate of decline quickened to the fastest in two years. Intense competition from China, liquidity issues at customers, delayed project approvals and subdued export sales were cited as some of the reasons for the lack of demand.

August data showed a substantial drop in international sales, which manufacturers commonly attributed to reduced orders from the US. The downturn was the fastest in two-and-a-half years and quicker than that of total new business.

Raw material shortages among suppliers and peso depreciation (against the US dollar) meanwhile contributed to a further sharp increase in average purchasing costs at

Mexico Manufacturing PMI
sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-21 August 2024.

Comment

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

"August proved to be another difficult month for Mexican manufacturers, with firms trimming output, employment and stocks due to subdued sales in both the domestic and international markets. Total order book volumes dropped to the greatest extent in two years, boding ill for near-term production prospects.

"Confidence regarding the 12-month outlook for output took a hit, as companies became increasingly concerned about intense competition from China and highway insecurity. Panellists also displayed a high degree of uncertainty regarding domestic public policy and market conditions in the US. Combined with demand weakness, subdued optimism could restrict investment.

"Another obstacle encountered by firms was a further sharp increase in purchasing costs, as peso depreciation and material shortages at suppliers meant that they paid more for items like electronic components, foodstuff, packaging and steel. Despite cost pressures climbing to their highest in nearly two years, charge inflation remained contained as several companies left their fees unchanged due to demand retrenchment."

PMI®

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Mexican goods producers. The rate of inflation was the fastest seen since November 2022. In particular, panellists reported having paid more for electronic components, foodstuff, packaging and steel.

In comparison, factory gate charges increased only modestly in August, with the rate of inflation little-changed from July and largely aligned with its long-run average. Underlying data implied that adverse demand trends curbed the rise.

Employment decreased for the fourth successive month midway through the third quarter, with the rate of job shedding the second-fastest in two-and-a-half years. Anecdotal evidence suggested that temporary contracts had not been renewed.

Another area where manufacturers made cutbacks was on the purchasing front, though buying levels fell only marginally. According to qualitative evidence, some firms attempted to reduce inventory levels in line with weaker customer demand and the loss of existing clients. Both pre- and post-production stocks decreased in August.

Although supplier delivery times lengthened to a lesser extent, the rate of deterioration remained marked. Firms commented on delays in maritime transportation, red tape, highway insecurity and input shortages at vendors.

Business expectations remained positive, but retreated since July as firms became more concerned about the potentially negative impact of competition, insecurity and uncertainty (surrounding public policies and the US market) on growth prospects.

PMI Output Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

Contact

Pollyanna De Lima
 Economics Associate Director
 S&P Global Market Intelligence
 T: +44-1491-461-075
pollyanna.delima@spglobal.com

Katherine Smith
 Corporate Communications
 S&P Global Market Intelligence
 T: +1 (781) 301-9311
katherine.smith@spglobal.com

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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@spglobal.com.

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