April survey data pointed to the sharpest decline in business conditions faced by Mexican manufacturers since data collection began just over nine years ago. The result was driven by record contractions in both production and new business as measures to stem the spread of covid-19 stifled economic activity. A sharp lengthening of input delivery times pointed to severe supply-side disruption and firms pared back staff numbers at a record pace.

Looking forward, firms were their most pessimistic towards the 12-month business outlook since the series was incepted in April 2012.

Falling from 47.9 in March to 35.0 in April, the seasonally adjusted IHS Markit Mexico Manufacturing PMI pointed to a further deterioration in business conditions faced by Mexican goods producers. Moreover, the latest reading was the lowest since data collection began, with lockdown measures leading to widespread factory closures.

The fall in the headline index was partially driven by a collapse in demand at the start of the second quarter. New orders fell at the quickest rate since data collection began in April 2011. Panellists often associated declines with the coronavirus outbreak.

Amid a drastic decline in new business and restrictions leading to factory closures, production at Mexican manufacturers plummeted in April. The decline was the fastest record since the survey’s inception and sharp overall.

On the supply-side, average lead times lengthened sharply in April. In fact, the deterioration in vendor performance eclipsed that recorded in March and was the sharpest in the survey's history. Anecdotal evidence suggested that factory closures at vendors had led to widespread supply-chain disruption.

Mexican manufacturers reduced their staff numbers at an unprecedented rate in April. The seasonally adjusted Employment Index fell to a record low as firms reacted to weaker demand conditions.

Manufacturers registered a marked decline in outstanding business during April. The reduction was the quickest since the series began just over nine years. Survey respondents often linked decreases in backlogs to plunging demand.

Meanwhile, input costs faced by goods producers fell in April, ending a nine-year sequence of inflation. Panellists suggested that the fall in cost burdens was driven by supplier discounts which more than offset the effects of a stronger US dollar.

Finally, firms reported expectations for a decline in business activity over the coming 12 months. Negativity was commonly linked to anticipation for a global economic recession amid the coronavirus pandemic.
COMMENT

Commenting on the PMI data, Eliot Kerr, Economist at IHS Markit said:

“March PMI data suggested that the Mexican manufacturing sector had been relatively sheltered from the negative effects of the coronavirus pandemic, but that wasn’t the case in April.

“The latest data revealed record lows across the board as social distancing measures drove factory closures and a collapse in demand. Meanwhile, those still operating struggled to obtain inputs amid supply-chain disruption.

“Looking forward, firms were immensely pessimistic towards the business outlook as a global economic recession looms and there remains little clarity over when this crisis might end.”

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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 400 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.

April 2020 data were collected 7-22 April 2020.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world’s leading financial institutions.

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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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