News Release

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IHS MARKIT MEXICO MANUFACTURING PMI™

Key survey indices reach new lows in December

KEY FINDINGS

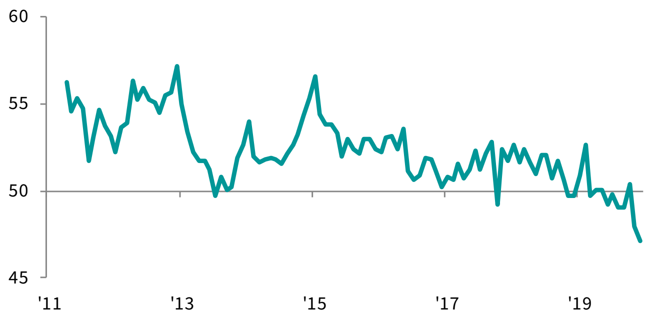
Factory orders and exports fall at fastest rates in survey history...

...causing record contractions in output and input buying

Business confidence sinks to new series low

Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Manufacturing sector conditions in Mexico went from bad to worse in December, with rates of contraction in output, new orders, exports and input buying accelerating to the fastest in the near nine-year survey history. In turn, business sentiment slipped to its lowest level on record whilst firms further trimmed headcounts.

Elsewhere, on the price front, cost inflationary pressures remained relatively muted. Input prices rose at a mild rate compared to its long-run average, while companies reduced their charges in efforts to stimulate demand.

Falling from 48.0 in November to 47.1 in December, the seasonally adjusted IHS Markit Mexico Manufacturing PMI™ pointed to the sharpest deterioration in business conditions since the inception of the survey in April 2011. The figure contributed to the lowest quarterly average on record (48.5).

Mexican goods producers indicated that weak client demand and a concerning economic landscape dragged sales down in December. The fall in factory orders was the sharpest since the survey started in early-2011.

As a result, companies restricted production at the year end. Not only did output fall for the seventh month in a row, but also to the greatest extent on record. Panel members commented on challenging market conditions, fewer government bids and subdued demand from domestic as well as international clients.

Indeed, new export orders contracted further, with the downturn the steepest in the survey history.

Business confidence also dipped to a series low, with many panellists concerned about a lack of investments, tough economic conditions, lingering uncertainty and troubles in the automotive industry.

Relatively downbeat growth projections led companies to trim their expenses again in December, with both input buying and employment falling over the month. The decline in quantities of purchases was sharp and the quickest on record, but the pace of job shedding moderated from November. Panel members that reported lower headcounts commented on downsizing, reduced working hours and the non-replacement of voluntary leavers.

Mexican goods producers were reluctant to hold excess stock at the year end. Post-production inventories decreased for the first time since March, albeit slightly. Input stocks fell sharply and at the fastest pace in the survey history.

Input costs rose only modestly, despite the rate of inflation accelerating to a three-month high. Anecdotal evidence pointed to higher prices for metals, chemicals and fuel, but reduced fees for textiles and petroleum products.

Subdued cost pressures, combined with efforts to boost sales, resulted in another monthly reduction in selling prices. The rate of discounting was, however, marginal.

PMI™ By IHS Markit

COMMENT

Commenting on the PMI data, Pollyanna De Lima, Principal Economist at IHS Markit said:

"As was the case through most of the second half of 2019, PMI data for December pointed to difficult conditions in the Mexican manufacturing industry. Firms continued to suffer from a challenging economic landscape, weak domestic demand and an unfavourable trade climate.

"With rates of contraction in factory orders and output reaching new records, goods producers continued to trim headcounts and input buying at historically steep rates.

"So far, it's difficult to see a light at the end of the tunnel and any meaningful rebound in 2020. In fact, businesses are at their least optimistic towards growth prospects in the series history, with many concerned about lingering uncertainty, a lack of investments and ongoing troubles in the automotive sector."

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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.

December 2019 data were collected 5-13 December 2019.

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

About IHS Markit

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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. To learn more go to ihsmarkit.com/products/pmi.html.