As has been the case since the escalation of the coronavirus disease 2019 (COVID-19) pandemic in March, the health of the Mexican manufacturing industry worsened in November. Latest data pointed to faster reductions in sales, exports, input buying and output. Purchase price inflation softened, supporting firms’ ongoing efforts to attract new work by the offering of discounts. Looking ahead, businesses remained pessimistic regarding future output.

At 43.7 in November, little-changed from 43.6 in October, the seasonally adjusted IHS Markit Mexico Manufacturing PMI™ pointed to a ninth consecutive monthly deterioration in business conditions. The contraction was the weakest since March, but faster than any recorded prior to the COVID-19 outbreak (since data collection started). The last time the PMI was in growth territory was in October 2019.

Incoming new work decreased halfway through the final quarter, marking a nine-month sequence of reduction. Moreover, the pace of contraction quickened from October and was sharp. Survey respondents that reported lower sales cited weak demand conditions and business closures.

New export orders likewise fell for the ninth straight month. Furthermore, having accelerated from October, the pace of reduction was the fastest since June. According to panellists, international demand for Mexican-manufactured goods had been restricted by COVID-related shutdowns.

In response to subdued sales, companies continued to reduce output in November. Production decreased for the

Comment

Commenting on the latest survey results, Pollyanna De Lima, Economics Associate Director at IHS Markit, said:

“Mexico’s manufacturing downturn showed no signs of abating, with PMI data for November highlighting sharper contractions in output, exports and total sales. With demand being unresponsive to price-discounting strategies, a recovery in the near-term seems unlikely.

“Other measures like employment, input buying and stocks all remained in negative territory in November and pointed to ongoing difficulties among producers, who continue to keep a lid on costs amid future uncertainty. What’s more, businesses have plenty of excess capacity and foresee lower production volumes in the coming 12 months. Pessimism towards future output has been recorded in eight of the past nine months.

“Anecdotal evidence provided by survey members largely linked the deterioration in the health of the sector to the COVID-19 pandemic and controls imposed to stop the disease from spreading. Many firms associated the downturn in sales with their clients’ businesses being closed.”
ninth month in a row and to a greater extent than in October. Mexican manufacturers foresee lower production volumes in the coming 12 months, with negative sentiment reflecting COVID-related uncertainty. The overall degree of pessimism was little-changed from October, however, thereby remaining mild when compared against those seen from March through to August.

Amid reports of falling sales, goods producers streamlined expenses. Both input buying and employment were lowered in November, the former at a faster rate and the latter to the least extent in eight months.

Despite the fall in payroll numbers, manufacturing companies made further inroads into their backlogs of work during November. Outstanding business decreased sharply and at the fastest rate since July.

On the stock front, there were further declines in holdings of both pre- and post-production items. The reduction in inventories of finished goods was associated with subdued sales, lower production and business closures.

Manufacturers reported higher prices paid for chemicals, foodstuff, metals and packaging. As a result, overall cost burdens rose in November. That said, the rate of increase was subdued by historical standards and the weakest in the current four-month sequence of inflation.

This, coupled with an increasingly competitive environment and attempts to attract new business, supported a further reduction in selling prices. Output charges decreased for the thirteenth month running and at the quickest rate since June.

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 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.

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

Survey dates and history
Data were collected 12-20 November 2020.
Survey data were first collected April 2011.

Disclaimer
The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit’s prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information (“Data”) contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers’ Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/ or its affiliates.

© 2020 IHS Markit

Contact
Pollyanna De Lima
Economics Associate Director
IHS Markit
T: +44-149-146-1075
pollyanna.delima@ihsmarkit.com

Katherine Smith
Public Relations
IHS Markit
T: +1 781 301 9311
katherine.smith@ihsmarkit.com