News Release

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IHS MARKIT
MEXICO MANUFACTURING PMI™

Manufacturing production and employment contract at survey-record rates

KEY FINDINGS

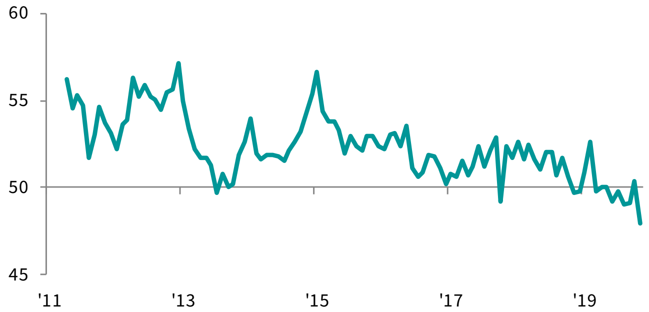
Output falls at solid and quickened pace...

..causing sharpest drop in jobs in survey history

Renewed decline in sales

Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Following a mild improvement in the health of the manufacturing industry in October, economic conditions took a turn for the worse. November saw a renewed decline in sales contribute to the quickest contractions in production, input buying and employment since the survey started in April 2011. Concurrently, business confidence sank to a series low, dampened by future uncertainty. Subdued demand conditions also acted to attenuate price pressures. Input cost inflation softened to the slowest in the over eight-and-a-half-year survey history, while manufacturers reduced their charges.

At 48.0 in November, the seasonally adjusted IHS Markit Mexico Manufacturing PMI™ signalled a modest deterioration in operating conditions. The headline figure was down from 50.4 in October to its lowest mark since the inception of the survey.

Amid reports of falling sales, machinery issues and economic woes, manufacturing production contracted in November. The reduction in output was the sixth in consecutive months and the fastest on record.

Despite falling moderately, new business inflows posted the second-sharpest contraction in the survey history, beaten only by that noted mid-year. Projects pending approval, fewer customer orders, competitive pressures and economic troubles were among the reasons listed by panellists for the decline in sales.

Weak demand from external markets contributed to the drop in total orders, as seen by a solid reduction in new export business midway through the final quarter of 2019.

Faced with fewer orders, Mexican goods producers worked through their backlogs and lowered headcounts. Outstanding business declined at a slight pace that was the quickest since February, while the rate of job shedding was the fastest in the history of the survey. Anecdotal evidence pointed to the termination of temporary contracts, downsizing and reduced working hours.

Spending on input buying was likewise curtailed during November. Not only did quantity of purchases fell for the ninth month running, but also at the quickest pace on record.

As a result, input holdings declined, after accumulation had been noted in October. The pace of stock depletion was moderate, but the quickest in the survey history. Although post-production inventories continued to increase, the pace of expansion eased to a five-month low and was marginal overall.

Subdued sector conditions dragged the rate of input cost inflation to a survey low, with companies in turn lowering their selling prices.

Lastly, business confidence dipped to its lowest level in the series history, with a number of survey participants concerned about market uncertainty and the state of the domestic economy.

COMMENT

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

"PMI data for November showed that weak demand coupled with the postponement of projects caused troubles in the manufacturing industry, while economic uncertainty clouded the outlook and ushered goods producers to pull back their expectations regarding the 12-month outlook for production.

"We saw a number of gauges slip to survey lows, including the PMI, output, quantity of purchases, input stocks and employment indices. As for the latter, there were mentions that lowers sales led firms to downsize, reduce work hours and terminate temporary employment.

"The one positive from the latest dataset was a notable reduction in cost pressures. Input price inflation eased to a survey low, while factories reduced their selling charges in attempts to secure new work. These price developments may offer some impetus to demand in the coming months."

CONTACT

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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.

November 2019 data were collected 12-21 November 2019.

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

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.