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IHS Markit Mexico Manufacturing PMI™

PMI rises for fifth month running, but remains in contraction territory

Key findings

Business conditions worsen at marked, albeit softer, pace

Sales and production fall at sharper rates than any prior to coronavirus

Sentiment towards future output turns positive in September

Data were collected 11-22 September 2020.

Mexican manufacturers continued to be negatively impacted by coronavirus disease 2019 (COVID-19) restrictions in September. Although PMI™ data showed some positives, such as renewed optimism towards future output and softer contractions in new orders, input buying and employment, key indicators remained lower than their pre-coronavirus readings. Goods producers further absorbed additional cost burdens, with charges being lowered despite a second successive rise in input prices.

The seasonally adjusted IHS Markit Mexico Manufacturing PMI improved from 41.3 in August to a six-month high of 42.1 in September. However, the latest figure was consistent with a marked deterioration in operating conditions that was sharper than any recorded prior to the COVID-19 outbreak.

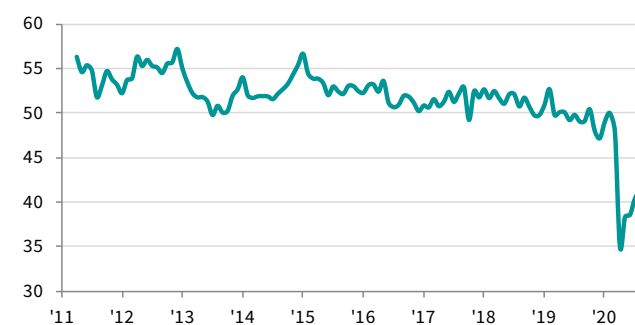
New work contracted for the seventh month running, with the pace of reduction remaining sharp despite softening from August. When explaining the decline in sales, panellists commented on COVID-19 restrictions and clients purchasing only critical products. New orders from abroad likewise fell at a substantial pace.

As a result, manufacturing output decreased further. The contraction was the seventh in consecutive months and marked overall.

Faced with lower production needs, goods producers in Mexico purchased fewer inputs and reduced headcounts at the end of the third quarter of 2020. The fall in quantities of purchases was marked, but eased to the weakest since

continued...

Mexico Manufacturing PMI™
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

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

"The PMI numbers for September show that Mexican manufacturers continue to struggle in the face of the COVID-19 pandemic. Further declines in new business, coupled with closures, led to contractions in factory output and employment that remain stronger than any seen prior to the coronavirus.

"To fulfil production needs and any sales requirements, companies dug into their inventories, with stocks of both purchases and finished goods decreasing markedly.

"One positive takeaway from the latest results was the improved trend for business sentiment. Following six months of pessimism, companies on average became optimistic that output will increase over the course of the coming 12 months. Where growth was anticipated, however, that was contingent on a gradual recovery from the coronavirus pandemic and softer restrictions domestically and externally."

March. Still, the respective index was lower than at any other time prior to the pandemic. Firms that reported a reduction linked this to shutdowns and lower sales.

Similarly, a softer contraction in payroll numbers was recorded, the weakest for six months. Companies that signalled lower employment mentioned the non-renewal of temporary contracts and COVID-19 restrictions.

Despite another reduction in headcounts, goods producers were able to work through their backlogs of work. Unfinished business decreased markedly and at a quicker rate than in August.

Both pre- and post-production inventories declined. The former fell at the slowest rate in six months, and the latter at a quicker pace than in August.

Mexican goods makers saw their cost burdens increase for the second straight month in September. Survey participants reported higher prices paid for chemicals, foodstuff, metals and textiles. That said, the rate of inflation remained mild in the context of historical survey data.

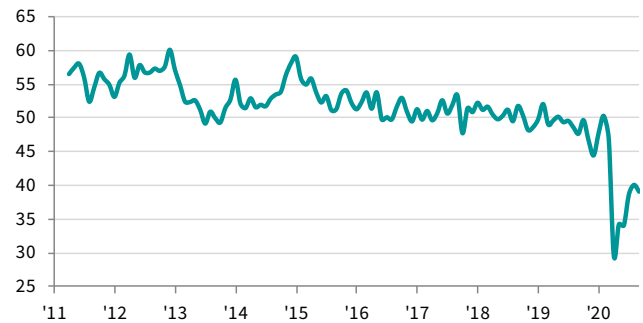
The challenging operating environment encouraged some firms to offer discounts for their products. Average selling prices decreased for the eleventh month running and to a greater extent than in August.

Elsewhere, there was a further deterioration in vendor performance, with average lead times lengthening for the seventh straight month.

Finally, September saw goods producers turn optimistic about the year-ahead outlook for output, following a six-month period of pessimism. Positive sentiment was linked to expectations that strict COVID-19 restrictions will be lifted and that fewer coronavirus cases in key export destinations will support sales growth over the coming 12 months.

Output Index

sa, >50 = growth since previous month



Source: IHS Markit.

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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 11-22 September 2020.

Survey data were first collected April 2011.

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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](http://www.ihsmarkit.com/products/pmi.html)