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IHS Markit Mexico Manufacturing PMI™

Manufacturers signal further contractions in sales, production and employment

Key findings

Sharp reductions in factory orders and output

Sequence of job shedding stretches to one year

Firms continue to lower charges despite rising expenses

Data were collected 12-21 January 2021.

The Mexican manufacturing sector downturn showed no signs of abating in January, with PMI™ data pointing to sharp reductions in factory orders, production and jobs that were quicker than any recorded prior to the coronavirus disease 2019 (COVID-19) outbreak. Firms often linked the challenging conditions to the pandemic, weak demand, the cancellation of projects and business closures. Amid attempts to stimulate sales, companies lowered their charges again despite a further rise in cost burdens.

At 43.0 in January, the seasonally adjusted IHS Markit Mexico Manufacturing PMI™ was below the crucial 50.0 threshold for the eleventh month running, signalling another deterioration in the health of the sector. Despite rising from 42.4 in December, the latest reading was among the lowest seen in the survey history since April 2011.

Mexican manufacturers scaled back production in January due to lower sales and shutdowns. The fall in output was the eleventh in as many months and sharp in the context of historical survey data.

Total sales also decreased for the eleventh straight month and at a sharp pace that was quicker than any recorded prior to March 2020. Those firms that signalled lower levels of incoming new work attributed the downturn to the COVID-19 pandemic and business closures.

January data pointed to an eleventh consecutive decline in new export orders, which survey participants linked to subdued global demand and COVID-19 restrictions. Despite

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:

"Mexican goods producers continued to be negatively impacted by the COVID-19 pandemic and its associated restrictions. Participants of the PMI survey suggested that ongoing declines in sales led to the scaling back of production, destocking efforts and further job shedding in January. What's more, for all of the aforementioned measures, rates of contraction were quicker than any recorded before the virus outbreak."

"While companies have been prepared to absorb additional cost burdens despite pressures on cashflows and revenues, demand remained unresponsive to price-discounting strategies. Charges have been reduced for fifteen successive months, with the rate of decline seen in January being the fastest since last June. At the same time, input cost inflation intensified."

"Whereas manufacturers on average remained optimistic towards growth prospects, confidence remained subdued and even weakened in January due to downbeat assessments among some firms."

slowing to the weakest since last October, the pace of reduction remained sharp.

Weaker demand, downsizing efforts and shutdowns caused a further decline in manufacturing jobs across Mexico. The pace of contraction was sharp overall, despite easing from December.

In line with ongoing efforts to boost sales, goods producers lowered their charges in January. The fall was the fifteenth in successive months and the quickest since June 2020.

The reduction in charges occurred irrespective of another rise in input costs. Among the items reported to be up in price were chemicals, energy, foodstuff, metals, packaging, plastics and textiles. The rate of cost inflation quickened to the strongest in three months, but was moderate relative to its long-run average.

Stock trends were broadly similar, with both pre- and post-production inventories down in January. The latter was associated with shortages of new work, business closures and falling production. Concurrently, holdings of inputs reportedly declined due to shutdowns and a reduction in quantities of purchases. Indeed, input buying decreased for the eleventh straight month. Although the weakest since last March, the pace of contraction was sharp and quicker than any recorded before the COVID crisis.

The recent trend of raw material scarcity and logistic issues was extended into January, with Mexican goods makers reporting a further deterioration in vendor performance.

Business optimism was sustained, with firms expecting clients' restocking efforts and vaccine roll-out to support growth in the coming year. That said, the overall level of confidence fell since December and was subdued by historical standards.

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 350 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 12-21 January 2021.

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