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## IHS MARKIT MEXICO MANUFACTURING PMI™

### Manufacturing sector grinds to standstill as weak demand halts production and jobs

#### KEY FINDINGS

PMI below 50.0 for first time in over a year

New order growth at 13-month low

Employment stagnates; production falls

Manufacturing conditions in Mexico worsened midway through the final quarter as subdued demand weighed on new order growth, hampered job creation and led to the first reduction in production since August. The domestic market was the key source of weakness as new export business continued to expand solidly. Looking ahead, companies predicted that a change in government, combined with new product launches, will support sales and output growth.

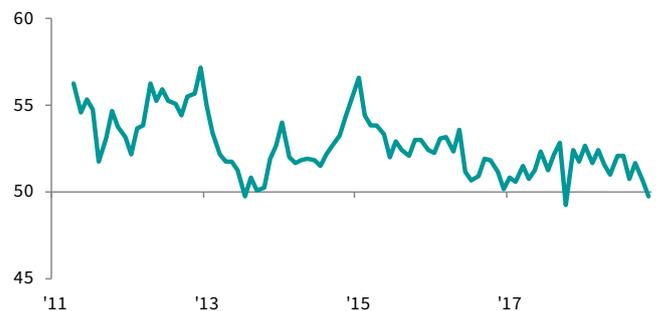
At 49.7 in November, down from 50.7 in October, the headline IHS Markit Mexico Manufacturing PMI™ registered in contraction territory for the first time since October 2017. The latest figure was indicative of a marginal deterioration in the health of the sector.

November saw a renewed contraction in output, which ended a two-month sequence of expansion. Companies stated that the downturn reflected low sales volumes and unwanted stock accumulation.

Although new work increased, the expansion was the weakest in the current 13-month period of growth. Where a rise in sales was reported, survey participants commented on the successful launch of new products and greater client numbers. Firms that reported contraction cited fewer orders from existing clients and challenging market conditions.

In contrast to the trend for total new work, export sales improved in November. The upturn was solid, despite easing for the second month running. Panellists reported greater sales to firms in key export destinations, with the US mentioned in particular.

Manufacturing PMI  
sa, >50 = improvement since previous month



Manufacturing jobs broadly stagnated midway through the final quarter of 2018. Some companies took on temporary workers, but this was offset by the non-replacement of voluntary leavers at other firms.

Quantities of purchases decreased in November, ending a five-month sequence of expansion. Although only slight, the contraction was the quickest in the survey history. According to respondents, input purchasing was lowered in response to poor sales.

In turn, the fall in input demand alleviated the pressure on suppliers' capacities, as seen by an improvement in vendor performance. Meanwhile, weaker increases in stocks of both inputs and finished products were registered.

Manufacturers highlighted higher prices paid for inputs such as chemicals, electronic components, metals, plastics and textiles. In part, rises were attributed to a relatively weaker peso, with fuel prices also mentioned as having driven up expenses. The rate of cost inflation picked up from October, but was weaker than seen on average over the survey history. A marginal and softer increase in charges was recorded.

Companies foresee output growth in the year ahead, with optimism underpinned by projects in the pipeline, product diversification and forecasts of an improvement in economic conditions amid a change in government.

## COMMENT

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

*"The Mexican manufacturing sector went from bad to worse in November, registering the first deterioration in business conditions for a year. Frail demand fed through to a reduction in production as companies have been experiencing unplanned stock accumulation in recent months. Employment followed suit and stagnated as businesses refrained from replacing staff that had quit.*

*"The latest results continued to point to a weak domestic market, but producers were able to secure new work from abroad despite clouds darkening over the global economy.*

*"There was evidence to suggest heightened pressures on margins as firms remain relatively reluctant to hike their charges in spite of strong cost inflation arising from currency weakness and higher fuel prices."*

## 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 2018 data were collected 12-22 November 2018.

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