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## IHS MARKIT MEXICO MANUFACTURING PMI™

### Manufacturing PMI slides to survey low in August

#### KEY FINDINGS

Health of manufacturing industry worsens further

Quicker decline in sales leads to accelerated fall in output

Input buying and employment contract

PMI data highlighted ongoing difficulties in the Mexican manufacturing industry during August. Companies trimmed output, employment and quantities of purchases due to an accelerated decline in new work intakes. Concurrently, input cost inflation picked up to a seven-month high, while business sentiment improved only marginally from July's series low. One positive development seen midway through the third quarter was a renewed uptick in export sales.

Falling from 49.8 in July to 49.0 in August, the seasonally adjusted IHS Markit Mexico Manufacturing PMI™ pointed to an accelerated deterioration in operating conditions that was nevertheless modest. However, the latest PMI reading was the lowest recorded in the near eight-and-a-half-year survey history.

Not only did new business fall for the third straight month, but also at the second-quickest pace since data collection started in April 2011. Panellists linked lower sales to weak demand, tough market conditions and problems in the automotive sector.

Underlying data suggested that the fall in order books was centred on the domestic market, as new export work increased for the first time in three months. There were reports of higher sales to Europe, the US and Latin America, but the overall pace of expansion was marginal.

Goods producers scaled back production in August, taking the current sequence of contraction to three months. Despite being moderate, the pace of reduction accelerated from July and was among the fastest in the survey history.

Manufacturing PMI  
sa, >50 = improvement since previous month



Amid reports of challenging market conditions, low sales and destocking initiatives, input buying continued to contract. Although modest, the pace of reduction in quantities of purchases was the second-quickest since data collection started in April 2011, slower only than that seen in June.

Mexican manufacturers signalled lower payroll numbers in August, after employment had been unchanged in June and July. Where a reduction was reported, there were mentions of cashflow issues and the non-renewal of temporary contractors.

Average costs burdens continued to rise, with goods producers reporting higher chemical, foodstuff, metal and plastic prices. In some instances, higher costs were linked to peso depreciation. The overall rate of inflation picked up to a seven-month high. Although selling prices were lifted further, the rate of increase eased in August.

The overall level of positive sentiment among manufacturing firms improved only marginally from July's low. Where optimism was signalled, companies were hopeful of better market conditions and a pick-up in demand. Product diversification, investment and projects pending approval were also listed as reasons to be confident of a rise in production in the coming 12 months.

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## COMMENT

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

*"Survey data for August showed that the Mexican manufacturing industry continued to suffer from weakening domestic demand and relatively subdued business sentiment. The latest PMI figure highlighted the fastest deterioration in the health of the sector since data collection started in April 2011, a worrying sign after the official flash GDP print indicated the economy narrowly avoided entering a technical recession in the second quarter.*

*"The drop in the PMI reflected near survey-low readings for factory orders, production, stocks of purchases and employment. In fact, only three of the 14 measures increased from July. One of these was the Input Costs Index, which pointed to the sharpest rate of inflation for seven months.*

*"There were two areas of strength, an improvement in trade and an uptick in business sentiment. However, goods producers noted only a marginal rise in exports, while the increase in confidence represented a limited recovery from a substantial dip in optimism during July."*

## 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.

August 2019 data were collected 12-21 August 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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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).