News Release

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IHS Markit Mexico Manufacturing PMI™

Business conditions deteriorate markedly but at softest pace for five months

Key findings

Operating conditions decline at slower pace for fourth month running...

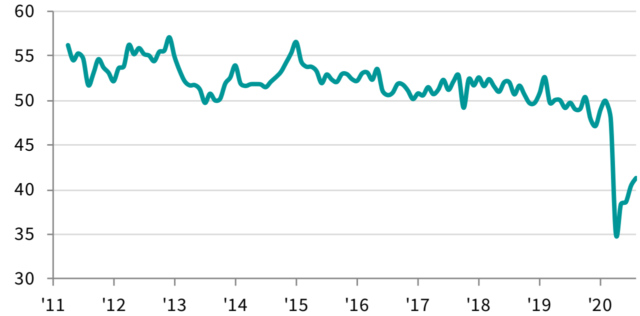
... but deterioration remains sharper than any before COVID-19 outbreak

Output contraction eases, but new order decline broadly in line with July

Data were collected 12-20 August 2020.

Mexico Manufacturing PMI™

sa, >50 = improvement since previous month



Source: IHS Markit.

August PMI™ data pointed to another marked deterioration in business conditions across the Mexican manufacturing sector, as firms continued to grapple with the effects of the coronavirus disease 2019 (COVID-19) pandemic. Despite the rate of contraction easing from July, production continued to fall sharply as demand conditions remained heavily subdued. The prolonged downturn led firms to continue cutting staff numbers, although the rate of workforce contraction eased to the softest since March.

The headline seasonally adjusted IHS Markit Mexico Manufacturing PMI registered 41.3 in August, up from 40.4 in July. The latest reading signalled a marked deterioration in the health of the Mexican manufacturing sector, albeit one that was the softest for five months.

The prolonged downturn was partially driven by another fall in production midway through the third quarter. That said, the rate of contraction eased for the fourth month running to reach the softest since before the escalation of restrictions in Mexico during April. When explaining the latest reduction in output, panellists commonly cited subdued demand conditions.

Faltering demand was evidenced by a further decline in new orders received by Mexican goods producers in August. Moreover, the rate of reduction was broadly in line with that seen in July, remaining among the quickest since data collection began in April 2011. Some survey participants commented that many of their clients remained closed or

continued...

Comment

Commenting on the latest survey results, Eliot Kerr, Economist at IHS Markit, said:

"The latest PMI data for the Mexican manufacturing sector suggest that goods producers are still struggling amid the COVID-19 pandemic. Although production continued to trend towards stabilisation in August, the severity of this prolonged decline is a cause for concern, particularly as firms are still experiencing marked declines in new orders.

"The ongoing demand weakness has translated into further job losses, which will only put more strain on economic conditions going forward. That view is aligned with firms' expectations for a continued downturn over the next 12 months. Although sentiment improved again, on the whole, panellists expect activity to fall over the coming year, making large scale re-hiring unlikely in the short term."

operating below full capacity.

Overall new orders received little support from international markets in the latest survey period. Foreign sales continued to fall, extending the current sequence of decline to six months. However, the rate of reduction eased for the fourth time in as many months and was the softest since March. While some panellists mentioned an increase in orders from the US, other comments suggested that international activity remained subdued overall.

In coherence with the ongoing slowdown in demand, Mexican manufacturers continued to pare back their staff numbers in August. However, despite remaining quicker than any recorded prior to the COVID-19 outbreak, the rate of workforce contraction decelerated. In fact, the latest fall in employment was the slowest for five months.

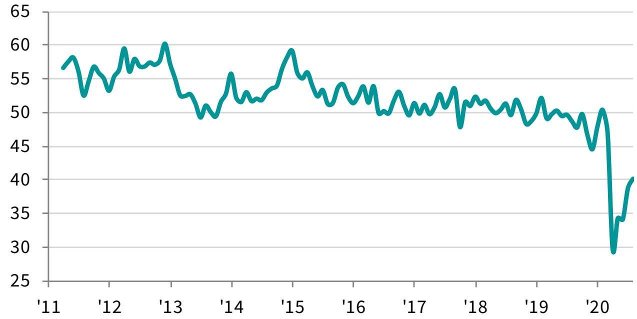
On the cost front, input prices faced by Mexican good producers rose for the first time since March. Although modest, the rate of inflation was the quickest in 2020 so far. When explaining increased cost burdens, survey participants often mentioned higher prices for raw materials and unfavourable movements in the US dollar exchange rate.

Despite the rise in input prices, firms opted to continue cutting average output charges. That said, the latest reduction was the softest for five months. Anecdotal evidence indicated that panellists reduced output prices in an effort to win new orders.

Finally, sentiment towards the 12-month business outlook remained in negative territory for the sixth month in a row during August. However, expectations continued to trend towards neutrality, with the degree of pessimism easing for the fourth month running.

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 12-20 August 2020.

Survey data were first collected April 2011.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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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.