

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit Mexico Manufacturing PMI™

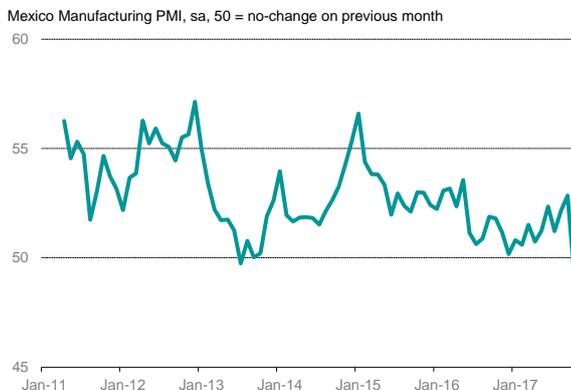
### Manufacturing production contracts in the aftermath of earthquakes

**Key findings:**

- Both output and new orders fall in October
- Firms reduce staffing levels
- Exchange rate volatility results in stronger cost pressures

Data collected October 12-23

**IHS Markit Mexico Manufacturing PMI**



Source: IHS Markit

The natural disaster that hit Mexico led to a deterioration in the health of the manufacturing sector in October, with companies signalling lower output and new orders. On the price front, firms faced greater cost pressures as a consequence of exchange rate volatility. Subsequently, selling prices were raised as businesses passed on higher cost burdens to their clients. Optimism towards the 12-month outlook for output moderated to the weakest since March as some firms expressed concerns regarding the wider economy.

Falling from 52.8 in September to 49.2 in October, the headline seasonally adjusted IHS Markit Mexico Manufacturing PMI™ – a composite indicator of manufacturing performance – indicated worsening operating conditions for the first time in four years. Contractions in output, new orders, employment and stocks of purchases were the key factors behind the weaker performance of the sector.

The disruption from the recent earthquakes were widespread, with production down for the first time in six months during October. That said, the rate of contraction was modest. Meanwhile, the decline in total new business was accompanied by a stagnation in new orders from abroad.

In line with the trend of lower output and new orders, manufacturers reduced their staffing levels, thereby ending a 38-month period of job creation. That said, the pace of job shedding was only marginal.

Weak demand conditions arising from the earthquakes led to a drop in purchasing activity in October. Subsequently, pre-production inventories declined for the first time in three months. Overall, the rate of depletion was the fastest since February.

On the price front, Mexican manufacturing firms faced stronger inflationary pressures that stemmed from currency weakness. In fact, the rate of cost inflation quickened to the fastest since June. As a result, output prices rose amid reports of the passing on of higher cost burdens to clients. The

rate of charge inflation was at a three-month high.

The latest period highlighted the weakest degree of optimism towards the 12-month outlook for output since March. Of those panellists that were pessimistic, economic uncertainty was the key area of concern. Where positive sentiment was signalled, forecasts of improvements in demand were reported.

Finally, delivery times continued to lengthen at the start of the fourth quarter. The rate of deterioration in vendor performance was the strongest in the current three-month period of slower delivery times. Disruptions to the supply chain were reportedly a result of raw material shortages at suppliers and the latest natural disasters.

### Comment

Commenting on the IHS Mexico Manufacturing PMI survey data, **Aashna Dodhia, Economist at IHS Markit** and author of the report, said:

*“In light of the recent natural disaster faced by Mexico, the manufacturing sector fell into contraction territory for the first time in over four years. The disruptions from the earthquakes were extensive, with output, new orders and employment all down since September.*

*“Meanwhile, currency volatility resulted in the strongest rate of input cost inflation since June, while factories sought to protect margins by raising their charges. Looking ahead, economic uncertainty remained a key area of concern, with business sentiment the weakest since March.”*

-Ends-

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**Note to Editors:**

The IHS Markit Mexico Manufacturing PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 300 manufacturing companies. The panel is stratified company workforce size and by Standard Industrial Classification (SIC) group, based on industry contribution to Mexican GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

The Manufacturing *Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</sup>) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

The *Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</sup>) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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