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IHS Markit Mexico Manufacturing PMI™

Operating conditions continue to deteriorate as demand tumbles further

Key findings

Business conditions decline sharply in June

Further steep contractions in new orders and output

International demand remains subdued

Data were collected 12-22 June 2020.

Latest PMI™ data pointed to another sharp deterioration in business conditions across the Mexican manufacturing sector as ongoing coronavirus restrictions continued to stifle demand. Consequently, new orders fell further and firms cut production sharply. Working at reduced capacity saw businesses continue to pare back both staff numbers and purchasing activity, which, in turn, led to another fall in cost burdens.

Looking forward, goods producers remained pessimistic towards the business outlook, but the degree of negativity continued to ease.

The headline seasonally adjusted IHS Markit Mexico Manufacturing PMI registered 38.6 in June, up slightly from 38.3 during May. The latest reading indicated a sharp decline in business conditions faced by Mexican goods producers, albeit the rate of deterioration eased to the softest for three months.

Further weakness in the headline figure was driven by another marked reduction in new business. Panellists often mentioned their clients were hesitant to place orders amid uncertainty surround the duration of the COVID-19 pandemic.

Contributing to the overall decrease in new work was a further evaporation of international demand. New export orders fell at a rate which, prior to the COVID-19 outbreak, was unseen in nine years of data collection. That said, the pace of reduction eased further from April's series record.

Faced with subdued demand conditions, production

continued...

Mexico Manufacturing PMI™

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

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

"The latest PMI data for the Mexican manufacturing sector suggest the country is still struggling in its fight against the coronavirus outbreak. Production continued to decline sharply, with demand conditions subdued and many factories remaining closed.

"The said, on the whole, the data was trending in the right direction, with the rates of decline for activity, new orders and employment all easing. Moreover, sentiment improved slightly despite remaining negative overall.

"Going forward, demand will be the key driver in any recovery on the new orders index in the coming months. Only when demand begins to rebound will the Mexican manufacturing sector see a sustained rise in output."

continued to fall, extending the current sequence of contraction to four months. Anecdotal evidence suggest that many factories remained closed while others were operating at significantly reduced capacity.

In line with the scaling back of operations, business continued to cut worker numbers in June. Despite easing to the softest for three months, the rate of workforce contraction remained among the quickest since data collection began in April 2011.

Meanwhile, manufacturers continued to reduce their purchasing activity, typically citing a lack of new orders. Moreover, the pace of decline accelerated from May and was sharp overall.

Amid cutbacks on both input buying and employment, cost burdens faced by Mexican goods producers fell for the third month in a row. The rate of decrease was unchanged from that registered in May and modest overall.

On the supply-side, there was evidence of further disruption, with input delivery times lengthening sharply. The latest deterioration in vendor performance was the softest since March, but remained historically marked.

Finally, firms were less pessimistic towards the one-year business outlook in June, with some panellists hopeful of a recovery once coronavirus-related restrictions are lifted. However, sentiment remained in negative territory as other respondents expressed fears of a prolonged economic downturn.

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 12-22 June 2020.

Survey data were first collected April 2011.

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