
Since 2001 the Mexican manufacturing sector has experienced a reduced rate of growth. This study estimates the impact of US and Chinese industrial activity on the demand for labor in the sector. A time series cointegration model is developed using data on industrial activity, Chinese exports, wages and the peso: dollar exchange rate. The results show that exports from China to the USA and manufacturing wages have both affected labor demand negatively, while factors such as US industrial production and the exchange rate encourage manufacturing activity.

**Keywords:** Industrialization, Mexican manufactures, Chinese exports, labor demand, cointegration analysis.

**JEL:** F1, F15, F4, J23.