

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

Softer improvement in manufacturing sector performance

Key findings:

- PMI at ten-month low of 50.7
- Slower rise in new work coincides with weaker job creation
- Production falls midway through third quarter

Data collected August 13-22

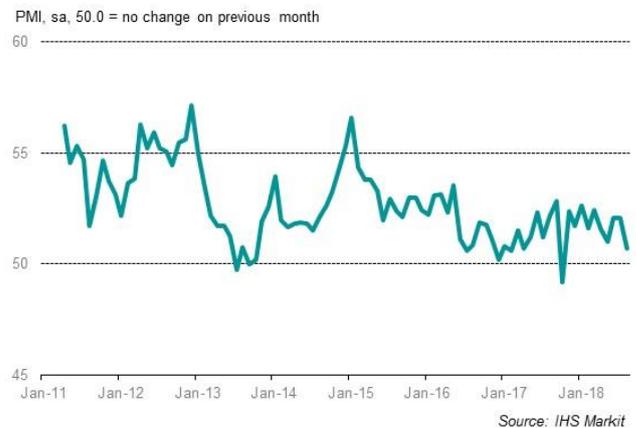
Edging down to a ten-month low in August, the PMI pointed to a weaker improvement in operating conditions across Mexico's manufacturing sector. Factory orders and employment continued to rise, but in both cases growth rates moderated from those noted in July. At the same time, survey data showed a renewed decline in production and above-average increases in input costs as well as selling charges.

Registering 50.7 in August, the seasonally adjusted **IHS Markit Mexico Manufacturing PMI™** showed another monthly improvement in the health of the sector. However, having fallen from 52.1 in July, the headline figure was at a ten-month low. One factor weighing on the PMI was a renewed contraction in factory output. The fall was the first in three months, with panellists citing shortages of some materials, cashflow difficulties and subdued sales.

Although order book volumes continued to increase, the upturn was the slowest in the current ten-month sequence of expansion. New export orders likewise rose at a weaker pace in August. Those survey members that secured new work over the month indicated that marketing efforts bore fruit, whilst there were also mentions of greater sales amid new product launches.

Raw material scarcity and machinery breakdowns reportedly led to increases in unfinished business among goods producers. The rise in backlogs ended a six-month period of depletion, but was

IHS Markit Mexico Manufacturing PMI



marginal overall.

August data highlighted increased stock-building efforts at manufacturers in Mexico, as input purchasing rose to a greater extent than seen in the preceding month. Evidence supplied by survey participants indicated that additional materials had been bought due to scheduled launches of new goods.

Indeed, inventories of raw materials and semi-finished items rose, albeit only slightly. Concurrently, holdings of manufactured goods increased midway through the third quarter. While some firms mentioned that unsold goods had been placed into stocks, others commented on preparations for the sales of new products.

Meanwhile, employment grew for the tenth straight month. The pace of job creation was moderate and the slowest since February. August saw an uptick in manufacturing sentiment, with promotional activities, expansion into new markets, forecasts of greater sales, favourable economic policies and domestic consumption all expected to underpin

production growth in the year ahead. Optimism was at a four-month high.

Finally, higher prices for steel, cellulose, some chemicals, plastics and textiles caused a further increase in overall cost burdens. As a result, factory gate charges were raised again in August. Rates of input cost and output charge inflation eased, though remained above their respective long-run averages.

Comment:

Commenting on the IHS Mexico Manufacturing PMI survey data, **Pollyanna De Lima, Principal Economist at IHS Markit** and author of the report, said:

“PMI data for August highlighted a softer growth patch of the Mexican manufacturing sector, with new work, exports and employment all displaying weaker increases than recorded at the start of the third quarter. At the same time, production dipped into contraction territory.

“Nonetheless, the slowdown doesn’t yet ring alarm bells on growth prospects. When looking at anecdotal evidence supplied by respondents, it’s clear that production was hampered by material shortages, while a stronger upturn in input purchasing shows firms’ willingness to reverse the downturn trend in output in the near term. Confidence in the outlook was also evident in an uptick of manufacturing sentiment, sustained job creation and stock-building initiatives.”

-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.

The Manufacturing *Purchasing Managers' Index*™ (PMI™) 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*™ (PMI™) 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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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 <https://ihsmarkit.com/products/pmi.html>.

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