

Embargoed until 0930 Mexico City (1530 UTC) 1 February 2019

IHS MARKIT MEXICO MANUFACTURING PMI™

PMI rebounds at start of 2019 amid stronger sales growth and renewed upturn in jobs

KEY FINDINGS

PMI in expansion territory for first time in three months

Factories resume hiring efforts...

...as new business growth strengthens

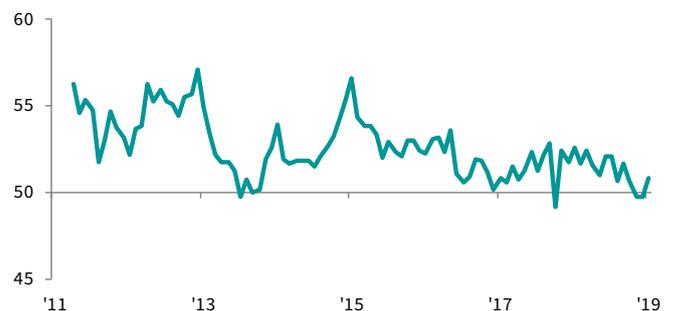
The Mexican manufacturing industry started 2019 on the right foot. Business conditions improved for the first time in three months as faster growth of new orders led to a renewed increase in employment. At the same, there was a weaker decline in input stocks, while production moved closer to stabilisation. Fuel shortages resulted in longer suppliers' delivery times, restricted optimism and increased input costs. Sentiment was the lowest seen in the series history.

Rising from 49.7 in December to 50.9 in January, the headline IHS Markit Mexico Manufacturing PMI™ pointed to a renewed improvement in the health of the sector. The PMI remained below its long-run average, but the latest figure signalled the first strengthening of business conditions since last October.

A stronger upturn in order books supported the above-50.0 PMI reading in January. According to survey participants, expanded client bases and projects in the pipeline boosted sales. The overall pace of growth was slight, though the quickest seen in four months. Data indicated that the upturn was domestically driven as growth of new export business came to a halt amid weak external demand.

Although manufacturing production continued to decrease in January, the latest fall was fractional and the weakest in the current three-month period of reduction. Some firms reported having lowered output due to weak sales, challenging market conditions and ongoing cost increases, while a few companies scaled up production amid new business wins.

Manufacturing PMI
sa, >50 = improvement since previous month



Growth of manufacturing jobs resumed at the start of the year, after contraction had been registered last December for the first time in 14 months. In turn, companies made further inroads into their backlogs.

The clearing of outstanding workloads supported a quicker, albeit moderate, increase in holdings of finished goods during January.

Quantities of purchases were unchanged. Stock-building efforts led some firms to step-up buying levels, but other factories lowered input purchasing due to subdued sales. Meanwhile, there was an overall decrease in pre-production inventories.

Mexico's gas crisis impacted on vendor performance, with lead times lengthening to a greater extent than last December. Fuel shortages, alongside security concerns and economic uncertainty, also weighed on confidence. Despite remaining positive, sentiment towards the 12-month outlook for production weakened to the lowest level in the series history.

Input costs increased in January, with firms citing currency weakness and shortages of fuel as the key drivers of inflation. That said, the rise was the weakest registered in over four-and-a-half years. Likewise, output charge inflation moderated. The rise was the joint-weakest in the current 51-month sequence of increases. Efforts to boost sales was the key factor curbing charge inflation in January.

COMMENT

Commenting on the PMI data, Pollyanna De Lima, Principal Economist at IHS Markit said:

"The latest PMI results for Mexico painted a mixed picture for the manufacturing economy. On the positive side, improved consumer confidence resulted in a stronger upturn in new business, leading factories to resume their hiring efforts. Also, a further clearing of backlogs pushed output closer to stabilisation. What's more, rates of inflation for input costs and output charges were among the weakest in around four-and-half years.

"Worryingly, however, softer global demand meant that growth of new export orders stalled, while ongoing gas shortages exerted further pressure on supply chains and restricted business sentiment. The degree of optimism we saw in January was the lowest in the near seven-year series history, suggesting that further cracks may appear in the Mexican economy in coming months."

CONTACT

IHS Markit

Pollyanna De Lima
Principal Economist
T: +44-1491-461-075
pollyanna.delima@ihsmarkit.com

Joanna Vickers
Corporate Communications
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

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.

January 2019 data were collected 11-23 January 2019.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (Nasdaq: 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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, click [here](#).

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 ihsmarkit.com/products/pmi.html.