

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

IHS MARKIT MEXICO MANUFACTURING PMI™

Mexican manufacturing sector boosted by strongest rise in order books for 15 months

KEY FINDINGS

PMI at 13-month high in February

New orders expand at fastest pace since November 2017...

...supported by renewed upturn in exports

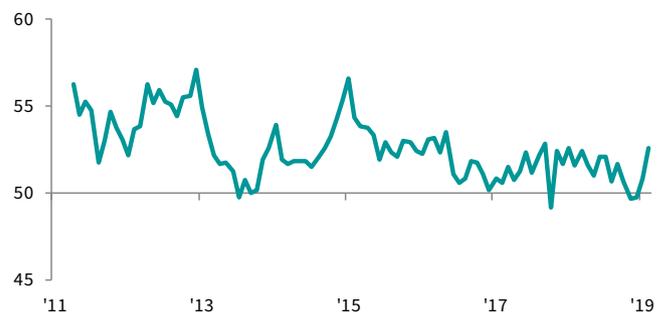
Mexico's manufacturing industry moved up a gear, with four of the five PMI components – output, new orders, employment and stocks of purchases – consistent with a stronger performance during February. Furthermore, the rate of input cost inflation cooled to the weakest in over five years, exports returned to growth territory and business sentiment rebounded from the series low noted at the start of the year.

The improvement in Mexico manufacturing operating conditions accelerated to the strongest in over one year during February. This was highlighted by the seasonally adjusted IHS Markit Mexico Manufacturing PMI™ rising to 52.6, from 50.9 in January.

The expansion in new orders accelerated to a 15-month high midway through the opening quarter of 2019. Moreover, the rise was stronger than seen on average over the near eight-year survey history. There was a significant boost from new export sales, with foreign demand increasing solidly and to the greatest extent in four months. Companies particularly reported improved inflows of new work from clients in the US and El Salvador. Nevertheless, the domestic market also remained a key source of order book growth.

Factory output increased for the first time in four months. Although modest, the rate of expansion was the quickest since January 2018. At the same time, PMI data showed a renewed rise in input buying. The upturn was the first in four months and the fastest in one year. In turn, stocks of purchases returned to growth during February.

Manufacturing PMI
sa, >50 = improvement since previous month



The ongoing upturn in new orders supported further job creation. Staffing levels increased for the second straight month and at the fastest pace since last September. The sustained expansion in capacity continued to enable manufacturers to clear their backlogs of work, the fifth month running in which this has been the case.

Cost pressures eased further in February, with the latest rise the slowest for over five years. Companies linked higher costs to increased metal, electrical equipment, chemical, rubber and textile prices. However, there were mentions of lower charges for steel, polypropylene and food. Favourable exchange rates and successful negotiations with vendors were also cited as factors curtailing inflation.

Part of the increase in costs was passed through to clients in the form of higher selling prices. That said, output charges rose only marginally and at one of the weakest rates seen in the history of the survey.

Goods producers maintained a positive outlook in February. Almost 41% of manufacturers expect production to be higher in 12 months' time, while fewer than 7% forecast a contraction. Positive sentiment was attributed to projections of increased export order volumes, new product launches and company expansion plans. Optimism improved from January's series low to a six-month high.

COMMENT

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

"The Mexican manufacturing industry showed signs of solid progress midway through the first quarter, with rates of expansion in new orders and employment both gathering pace. Parallel to this, there were renewed increases in production, input buying and export sales.

"Given the breadth of the expansion, it looks increasingly likely that this upturn can be sustained, at least during the near-term. Business sentiment also improved considerably from January's series low.

"There was also evidence of supply-side issues preventing the acquisition of some raw materials, which could become a barrier to growth and cause stronger rises in input costs. Despite ongoing reports of petrol shortages leading to pressures on supply chains, for now survey data suggest that the manufacturing economy is in good health."

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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.

February 2019 data were collected 12-20 February 2019.

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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.