

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

Output rises in June, supported by strong upturn in new work

Key findings:

- Rise in production reverses May's contraction
- New business inflows increase at sharpest pace since March
- Strongest expansion in employment in 32 months

Data collected June 12-21

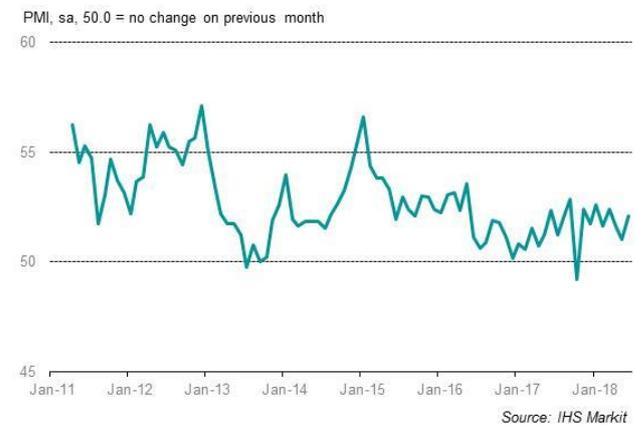
The health of Mexico's manufacturing industry strengthened in June as improved demand, domestic as well as external, led firms to lift production and create jobs. Additional inputs were purchased, with companies reporting efforts to rebuild inventories. At the same time, inflation rates for both input costs and output charges climbed to 16-month highs.

Rising from 51.0 in May to 52.1 in June, the seasonally adjusted IHS Markit Mexico Manufacturing PMI™ indicated a recovery of growth momentum across the sector, following slowdowns in April and May. Nevertheless, the headline figure was below its long-run trend, with the Q2 average also lower than that seen in the opening quarter of the year.

Output rose in June, reversing the contraction noted in May. According to goods producers, the upturn reflected ongoing gains in new work. Not only did sales expand for the eighth month running, but also to the greatest extent seen throughout the second quarter of 2018. Anecdotal evidence highlighted stronger domestic and international demand.

Indeed, new business from abroad expanded again, which survey participants linked to peso depreciation and the launch of new products. Despite being the quickest in the current four-month sequence of growth, the pace of increase was modest overall.

IHS Markit Mexico Manufacturing PMI



While currency weakness boosted export sales, it exerted upward pressure on cost burdens. Input price inflation climbed in June to the strongest since February 2017. As a result, factory gate charges were raised further, with inflation also at a 16-month peak.

To cope with greater workloads, firms took on additional staff during June. Furthermore, the rate of job creation accelerated to the quickest since October 2015. There were many reports of labour being hired on a temporary basis.

In turn, greater payroll numbers enabled the completion of outstanding business. Backlogs fell for the fifth month in succession, albeit slightly.

Amid reports of higher output requirements, growth strategies and stock-building efforts, Mexican manufacturers continued to engage in input buying in June. Quantities of purchases grew at the fastest pace since February, resulting in an overall increase in stocks of raw materials and semi-finished items. This was despite a further lengthening of suppliers' delivery times.

June data pointed to a back-to-back rise in holdings of finished goods at Mexican manufacturers. Although moderate, the pace of accumulation picked up from May.

On average, goods producers were optimistic that production will increase over the coming 12 months. Product developments, greater client bases and projects in the pipeline were among the reasons listed by companies for positive sentiment.

Comment:

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

“Mexican manufacturers ended the second quarter of 2018 on a positive footing. Output returned to growth territory, while the upturn in both new orders and employment gained speed. Although these improvements bring welcoming news, they were insufficient to push the PMI to a level that would fully recover the loss of growth momentum seen earlier in the quarter. As a result, the Q2 PMI average of 51.6 was below the one seen in the first three months of the year (52.2).

“Firms nevertheless expect July’s elections to bring stability to the market, which coupled with product developments, expanded client bases and projects in the pipeline, translated into an improvement in business sentiment towards the year-ahead outlook for production.”

-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

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