

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

Manufacturing PMI rises to five-month high in March

Key findings:

- Renewed expansion of production levels
- New orders increase at fastest pace since September 2016
- Input price inflation eases further from January's five-year peak

Data collected March 13-23

Markit Mexico Manufacturing PMI (seasonally adjusted)

Markit Mexico Manufacturing PMI (SA, 50 = no-change)



Source: IHS Markit

Mexico's manufacturing sector experienced a modest rebound in business conditions during March, driven by the fastest upturn in new work for six months. This contributed to a renewed expansion of production volumes and the strongest rise in input buying since May 2016.

However, job creation slowed again in March, with the latest upturn in staffing numbers the weakest in over two-and-a-half years. Survey respondents linked slower employment growth to intense pressure on operating margins and heightened uncertainty regarding the economic outlook.

Adjusted for seasonal influences, the **Markit Mexico Manufacturing PMI™** – a composite indicator of manufacturing performance – registered 51.5 in March, up from 50.6 in February, to signal a modest improvement in overall business conditions. The latest reading was the highest since October 2016, largely reflecting a stronger upturn in new orders, alongside rising output and renewed inventory accumulation. A softer increase in staffing numbers was the main factor weighing on the headline index.

March data revealed a return to rising production levels, following a fractional reduction during the previous month. A number of manufacturers cited improving client demand, as highlighted by a solid rise in incoming new work during March. The rate of new order growth was the fastest for six months, despite a weaker contribution from export sales. Moreover, the latest increase in new work from abroad was only marginal and the least marked since August 2016.

Greater volumes of new work and a modest rebound in production schedules provided a boost to input buying across the manufacturing sector in March. The latest expansion of purchasing activity was the fastest for ten months, and this contributed to a renewed increase in stocks of inputs among manufacturing firms. Some survey respondents noted that worsening supplier performance, linked to low stocks among vendors, had also encouraged inventory accumulation across the manufacturing sector. Meanwhile, stocks of finished goods continued to rise at a softer pace than seen at the end of 2016, which was partly linked to uncertainty about the demand outlook.

Looking ahead, manufacturers are confident overall about their prospects for growth over the next 12 months. However, the degree of positive sentiment eased since February and was the second lowest since this series began in 2012. Survey respondents cited concerns about the economic outlook and pressures on operating margins.

Meanwhile, the latest survey indicated that input cost inflation remained strong but continued to ease from the five-year peak seen in January. Factory gate prices continued to rise at a robust pace, as manufacturers sought to pass on higher transportation and imported raw material prices.

Comment

Commenting on the Mexico Manufacturing PMI survey data, Tim Moore, senior economist at IHS Markit and author of the report, said:

“March’s survey data reveals that subdued business conditions persisted in Mexico’s manufacturing sector, but there were signs of a recovery from the three-year low seen at the end of 2016. A modest rebound in the Manufacturing PMI was driven by stronger new order books and a marginal upturn in production volumes in March. Manufacturers also sought to boost their input buying and pre-production inventories in response to signs of stronger growth momentum.

“However, heightened uncertainty about the domestic economic outlook weighed on staff hiring in March, with jobs growth easing to its weakest for just over two-and-a-half years. Strong input price inflation meanwhile continued to place a squeeze on margins, with manufacturers mainly citing pressures from rising transportation and imported raw material costs.”

-Ends-

For further information, please contact:

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Note to Editors:

The 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.

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 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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