

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

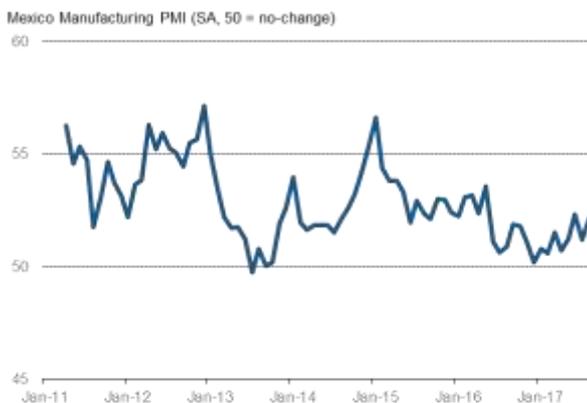
Operating conditions continue to improve in August

Key findings:

- New business expands at faster pace...
- ...leading to steeper increases in output and purchasing activity
- Input price inflation softens to lowest in over three years

Data collected August 11-22

IHS Markit Mexico Manufacturing PMI



Source: IHS Markit

Following a slight slowdown of manufacturing growth in Mexico in July, the sector regained some momentum in August. Improved business conditions were buoyed by stronger rates of output and new order growth, which was in turn supported by a return to expansion in new export sales. This led to the fastest increase in buying activity and stocks of purchases since May 2016. As a result, business confidence remained strong, whilst firms added to their payrolls at a quicker pace. On the

prices front, output charges rose more slowly as the rate of input cost inflation cooled to its weakest in over three years.

The headline seasonally adjusted **IHS Markit Mexico Manufacturing PMI™** – registered 52.2 in August, up from 51.2 in July, to signal a sustained improvement in business conditions. The index has now posted above the neutral 50.0 value in each of the past 47 months. Notably, the latest upturn in the health of the sector was the second-strongest since May 2016 (after June 2017). Improved rates of output and new order growth were key factors leading to the higher PMI reading in August.

Production increased for the fourth consecutive month in August, and at the second-quickest rate since October 2016 (after June). Growth was widely linked to higher intakes of new work, which rose at a solid and accelerated rate in August. Stronger growth in total new business was supported by a renewed increase in export sales, after a slight dip in July. In addition to an expanding domestic client base, greater sales from overseas were reportedly helped by strong demand and a favourable exchange rate.

Greater production schedules led to the most marked increase in buying activity and accumulation of pre-production inventories since May 2016. Stocks of finished goods also increased in August and at the fastest rate since January, with firms citing positive demand projections as the driving force behind growth.

Stronger demand for inputs meant that delivery times lengthened slightly in August.

The rate of job creation remained strong in August, with many panellists reporting the employment of temporary workers. The need for a larger workforce also coincided with higher volumes of outstanding business, with backlogs of work growing for the first time in four months.

Input prices rose at the slowest rate for over three years during August. Respondents repeatedly linked this to a more favourable exchange rate against the US dollar, which contributed to lower import costs. At the same time, firms increased their output prices at the weakest pace since July 2016.

Optimism towards the year ahead strengthened in August in response to positive demand conditions. Almost 53% of panellists expect output volumes to grow in the next year.

Comment

Commenting on the Mexico Manufacturing PMI survey data, **Paul Smith, Director at IHS Markit** and author of the report, said:

“The latest data sustained the recent trend of growth, but at a modest pace. Output and new orders both rose at below trend rates, although improved on those seen in July, boosted in part by a pick-up in export sales following a drop in the previous survey period.”

“Job creation remained a bright spot, with growth continuing at a pace similar to July’s one-and-a-half year peak amid ongoing optimism about future activity and increased current workloads.”

“Moreover, cost inflation continued to soften from rates seen earlier in the year amid reports of more favorable exchange rate factors. However, companies in turn chose to raise their own charges to the weakest degree in over a year.”

-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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