

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

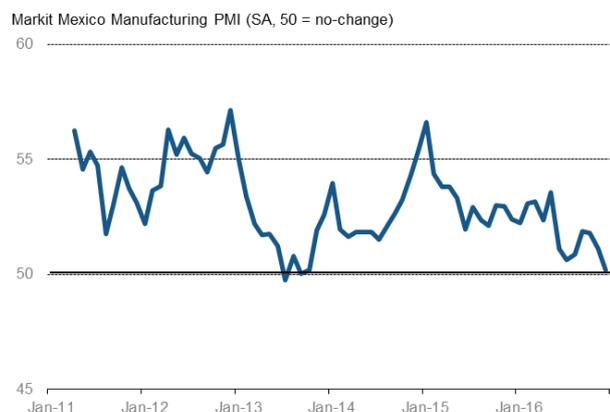
Manufacturing PMI signals slowest growth since October 2013

Key findings:

- Headline PMI points to weakest upturn for over three years
- Production volumes decline, while new order growth slows again
- Steep and accelerated rise in input prices

Data collected December 6-14

Markit Mexico Manufacturing PMI (seasonally adjusted)



Source: IHS Markit

Mexican manufacturers pointed to another growth slowdown in December, with business conditions improving at the weakest pace for just over three years. This largely reflected subdued demand patterns at the end of 2016, particularly in domestic markets. New business growth was the softest since September 2013, which resulted in slower job creation and a fall in production for the first time since August.

Meanwhile, exchange rate depreciation continued to push up imported raw material prices in December. Reflecting this, input cost inflation

accelerated to one of the highest levels seen over the past four-and-a-half years.

Adjusted for seasonal influences, the **Markit Mexico Manufacturing PMI™** registered 50.2 in December, down from 51.1 in November and only fractionally above the neutral 50.0 threshold. The latest reading signalled the weakest upturn in manufacturing conditions since October 2013, largely reflecting slower new business growth and a slight fall in production volumes.

December data signalled renewed decline in **manufacturing output**, following three months of sustained expansion. Although only marginal, the fall in production volumes was the most marked since late-2013. At the same time, **new order growth** moderated to its weakest for over three years, which survey respondents linked to softer domestic demand conditions and heightened economic uncertainty.

New export sales increased again in December, thereby extending the current period of growth to five months. Some manufacturers commented on greater sales to clients across South America.

Despite sign of fragile client spending, manufacturers continued to expand operating capacity and hire additional staff in December. The rate of **job creation** remained broadly in line with the average seen during the first half of 2016. Efforts to boost capacity in turn contributed to a reduction in **backlogs of work** for the seventh month running.

Manufacturers remained cautious in terms of their inventory holdings, with **stocks of finished goods**

rising at a slower pace and pre-production inventories broadly stable in December. Moreover, **input buying** rose at one of the weakest rates seen over the past three years. On the prices front, the weak peso-dollar exchange rate continued to push up **input costs**. This placed pressure on margins and led to the fastest rise in **charges** since March.

Comment

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

“December’s PMI data indicated another loss of momentum for Mexico’s manufacturing sector, with relatively subdued domestic demand leading to the weakest upturn in new orders for over three years. Survey respondents commented on cautious spending patterns among clients and heightened global economic uncertainty.

“A moderate rise in new work from abroad helped to offset some of the slowdown in December. Moreover, job creation was maintained at the end of 2016, suggesting that manufacturers remain relatively sanguine about near-term growth prospects. However, pressures on operating margins continued to bite, with exchange rate depreciation driving up input costs at one of the fastest rates seen since mid-2012.”

-Ends-

For further information, please contact:

IHS Markit

Tim Moore, Senior Economist
Telephone +44-1491-461-067
Email tim.moore@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44-207-260-2234
Email joanna.vickers@ihsmarkit.com

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@markit.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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