

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

Operating conditions improve only slightly in April

Key findings:

- PMI dips since March amid lower production levels
- New orders rise only modestly
- Backlogs of work increase amid raw material shortages

Data collected April 11-24

Markit Mexico Manufacturing PMI (seasonally adjusted)



Source: IHS Markit

Growth of Mexico's manufacturing sector slowed in April, having quickened to a five-month high at the end of the first quarter. The overall upturn was inhibited by lower production, in turn linked to subdued demand conditions. Job creation remained only slight.

Meanwhile, pressure on operating capacity ramped up amid raw material shortages. Backlogs of work rose to the greatest extent since October 2011. Despite easing further, the rate of input price inflation remained substantial in April.

The headline seasonally adjusted Markit Mexico Manufacturing PMI™ – a composite indicator of manufacturing performance – slipped to 50.7 in April, from 51.5 in March. The latest reading pointed to a marginal improvement in overall business conditions. A renewed fall in production was a factor behind the weaker performance of the sector as a whole.

Lower output was a reflection of subdued client demand, according to anecdotal evidence. Although data signalled that new orders had continued to rise in April, the rate of growth eased to a modest pace.

Nonetheless, the rise in total new business was accompanied by growth of new export orders. Some panellists commented on an upturn in demand across key international markets.

Mexican manufacturing employment continued to rise, albeit only slightly. However, a larger workforce was unable to alleviate pressure on operating capacity. Instead, backlogs of work were accumulated at the fastest pace in five-and-a-half years. Companies generally blamed the non-availability of raw materials.

This was reflected by a lack of purchasing activity in April. Input buying fell for only the third time in the survey's history, while stocks of pre-production items broadly stagnated. Some firms chose to respond to incoming new business by selling from existing stocks of finished goods – post-production inventories decreased for the first time since March 2015.

Cost pressures faced by Mexican manufacturers remained considerable in April. The rate of input price inflation eased to a 16-month low, but was still marked overall. Surveyed firms linked higher costs to currency weakness against the US dollar. As has been the case for the past two-and-a-half years, clients bore some of the rise in cost burdens through greater selling prices. The latest increase in charges was solid overall, albeit slightly slower than in March.

Slower growth and rising prices in the latest period failed to dampen manufacturers' optimism regarding the year ahead during April. The Future Output Index picked up to a five-month high, with new clients, new projects, new products and economic stability all mentioned as factors behind positive output expectations.

Comment

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

"The latest Manufacturing PMI suggests that growth in Mexico is struggling to gather momentum. Signs of a faster upturn in March were largely dispelled in April, with production returning to contraction and new orders rising only modestly.

"While manufacturing firms are relatively optimistic about the year ahead, they remain cautious in terms of inventory volumes. Stocks of finished goods fell to the greatest extent for four years in April amid efforts to improve cash flow against a backdrop of squeezed operating margins.

"There were also some reports that rising raw material prices had led to shortages of stock among vendors. Depleted inventories and supply chain disruptions contributed to the fastest rise in backlogs of work at manufacturing firms since October 2011."

-Ends-

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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

Purchasing Managers' Index[™] (*PMI*[™]) surveys are now available for over 30 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 www.markit.com/product/pmi.

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