

News Release

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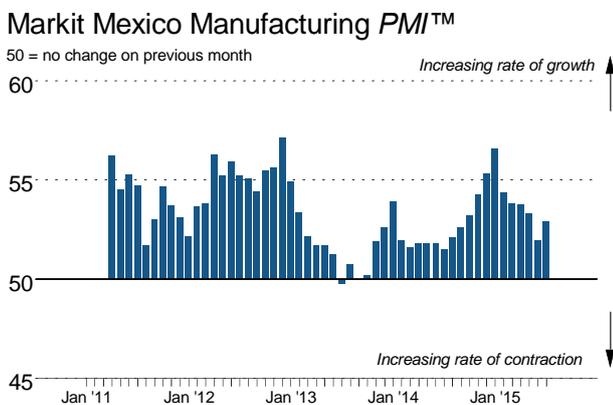
Markit Mexico Manufacturing PMI™

Output growth rebounds in July, helped by sharpest rise in new export work since May 2011

Key points:

- Manufacturing production growth picks up from June's 11-month low
- New export orders increase at fastest pace for over four years in July
- Slowest rise in average cost burdens since January

Historical overview:



Source: Markit

Summary:

July's survey data highlighted stronger overall growth momentum across the Mexican manufacturing sector, with output and new business volumes rising at faster rates than in the previous month. A key factor driving the upturn was the steepest improvement in new export work since May 2011. Increased levels of client spending contributed to a slight rebound in job creation, alongside a robust and accelerated expansion of input buying during the latest survey period.

The headline figure derived from the survey is the Manufacturing Purchasing Managers' Index™

(PMI™). Readings above 50.0 signal an improvement on the previous month, while readings below 50.0 signal a deterioration. The PMI is composed of five sub-indices tracking changes in new orders, output, employment, suppliers' delivery times and stocks of purchases.

Adjusted for seasonal influences, the **Markit Mexico Purchasing Managers' Index™ (PMI™)** – a composite indicator designed to measure the performance of the manufacturing economy – registered 52.9 in July, up from an 11-month low of 52.0 in June. The index has posted above the 50.0 no-change mark in each month since October 2013, and the latest reading pointed to a solid overall improvement in manufacturing sector business conditions. That said, the headline PMI still remains well below the two-year peak seen at the start of 2015.

Output growth accelerated since June, helped by a stronger upturn in new business volumes. Survey respondents noted that new product launches and rising export sales had driven the latest expansion of production levels.

July data highlighted a robust rise in new export orders, which marked nine months of continuous growth. Anecdotal evidence suggested that exchange rate depreciation, entry into new markets and new product development had all supported the strong increase in new work from abroad.

Meanwhile, manufacturers in Mexico pointed to a moderate rise in payroll numbers at their plants. The rate of job creation was also slightly faster than the seven-month low recorded in June. Efforts to boost operating capacity, alongside increased capital expenditure in turn resulted in another slight drop in backlogs of work at manufacturing firms in July.

On the prices front, latest data indicated a robust increase in average cost burdens. This was mainly linked to the impact of exchange rate depreciation on imported raw material prices. Measured overall, input cost inflation dipped to a six-month low in July, but manufacturers' output charges rose at the fastest pace since April.

Comment:

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

“Mexico’s manufacturing sector experienced a growth rebound in July and looks well set to remain in expansion mode through the second half of the year.

“A robust and accelerated improvement in new export order books was the most encouraging development recorded by the survey in July. Greater underlying demand from U.S. markets, alongside support from exchange rate depreciation, helped to generate the fastest upturn in export sales for over four years. Moreover, survey respondents cited ongoing efforts to boost operating capacity, which contributed to a further increase in payroll numbers during July.”

-Ends-

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Notes 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 geographically 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.

About Markit

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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/economics.

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