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IHS MARKIT MEXICO MANUFACTURING PMI™

Production rebounds at end of third quarter and PMI rises to 51.7

KEY FINDINGS

PMI increases from August's ten-month low

Renewed upturn in manufacturing production

Exports expand at strongest pace in over three years

Mexican manufacturers ramped up production in September amid ongoing increases in total new orders and the steepest rise in export sales since July 2015. The favourable operating environment translated into further job creation, input buying growth and sustained optimism in the sector. At the same time, rates of input cost and output charge inflation softened to five- and four-month lows respectively.

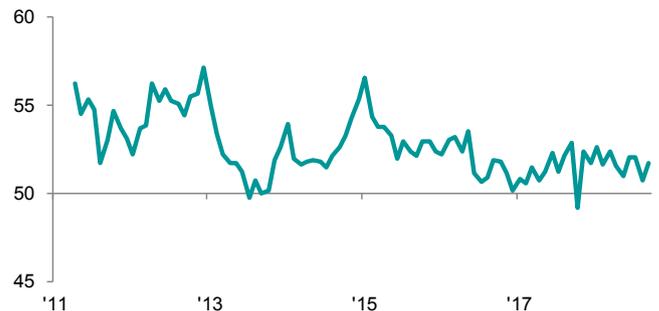
At 51.7 in September, up from 50.7 in August, the seasonally adjusted IHS Markit Mexico Manufacturing PMI™ highlighted a further strengthening in the health of the sector. For the third quarter of 2018, the PMI averaged 51.5, broadly similar to that seen in Q2 (51.6).

Factory activity returned to growth territory, having declined in August, spurred by an improvement in client demand and a subsequent upturn in new orders. Businesses also suggested that production was lifted in line with the launch of new products and upward budget revisions. The increase in output was the most pronounced since January, though moderate overall.

New business growth picked up in September, with panellists citing gains from domestic as well as external clients. In fact, new export orders expanded at the sharpest rate in over three years. Anecdotal evidence highlighted successful trade fairs and greater sales to the US.

Ongoing new business growth continued to exert pressure on the capacity of manufacturers' operations, as signalled by a second successive increase in outstanding business. That said, the pace of backlog accumulation was marginal.

Manufacturing PMI
sa, >50 = improvement since previous month



Jobs were created at the end of the third quarter as companies responded to greater workloads. The increase in employment was the eleventh in as many months and the strongest since June.

Additional materials were purchased in September, as firms sought to build-up stocks amid new work in the pipeline and planned new product launches. Although modest, the rate of expansion in input buying was at a three-month high.

Input stocks were unchanged in September, with the upturn in buying levels offset by longer suppliers' delivery times, greater production volumes and the manufacturing of prototypes.

Input prices continued to increase, which panellists attributed to peso depreciation (versus US dollar). Nevertheless, the rate of inflation eased to a five-month low. Similarly, output charges were raised to a lesser extent.

Mexican manufacturers expect the favourable demand environment to be sustained in the coming 12 months. This, coupled with planned exhibitions, product diversification, investment intentions and the development of new distribution centres, underpinned positive sentiment towards the year-ahead outlook for production.

COMMENT

Commenting on the PMI data, Pollyanna De Lima, Principal Economist at IHS Markit said:

"The relatively strong PMI figures indicate that the manufacturing sector gained growth momentum in September, after a subdued performance in August. Growth of export sales played a key role in the renewed upturn in production, assisted by MXN/USD depreciation.

"With new work flowing in, goods producers loosened their purse strings, buying inputs and hiring additional workers at stronger rates than those seen midway through the third quarter. This, coupled with positive business sentiment, suggests that output is likely to remain on an expansionary trajectory in the near-term."

CONTACT

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Methodology

The IHS Markit Mexico Manufacturing PMI™ is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

September 2018 data were collected 12-20 September 2018.

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Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 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 ihsmarkit.com/products/pmi.html.