

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

Strongest manufacturing sector performance since May 2016

Key findings:

- Faster rises in output, new orders and employment in June
- Input cost inflation eases since May
- Business optimism remains well above January's five-year low

Data collected June 12-22

IHS Markit Mexico Manufacturing PMI

Markit Mexico Manufacturing PMI (SA, 50 = no-change)



Source: IHS Markit

June survey data pointed to a sustained rebound in manufacturing conditions following the soft patch seen in the first quarter of 2017. At 52.3, up from 51.2 in May, the seasonally adjusted **IHS Markit Mexico Manufacturing PMI™** – a composite indicator of manufacturing performance – signalled the strongest improvement in operating conditions for 13 months.

The rise in the headline PMI was driven by faster growth of output, new orders and employment in

June.

Manufacturing production increased for the second month running, with the rate of expansion accelerating to its sharpest since October 2016. Reports from survey respondents cited improving client demand, efforts to rebuild inventories and the launch of new products.

Mirroring the trend for overall business conditions, latest data revealed the sharpest upturn in new order volumes since May 2016. The solid rise in new work was largely driven by sales to domestic clients, as export order volumes expanded at the weakest pace for three months in June. Manufacturers noted that underlying demand conditions had improved, while there were also reports that new products and greater investment spending had supported new order intakes.

Staffing levels increased again in June, which continued the upward trend seen during each month since August 2014. Moreover, the rate of job creation was the most marked for just over one year. Higher levels of employment partly reflected efforts to boost operating capacity and expectations of sustained output growth in the second half of 2017. Greater payroll numbers and improved productivity led to the fastest fall in backlogs of work since October 2016.

Around half of all survey respondents expect a rise in output levels during the next 12 months, against just 4% that forecast a reduction. As a result, the latest survey indicated that business optimism

remained much stronger than the near five-year low seen at the start of 2017. A number of firms commented on hopes of a recovery in export sales, alongside capital investment plans and new marketing initiatives.

There was also positive news in terms of cost pressures in June, with overall input prices rising at one of the slowest rates since late-2015. While some manufacturers noted that exchange rate factors had pushed up their cost burdens, survey respondents generally noted that inflationary pressures had lost intensity in June. Slower rises in raw material costs also contributed to a moderation in factory gate price inflation from the three-month peak seen in May.

Comment

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

“The latest PMI survey provides a positive signal for near-term growth momentum across the Mexican manufacturing sector. Stronger rises in production and incoming new work underpinned the fastest improvement in business conditions since May 2016. The manufacturing rebound follows a period of subdued growth, with the headline PMI close to its lowest for three years in early-2017.

“Improved manufacturing sales volumes helped to boost job creation in June, with the rate of employment growth at a 14-month high. Reduced pressure on operating margins also boosted staff hiring and business investment plans. The latest survey indicated that input price inflation was among the lowest seen for a year-and-a-half, and well down from the peak seen in January.”

-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

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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