

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

Sharper rise in new orders boosts job creation in March

Key findings:

- Factory orders expand at marked and accelerated pace...
- ...underpinning stronger employment growth
- Output and purchasing activity increase further

Data collected March 12-21

The health of the Mexican manufacturing industry improved to a greater extent in March, with a quicker expansion in order books driving stronger increases in employment and production. The accelerated growth momentum was accompanied by intensified inflationary pressures, with both input costs and output charges rising at sharper rates. Meanwhile, purchasing activity grew further, while stock building initiatives were recorded.

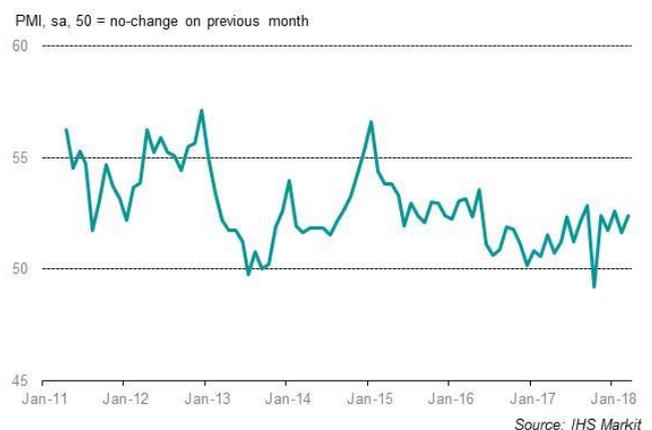
At 52.4 in March, the seasonally adjusted IHS Markit Mexico Manufacturing PMI™ pointed to a stronger improvement in operating conditions across the sector. Rising from February's reading of 51.6, the headline figure edged closer to its seven-year average of 52.8.

New order growth hit a four-month high in March amid reports of successful marketing strategies, new client wins and innovation. Companies also mentioned strengthening demand conditions domestically and abroad.

Indeed, new export orders recovered from the contraction noted in February. The rate of growth was moderate, but nonetheless in line with its long-run trend. Anecdotal evidence pointed to triumphant biddings, expansion into new markets and a general upturn in international demand.

With new work flowing in, goods producers scaled up output in March. The rate of expansion was a tick higher than in the previous month, although

IHS Markit Mexico Manufacturing PMI



modest overall.

To cope with greater workloads, manufacturers focused on recruitment. Additional staff were hired for the fifth successive month, and the rate of jobs growth quickened since February. Expanded capacities enabled companies to complete unfinished work, with a back-to-back fall in backlogs registered.

Trends for inventories were broadly similar, as holdings of both pre- and post-production items rose. Rates of stock building varied, however, with the former seeing a much slower upturn than the latter. Stocks of finished goods increased at a solid pace as firms sought to restore inventory levels due to order obligations. Concurrently, the mild rise in holdings of purchases reflected a weaker expansion in input buying.

Input cost inflation accelerated to the strongest in ten months, with manufacturers signalling higher prices paid for energy, fuel, gas and raw materials. The latter was in part attributed to peso depreciation (versus US dollar).

As a result, selling prices were raised again in March. Moreover, the rate of charge inflation was the joint-quickest since mid-2017.

Optimism was retained among goods producers as pipelines of new work, product diversification, marketing efforts, export opportunities and greater investments were expected to boost production in the coming 12 months. Nonetheless, the level of confidence fell to a 14-month low amid concerns about inflation, financial issues and the upcoming elections.

Comment

Commenting on the IHS Mexico Manufacturing PMI survey data, **Pollyanna De Lima, Principal Economist at IHS Markit** and author of the report, said:

“The Mexican manufacturing industry shifted up a gear at the end of the first quarter, buoyed by robust demand conditions. Companies benefited from a favorable external environment, as seen by a rebound in new export orders. In response, growth of jobs and output gathered momentum.

“Although it was encouraging to see employment growth climbing above its long-run path during March, a number of panelists commented that staff hiring was centred around temporary employees, which prompts a note of caution.

“Indeed there were signs of uncertainty towards the year-ahead outlook, as manufacturing sentiment dipped to a 14-month low on the back of concerns over inflationary pressures, financial issues and the upcoming elections.

“From a central bank perspective, efforts to curb inflation continued and the benchmark rate was raised for the second month in succession in the latest policy meeting to 7.5%. In the case that inflationary pressures ease, improvements in consumer spending power are expected to boost overall consumption. The other side of the coin to tighter monetary policy being an impeding postponement of private sector investment, however.”

-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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