

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

### Manufacturing growth gathers momentum in January

#### Key findings:

- PMI reaches four-month high of 52.6
- New orders, production and employment all rise at quicker rates
- Input cost and output charge inflation accelerates

Data collected January 12-23

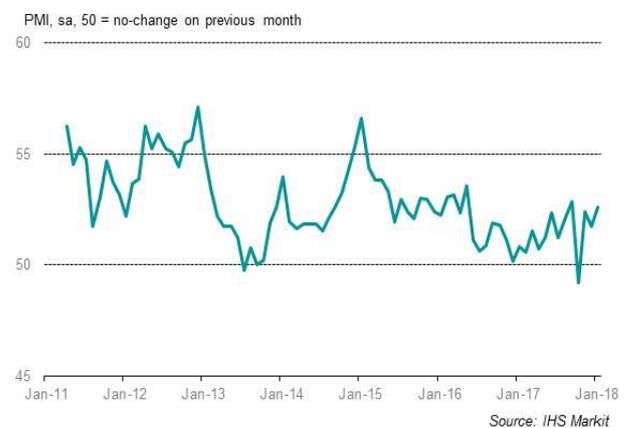
Manufacturers in Mexico started 2018 on a solid footing, with strong inflows of new work boosting output growth and job creation. Additional inputs were purchased as companies sought to rebuild their inventories amid efforts to fulfil contract obligations. Meanwhile, exchange rate movements exerted upward pressures on cost burdens, resulting in a stronger increase in selling prices. Optimism was sustained, though the level of positive sentiment dipped to a one-year low.

Rising from 51.7 in December to 52.6 in January, the seasonally adjusted IHS Markit Mexico Manufacturing PMI™ pointed to a further strengthening of business conditions in the sector. The headline figure was at a four-month high, reflecting stronger contributions from all of its five sub-components: output, new orders, stocks of purchases, employment and delivery times (inverted).

New orders continued to recover from the earthquake-related contraction noted last October, rising for the third month in succession during January. According to businesses the upturn was underpinned by the launch of new products and robust demand. Moreover, the rate of growth quickened from December and was marked overall.

The increase in total new work was supported by growth of export sales. Despite picking up since December, the rate of expansion in new export orders was modest.

#### IHS Markit Mexico Manufacturing PMI



The buoyant demand environment encouraged goods producers to scale up output, with the pace of growth the strongest in the current three-month sequence of expansion.

Part of this output was placed into manufacturers' inventories, as signalled by a marked and accelerated increase in stocks of finished goods. The rate of accumulation was in fact the steepest since the first month of data collection (April 2011).

Similarly, holdings of inputs increased further, and at a quicker pace. This was due to a sustained upturn in buying levels. Subsequently, pressures on supply chains were evident, with delivery times lengthening for the sixth month in succession.

Jobs were created in the manufacturing industry in January. Moreover, the rate of employment growth reached a five-month high and outpaced its long-run average.

Input costs increased at a sharper rate amid reports of higher prices paid for imported items and shipping. Thus, output charges were raised to the greatest extent since June 2017.

Finally, manufacturers expected new projects in the pipeline, product diversification and marketing efforts to result in output growth in the year ahead. However, overall optimism was hampered by worries surrounding the coming elections and economic uncertainty.

### 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 moved up a gear at the start of 2018, with most of the PMI indices edging higher from December’s readings. A more favourable demand environment translated into greater workloads received by goods producers, which in turn scaled up their output volumes.*

*“Forward-looking indicators such as employment, quantities of purchases and stocks suggest that the sector has the potential to remain on an upward path as the year progresses, but the outlook is nevertheless clouded by the upcoming elections and contractionary policies aimed at reducing inflation and the fiscal deficit.*

*“The survey shows costs and charges increasing at stronger rates than noted at the end of 2017, and divergences from long-run trends vary. While inflation for the former is below its average, the latter climbed above its long-term trajectory.”*

-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](mailto:economics@ihsmarkit.com).

The Manufacturing *Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</sup>) 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*<sup>™</sup> (*PMI*<sup>™</sup>) 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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