

News Release

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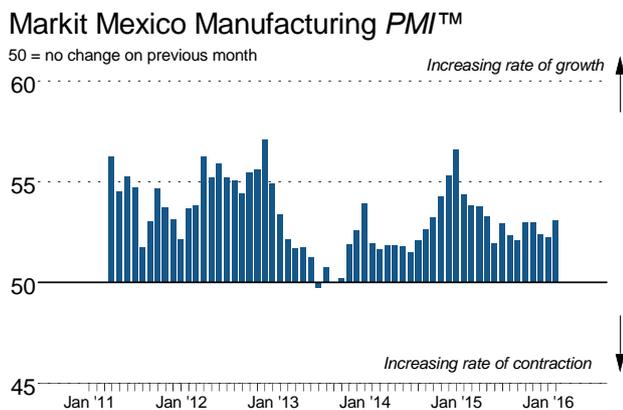
Markit Mexico Manufacturing PMI™

Strongest improvement in manufacturing business conditions since May 2015

Key points:

- Output growth rebounds, helped by strongest rise in new orders since April 2015
- Solid increase in new export sales
- Input prices rise at second-fastest pace since June 2012

Historical overview:



Source: Markit

Summary:

Mexican manufacturers experienced a rebound in business conditions during February, with output, new orders and employment rising at faster rates than at the start of 2016. The weaker peso-dollar exchange rate was reported to have supported export sales, although the rate of expansion in new work from abroad was slightly softer than January's five-month high. At the same time, exchange rate depreciation continued to push up imported raw material prices, with manufacturers recording one of the fastest rates of cost inflation for just over three-and-a-half years.

Adjusted for seasonal influences, the **Markit Mexico Purchasing Managers' Index™ (PMI™)** registered 53.1 in February, up from 52.2 in January and the highest reading since May 2015. A solid improvement in overall business conditions reflected higher levels of output, new business and employment across the manufacturing sector in February.

Output growth accelerated to its strongest for three months in February, although the pace of expansion remained weaker than seen on average since the survey began in 2011. Where a rise in output was recorded, manufacturers mainly commented on a sustained improvement in new business volumes so far in 2016. Reflecting this, the latest survey pointed to the steepest rise in new work since April 2015.

Anecdotal evidence suggested that the launch of new products and ongoing investment spending had boosted new business in February. Moreover, manufacturers cited rising demand from both domestic and export clients. Higher levels of new work from abroad have now been reported for 16 consecutive months. Increased client spending and expectations of rising production schedules in turn led to the strongest rise in employment since October 2015.

Backlogs of work decreased in February, despite a robust and accelerated increase in new orders. However, the latest fall in unfinished business was the slowest since July 2015, with some firms noting that delays in the receipt of raw materials had restricted their ability to reduce backlogs. Highlighting this, the latest survey indicated a deterioration in supplier performance for the first time in three months.

Meanwhile, manufacturers suggested that rising input prices continued to exert pressure on their operating margins. The latest increase in average cost burdens was the second-fastest since June 2012. Moreover, the rate of cost inflation accelerated to a greater degree than that seen for factory gate prices in February.

Comment:

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

“Growth momentum picked up across Mexico’s manufacturing sector during February, driven by the fastest upturn in new order volumes for just under a year. Improving business conditions reflected sustained rises in both domestic demand and export sales. Overall, the latest survey highlights a resilient Mexican manufacturing sector performance in the face of global economic uncertainty and heightened concerns about the U.S. recovery in particular.

“However, the weaker peso-dollar exchange rate contributed to a sharp acceleration in cost inflation during February, with input prices rising at one of the fastest rates since mid-2012. Factory gate charges increased at a broadly similar pace to that seen in January, suggesting manufacturers have opted to sacrifice margins in order to support new business growth so far in 2016.”

-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 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.

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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