IHS Markit

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0930 (Mexico City) / 1530 (UTC), March 1st 2017

Markit Mexico Manufacturing PMI™

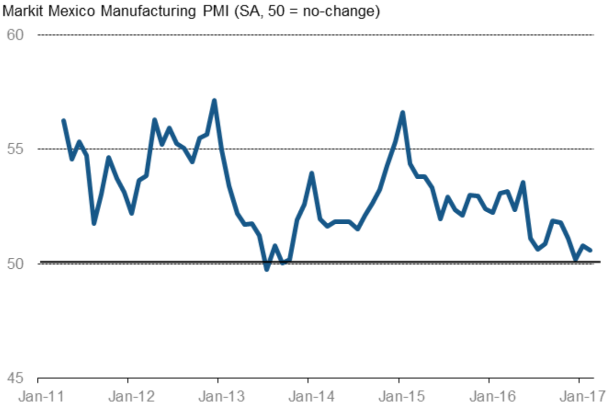
Business conditions remain subdued in February

Key findings:

- Production volumes stagnate amid weaker new order growth
- Factory gate price inflation hits five-year peak
- Input stocks depleted at fastest pace for three-and-a-half years

Data collected February 10-20

Markit Mexico Manufacturing PMI (seasonally adjusted)



Source: IHS Markit

February data indicated that challenging business conditions persisted across the Mexican manufacturing sector. New business rose at the second-slowest pace since September 2013. Subdued demand weighed on production volumes and input buying, which in turn contributed to the quickest reduction in stocks of purchases for three-and-a-half years.

Meanwhile, exchange rate depreciation led to another strong rise in average cost burdens during February. Moreover, manufacturing companies indicated that intense pressure on margins resulted in the steepest rate of factory gate price inflation for five years.

At 50.6 in February, the seasonally adjusted **Markit Mexico Manufacturing PMI™** – a composite indicator of manufacturing performance – dropped from 50.8 in January and was close to the three-year low seen at the end of 2016 (50.2). On average in Q1 2017 so far, the headline index is on track to record the weakest quarterly manufacturing performance since Q3 2013.

Mexican manufacturers signalled that output levels were broadly unchanged in February, which contrasted with the marginal expansion seen in the previous month. Survey respondents noted that weaker new business growth and heightened uncertainty about the economic outlook had acted as a brake on production.

New business growth was only marginal in February, despite a boost from the strongest rate of export sales growth since January 2016. Manufacturers noted that fragile business conditions in domestic markets had weighed on overall new order growth during the latest survey period.

Subdued demand patterns resulted in a further slowdown in employment growth across the manufacturing sector. The latest rise in payroll numbers was the weakest since August 2016. February data also suggested a general lack of pressure on operating capacity, with backlogs of work broadly unchanged over the month.

Stocks of purchases were depleted for the second month running in February, and the rate of decline was the fastest since August 2013. Anecdotal evidence cited efforts to improve cash flow, lower input buying and delays in the receipt of raw materials from suppliers. Reflecting this, the latest survey revealed the greatest lengthening of vendor lead times since June 2016. A number of manufacturers cited pressure on supplier stocks amid logistics delays and transportation problems.

Manufacturing operating margins remained under pressure on higher imported raw material costs in recent months. This led to the steepest rise in factory gate charges since February 2012.

Meanwhile, latest data showed a rebound in business confidence from the survey-record low seen in January. However, the index remained weak in comparison to the past five years, largely reflecting concerns about the domestic economy.

Comment

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

"Mexico's manufacturing sector remained stuck in a low gear during February, with production volumes stagnating and new business growth close to the weakest seen over the past three-and-a-half years. Survey respondents noted that heightened economic uncertainty acted as a drag on domestic sales, which more than offset resilient export demand in February.

"Despite another challenging month, Mexican manufacturers indicated that business confidence recovered from January's five-year low. The rise in optimism was linked to longer-term expansion plans and export strategies aimed at securing clients in new markets.

"Meanwhile, the weak peso continued to drive up imported raw material costs, and the resulting squeeze on margins meant that price increases at the factory gate were the strongest for five years.

-Ends-

News Release

For further information, please contact:

IHS Markit
Tim Moore, Senior Economist
Telephone +44-1491-461-067
Email tim.moore@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44-207-260-2234
Email joanna.vickers@ihsmarkit.com

Note 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@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.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and expertise to forge solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

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.