

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

Modest improvement in manufacturing sector business conditions

Key findings:

- Renewed production growth helps boost the headline PMI in May
- Employment and incoming new work both rise at faster rates
- Business optimism strongest since April 2016

Data collected May 12-22

IHS Markit Mexico Manufacturing PMI

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



Source: IHS Markit

Mexico's manufacturing sector strengthened during May, with output, new orders and employment all expanding since the previous month.

Although only marginal, the latest improvement in overall business conditions was the second-fastest since October 2016. This was highlighted by the seasonally adjusted **IHS Markit Mexico Manufacturing PMI™** – a composite indicator of manufacturing performance – rising to 51.2 in May, from 50.7 in April. The latest reading was also

slightly above the average seen in the first quarter of 2017 (51.0).

A return to rising production volumes helped to boost the headline PMI in May, which contrasted with the fractional fall in output during April. However, the rate of expansion remained subdued in comparison to the average seen since the survey began in 2011. A number of firms noted that weak demand from domestic clients had acted as a brake on production growth.

May data pointed to a moderate rise in overall new business volumes, which was supported by the strongest increase in export sales for three months. Survey respondents attributed greater new business volumes to successful promotional activities and the launch of new products.

Sustained new business growth encouraged additional staff hiring in May. Although only marginal, the rate of job creation picked up further from the 32-month low seen in March. Some firms noted that a recovery in business confidence had supported employment growth in May. More than half of the survey panel anticipate a rise in production volumes during the next 12 months, while only 5% forecast a reduction. The degree of confidence regarding future growth prospects was the strongest since April 2016. This was linked to forthcoming new projects and hopes of a rebound in client demand, especially in export markets.

Manufacturing firms reported a moderate increase in purchasing activity at their plants in May, which

contrasted with the decline reported in April. Higher levels of input buying were attributed to greater production requirements and efforts to boost inventories. The latest survey indicated marginal rises in both stocks of purchases and post-production inventories.

Meanwhile, strong cost pressures persisted across the manufacturing sector in May. The rate of input price inflation picked up from April's 16-month low, with survey respondents widely reporting higher imported raw material costs. Squeezed operating margins resulted in upward pressure on factory gate prices. The latest rise in manufacturers' output charges was the steepest for three months in May.

Comment

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

"May's survey data suggest a positive month overall for the Mexican manufacturing sector, with production levels returning to growth and export sales rising at the fastest pace since February."

"A modest rebound in incoming new work helped to boost manufacturers' growth expectations for the year ahead, with this sub-index reaching its strongest level since April 2016."

"Input cost pressures remained intense in May, largely driven by higher imported raw material prices. Efforts to alleviate squeezed margins meant that factory gate price inflation climbed back up towards the five-year peak seen in February."

-Ends-

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 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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