

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0930 (Mexico City) / 1530 (UTC), January 2nd 2018

IHS Markit Mexico Manufacturing PMI™

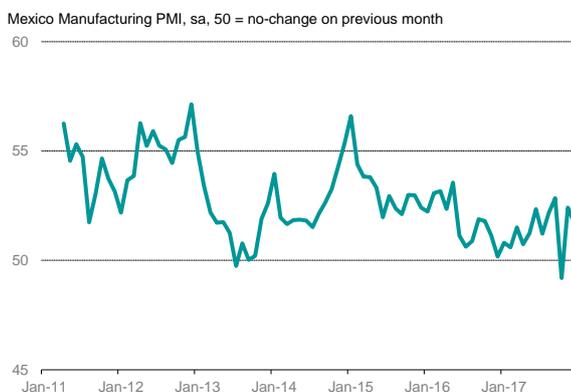
Manufacturing sector expands modestly in December

Key findings:

- Output and new orders increase, albeit at slower rates
- Employment increases for second month in a row
- Input costs continue to rise sharply

Data collected December 5-13

IHS Markit Mexico Manufacturing PMI



Source: IHS Markit

Mexico's manufacturing sector continued to recover from October's earthquake-related contraction in December. However, the pace of improvement softened slightly since November, with output, new orders and employment all rising at weaker rates. Input price inflation slowed from the previous month but remained sharp overall. Subsequently, firms raised their output charges again in December. Business confidence meanwhile dipped to an 11-month low at the end of the year.

At 51.7 in December, down from 52.4 in November, the headline seasonally adjusted IHS Markit Mexico Manufacturing PMI™ signalled a modest improvement in the overall health of the goods-producing sector. However, the PMI reading remained below the long-run average (52.8).

The overall upturn in manufacturing sector conditions was led by a rise in new orders. Although easing from the prior month, the rate of expansion was solid. Survey respondents attributed the rise in new orders to an improvement in market demand. Moreover, growth in order books was reportedly supported by strong international demand for Mexican goods. New export sales increased for the second month running, albeit at a modest pace.

Amid reports of improved underlying demand conditions, manufacturing output rose again in December. That said, the rate of growth slowed from the previous month and was marginal.

Nonetheless, sustained increases in output and new orders led manufacturers to raise their payroll numbers further. However, the rate of job creation eased slightly since November.

Input price inflation softened from the previous month, but remained sharp overall. A general rise in market prices for raw materials amid currency weakness had reportedly raised input costs. As a result, manufacturers continued to raise their average selling prices. However, strong competition restricted their ability to fully pass on higher cost

burdens to clients.

In line with the trend for output, firms increased their purchasing activity in December. The rate of growth eased to a marginal pace, however. Greater input buying contributed to the joint-fastest increase in stocks of inputs since May 2016.

Greater demand for inputs led to increased pressure on supply chains. That said, average delivery times for purchased items increased only slightly overall.

Latest data highlighted that confidence towards the 12-month business outlook weakened to an 11-month low at the end of 2017. Optimistic forecasts were generally linked to expected improvements in demand alongside company expansion plans.

Comment

Commenting on the IHS Mexico Manufacturing PMI survey data, **Aashna Dodhia, Economist at IHS Markit** and author of the report, said:

“The recovery from October’s earthquake-related contraction across Mexico’s manufacturing sector softened in December, with key variables such as output, new orders and employment all rising at weaker rates.

“Currency volatility, partly stemming from uncertainty related to renegotiations of NAFTA, translated into another sharp rise in input costs. Meanwhile, firms were only able to partly pass on greater cost burdens to price-sensitive customers, which placed further pressure on operating margins.

“Discouragingly, business confidence towards the one-year outlook weakened to an 11-month low at the end of 2017. A number of panellists indicated that uncertainty regarding the strength of the economy and the outcome of the presidential election next year had dampened sentiment. Furthermore, other indicators suggest that weak consumption alongside tight fiscal and monetary policy add to expectations that the economy is headed for a weak start in 2018.”

-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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About PMI

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