

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

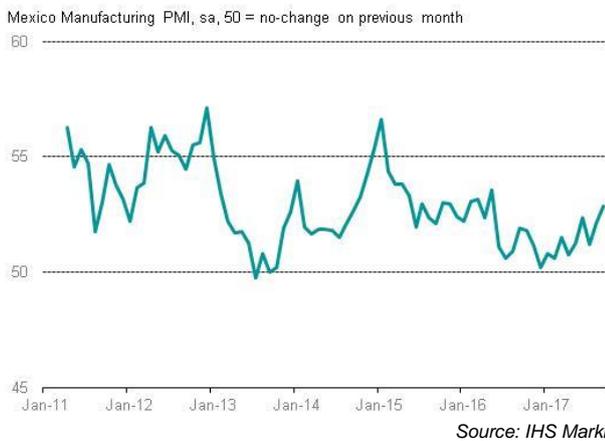
Stronger inflows of new work boost output growth

Key findings:

- Output and new orders expand at quickest rates in 16 months
- Buying levels and employment increase further
- Cost burdens rise sharply

Data collected September 12-21

IHS Markit Mexico Manufacturing PMI



Manufacturing conditions in Mexico continued to improve at the end of the third quarter, as a marked and accelerated expansion in factory orders underpinned a robust upturn in output. Jobs were created over the month, while firms also purchased greater quantities of inputs. Meanwhile, low stock levels at suppliers, combined with higher prices paid for imported materials, caused a sharper increase in input costs. In turn, goods producers raised their own selling prices again.

Rising from 52.2 in August to 52.8 in September, the headline seasonally adjusted **IHS Markit Mexico Manufacturing PMI™** pointed to the strongest improvement in the health of the sector in nearly one-and-a-half years. Furthermore the PMI reading over Q3 as a whole was the highest since Q2 2016.

Companies benefited from an accelerated upswing in new projects, with overall growth of new orders picking up to the quickest since May 2016. Demand was stronger in the domestic and external markets in September, though total new work rose at a faster rate than new business from abroad.

In response to the improved demand environment, Mexican manufacturers scaled up output for the fifth month in succession. Production rose at a solid pace that was the most pronounced in 16 months.

To cope with greater workloads, some firms hired extra staff in September. The overall rate of job creation was, however, modest and the slowest since May. The rise in employment was also insufficient to prevent backlogs from being accumulated again.

September data pointed to a fifth consecutive month-on-month rise in quantities of purchases, with the rate of expansion being solid and above the average over this sequence.

Manufacturers in Mexico were once again faced with greater cost burdens, as unfavourable exchange rates reportedly drove the price of some

raw materials higher. Evidence provided by panellists also indicated that relatively-low stock levels at vendors and list price adjustments exerted upward pressure on costs. The rate of inflation was sharp and quicker than in August, though below its long-run average.

Firms passed through to their clients part of their higher cost burdens by way of raising their selling prices. That said, the rate of charge inflation was only slight and much weaker than that seen for input prices.

Inventory levels followed a similar pattern as both pre- and post-production stocks increased in September. The quicker rate of accumulation was noted for the former.

Mexican manufacturers retained an optimistic view towards growth prospects, with machinery upgrades, strong demand and new product launches the main reasons boosting confidence.

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 latest set of PMI data show that economic conditions in Mexico remained on an upward trajectory, with factory output expanding in tandem with strong inflows of new work. With growth gathering pace in each of the past two months, September rounded off a robust quarter for the sector. This suggests that the manufacturing industry is likely to provide a positive contribution to Q3 GDP.

“Buoyant demand for Mexican goods was evident domestically and externally, while businesses spent more on staff and quantities of purchases. These are additional signs that GDP growth will probably accelerate from the modest 0.6% rise noted in Q2.”

-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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