# **HSBC Purchasing Managers' Index™ Press Release**

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# HSBC Mexico Manufacturing PMI<sup>™</sup>

# Further marked rise in manufacturing new orders in May

# **Summary**

May data indicated a further strong improvement in Mexican manufacturing business conditions, with new orders increasing at the fastest rate since April 2011. Output also rose strongly, but at a reduced pace. Concurrently, employment increased solidly in May, while the rate of input price inflation eased since April.

The headline figure derived from the survey is the Manufacturing *Purchasing Managers' Index*  $^{TM}$  ( $PMI^{TM}$ ). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 signal a deterioration. The PMI is composed of five sub-indices tracking changes in new orders, output, employment, suppliers' delivery times and stocks of purchases.

After adjusting for seasonal variation, the PMI registered 55.2 in May and signalled a further strong improvement in Mexican manufacturing business conditions. Although down from 56.3 in April, suggesting a weaker rate of expansion, the PMI remained above it's series average of 54.2.

Mexican manufacturers received a larger volume of new orders in May, with a number of firms citing greater demand and new client wins. Moreover, new export orders increased for the sixth consecutive month, albeit only marginally. Overall, total incoming new work rose markedly since April, with the rate of growth the strongest in 13 months.

Although having eased to a three-month low, output rose strongly in May. Almost 31% of panellists reported higher production, and largely linked this to greater new order requirements. Stocks of finished goods meanwhile increased only marginally, and backlogs of work fell for the fifth consecutive month.

The quantity of inputs purchased by manufacturers increased markedly in May. Stocks of purchases also rose over the month, but this was to a sharply reduced rate compared with April.

Suppliers' delivery times lengthened further in May, with some vendors struggling to source some raw materials. Notably, the latest lengthening of lead times was strong and to the greatest extent in 13 months.

Employment in Mexico's manufacturing sector rose solidly during the latest survey period. Approximately 14% of panellists hired additional staff in May, with the rate of job creation solid overall.

A further marked rise in input costs was reported by firms in May. Raw materials were particularly mentioned

as having increased in price. Firms passed parts of their greater cost burdens on to clients by raising their selling prices. However, the latest increase in output charges was notably lower than that for input costs.

#### Comment

Commenting on the Mexico Manufacturing PMI™ survey, Sergio Martin, Chief Economist at HSBC in Mexico said:

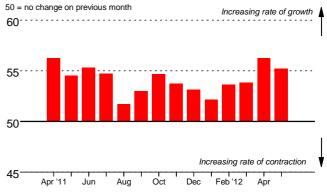
"The HSBC Mexico Manufacturing PMI index remained at a healthy level of 55.2 in May .This suggests that the manufacturing sector, which depends to a great extent on external demand, is showing resilience to the volatile global environment. This is supported by the gradual diversification in exports and the market share gain in U.S. imports. Consequently, we maintain our 2012 GDP forecast at 3.4%."

# **Key points**

- New order growth strengthens to its fastest pace in 13 months
- Output increases strongly, but at a three-month low
- Solid rate of job creation

#### **Historical Overview**

# HSBC Mexico Manufacturing PMI™



Sources: Markit, HSBC.





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#### **Notes to Editors:**

The HSBC Mexico Manufacturing PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 400 manufacturing companies. The panel is stratified geographically 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'.

The *Purchasing Managers' Index<sup>TM</sup> (PMI<sup>TM</sup>)* 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.

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 <a href="mailto:economics@markit.com">economics@markit.com</a>.

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Purchasing Managers' Index<sup>TM</sup> (PMI<sup>TM</sup>) surveys are now available for 32 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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