

HSBC Mexico Manufacturing PMI™

PMI signals another robust improvement in manufacturing business conditions

Summary

June data suggested a further robust improvement in Mexican manufacturing business conditions, with both output and new orders rising markedly since May. Manufacturers also hired additional staff, with the rate of job creation the fastest since June 2011. Meanwhile, inflationary pressures intensified, with the rate of input price inflation at a four-month high.

The headline figure derived from the survey is the Manufacturing Purchasing Managers' Index™ (PMI™). 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 rose from 55.2 to 55.9 in June, and signalled a strong improvement in Mexican manufacturing business conditions. Moreover, an average PMI reading of 55.8 over the second quarter as a whole was the highest since data collection began in 2011 Q2.

Mexican manufacturers received a larger volume of new work in June, with firms generally linking this to greater demand and new client wins. New export orders also increased for the seventh straight month. Although total new orders rose markedly since May, the rate of growth slowed to a three-month low.

In line with the marked rise in new order requirements, firms raised production during the latest survey period. Approximately 38% of respondents reported higher output, with the overall expansion stronger than in the preceding month. Backlogs of work were meanwhile depleted for the sixth consecutive month, and stocks of finished goods rose only marginally.

The quantity of inputs bought by panellists rose sharply in June, with the latest increase the strongest in the 15-month series history. Higher purchases were partly used to build input inventories, with stocks rising solidly over the month. Concurrently, suppliers' delivery times lengthened further as some vendors were working with larger backlogs.

Employment in Mexico's manufacturing sector rose further in June, with firms largely citing recent output growth. Overall, the rate of job creation was strong and the fastest since June 2011.

Input costs rose again in June, with higher raw materials prices and unfavourable exchange rates often commented on. The rate of input price inflation was

marked and the strongest since February. Firms passed their greater cost burdens on to clients by raising their selling prices. Nevertheless, the increase in output charges was much weaker than the rise in input costs.

Comment

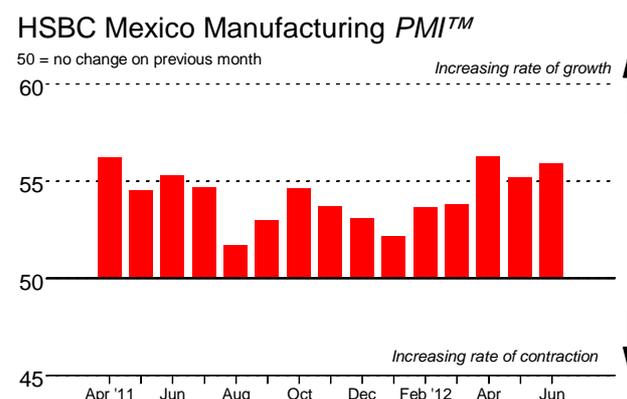
Commenting on the Mexico Manufacturing PMI™ survey, Sergio Martin, Chief Economist at HSBC in Mexico said:

"The HSBC Mexico Manufacturing PMI index increased to 55.9 in June from 55.2 in May. Such improvement suggests that the manufacturing sector, which depends to a great extent on external demand, continues to show resilience to external headwinds. This is supported by the gradual diversification in exports and the market share gain in US imports."

Key points

- Marked increases in both output and new orders during June
- Strongest rate of job creation in a year
- Input price inflation at four-month high

Historical Overview



Sources: Markit, HSBC.

For further information, please contact:

HSBC

Sergio Martin, Chief Economist, Mexico
Telephone +52-55-5721-2164
Email sergio.martinm@hsbc.com.mx

Lyssette Bravo, Head of External Communication
Telephone + 52-55-5721-2888
Email lyssette.bravo@hsbc.com.mx

Markit

Mark Wingham, Economist
Telephone +44-1491-461-004
Email mark.wingham@markit.com

Caroline Lumley, Corporate Communications
Telephone +44-20-7060-2047
Mobile +44-781-581-2162
Email caroline.lumley@markit.com

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™ (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.

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@markit.com.

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