HSBC Purchasing Managers' Index™ Press Release

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HSBC Mexico Manufacturing PMI[™]

Marked rise in new orders supports further expansion of output in August

Summary

August data indicated a further strong improvement in Mexican manufacturing business conditions. New orders rose markedly over the month, largely reflecting greater demand and the launch of new products, and supported a robust rise in output. Concurrently, employment rose in August, albeit at the slowest pace in five months, while both input and output prices increased at the weakest rates since data collection began in April 2011.

The headline figure derived from the survey is the Manufacturing Purchasing Managers' IndexTM (PMITM). 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 factors, the headline PMI posted above the 50.0 no-change mark in August, signalling a further improvement in Mexican manufacturing business conditions. At 55.1, down from 55.2 in July, the PMI indicated a strong monthly expansion, despite the rate of growth the weakest since March.

Mexican manufacturers received a larger volume of new orders in August, with companies attributing this to greater demand and the launch of new products. New export orders also rose over the month, albeit marginally, with greater demand from the US particularly mentioned by panellists.

Firms raised their output and depleted their stocks of finished goods to fulfil the increase in new orders during August. Approximately 36% of companies raised production since July, with the rate of output growth strong overall. Backlogs of work meanwhile fell modestly and for the eighth month running.

Reflective of the increase in output, firms bought a larger quantity of inputs during the latest survey period. Input inventories also rose, in contrast to the depletion recorded one month previously. Concurrently, suppliers' delivery times lengthened further in August, but the increase in lead times was only marginal.

Employment in Mexico's manufacturing sector increased in August, with approximately 11% of firms hiring additional staff since July. Although the rate of job creation was solid overall, it was nonetheless the slowest in five months.

Input costs faced by firms increased further in August, with higher prices reported for oil and raw materials. That said, the rate of inflation was the weakest since data collection began in April 2011. Output prices also increased over the month, but charges rose only marginally and at the slowest rate in the series history.

Comment

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

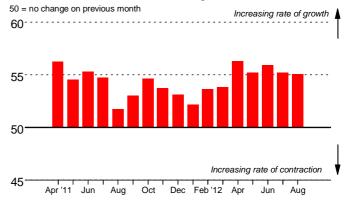
"The HSBC Mexico Manufacturing PMI index remained at a strong level of 55.1 in August, slightly down from the previous month. This suggests that the manufacturing sector might keep on growing at a healthy pace in the coming months, showing resilience to the global headwinds. However, if a slowdown in the US manufacturing sector consolidates, we would expect Mexico's industrial sector to follow suit."

Key points

- Growth of new orders strengthens from July
- Rate of job creation slows to five-month low, though solid overall
- Weakest increase in input prices since data collection began in April 2011

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' IndexTM (PMITM)* 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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