

HSBC Mexico Manufacturing PMI™

New order growth remains strong during September, despite slowing to a six-month low

Summary

September data suggested a further improvement in Mexican manufacturing business conditions, with both output and new orders rising over the month. However, the latest improvement was the weakest since March, with new order growth in particular slowing to a six-month low. Meanwhile, inflationary pressures intensified, with both input and output prices rising at stronger rates than that recorded in August.

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 headline PMI indicated a solid expansion in Mexico's manufacturing sector in September. However, posting 54.4, down from 55.1 in August, the PMI signalled the weakest rate of growth for six months.

Mexican manufacturers received a larger volume of new orders in September, with greater client demand in both the domestic and export markets commented on by a number of firms. Overall, total new work rose strongly over the month, but the rate of increase was nonetheless the slowest since March.

Firms raised output and depleted stocks of finished goods to meet the increase in new orders. Production rose at the fastest rate in three months in September, with approximately one in three panellists reporting higher output since August. Outstanding business meanwhile fell further, with the rate of backlog depletion the strongest since data collection began in April 2011.

The quantity of inputs bought by monitored companies increased and stocks of purchases were reduced in September. Firms largely linked greater buying activity to an increase in production requirements. Concurrently, suppliers' delivery times were unchanged from that recorded one month previously.

Manufacturing employment in Mexico rose solidly in September, with approximately 12% of firms hiring additional staff over the month. That said, the rate of job creation was only slightly faster than the five-month low recorded in August.

Input costs faced by manufacturers rose markedly during the latest survey period, with higher fuel and raw materials prices particularly mentioned. The rate of

inflation was the strongest in three months, but remained slower than the series average. Firms also raised their output charges in September, with the rate of increase quickening from the survey-low in August.

Comment

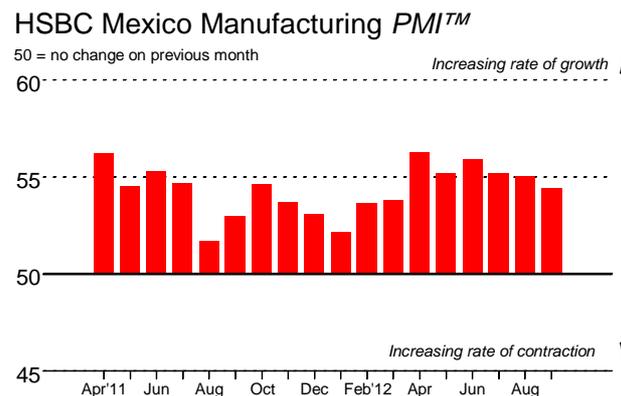
Commenting on the Mexico Manufacturing PMI™ survey, Sergio Martin, Chief Economist at HSBC in Mexico said:

"The HSBC Mexico Manufacturing PMI index remained at a healthy level of 54.4 in September, slightly down from the previous month. This suggests that the manufacturing sector will maintain its positive momentum, showing resilience to the challenging global scenario. We would expect the automobile sector to continue to be one of the most dynamic, as has been the case so far."

Key points

- Incoming new work from both domestic and export markets increase further
- Rate of job creation marginally faster than the five-month low in August
- Strongest increase in input prices since June

Historical Overview



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™ (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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