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

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

## Marked rise in new orders supports further output growth in October

#### **Summary**

October data signalled a strong improvement in Mexican manufacturing business conditions, with both output and new orders rising markedly from September. Firms generally cited greater client demand and recent new product launches. Supply chain pressures meanwhile remained muted, as suppliers' delivery times lengthened only marginally in October, and input prices increased at the weakest rate since data collection began in April 2011.

The headline figure derived from the survey is the Manufacturing *Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</sup>). 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 posted 55.5 in October, signalling a strong improvement in Mexican manufacturing business conditions. Moreover, having risen from 54.4 in September, the PMI indicated the fastest rate of growth for four months.

Mexican manufacturers received a larger volume of new orders in October, with panellists generally attributing this to greater demand and recent new product launches. Both domestic and export orders increased over the month, with the overall rise marked and the greatest since May.

Firms stepped up production and increased their stocks of finished goods in response to recent new order growth. Backlogs of work meanwhile were depleted further, albeit the latest decline was weaker than that recorded one month previously.

Manufacturing employment continued to increase in October, with approximately 15% of firms hiring additional staff since September. Overall, the rate of job creation was solid and stronger than the series average.

Input buying increased markedly in the month, with firms largely linking this to greater new order requirements. Stocks of purchases also rose, with the rate of accumulation the fastest since June. Nonetheless, suppliers' delivery times lengthened only slightly in October.

Input costs continued to increase in the latest survey period, with a wide range of raw materials reported as having risen in price. That said, the rate of inflation slowed to its weakest pace in the 19-month series history. Concurrently, firms passed on higher cost burdens to clients by raising their selling prices in

October, but the rate of increase also weakened since September.

#### Comment

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

"The HSBC Mexico Manufacturing PMI index improved to 55.5 in October from 54.4 in September. This suggests that the manufacturing sector will maintain healthy growth rates, showing resilience to the challenging global scenario. In addition, the services sector continues to strengthen, which supports our 2012 GDP forecast at 3.6%."

#### **Key points**

- New orders increase at fastest pace since May
- Output growth remains strong, despite easing slightly in the month
- Input price inflation weakest in 19-month series history

#### **Historical Overview**

## HSBC Mexico Manufacturing PMI™



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<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 economics@markit.com.

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#### **About PMIs:**

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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