

# HSBC Mexico Manufacturing PMI™

## New orders rise at strongest rate since April 2011

### Summary

Mexican manufacturing business conditions improved strongly in November, helped by the fastest new order growth since April 2011. The increase in new work supported the strongest rise in output since June and further employment growth, although the rate of job creation was at an eight-month low. Meanwhile, input prices continued to rise strongly, with the rate of inflation faster than that registered in October.

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 HSBC Mexico Manufacturing PMI registered 55.6 in November, to signal a strong improvement in manufacturing operating conditions. Although little-changed from 55.5 in October, the PMI indicated the greatest monthly improvement since June.

The volume of new orders received by Mexican manufacturers increased in November, as has been the case in each month since data collection began in April 2011. Panellists generally linked the latest rise in new work to greater client demand in both domestic and export markets. Overall, new order growth was marked and the fastest for 19 months.

Reflective of the rise in new work, output and stocks of finished goods both increased in November. Production rose strongly since October, with the rate of growth at a five-month high. Concurrently, backlogs of work fell modestly and for the eleventh consecutive month.

The quantity of inputs bought by manufacturers rose sharply in the latest survey period, with purchases partly being used to rebuild inventories. Suppliers' delivery times meanwhile lengthened further, as some vendors struggled to source raw materials and experienced transportation delays.

Although net job creation was sustained in November, with almost 14% of firms hiring additional staff since October, the overall increase was at an eight-month low.

Input costs faced by monitored companies rose further in November, with raw materials such as steel and paper mentioned by panellists as having increased in price. Output charges also increased, but the rate of inflation was the slowest in three months and weaker than the series average.

### Comment

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

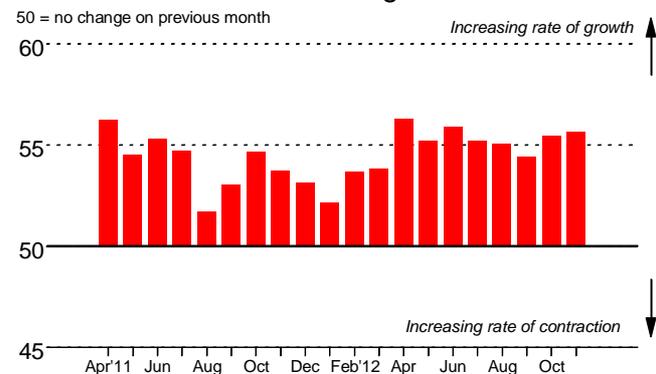
*"The HSBC Mexico Manufacturing PMI increased for the second month in a row, reaching 55.6 in November. This suggests that manufacturing activity will maintain healthy growth rates, which might be attributed to the competitiveness of the sector. In addition, services continue to strengthen, which led us to revise up our 2012 GDP forecast to 3.9% from 3.6%."*

### Key points

- Larger volume of new work supports fastest rise in output for five months
- Employment growth continues, but rate of job creation at eight-month low
- Input price inflation quickens

### 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™ (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](mailto:economics@markit.com).

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*Purchasing Managers' Index™ (PMI™)* 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](http://www.markit.com/economics)

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