HSBC Purchasing Managers' Index™ Press Release

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HSBC Mexico Manufacturing PMI[™]

Mexican manufacturing sector stagnates

Summary

Mexico's manufacturing sector stagnated in September, after having grown marginally one month previously. The level of output was the same as in August, with a number of firms linking this to little-change in new orders, and this was a factor behind only a marginal rise in employment. Meanwhile, firms reduced their selling prices further in a bid to boost new work intakes, despite seeing the strongest rise in input costs since February.

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.

The seasonally adjusted HSBC Mexico Manufacturing PMI registered exactly at the 50.0 no-change mark in September, indicating that business conditions were the same as one month previously. The headline index, down from 50.8 in August, was the second-lowest since data collection began in April 2011.

Manufacturing output in Mexico was unchanged during September, after having increased in August. This generally reflected a broadly stagnant trend for new orders. Total new work intakes rose only slightly over the month, despite an increase in new export orders – the first in five months.

Concurrently, outstanding business at manufacturing firms was the same as one month previously, while stocks of finished goods increased at the fastest rate in seven months.

The quantity of inputs bought by Mexican manufacturers increased for the second month running in September. However, the rate of growth eased to one of the weakest in the series history. Meanwhile, stocks of purchases were depleted for the seventh consecutive month. Suppliers' delivery times shortened in the latest survey period, with this the first improvement in vendor performance in four months.

Employment in the Mexican manufacturing sector continued to increase in September. Firms that hired additional staff often linked this to greater business activity. That said, the rate of job creation slowed to only a marginal pace.

Input costs faced by manufacturers rose at the strongest pace in seven months in September. Higher raw material prices and unfavourable exchange rates

were factors behind the latest increase in costs. Nonetheless, firms reduced their selling prices further in a bid to win new business. The latest deduction was only slight and the weakest in the current six-month sequence.

Comment

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

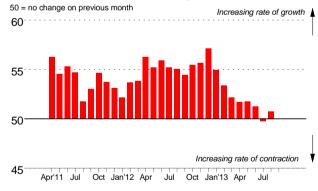
"The HSBC Mexico Manufacturing PMI decreased to 50.0 in September from 50.8 in August. This result suggests that the manufacturing sector will grow, but at a moderate pace. This is consistent with the incipient signs of recovery observed in non-oil exports, in particular in auto exports."

Key points

- PMI registers exactly at 50.0, signalling no change in business conditions
- Output unchanged over the month, while new orders increase slightly
- Employment growth slows to marginal pace

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.

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