HSBC Purchasing Managers' Index™ Press Release

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HSBC Mexico Manufacturing PMI[™]

New order growth slows to four-month low in January, but remains strong

Summary

Manufacturing business conditions in Mexico improved strongly at the start of 2013, although the rate of growth was the weakest in four months. Both output and new orders increased at robust rates in January, largely reflecting greater client demand, while job creation was also sustained. That said, the latest increase in headcounts was only modest and the weakest in a year. Input price inflation meanwhile remained muted in the context of historical data and suppliers' delivery times lengthened further.

The headline figure derived from the survey is the Manufacturing *Purchasing Managers' Index* TM (PMI^{TM}). 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 HSBC Mexico Manufacturing PMI registered 55.0 in January and signalled a strong improvement in overall operating conditions. However, down from the survey record-high of 57.1 in December, the rate of growth was the weakest since last September.

Incoming new work at Mexican manufacturers rose strongly in January, with higher client demand and new product launches cited by a number of firms. However, new export orders fell for the first time since November 2011 and contributed to the slowest rate of total new order growth in four months.

Output also increased strongly during January, but growth was at a three-month low, and stocks of finished goods were accumulated further. Concurrently, backlogs of work were depleted for the thirteenth consecutive month, but the latest reduction was only marginal and the weakest since January 2012.

Firms bought a larger quantity of inputs in the latest survey period. Although some purchases were used to rebuild stocks, panellists commented on buying inputs for immediate use in production. Concurrently, suppliers' delivery times lengthened for the fourth consecutive month, with the corresponding index the second-lowest in the 22-month series history.

Manufacturing employment in Mexico continued to increase in January, with firms citing higher production requirements. The rate of job creation, however, was the weakest in 12 months.

Although input costs faced by manufacturers rose solidly in January, the rate of inflation remained muted

in the context of historical data. Firms meanwhile raised their charges further, but average selling prices rose only modestly and at the weakest rate since last August.

Comment

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

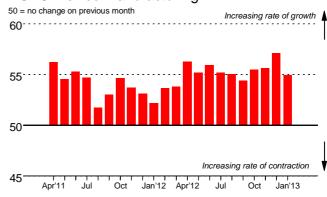
"The HSBC Mexico Manufacturing PMI dropped to 55.0 in January from 57.1 in December, but the level remains healthy. The manufacturing sector moderated its growth pace in 2H12 compared to 1H12, although still growing at a healthy pace. January's manufacturing PMI results suggest that this sector will continue to face external headwinds well, thanks to the competitiveness gain observed in recent years. This supports our GDP growth forecast for this year at 3.2%."

Key points

- Slower rise in total new work, partly reflecting a fall in new export orders
- Job creation at 12-month low
- Input price inflation remains much slower than one year previously

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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