

HSBC Mexico Manufacturing PMI™

PMI signals weakest manufacturing expansion for over a year

Summary

The expansion of Mexico's manufacturing sector continued in February, with firms generally citing greater client demand and successful new product launches. However, the rate of growth was the slowest for over a year as both output and new orders increased at weaker rates. Manufacturers meanwhile took a cautious approach to hiring, with employment rising modestly. On the price front, the rate of input cost inflation was strong and the fastest since last June.

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 signalled a further solid improvement in Mexican manufacturing business conditions in February. However, down from 55.0 to 53.4, the PMI eased for the second month running and was the lowest since January 2012.

Incoming new work received by manufacturers increased in February, with firms generally citing greater client demand. New export orders also rose, albeit marginally, after having declined in January. Overall, total new work intakes increased solidly, but the rate of growth has slowed sharply since hitting a survey-high in December and the latest rise was the weakest for over a year.

Reflective of higher new order receipts, both output and stocks of finished goods increased in February. However, the latest expansion in production was the weakest since January 2012 and slower than the series average. Backlogs of work meanwhile fell for the fourteenth month running, albeit modestly.

Manufacturing employment in Mexico rose further in the latest survey period, with approximately 11% of panellists hiring additional staff. Although the overall rate of job creation quickened to a three-month high in February, it remained only modest.

The quantity of inputs bought by manufacturers rose strongly in February, while stocks of purchases were largely unchanged from January. Concurrently, suppliers' delivery times lengthened further, partly reflecting stock shortages at vendors.

The rate of input price inflation strengthened to its highest for eight months in February, with raw materials

including sugar and corn particularly mentioned as having increased in price.

Comment

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

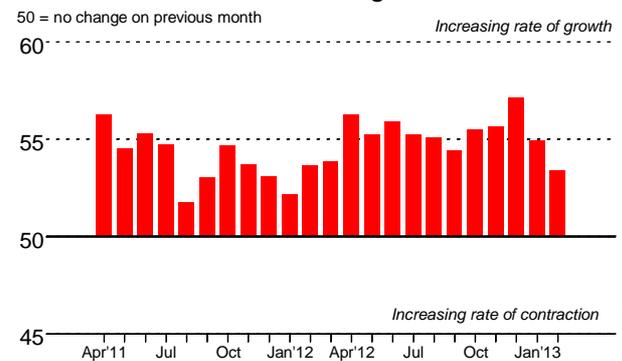
"The HSBC Mexico Manufacturing PMI dropped to 53.4 in February from 55.0 in January. Although the index remains at a healthy level, it eased for the second month in a row. This suggests that the loss of momentum in the manufacturing sector will prevail in the 1Q13. Consequently, we forecast a healthy GDP growth of 3.2% this year; below the 3.9% growth in 2012, but in line with the 15-year average growth of 3.0%."

Key points

- PMI at lowest level since January 2012, but still signals solid improvement in business conditions
- Slower rates of both output and new order growth
- Input price inflation strengthens to eight-month high

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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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

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