

HSBC Mexico Manufacturing PMI™

Manufacturing production increases at weakest pace since August 2011

Summary

March data pointed to the weakest improvement in business conditions in Mexico's manufacturing sector since January 2012, with both the rates of output and new order growth having eased. In particular, the monthly rise in production was the joint-slowest since data collection first began in April 2011. Firms took a cautious approach towards hiring, with job creation modest, while the rate of input price inflation eased sharply since hitting an eight-month peak in 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.

After adjusting for seasonal variation, the HSBC Mexico Manufacturing PMI fell to 52.2 in March, its lowest reading in 14 months. The PMI, down from 53.4 in February, was consistent with only a modest improvement in overall operating conditions in the Mexican manufacturing sector.

The amount of new work received by manufacturers rose further in March, with one-in-four firms reporting an increase since February. Greater demand was largely cited by panellists. Overall, new order growth was solid, but having slowed for the third month running, was the weakest since January 2012.

The weaker expansion in new work contributed to a slower rise in output in March. Manufacturing production rose only modestly and at the joint-weakest pace in the two-year survey history, matching that seen in August 2011. Concurrently, stocks of finished goods were largely unchanged since February, while the reduction in backlogs of work was the strongest in six months.

Firms took a cautious approach to hiring in March. Approximately 7% of respondents hired additional staff in the latest survey, while 4% reduced their headcount. Overall, the rate of job creation was moderate and slower than one month previously.

The quantity of inputs bought by manufacturers rose further in March, reflecting higher production requirements. That said, the rate of increase was at a 14-month low. Meanwhile, stocks of purchases were depleted for the first time since last September.

Although companies recorded higher input costs in March, with raw material prices commonly reported as having increased in price, the overall rate of inflation

was much slower than that registered in February. Similarly, output charges also rose at a weaker pace, with the latest increase only marginal overall.

Comment

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

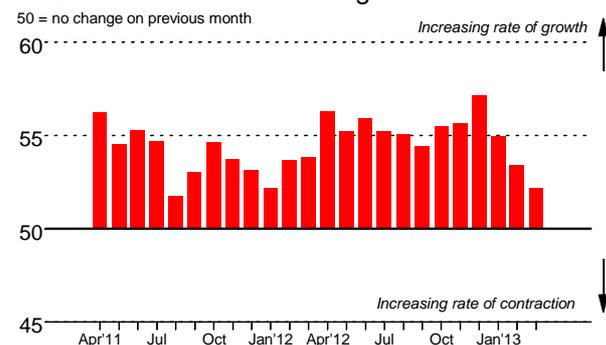
"The HSBC Mexico Manufacturing PMI dropped to 52.2 in March from 53.4 in February. This is the lowest reading in 14 months, which suggests that the loss of momentum in the manufacturing sector will prevail in the 1Q13. This pattern is consistent with our uneven GDP growth path expected for this year, which considers a moderate growth in 1H13, followed by a more dynamic 2H13. For the whole year, our GDP forecast remains at 3.2%, below the 3.9% growth in 2012."

Key points

- Output growth slowest for 19 months
- New order volumes increase solidly, but at slowest pace since January 2012
- Input price inflation much slower than February's 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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