

HSBC Mexico Manufacturing PMI™

PMI at joint survey-low as new order growth slows further in April

Summary

Mexican manufacturing business conditions improved at the joint-weakest rate in the 25-month survey history during April. The easing in the rate of manufacturing expansion partly reflected a weaker rise in new work, which was also the joint-slowest in the series history. Firms attempted to boost new orders by reducing their selling prices, with the drop in charges the first since data collection started in April 2011.

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 fell to a joint survey-low of 51.7 in April. Down from 52.2 in March, the PMI was in line with that recorded in August 2011, and consistent with only a modest improvement in overall operating conditions in the Mexican manufacturing sector.

Incoming new work at Mexican manufacturers rose at the joint-weakest pace in the 25-month series history during April. The modest increase generally reflected greater client demand, but weaker underlying market conditions reduced the overall rise to some extent. Meanwhile, new export orders rose for the third month running, but the rate of growth was only marginal.

Although manufacturing production continued to rise in April, the rate of output growth was only modest and unchanged from March's joint survey-low. Concurrently, backlogs of work fell over the month, with a depletion of stocks of finished goods used to fulfil some outstanding business obligations.

The quantity of inputs bought by manufacturers rose at the second-weakest pace in 15 months during April. Subsequently, suppliers' delivery times shortened for the first time since June 2011, as strains in vendor capacity eased.

Employment in Mexico's manufacturing sector continued to rise in April, with approximately 8% of firms hiring additional staff since March. Overall, the rate of job creation was the strongest in five months, but nonetheless weaker than the series average.

Although firms faced greater costs in April, the rate of input price inflation was the weakest in 2013 to date. This provided some room for companies to reduce their selling prices in an attempt to win new business.

Although output charges fell only marginally, it was the first reduction since data collection began in April 2011.

Comment

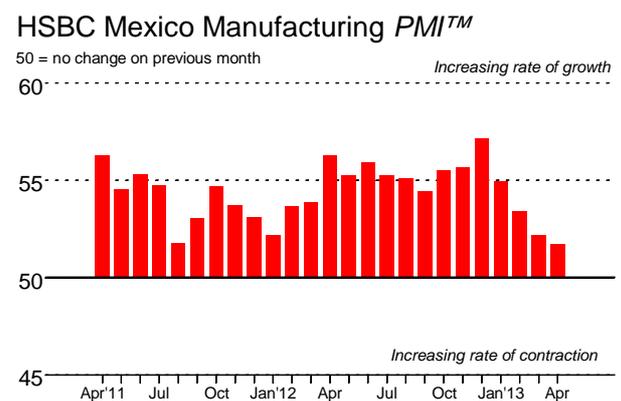
Commenting on the Mexico Manufacturing PMI™ survey, Sergio Martin, Chief Economist at HSBC in Mexico said:

"The HSBC Mexico Manufacturing PMI dropped to 51.7 in April from 52.2 in March. This is the lowest reading since August 2011, suggesting that the loss of momentum in the manufacturing sector will prevail in the coming months. This is in line with our GDP forecasts, which considers moderate growth in 1H13, followed by a more dynamic 2H13. We maintain our GDP forecast for this year at 3.2%, below the GDP growth of 3.9% observed last year."

Key points

- PMI signals only a modest improvement in manufacturing business conditions
- New order growth eases to joint-weakest pace in 25-month series history
- First reduction in output charges since data collection began in April 2011

Historical Overview



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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About PMIs:

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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