

# HSBC Mexico Manufacturing PMI™

## Slowest rates of output and new order growth in 27-month survey history

### Summary

Mexican manufacturing business conditions improved at the weakest pace in the 27-month series history during June. Although output and new orders continued to rise, the rates of growth were only modest and contributed to the weakest increase in employment since January. Meanwhile, firms continued to work through their backlogs and attempted to win new business by reducing their output charges for the third month running.

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 variations, the HSBC Mexico Manufacturing PMI fell to 51.3 in June, its lowest reading since data collection began in April 2011. Having fallen from 51.7 in May, the headline index was consistent with only a modest improvement in manufacturing business conditions.

The volume of new work received by Mexican manufacturers increased in June, partly reflecting new client wins. However, the rate of new order growth was only modest and the slowest in the 27-month series history. New export orders meanwhile fell for the second month running, with a number of panellists attributing this to weak economic conditions in some key export markets.

Concurrently, output rose only modestly in June, with the latest increase much weaker than that recorded at the start of the year. Companies also continued to deplete outstanding business, with the latest reduction in backlogs of work the joint-strongest since last September.

The quantity of inputs bought by manufacturers increased in June, and stocks of purchases were broadly unchanged from May. Meanwhile, suppliers' delivery times lengthened modestly and for the first time in four months.

Manufacturing employment in Mexico continued to increase in June, with one-in-ten firms hiring additional staff over the month. However, the rate of job creation was only modest and the weakest since January.

Input costs faced by companies rose at the weakest pace in the 27-month series history. Nonetheless, firms reported higher raw material prices in the latest survey

period. Despite larger cost burdens, manufacturers reduced their selling prices for the third month running. A number of panellists that lowered their charges commented on offering discounts to some clients.

### Comment

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

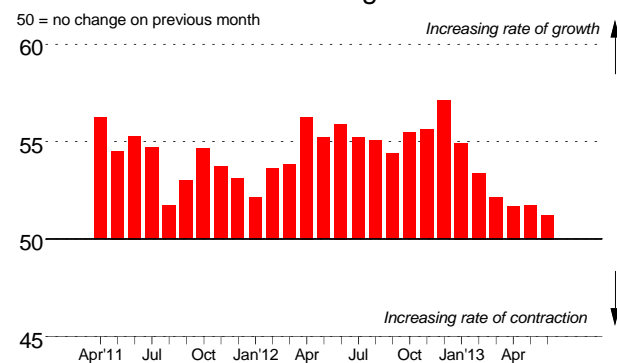
*"The HSBC Mexico Manufacturing PMI fell to 51.3 in June from 51.7 in May, the lowest reading since data collection began in April 2011. This confirms that the loss of steam in the manufacturing sector will prevail in the second quarter. In addition, it is consistent with our uneven GDP growth path for this year, which foresees a moderate growth in 1H13, followed by a gradual recovery for the 2H13."*

### Key points

- Both output and new orders increase modestly in June
- Weakest rate of job creation since January
- PMI falls to new survey-low, suggesting only modest improvement in business conditions

### Historical Overview

#### HSBC Mexico Manufacturing PMI™



Sources: Markit, HSBC.

**For further information, please contact:**

**HSBC**

Sergio Martin, Chief Economist, Mexico  
Telephone +52-55-5721-2164  
Email [sergio.martinm@hsbc.com.mx](mailto:sergio.martinm@hsbc.com.mx)

Lyssette Bravo, Head of External Communication  
Telephone + 52-55-5721-2888  
Email [lyssette.bravo@hsbc.com.mx](mailto:lyssette.bravo@hsbc.com.mx)

**Markit**

Mark Wingham, Economist  
Telephone +44-1491-461-004  
Email [mark.wingham@markit.com](mailto:mark.wingham@markit.com)

Caroline Lumley, Corporate Communications  
Telephone +44-20-7060-2047  
Mobile +44-781-581-2162  
Email [caroline.lumley@markit.com](mailto:caroline.lumley@markit.com)

**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*<sup>™</sup> (*PMI*<sup>™</sup>) 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](mailto:economics@markit.com).

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