HSBC Purchasing Managers' Index™ Press Release

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HSBC Mexico Manufacturing PMI[™]

PMI signals slight manufacturing expansion

Summary

Manufacturing business conditions improved in August, but the rate of growth was only marginal and followed a contraction in July. Both output and new orders increased over the month, with firms generally citing greater demand. However, the rates of growth were much weaker than the respective series averages. On the price front, input costs rose strongly, although the rate of inflation slowed, while output charges fell moderately.

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 returned above the 50.0 no-change mark in August, signalling an improvement in business conditions. However, at 50.8, up from 49.7 in July, the headline index was the second-lowest in the 29-month series history and consistent with only a marginal expansion.

Mexican manufacturers received a larger volume of new work in August. However, the increase largely reflected higher domestic orders, as new export work fell for the fourth consecutive month. Although the overall rate of new order growth was the strongest in three months, it was much weaker than the series average.

Firms raised production in light of higher new work requirements. That said, the increase in output followed a reduction in July. Concurrently, stocks of finished goods were depleted, following two months of inventory accumulation, and backlogs of work fell further.

The quantity of inputs bought by manufacturing companies increased in August, with the latest rise the strongest since April. Meanwhile, stocks of purchases were reduced at the fastest pace since data collection began in April 2011. Concurrently, suppliers' delivery times lengthened, although the latest deterioration in vendor performance was only slight.

Manufacturing employment in Mexico increased in August, with approximately 8% of surveyed companies hiring additional staff since July. Overall, the rate of job creation was marginal and the second-weakest for 19 months.

Input prices rose strongly during August, with panellists particularly mentioning higher raw material costs. That said, the rate of inflation eased slightly since July. In

contrast, output charges fell for the fifth successive month. A number of firms reduced their selling prices in an attempt to win new business.

Comment

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

"The HSBC Mexico Manufacturing PMI increased to 50.8 in August from 49.7 in July. This mild betterment complements the recent incipient signs of recovery stemmed from manufacturing exports. Hence, we maintain our view that the economy will gain momentum in 2H13, although at a slower pace than expected previously."

Key points

- PMI returns above the 50.0 no-change threshold in August
- Marginal increase in output reverses downward trend seen in July
- Input price inflation eases

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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