

HSBC Mexico Manufacturing PMI™

Marked growth of both output and new orders in April

Key findings:

- Production increases at fastest pace since data collection began in April 2011
- Greater client demand supports rise in both new domestic and export orders
- Employment growth strengthens to ten-month high

April data signalled a further improvement in Mexican manufacturing business conditions, with both output and new orders increasing markedly since March. Notably, production increased at the fastest pace since data collection began in April 2011, with panellists generally citing greater client demand.

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 PMI posted its highest reading in 12 months in April. At 56.3, up from 53.9 in March, the PMI remained above the 50.0 no-change mark and signalled the joint-strongest improvement in Mexican manufacturing sector operating conditions since data collection began in April 2011.

Mexican manufacturers generally linked the latest improvement in business conditions to a marked increase in new orders. Approximately two-fifths of surveyed firms received a larger volume of new work in April, with a number of panellists citing greater client demand. New export orders also rose over the

month, with growth at an 11-month high.

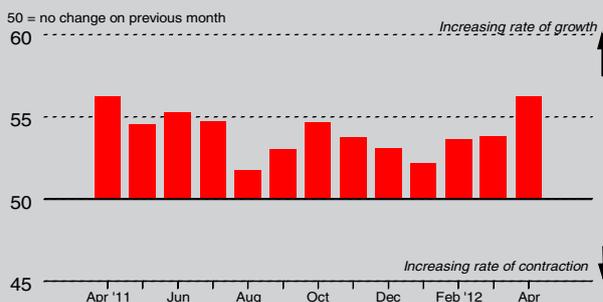
Reflective of the rise in new order volumes, firms stepped up production in April. Output increased sharply from March, with the latest rise the strongest in 13 months of data collection. Stocks of finished goods were accumulated for the second month running, meanwhile, and backlogs of work fell solidly in April.

The amount of inputs bought by Mexican manufacturers rose markedly during the latest survey period. Inventory holdings of pre-production goods also rose solidly over the month. Firms generally attributed the increase in input buying to larger output requirements in April. Concurrently, suppliers' delivery times lengthened further, albeit to a lesser extent than in March.

Employment growth in Mexico's manufacturing sector was at a ten-month high in April. Almost 18% of panellists hired additional staff since March (while exactly 7% reduced their headcounts), with the rate of job creation solid overall.

Input costs faced by Mexican manufacturing firms rose markedly in April, with plastics and rubber particularly mentioned by respondents as having increased in price. Firms passed parts of their greater cost burdens on to clients by raising their selling prices. However, output charges increased only moderately and at the weakest pace in the 13-month series history.

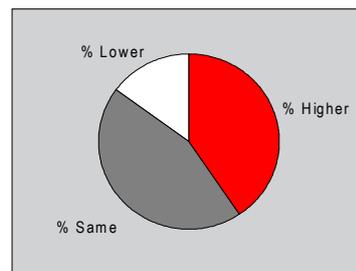
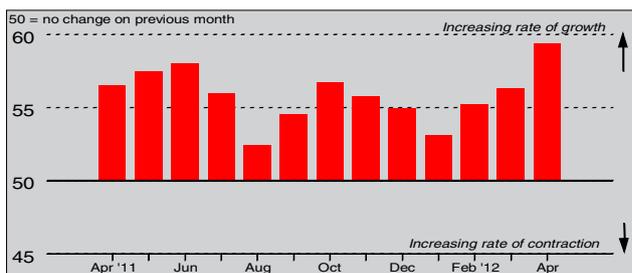
HSBC Mexico Purchasing Managers' Index (PMI™)



The HSBC Mexico Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the manufacturing economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index. Purchasing Managers' Index™ and PMI™ are registered trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

Output Index

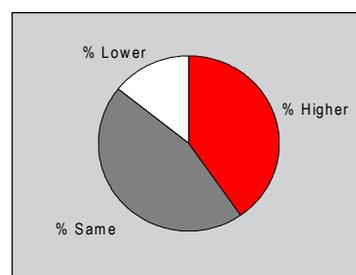
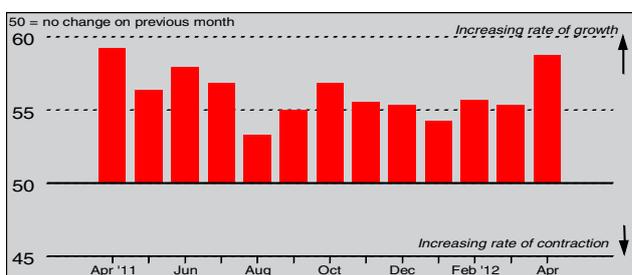
Q. Please compare your production/output this month with the situation one month ago.



After adjusting for seasonal variation, output at Mexican manufacturers rose markedly in April. This was signalled by the seasonally adjusted Output Index registering noticeably above the 50.0 no-change mark and its highest reading in 13 months of data collection. Approximately two-fifths of surveyed firms raised their production levels since March, with panellists generally citing an increase in new orders.

New Orders Index

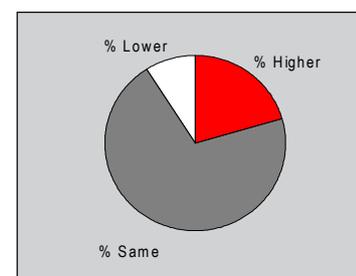
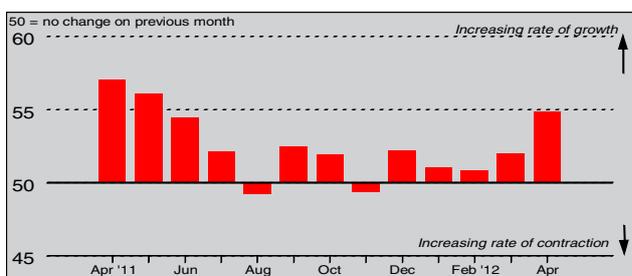
Q. Please compare the level of new orders received (Mexico and export) this month with the situation one month ago.



Incoming new work at Mexican manufacturing companies increased in April, continuing the trend that has been registered in each month since data collection began in April 2011. Firms largely linked the rise in new orders to greater client demand, although a number of respondents also attributed the increase to recent promotions. Overall, the latest rise in new work intakes was marked, with the seasonally adjusted New Orders Index rising to a 12-month high during the latest survey period.

New Export Orders Index

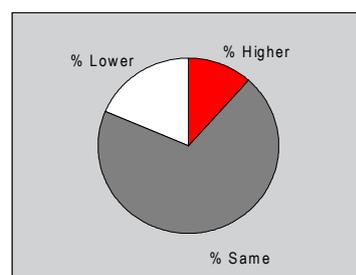
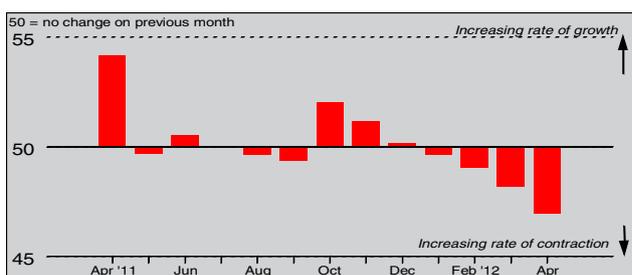
Q. Please compare the level of new export orders received this month with the situation of one month ago.



The volume of new export orders received by Mexican manufacturers increased for the fifth consecutive month in April. Moreover, the latest rise in new work intakes from abroad was strong and the fastest in 11 months, with the seasonally adjusted New Export Orders Index rising almost three points since the previous survey period. Panellists commented that greater demand, particularly from the US and Canada, contributed to the overall rise in new export orders during April.

Backlogs of Work Index

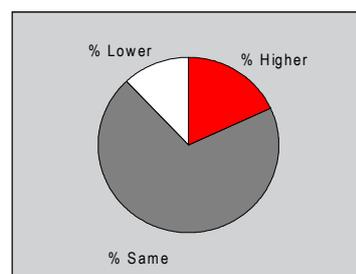
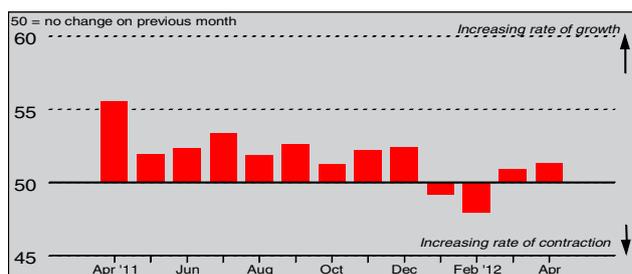
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Outstanding business was depleted by Mexican manufacturers in April, as signalled by the seasonally adjusted Backlogs of Work Index registering below the 50.0 no-change mark that separates an increase in work-in-hand from a decrease. Lower backlogs of work have been reported in each month of 2012 so far, with the latest reduction solid and the greatest since data collection began in April 2011. Anecdotal evidence provided by panellists largely linked the decline in work-in-hand to recent output growth.

Stocks of Finished Goods Index

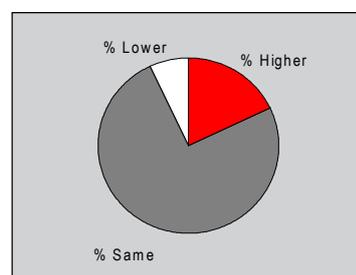
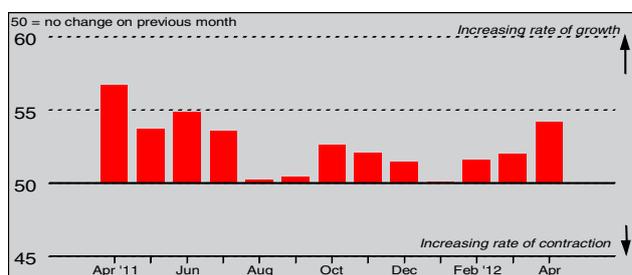
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



Firms working in Mexico's manufacturing sector increased their holdings of finished goods for the second month running in April. Although modest, the rate of increase quickened since March, with the seasonally adjusted Stocks of Finished Goods Index the highest in 2012 so far. Where an increase in stocks of finished goods was reported, panellists generally commented on recent expansions to production.

Employment Index

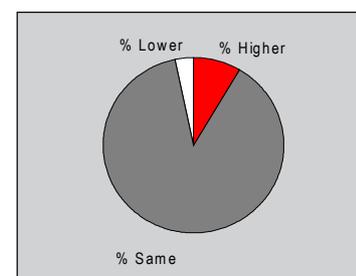
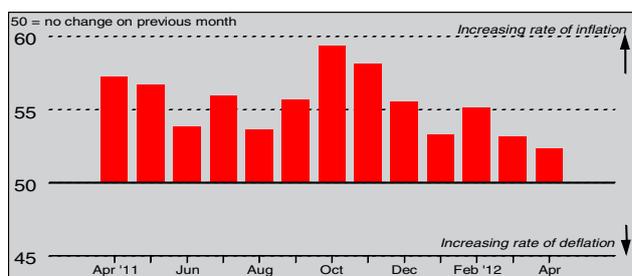
Q. Please compare the level of employment at your unit with the situation one month ago.



Reflective of larger production requirements, Mexican manufacturers hired additional staff in April. Nearly 18% of surveyed firms reported an increase in payroll numbers compared with March, while exactly 7% of panellists registered a reduction. Overall, the rate of job creation was solid, stronger than the series average, and the fastest since last June.

Output Prices Index

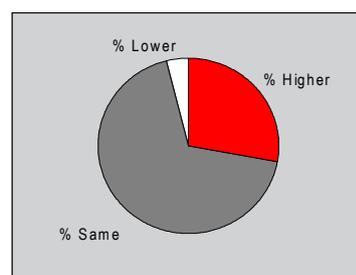
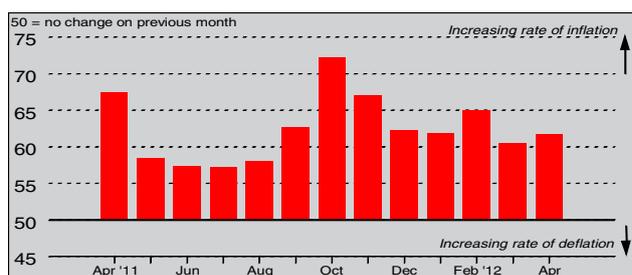
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Mexican manufacturing companies raised their selling prices in April, as signalled by the seasonally adjusted Output Prices Index posting above the 50.0 no-change mark that separates output price inflation from deflation. Firms generally raised their output charges to pass larger cost burdens on to clients during the latest survey period. That said, the latest rise in factory gate prices was only moderate and the weakest in the 13-month series history.

Input Prices Index

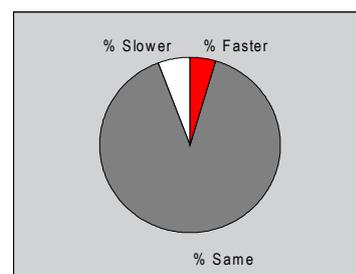
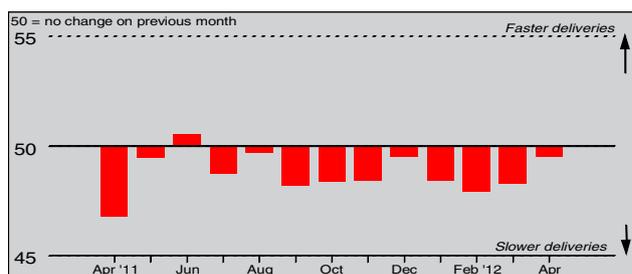
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



Input costs faced by monitored companies rose markedly in April, with raw materials such as plastics and rubber particularly mentioned by panellists as having increased in price. A number of survey respondents also commented that unfavourable exchange rates contributed to the overall rise in cost burdens. Although the rate of input price inflation strengthened slightly from March, it nonetheless remained weaker than the series average.

Suppliers' Delivery Times Index

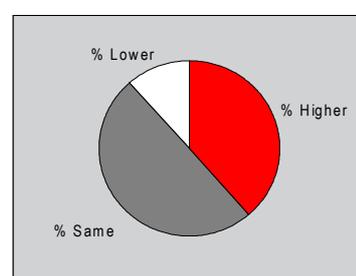
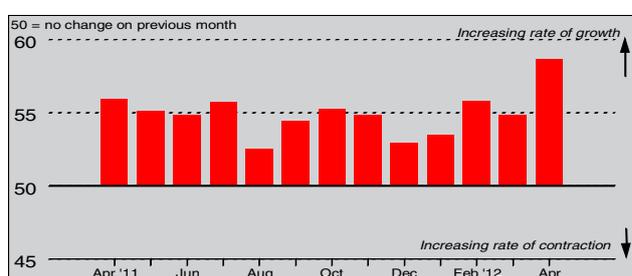
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



The seasonally adjusted Suppliers' Delivery Times Index remained below the 50.0 no-change threshold in April, signalling a further increase in input lead times. Respondents suggested that suppliers encountered several delays during the latest survey period, particularly as a result of input shortages and production inefficiencies. That said, the index rose to a level only slightly below the neutral 50.0 mark, indicating that the latest deterioration in vendor performance was to a lesser extent than in March and only marginal overall.

Quantity of Purchases Index

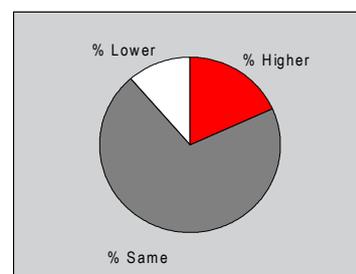
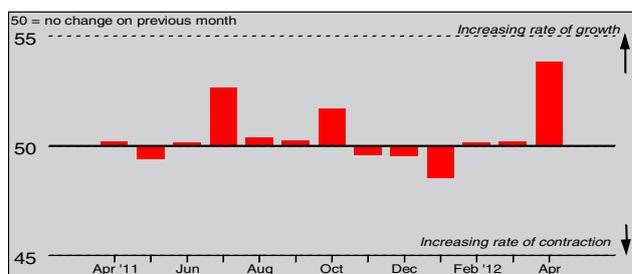
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



The amount of inputs bought by Mexican manufacturers increased markedly in April. This was indicated by the seasonally adjusted Quantity of Purchases Index rising almost four points since March to post its highest reading in 13 months of data collection. Firms largely linked the latest rise in input buying to greater production requirements during the latest survey period.

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.



Input inventories increased for the third consecutive month in April. Approximately 18% of surveyed firms reported an accumulation of stocks of purchases (while 11% registered a depletion of inventories), and generally attributed this to recent new order growth. Firms increased their holdings of pre-production goods at a solid pace in April. Moreover, the rate of growth accelerated sharply since March, with the seasonally adjusted Stocks of Purchases Index increasing approximately four points in April.

Notes on the Data and Method of Presentation

The Purchasing Managers' Index is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 300 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to Mexico 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 derived from the Chartered Institute of Purchasing & Supply's survey of the UK economy: 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.

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