

HSBC Mexico Manufacturing PMI™

Marked rise in new orders supports further expansion of output in August

Key findings:

- Growth of new orders strengthens from July
- Rate of job creation slows to five-month low, though solid overall
- Weakest increase in input prices since data collection began in April 2011

August data indicated a further strong improvement in Mexican manufacturing business conditions. New orders rose markedly over the month, largely reflecting greater demand and the launch of new products, and supported a robust rise in output. Concurrently, employment rose in August, albeit at the slowest pace in five months, while both input and output prices increased at the weakest rates since data collection began 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.

After adjusting for seasonal factors, the headline PMI posted above the 50.0 no-change mark in August, signalling a further improvement in Mexican manufacturing business conditions. At 55.1, down from 55.2 in July, the PMI indicated a strong monthly expansion, despite the rate of growth the weakest since March.

Mexican manufacturers received a larger volume of new orders in August, with companies attributing this to greater demand and the launch of new products. New export orders also rose over the

month, albeit marginally, with greater demand from the US particularly mentioned by panellists.

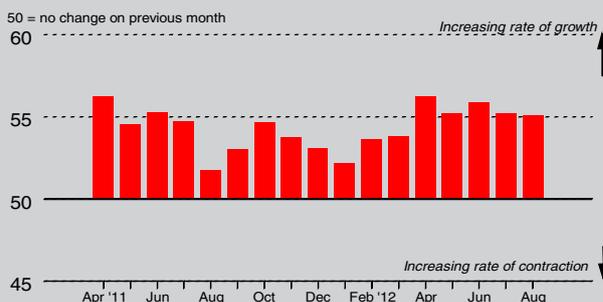
Firms raised their output and depleted their stocks of finished goods to fulfil the increase in new orders during August. Approximately 36% of companies raised production since July, with the rate of output growth strong overall. Backlogs of work meanwhile fell modestly and for the eighth month running.

Reflective of the increase in output, manufacturers bought a larger quantity of inputs during the latest survey period. Input inventories also rose, in contrast to the depletion recorded one month previously. Concurrently, suppliers' delivery times lengthened further in August, but the increase in lead times was only marginal.

Employment in Mexico's manufacturing sector increased in August, with approximately 11% of firms hiring additional staff since July. Although the rate of job creation was solid overall, it was nonetheless the slowest in five months.

Input costs faced by firms increased further in August, with higher prices reported for oil and raw materials. That said, the rate of inflation was the weakest since data collection began in April 2011. Output prices also increased over the month, but charges rose only marginally and at the slowest rate in the series history.

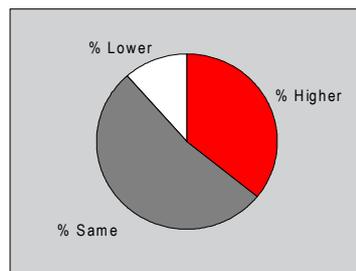
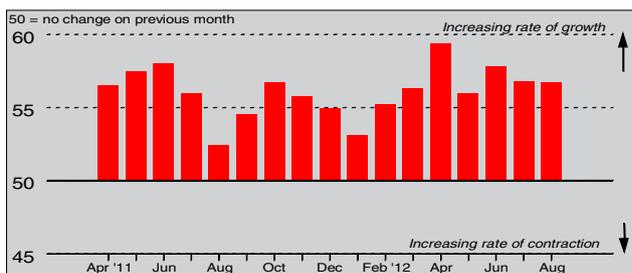
HSBC Mexico Purchasing Managers' Index (PMI™)



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

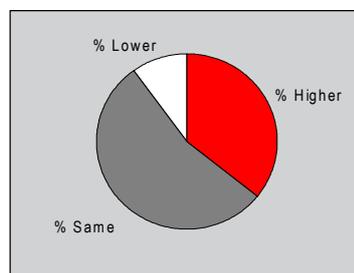
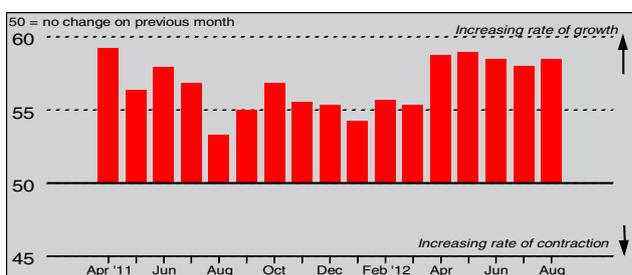
Q. Please compare your production/output this month with the situation one month ago.



Manufacturing output in Mexico increased further in August, continuing the trend that has been registered in each month since data collection started in April 2011. Approximately 36% of monitored companies reported higher production levels compared with that recorded for July, and generally attributed the increase to greater client demand. Although the rate of growth had slowed marginally over the month, as indicated by a slight fall in the seasonally adjusted Output Index, it remained strong overall.

New Orders Index

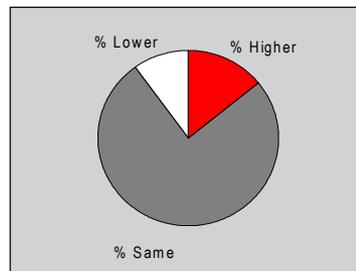
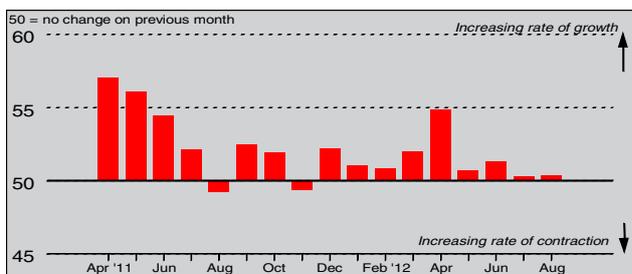
Q. Please compare the level of new orders received (Mexico and export) this month with the situation one month ago.



The volume of new orders received by Mexican manufacturing companies increased in August, as indicated by the seasonally adjusted New Orders Index posting above the 50.0 no-change mark. Greater client demand and the launch of new products were often commented on by a number of survey respondents. Notably, the index indicated a marked rise in new work intakes, and having increased from July's reading, suggested a faster rate of expansion.

New Export Orders Index

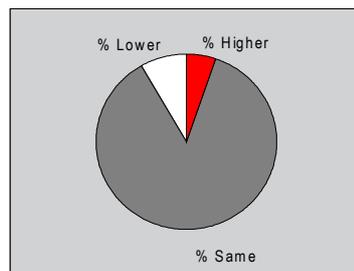
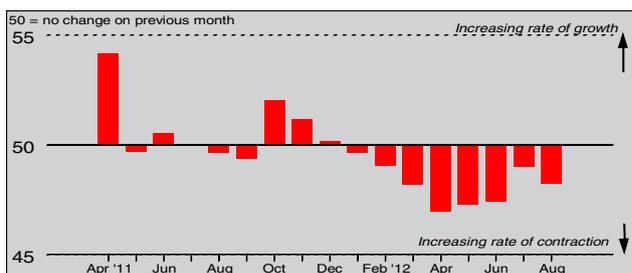
Q. Please compare the level of new export orders received this month with the situation of one month ago.



Mexican manufacturers received a larger volume of new export orders in August. Approximately 14% of firms reported an increase in new export work, with greater demand from the US particularly mentioned. However, exactly 10% of respondents recorded a reduction in new export orders. Panellists generally commented on weak economic conditions in Europe. Overall, the amount of new export orders placed at Mexican manufacturing companies rose only marginally in August and at the second-weakest pace in nine months.

Backlogs of Work Index

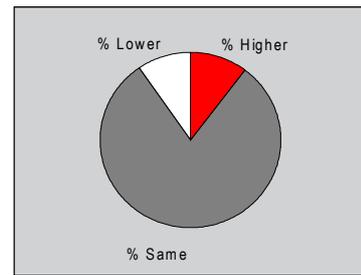
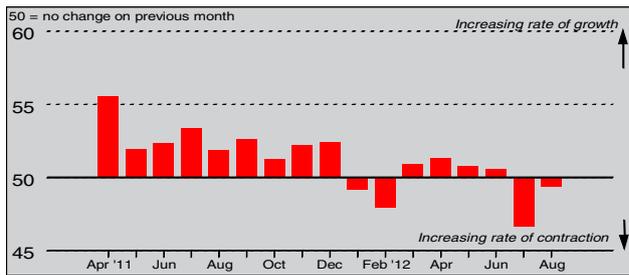
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Continuing the trend that has been registered in each month of 2012 so far, the level of work-in-hand (but not yet completed) at Mexican manufacturers declined in August. This was signalled by the seasonally adjusted Backlogs of Work Index posting below the 50.0 no-change mark that separates an increase in outstanding business from a reduction. The latest depletion of backlogs was moderate and to a greater extent than that registered one month previously.

Stocks of Finished Goods Index

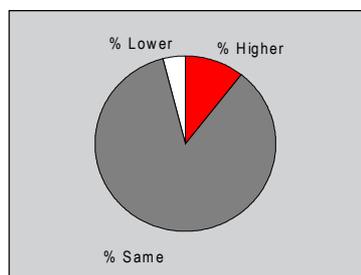
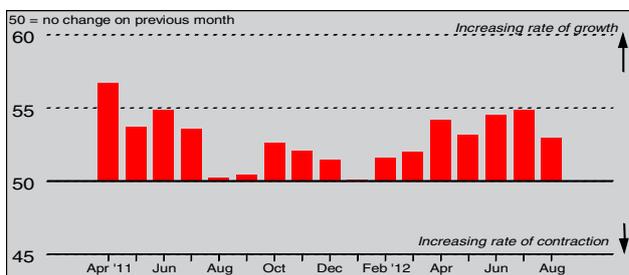
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



After adjusting for seasonal variation, the amount of finished goods held as stock fell for the second consecutive month in August. Anecdotal evidence generally attributed the reduction to leaner inventory requirements. Meanwhile, a number of companies also commented that some new orders were fulfilled through the depletion of existing stocks. Overall, stocks of finished goods fell at a sharply reduced rate from that registered in the previous survey period, as indicated by the index rising approximately three points over the month.

Employment Index

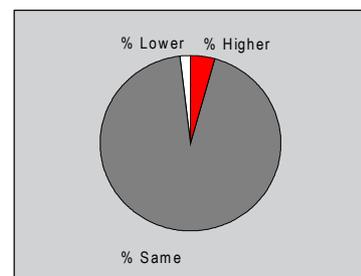
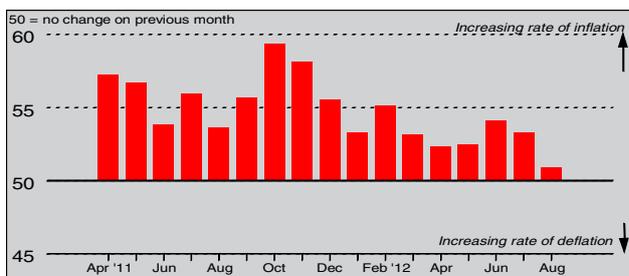
Q. Please compare the level of employment at your unit with the situation one month ago.



Employment in Mexico's manufacturing sector increased in August, with approximately 11% of monitored companies hiring additional staff from July. Where staffing levels had risen, panellists generally commented on larger production requirements. Overall, the rate of job creation was solid, but having slowed from the 13-month high recorded in the previous survey period, it was the weakest since March.

Output Prices Index

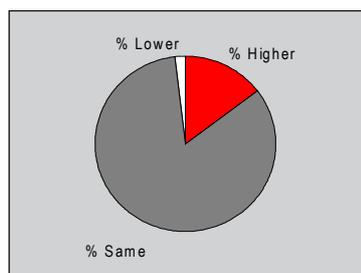
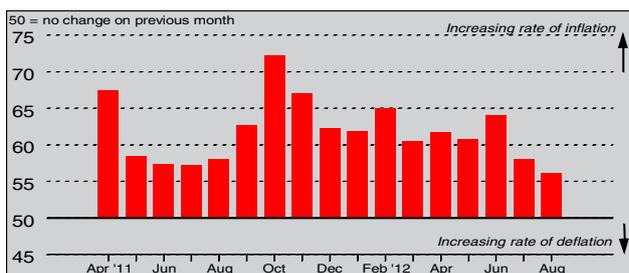
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Average selling prices charged by Mexican manufacturing firms rose further during August. Higher output prices have been reported in each month since data collection began in April 2011. Companies that raised their charges over the month generally linked this to the launch of new products, while a number of firms also commented on passing higher input costs to clients. Nonetheless, the latest rise in output charges was only marginal and the weakest in the 17-month series history.

Input Prices Index

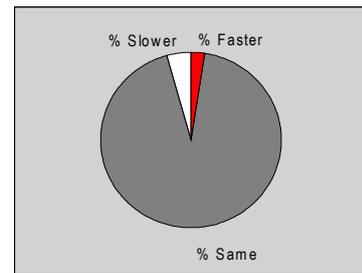
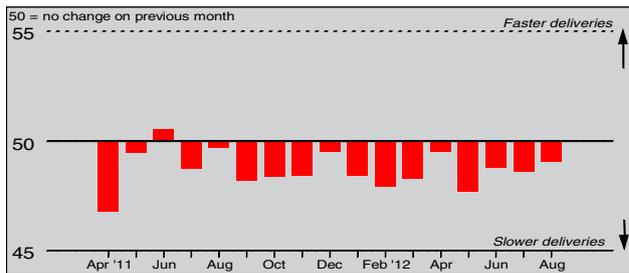
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



The seasonally adjusted Input Prices Index remained above the 50.0 no-change threshold in August, signalling a further increase in input prices. Oil and raw materials such as wood were both particularly mentioned as having increased in price over the month, although unfavourable exchange rates also contributed to the overall rise in input costs. However, with the index having fallen approximately eight points from its peak in June, it indicated the weakest rise in cost burdens since data collection began in April 2011.

Suppliers' Delivery Times Index

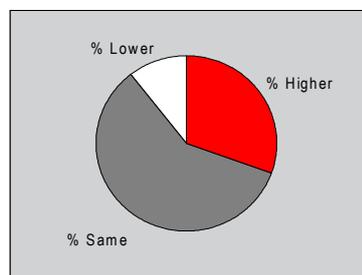
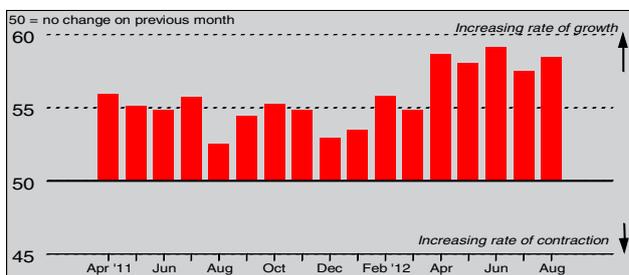
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Lead times on inputs lengthened further in August, as indicated by the seasonally adjusted Suppliers' Delivery Times Index remaining below the 50.0 no-change mark that separates an improvement in vendor performance from a deterioration. Anecdotal evidence suggested that suppliers had difficulty in sourcing key raw materials during the latest survey period. Nonetheless, the index rose to a four-month high and signalled only a marginal increase in suppliers' delivery times during August.

Quantity of Purchases Index

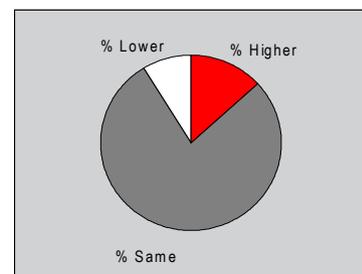
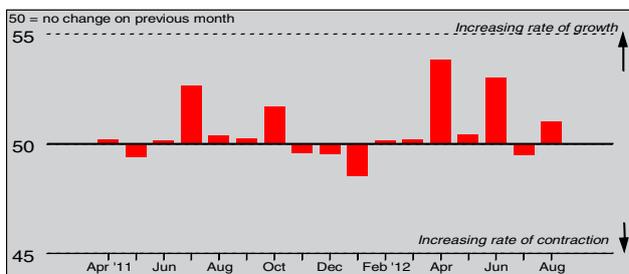
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Reflective of larger production requirements, the quantity of inputs bought by manufacturing firms in Mexico increased in August. Purchases has risen in each month since data collection began in April 2011. Over 30% of survey respondents raised their purchases since July, compared with approximately 11% that reduced their buying activity. Overall, the rate of increase was marked and stronger than the series average.

Stocks of Purchases Index

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



In contrast to the marginal reduction reported in July, input inventories increased in August. Panellists that accumulated stocks of purchases over the month (approximately 13%) generally attributed this to larger new order requirements and attempts to actively rebuild inventories. Although being slightly stronger than the series average, the increase in purchasing stocks was only modest overall.

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.

Warning

The intellectual property rights to the HSBC Mexico Manufacturing PMI provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are 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.