

HSBC Mexico Manufacturing PMI™

New order growth remains strong in September, despite slowing to a six-month low

Key findings:

- Incoming new work from both domestic and export markets increase further
- Rate of job creation marginally faster than the five-month low in August
- Strongest increase in input prices since June

September data suggested a further improvement in Mexican manufacturing business conditions, with both output and new orders rising over the month. However, the latest improvement was the weakest since March, with new order growth in particular slowing to a six-month low. Meanwhile, inflationary pressures intensified, with both input and output prices rising at stronger rates than that recorded in August.

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 headline PMI indicated a solid expansion in Mexico's manufacturing sector in September. However, posting 54.4, down from 55.1 in August, the PMI signalled the weakest rate of growth for six months.

Mexican manufacturers received a larger volume of new orders in September, with greater client demand in both the domestic and export markets commented on by a number of firms. Overall, total new work rose strongly over the month, but the rate of

increase was nonetheless the slowest since March.

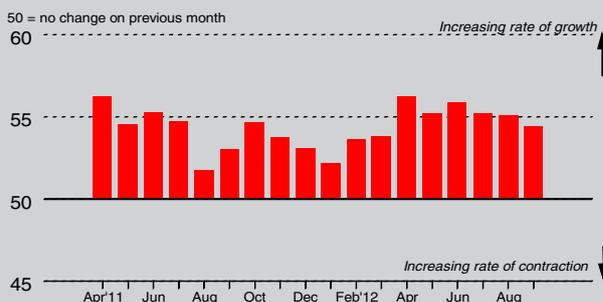
Firms raised output and depleted stocks of finished goods to meet the increase in new orders. Production rose at the fastest rate in three months in September, with approximately one in three panellists reporting higher output since August. Outstanding business meanwhile fell further, with the rate of backlog depletion the strongest since data collection began in April 2011.

The quantity of inputs bought by monitored companies increased and stocks of purchases were reduced in September. Firms largely linked greater buying activity to an increase in production requirements. Concurrently, suppliers' delivery times were unchanged from that recorded one month previously.

Manufacturing employment in Mexico rose solidly in September, with approximately 12% of firms hiring additional staff over the month. That said, the rate of job creation was only slightly faster than the five-month low recorded in August.

Input costs faced by manufacturers rose markedly during the latest survey period, with higher fuel and raw materials prices particularly mentioned. The rate of inflation was the strongest in three months, but remained slower than the series average. Firms also raised their output charges in September, with the rate of increase quickening from the survey-low in August.

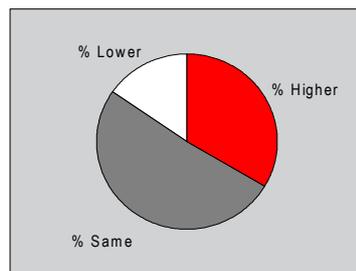
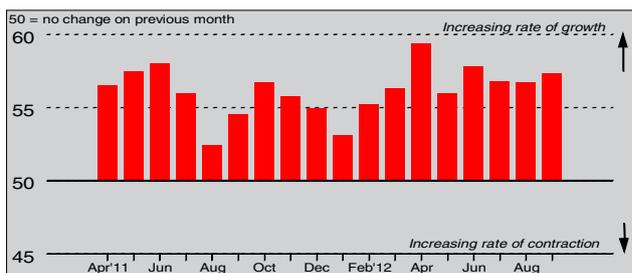
HSBC Mexico Purchasing Managers' Index (PMI™)



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

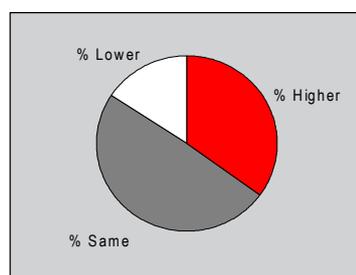
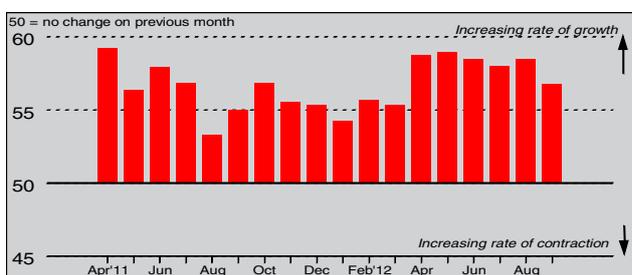
Q. Please compare your production/output this month with the situation one month ago.



Production in Mexico's manufacturing sector increased further in September, as indicated by the seasonally adjusted Output Index remaining above the 50.0 no-change mark. One in three surveyed firms reported higher output levels compared with one month previously, with a number of companies attributing this to increased sales. The index signalled a strong rise in production over the month and, having risen to a three-month high, suggested a faster rate of growth.

New Orders Index

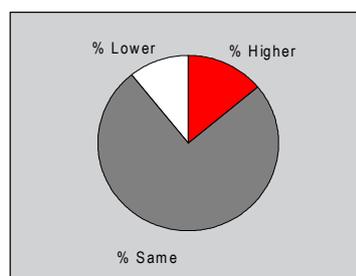
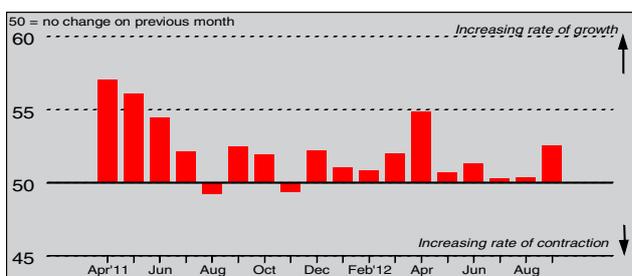
Q. Please compare the level of new orders received (Mexico and export) this month with the situation one month ago.



After adjusting for seasonal variation, the volume of new orders received by Mexican manufacturers increased in September. Incoming new work has risen in each month since data collection began in April 2011. Greater demand both domestically and internationally, and new client wins were often cited by monitored companies. Despite the seasonally adjusted New Orders Index being on par with the series average, the index was nonetheless the lowest since March.

New Export Orders Index

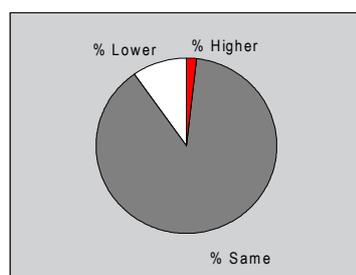
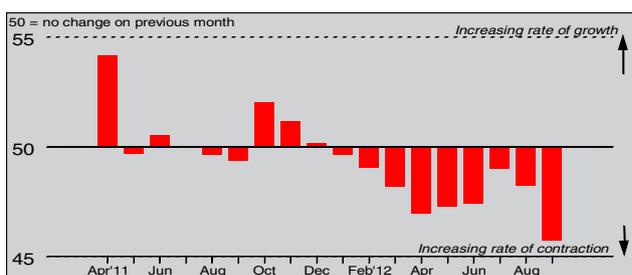
Q. Please compare the level of new export orders received this month with the situation of one month ago.



The volume of new export orders placed at Mexican manufacturing companies increased for the tenth consecutive month in September. Approximately 14% of firms reported an increase in export sales (while 11% registered a reduction), and particularly mentioned greater demand from Japan, the US and South American countries. Overall, the latest increase in new export orders was moderate and to the greatest extent in five months.

Backlogs of Work Index

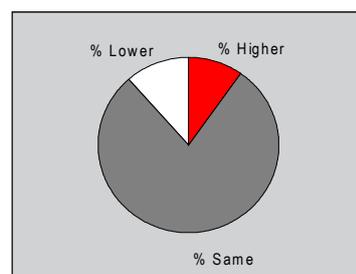
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



The seasonally adjusted Backlogs of Work Index posted below the 50.0 no-change mark in September, signalling a reduction in outstanding business at Mexican manufacturers. Recent expansions to production, as well as efficiency improvements, were largely linked to the decline in work-in-hand (but not yet completed). Notably, the index fell to its lowest reading in the one-and-a-half years survey history, and consistent with a sharp rate of backlog depletion overall.

Stocks of Finished Goods Index

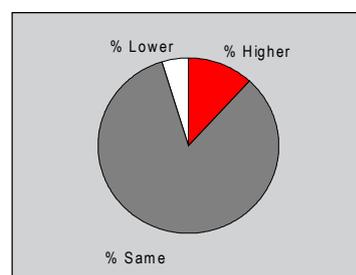
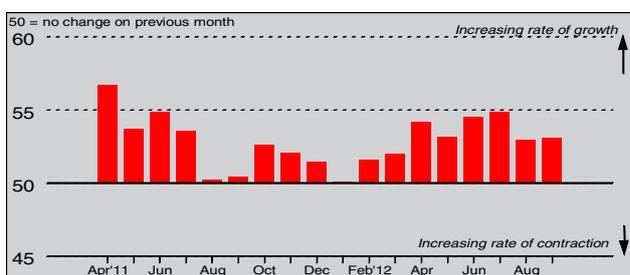
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



Firms depleted their inventories of finished goods for the third month running in September. Where a reduction in stocks of finished goods was reported, a number of survey respondents commented on using existing inventories to fulfil some order obligations. That said, the latest depletion of stocks was only marginal, with the seasonally adjusted Stocks of Finished Goods Index posting only slightly below the neutral threshold.

Employment Index

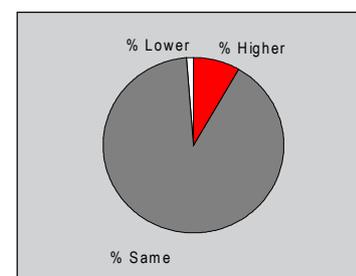
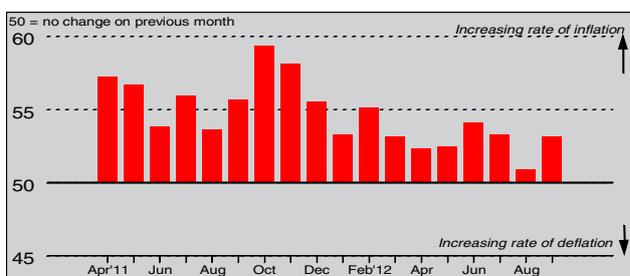
Q. Please compare the level of employment at your unit with the situation one month ago.



Manufacturing employment in Mexico rose further in September, with approximately 12% of surveyed firms hiring additional staff from August. Anecdotal evidence provided by panellists generally attributed higher staffing levels to greater production requirements. Although the latest increase in employee headcounts was solid, the rate of job creation was only slightly stronger than the five-month low recorded one month previously.

Output Prices Index

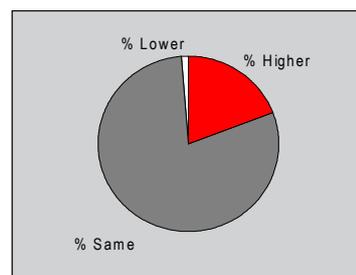
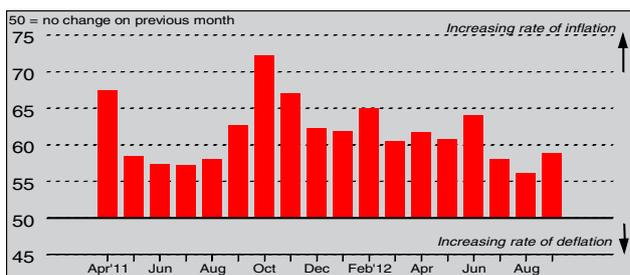
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Average prices charged by Mexican manufacturers increased in September, continuing the trend that has been registered in each month since data collection began in April 2011. New product lines, greater demand and passing larger cost burdens on to clients were all commented on by firms that raised their selling prices over the month. Overall, the rate of output price inflation was solid, having quickened from the survey-low recorded in August.

Input Prices Index

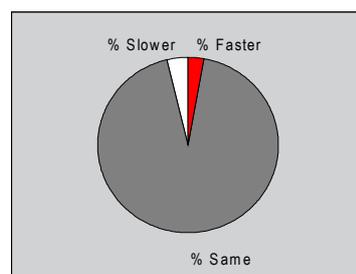
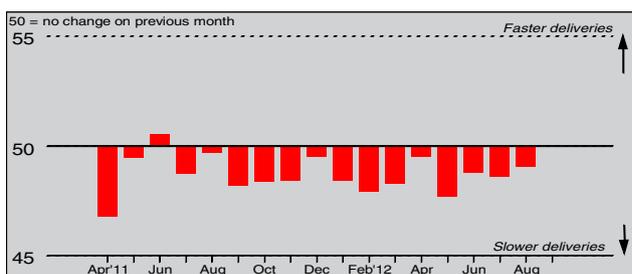
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



Input prices faced by firms working in Mexico's manufacturing sector increased in September. This was indicated by the seasonally adjusted Input Prices Index remaining above the 50.0 no-change mark that separates inflation from deflation. Fuel and raw materials such as food and steel were particularly mentioned by panellists as having risen in price since August. Although the index posted its highest reading in three months and signalled a marked rise in input costs, it remained below the series average.

Suppliers' Delivery Times Index

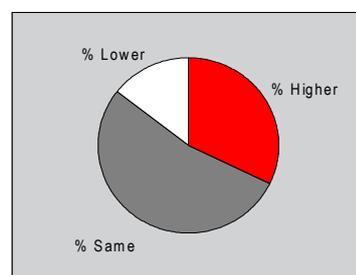
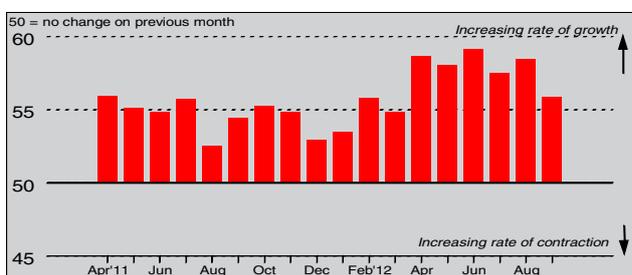
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



The seasonally adjusted Suppliers' Delivery Times Index registered at the 50.0 no-change mark in September, indicating that lead times on inputs neither increased or decreased since August. This compared with longer delivery times that had been reported in each month since July 2011. The majority of respondents (around 93%) reported no change in vendor performance during the latest survey period.

Quantity of Purchases Index

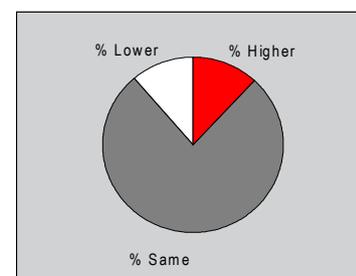
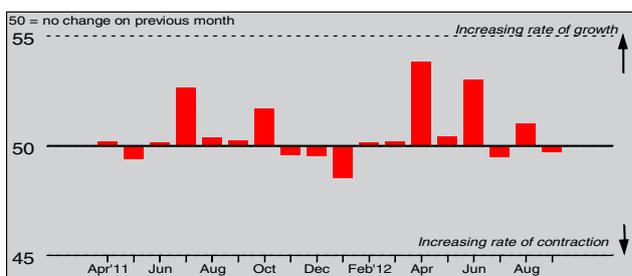
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Reflective of greater output requirements, the quantity of inputs bought by Mexican manufacturers increased in September. Purchasing activity has risen in each month since data collection began in April 2011. Approximately 32% of surveyed firms raised the amount of pre-production goods purchased when compared with one month previously. The rate of increase was strong overall, but nonetheless the weakest in six months.

Stocks of Purchases Index

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



Following the stock accumulation reported in August, inventories of pre-production goods at Mexican manufacturing companies fell during September. This was indicated by the seasonally adjusted Stocks of Purchases Index registering below the 50.0 no-change mark that separates an increase in inventories from a decline. A number of monitored companies commented on depleting input inventories as leaner stock holding policies were recently introduced.

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.