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HSBC Mexico Manufacturing PMI™

New orders rise at strongest rate since April 2011

Key findings:

- Larger volume of new work supports fastest rise in output for five months
- Employment growth continues, but rate of job creation at eight-month low
- Input price inflation quickens

Mexican manufacturing business conditions improved strongly in November, helped by the fastest new order growth since April 2011. The increase in new work supported the strongest rise in output since June and further employment growth, although the rate of job creation was at an eight-month low. Meanwhile, input prices continued to rise strongly, with the rate of inflation faster than that registered in October.

The headline figure derived from the survey is the Manufacturing $Purchasing\ Managers'\ Index^{TM}\ (PMI^{TM})$. 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 HSBC Mexico Manufacturing PMI registered 55.6 in November, to signal a strong improvement in manufacturing operating conditions. Although little-changed from 55.5 in October, the PMI indicated the greatest monthly improvement since June.

The volume of new orders received by Mexican manufacturers increased in November, as has been the case in each month since data collection began in April 2011. Panellists generally

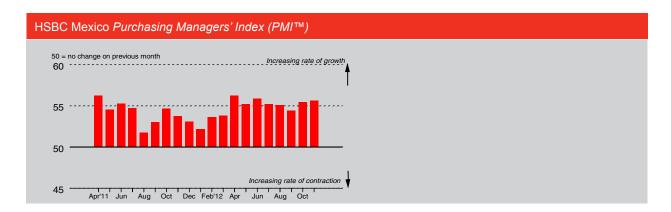
linked the latest rise in new work to greater client demand in both domestic and export markets. Overall, new order growth was marked and the fastest for 19 months.

Reflective of the rise in new work, output and stocks of finished goods both increased in November. Production rose strongly since October, with the rate of growth at a five-month high. Concurrently, backlogs of work fell modestly and for the eleventh consecutive month.

The quantity of inputs bought by manufacturers rose sharply in the latest survey period, with purchases partly being used to rebuild inventories. Suppliers' delivery times meanwhile lengthened further, as some vendors struggled to source raw materials and experienced transportation delays.

Although net job creation was sustained in November, with almost 14% of firms hiring additional staff since October, the overall increase was at an eight-month low.

Input costs faced by monitored companies rose further in November, with raw materials such as steel and paper mentioned by panellists as having increased in price. Output charges also increased, but the rate of inflation was the slowest in three months and weaker than the series average.



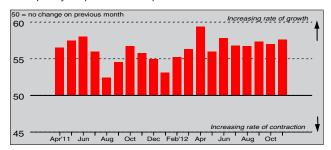
The HSBC Mexico Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new 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 expending. 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.

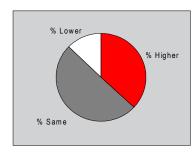




Output Index

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

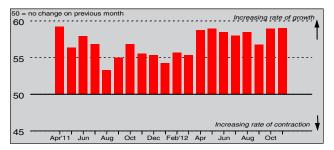


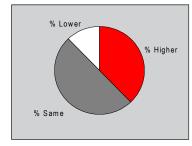


November data pointed to a further rise in Mexican manufacturing output, continuing the trend that has been recorded in each month since data collection began in April 2011. Approximately 37% of panellists reported higher production levels since October, and generally linked this to larger new order volumes. The rate of output growth was strong and, with the seasonally adjusted Output Index having risen over the month, was the fastest since June.

New Orders Index

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

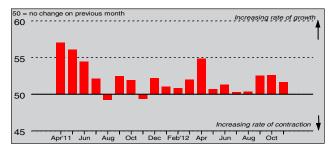


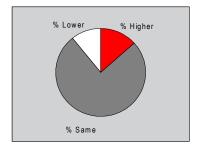


Incoming new work at Mexican manufacturers increased further in November, as indicated by the seasonally adjusted New Orders Index remaining above the 50.0 no-change mark. Anecdotal evidence attributed the latest rise in new work intakes to greater client demand in both the domestic and export markets. Although the index was little-changed from October, it was at its second-highest level in the 20-month series history and signalled a marked increase in total new orders.

New Export Orders Index

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

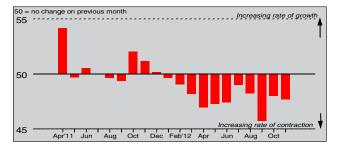


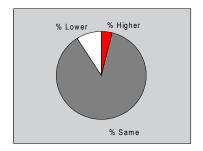


The volume of new export orders received by manufacturers operating in Mexico increased for the twelfth consecutive month in November. The latest rise was modest, but nonetheless the slowest in three months. Where an increase in new export work was reported, monitored companies generally attributed growth to greater client demand, particularly in the US and South American countries.

Backlogs of Work Index

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

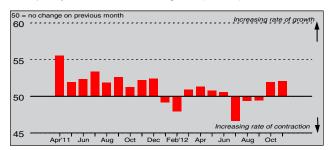


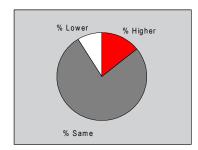


Outstanding business at Mexican manufacturing companies fell further during November, taking the current sequence of backlog depletion to 11 months. Approximately 9% of survey respondents recorded a lower level of work-in-hand, with panellists generally reporting that orders were delivered on time. Backlogs of work fell moderately overall, with the rate of decline greater 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.

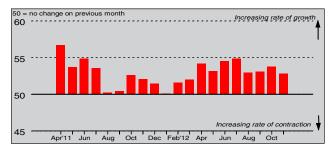


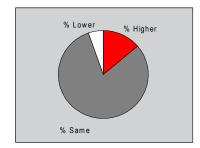


Mexican manufacturers accumulated stocks of finished goods for the second month running in November. Firms that reported higher inventories of post-production goods (over 14%) generally attributed this to stronger output growth. Although the seasonally adjusted Stocks of Finished Goods rose only marginally over the month, the rate of inventory accumulation was the fastest since December 2011.

Employment Index

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

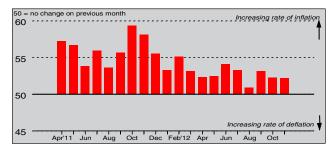


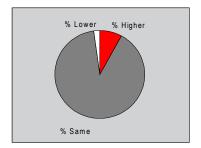


Employment in Mexico's manufacturing sector rose further during November, with approximately 14% of firms hiring additional staff since October. Job creation generally reflected higher production requirements in the latest survey period. That said, the rate of employment growth eased to an eight-month low and was slightly weaker than the series average.

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.

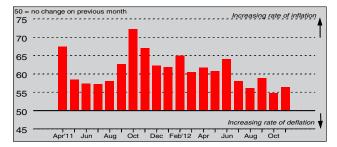


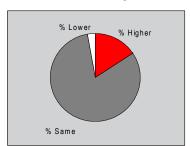


Average selling prices at Mexican manufacturers increased in November, as has been the case in each month since data collection began in April 2011. However, the rate of output price inflation was the slowest in three months and weaker than the series average. Although a number of monitored companies linked the rise in factory gate prices to new product lines and passing on higher input costs to clients, the increase in charges was partly offset by attempts to remain competitive and win new business.

Input Prices Index

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

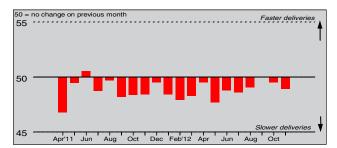


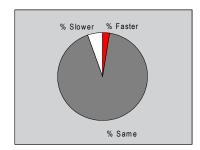


Input costs faced by manufacturing firms in Mexico rose further during November. Almost 16% of survey respondents reported an increase in cost burdens, while less than 3% recorded a decline. Raw materials such as steel, paper and sugar were particularly mentioned as having increased in price by panellists. Overall, the rate of input price inflation was strong and, with the seasonally adjusted Input Prices Index having risen over the month, was faster than in October.

Suppliers' Delivery Times Index

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

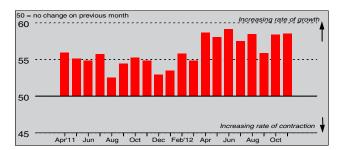


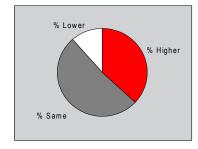


The seasonally adjusted Suppliers' Delivery Times Index posted below the 50.0 no-change mark for the second month running in November, signalling a further lengthening of input lead times. Moreover, the index fell over the month and indicated the greatest deterioration in vendor performance since July. Panellists suggested that suppliers struggled to source certain raw materials and some international deliveries were held up at customs in 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.

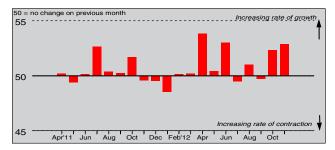


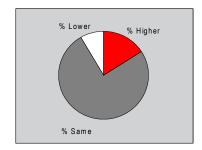


Reflective of higher production requirements, the quantity of inputs bought by Mexican manufacturing companies increased markedly during November. Moreover, the rate of growth was the joint-fastest in five months and in line with that recorded in August. Approximately 37% of respondents reported an increase in buying activity, while almost 12% reduced their purchases over the month.

Stocks of Purchases Index

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





Input inventories at manufacturing companies in Mexico increased for the second month running in November. Firms that reported higher stocks of purchases (almost 16%) generally cited recent growth of new orders. Overall, the rate of stock accumulation was moderate and, having quickened since October, was the fastest in five months.

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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