Embargoed until: 09:30 (MEXICO CITY), 2 January 2013

HSBC Mexico Manufacturing PMI™

HSBC PMI rises to record high in December

Key findings:

- PMI at highest level since data collection began in April 2011
- · Sharp increases in both output and new orders
- Input price inflation weakest in 21-month series history

Mexican manufacturing business conditions improved markedly in December, with the PMI rising to its highest level since data collection began in April 2011. Sharp increases in both output and new orders supported the overall improvement, with firms largely citing greater client demand. Meanwhile, employment continued to rise, although at a reduced pace, and the rate of input price inflation eased to its weakest in the series history.

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.

The seasonally adjusted HSBC Mexico Manufacturing PMI posted 57.1 in December, signalling a marked improvement in overall operating conditions. Moreover, up from 55.6 in November, the PMI was the highest in 21 months of data collection.

A sharp rise in new orders – the strongest monthly increase since data collection began in April 2011 – was reported by Mexican manufacturers in December. Firms commented on greater client demand, as well as recent new product launches. New export

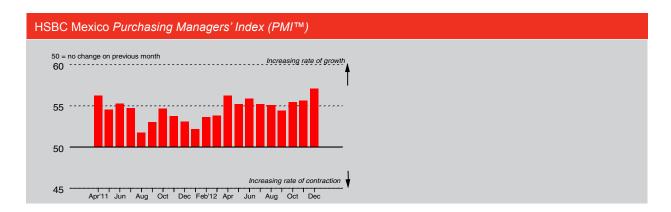
work also increased, albeit the latest rise was the weakest in four months

Concurrently, output growth strengthened further in December, with the latest expansion also a survey record. Meanwhile, stocks of finished goods were accumulated for the third month running, and backlogs of work were depleted further, although the rate of reduction was the weakest since July.

Employment in Mexico's manufacturing sector increased in December, with one-in-ten firms hiring additional staff since November. That said, the rate of job creation was weaker than the series average and at a ten-month low.

Reflective of a marked rise in output, the quantity of inputs bought by monitored companies rose sharply in the latest survey period. Input inventories were also accumulated over the month. Suppliers' delivery times meanwhile lengthened for the third consecutive month, partly reflecting greater demand for inputs, with the latest increase in lead times the greatest since May.

Input costs faced by Mexican manufacturers rose further in December. However, the rate of inflation was only modest and the slowest in the 21-month series history. Firms nonetheless passed greater costs on to clients by raising their selling prices, though the increase in charges was the weakest in four months.



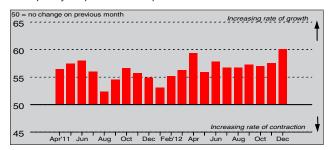
The HSBC Mexico Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new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

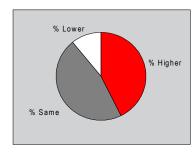




Output Index

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

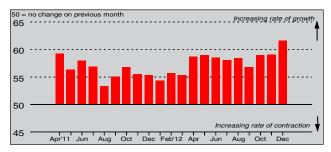


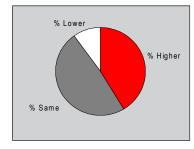


After adjusting for seasonal variation, manufacturing output in Mexico increased sharply during December. This was signalled by the Output Index rising to its highest level since data collection began in April 2011. Approximately 43% of surveyed firms reported higher production when compared with one month previously, and generally linked growth to larger volumes of new business.

New Orders Index

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

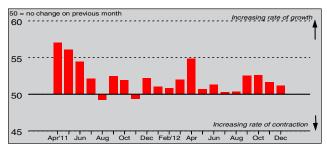


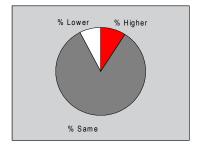


The seasonally adjusted New Orders Index posted a record high in December, and signalled a marked rate of new business growth. Approximately 41% of panellists reported an increase in incoming new work since November, while 10% recorded a reduction. A number of monitored companies attributed the overall rise in new orders to greater client demand, although some other firms also commented on recent new product launches.

New Export Orders Index

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



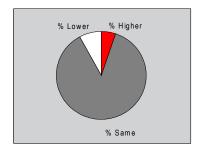


The volume of new export orders received by Mexican manufacturers increased for the thirteenth consecutive month in December. Where a rise in new work from abroad was reported, firms generally attributed this to greater client demand. That said, growth of new export orders was only modest and the slowest in four months.

Backlogs of Work Index

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

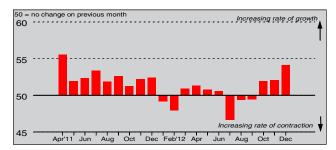


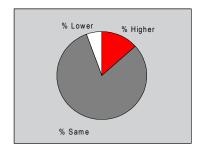


The level of work-in-hand (but not yet completed) at Mexican manufacturing companies fell further during December. Outstanding business has declined in each month of 2012, although the latest reduction was modest and the weakest since July. Approximately 8% of respondents reported a depletion of backlogs of work (while 5% recorded an increase), with a number of panellists linking this to improved productivity.

Stocks of Finished Goods Index

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

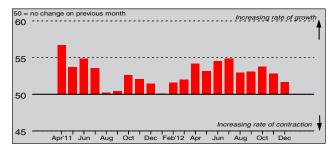


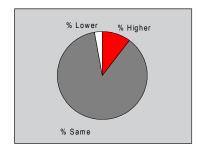


Mexican manufacturers reported an increase in stocks of finished goods for the third month running in December. This was signalled by the seasonally adjusted Stocks of Finished Goods Index remaining above the 50.0 no-change mark. Moreover, the index rose to its second-highest level in 21 months of data collection (the index posted a higher reading in April 2011) and was consistent with a strong rate of inventory accumulation in the latest survey period.

Employment Index

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

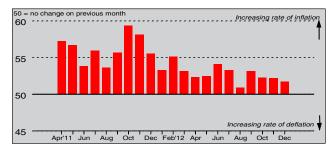


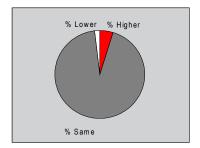


Employment in Mexico's manufacturing sector rose further in December, with one-in-ten surveyed firms hiring additional staff since November. Monitored companies that reported higher staffing levels generally attributed this to greater production requirements. Nonetheless, the rate of job creation was weaker than the series average and the slowest in ten months.

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.

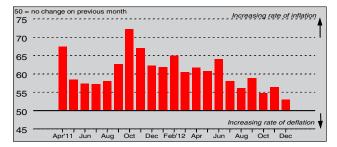


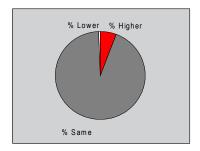


Average selling prices of Mexican manufacturers increased in December, as has been the case in each month since data collection began in April 2011. Anecdotal evidence attributed the rise in factory gate prices to the launch of new products and attempts to pass on higher cost burdens to clients. That said, the latest increase in output charges was only modest, with the seasonally adjusted Output Prices Index remaining below the historic series average.

Input Prices Index

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

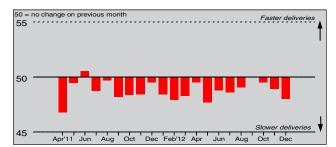


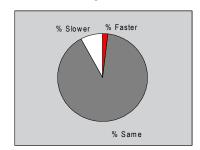


Firms working in Mexico's manufacturing sector reported higher input prices in December. Approximately 6% of survey respondents registered an increase in input costs over the month (while less than 1% saw a reduction), with raw materials particularly mentioned as having risen in price. That said, the rate of input price inflation was only modest and the weakest 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.

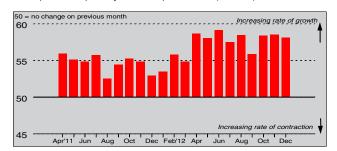


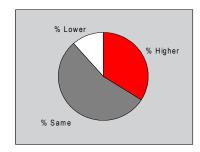


Lead times on inputs lengthened for the third consecutive month in December. This was indicated by the seasonally adjusted Suppliers' Delivery Times Index remaining below the 50.0 no-change mark that separates an improvement in vendor performance from a deterioration. The latest lengthening of delivery times was moderate and, with the index falling over the month, the greatest since May.

Quantity of Purchases Index

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



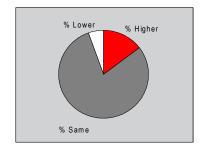


Reflective of the sharp rise in output, the quantity of inputs bought by monitored companies rose markedly during December. Although having slowed to a three-month low, the rate of growth remained above the series average and was much stronger than that registered one year previously. Exactly 34% of panellists raised their purchasing volumes, while 12% reduced their buying activity in 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 at Mexican manufacturing companies increased for the third successive month in December. Moreover, the latest rise was strong and the fastest in 21 months of data collection. Firms that reported an accumulation of stocks of purchases (approximately 15%) generally attributed this to recent growth of new orders.

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™ 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.