

# HSBC Mexico Manufacturing PMI™

New order growth slows to four-month low in January, but remains strong overall

**Key findings:**

- Slower rise in total new work, partly reflecting a fall in new export orders
- Job creation at 12-month low
- Input price inflation remains much slower than one year previously

Manufacturing business conditions in Mexico improved strongly at the start of 2013, although the rate of growth was the weakest in four months. Both output and new orders increased at robust rates in January, largely reflecting greater client demand, while job creation was also sustained. That said, the latest increase in headcounts was only modest and the weakest in a year. Input price inflation meanwhile remained muted in the context of historical data and suppliers' delivery times lengthened further.

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 HSBC Mexico Manufacturing PMI registered 55.0 in January and signalled a strong improvement in overall operating conditions. However, down from the survey record-high of 57.1 in December, the rate of growth was the weakest since last September.

Incoming new work at Mexican manufacturers rose strongly in January, with higher client demand and new product launches

cited by a number of firms. However, new export orders fell for the first time since November 2011 and contributed to the slowest rate of total new order growth in four months.

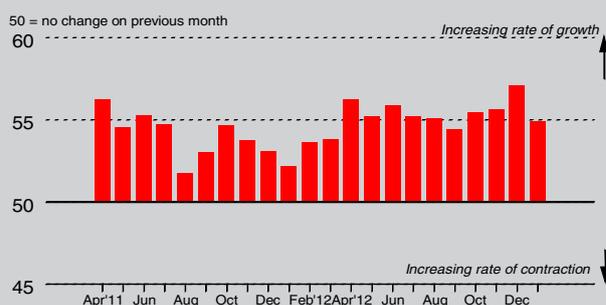
Output also increased strongly during January, but growth was at a three-month low, and stocks of finished goods were accumulated further. Concurrently, backlogs of work were depleted for the thirteenth consecutive month, but the latest reduction was only marginal and the weakest since January 2012.

Firms bought a larger quantity of inputs in the latest survey period. Although some purchases were used to rebuild stocks, panellists commented on buying inputs for immediate use in production. Concurrently, suppliers' delivery times lengthened for the fourth consecutive month, with the corresponding index the second-lowest in the 22-month series history.

Manufacturing employment in Mexico continued to increase in January, with firms citing higher production requirements. The rate of job creation, however, was the weakest in 12 months.

Although input costs faced by manufacturers rose solidly in January, the rate of inflation remained muted in the context of historical data. Firms meanwhile raised their charges further, but average selling prices rose only modestly and at the weakest rate since last August.

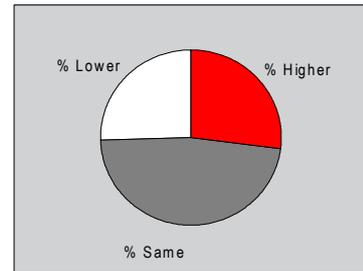
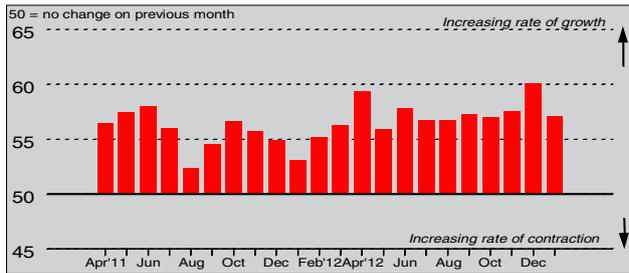
HSBC Mexico Purchasing Managers' Index (PMI™)



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

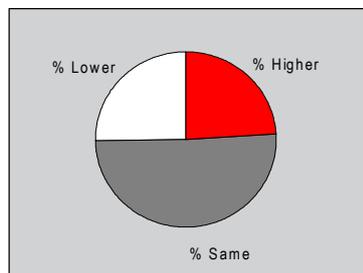
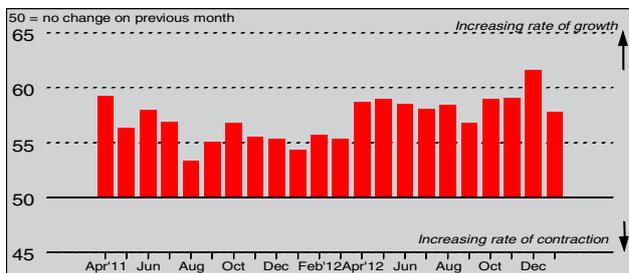
Q. Please compare your production/output this month with the situation one month ago.



The seasonally adjusted Output Index signalled another strong rise in Mexico's manufacturing production in January. Surveyed firms generally attributed the latest rise in output to increased new orders. Although the index has pointed to growth in each month since data collection first started in April 2011, having fallen to a three-month low, signalled that the rate of expansion had slowed in the latest survey period.

### New Orders Index

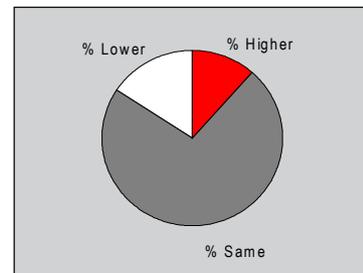
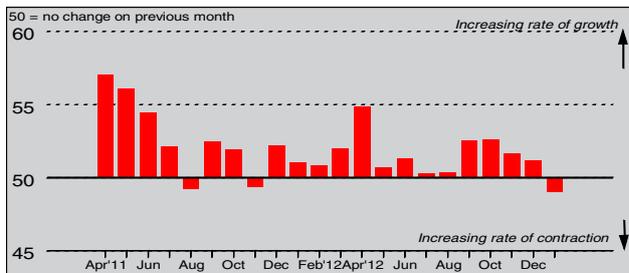
Q. Please compare the level of new orders received (Mexico and export) this month with the situation one month ago.



After adjusting for seasonal variation, the volume of new orders received by Mexican manufacturing companies increased in January. Higher demand, new client wins and new product launches were some of the reasons provided by panellists when explaining the rise in new work. Overall, new orders rose strongly since December, but the rate of increase was nonetheless the slowest in four months.

### New Export Orders Index

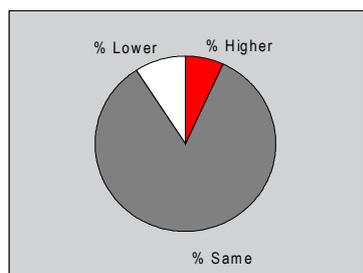
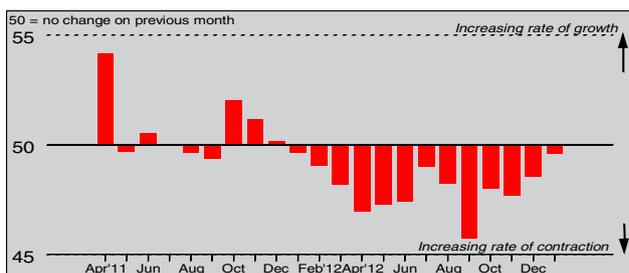
Q. Please compare the level of new export orders received this month with the situation of one month ago.



New export work at Mexican manufacturers fell during January, as indicated by the seasonally adjusted New Export Orders Index falling below the 50.0 no-change mark. Notably, this was the first reduction in new export orders since November 2011 and, with the index at its lowest level in the 22-month series history, was consistent with a modest month-on-month decline.

### Backlogs of Work Index

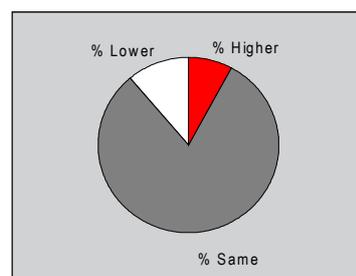
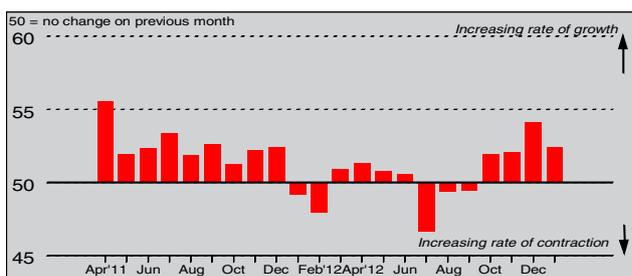
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Outstanding business at goods producers in Mexico fell for the thirteenth consecutive month in January. Approximately 9% of surveyed firms reported lower backlogs of work compared with one month previously (while 7% recorded an increase), linking this to higher production and prompt deliveries. Nonetheless, the latest depletion of work-in-hand was only marginal and the weakest since January 2012.

### Stocks of Finished Goods Index

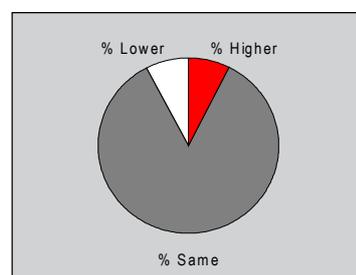
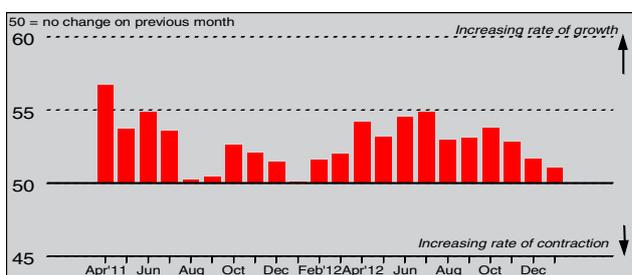
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



Inventories of finished goods at manufacturers in Mexico increased for the fourth consecutive month in January. Although the rate of growth slowed from the 20-month high recorded in December, it was still stronger than the series average. Where an increase in stocks of finished goods was reported, firms generally commented on recent growth of new orders.

### Employment Index

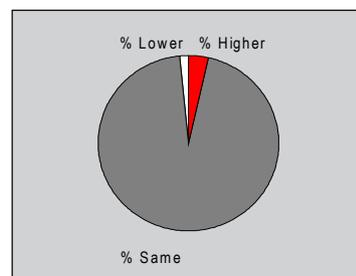
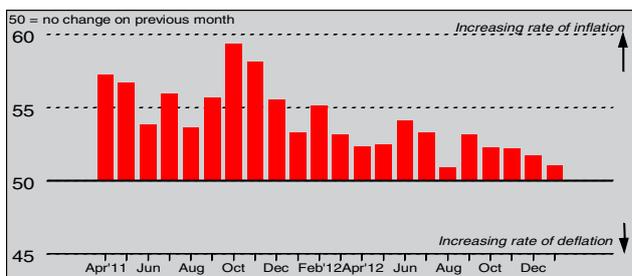
Q. Please compare the level of employment at your unit with the situation one month ago.



The seasonally adjusted Employment Index remained above the 50.0 no-change mark in January, signalling a further increase in manufacturing employment in Mexico. Job creation was generally linked to higher production requirements in the latest survey period. However, the rate of employment growth was only modest, with the index falling to its lowest level in a year.

### Output Prices Index

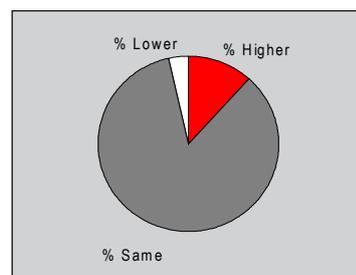
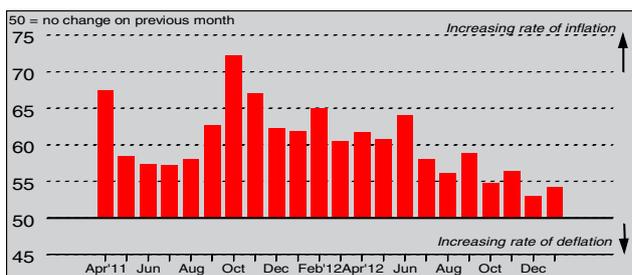
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Average selling prices at Mexican manufacturing firms increased in January, as has been the case in each month since data collection began in April 2011. Anecdotal evidence suggested that higher output charges reflected greater input costs that were passed on to clients and also the launch of new products. Overall, the rate of output price inflation was modest, but having slowed for the fourth month running, the weakest since last August.

### Input Prices Index

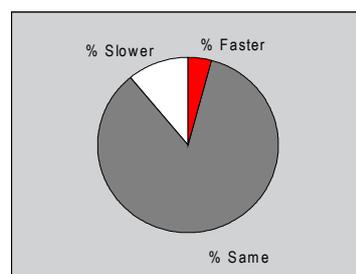
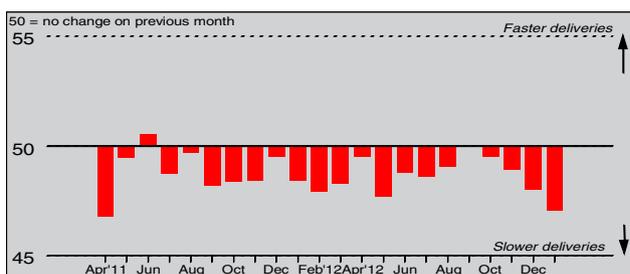
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



Input costs faced by manufacturers rose further in January, with approximately 12% of respondents reporting an increase since December. Raw materials such as grain and resin, as well as fuel were commonly mentioned by panellists as having increased in cost over the month. Although the overall rate of inflation was solid and faster than that registered in the previous survey period, it nonetheless remained much slower than that registered a year ago.

## Suppliers' Delivery Times Index

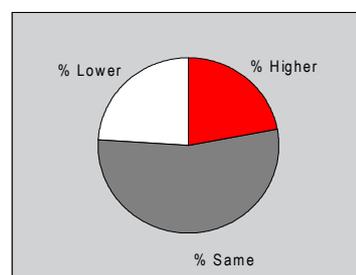
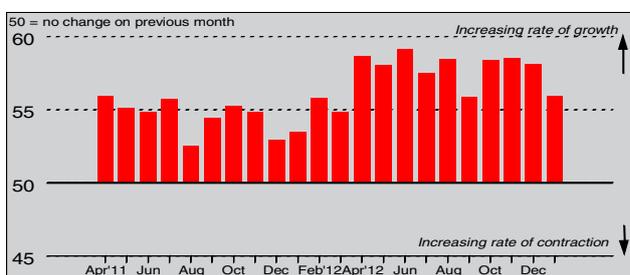
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Suppliers' delivery times lengthened further in January, with exactly 11% of surveyed firms reporting longer lead times for inputs compared with one month previously. Anecdotal evidence suggested that vendors had an excess of new work which subsequently created backlogs and delivery delays. The seasonally adjusted Suppliers' Delivery Times Index was the second-lowest in the 22-month series history and indicated that the latest increase in delivery times was solid overall.

## Quantity of Purchases Index

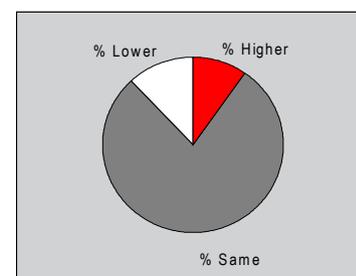
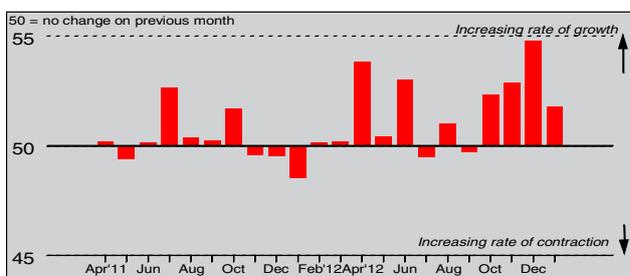
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Reflective of higher production requirements, the quantity of inputs bought by Mexican manufacturers increased in January. The rate of growth was strong and broadly on trend with the series average. The seasonally adjusted Quantity of Purchases Index fell to a four-month low, however, suggesting a slower rate of expansion.

## Stocks of Purchases Index

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



The seasonally adjusted Stocks of Purchases Index posted above the 50.0 no-change mark for the fourth month running in January, signalling a further increase in input inventories. Firms that reported stock accumulation largely linked this to increased new orders. The rate of growth was the slowest in the current sequence of expansion and 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.

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