HSBC *Purchasing Managers' Index*™ 2013

compiled by markit

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

HSBC Mexico Manufacturing PMI™

PMI at joint survey-low as new order growth slows further in April

Key findings:

- PMI signals only a modest improvement in manufacturing business conditions
- New order growth eases to joint-weakest pace in 25-month series history
- First reduction in output charges since data collection began in April 2011

Mexican manufacturing business conditions improved at the joint-weakest rate in the 25-month survey history during April. The easing in the rate of manufacturing expansion partly reflected a weaker rise in new work, which was also the joint-slowest in the series history. Firms attempted to boost new orders by reducing their selling prices, with the drop in charges the first since data collection started 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.

The seasonally adjusted HSBC Mexico Manufacturing PMI fell to a joint survey-low of 51.7 in April. Down from 52.2 in March, the PMI was in line with that recorded in August 2011, and consistent with only a modest improvement in overall operating conditions in the Mexican manufacturing sector.

Incoming new work at Mexican manufacturers rose at the joint-weakest pace in the 25-month series history during April. The modest increase generally reflected greater client demand, but weaker underlying market conditions reduced the overall rise to some extent. Meanwhile, new export orders rose for the third month running, but the rate of growth was only marginal and the slowest in this sequence.

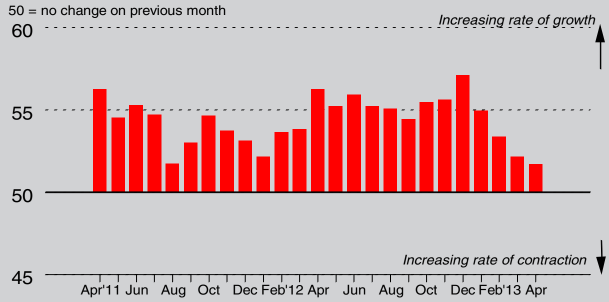
Although manufacturing production continued to rise in April, the rate of output growth was only modest and unchanged from March's joint survey-low. Concurrently, backlogs of work fell over the month, with a depletion of stocks of finished goods used to fulfil some outstanding business obligations.

The quantity of inputs bought by manufacturers rose at the second-weakest pace in 15 months during April. Subsequently, suppliers' delivery times shortened for the first time since June 2011, as strains in vendor capacity eased.

Employment in Mexico's manufacturing sector continued to rise in April, with approximately 8% of firms hiring additional staff since March. Overall, the rate of job creation was the strongest in five months, but nonetheless weaker than the series average.

Although firms faced greater costs in April, the rate of input price inflation was the weakest in 2013 to date. This provided some room for companies to reduce their selling prices in an attempt to win new business. Although output charges fell only marginally, it was the first reduction since data collection began in April 2011.

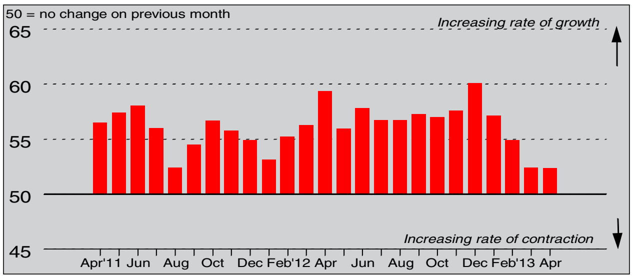
HSBC Mexico *Purchasing Managers' Index (PMI™)*

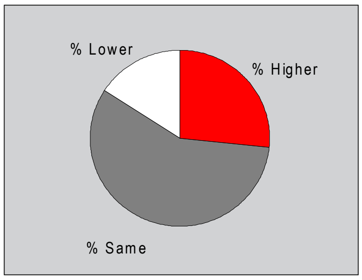


The HSBC Mexico Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new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

Output Index

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

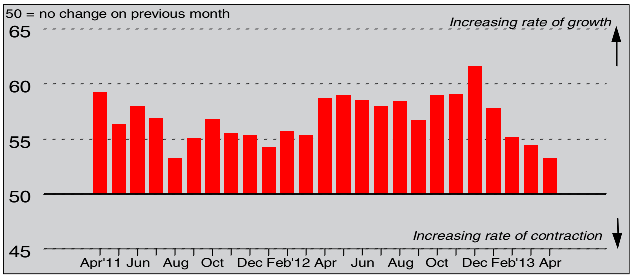


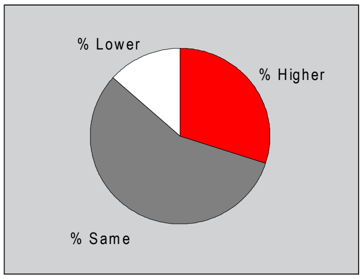


The seasonally adjusted Output Index remained above the 50.0 no-change mark in April, signalling a further increase in the level of manufacturing production in Mexico. However, the index was unchanged from March's joint survey-low and consistent with only a modest rate of output growth. Firms generally attributed the increase in production to greater client demand.

New Orders Index

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

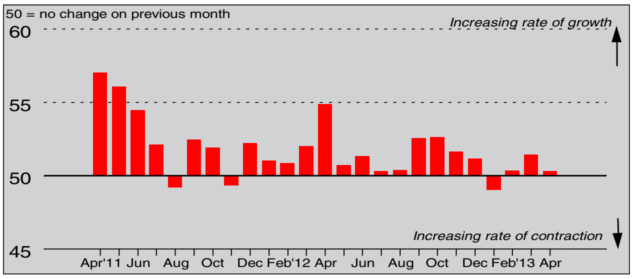


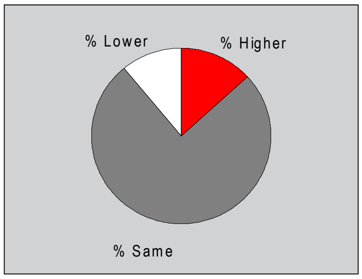


After adjusting for seasonal variation, the volume of new work placed at Mexican manufacturers continued to rise in April. However, the rate of increase was modest and the joint-weakest since data collection began in April 2011. Manufacturing companies that recorded new order growth generally linked this to greater client demand, although weaker underlying market conditions slowed the overall expansion to some extent.

New Export Orders Index

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

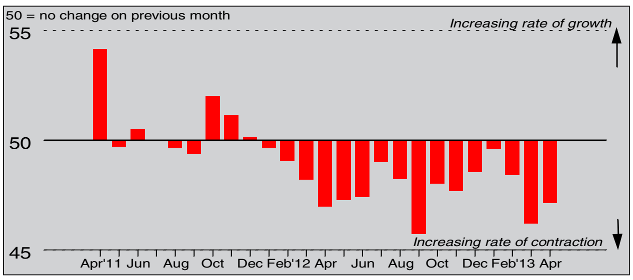


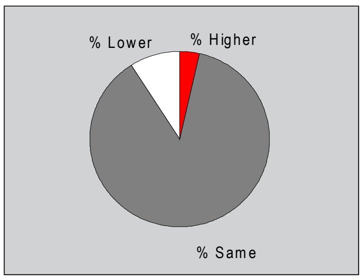


New export orders placed at Mexican manufacturing companies increased for the third consecutive month in April. This was signalled by the seasonally adjusted New Export Orders Index remaining above the 50.0 no-change level that separates growth from contraction. However, the index was only slightly above the neutral threshold, suggesting that the rate of expansion was marginal.

Backlogs of Work Index

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

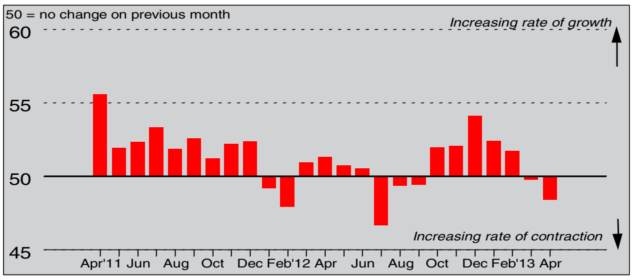


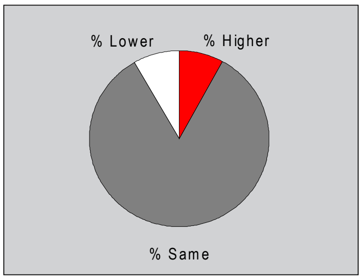


The level of work-in-hand at Mexican manufacturers fell further in April, continuing the trend that has been registered in each month since January 2012. Approximately 9% of survey respondents recorded a lower level of outstanding business, with a number of panellists commenting that some order requirements were fulfilled through the depletion of existing finished goods stock. Overall, the reduction in backlogs of work was solid, but slower than in March.

Stocks of Finished Goods Index

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

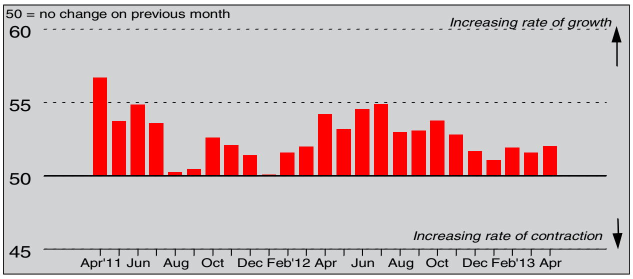


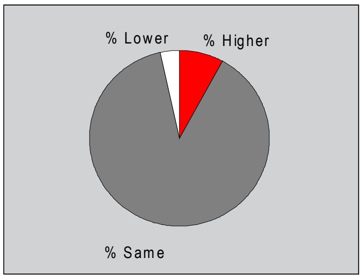


Firms reduced their inventories of finished goods for the second month running in April, as signalled by the seasonally adjusted Stocks of Finished Goods Index remaining below the 50.0 no-change mark. Moreover, the rate of stock depletion gained momentum since March, and was the strongest since July 2012. A number of companies commented that existing post-production goods stock was used to reduce the level of outstanding business.

Employment Index

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

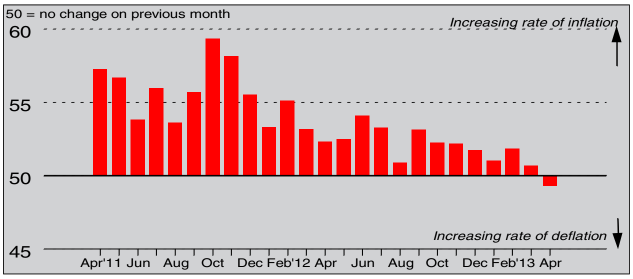


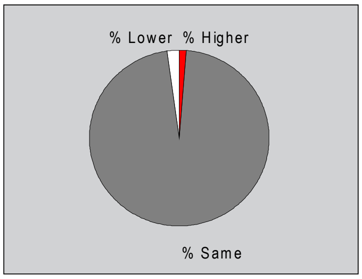


Manufacturing employment in Mexico rose further during April, with approximately 8% of monitored companies hiring additional staff since March. Anecdotal evidence attributed higher employee numbers to greater production requirements in the latest survey period. Despite having quickened to a five-month high, the rate of job creation was nonetheless modest and slower 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.

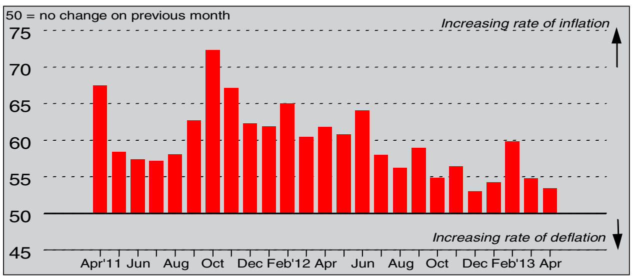


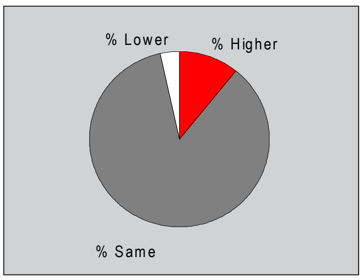


For the first time in 25 months of data collection, average selling prices at Mexican manufacturers fell during April. This was indicated by the seasonally adjusted Output Prices Index falling below the 50.0 no-change mark that separates an increase in output charges from a reduction. Firms attributed lower output prices to stronger competitive pressures and attempts to 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.

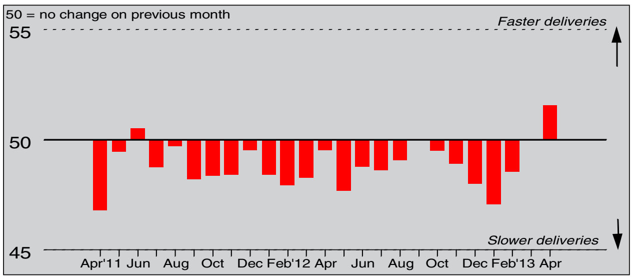


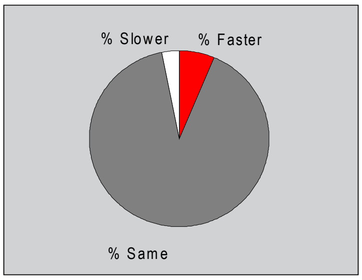


Input costs faced by manufacturing companies continued to rise in April, with almost 11% of respondents reporting an increase compared with one month previously. Higher fuel, resin and raw material prices were commonly reported, while a number of panellists also commented on unfavourable exchange rates. Overall, the rate of input price inflation was solid, but slowed further from February's eight-month peak to its weakest in 2013 to date.

Suppliers' Delivery Times Index

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

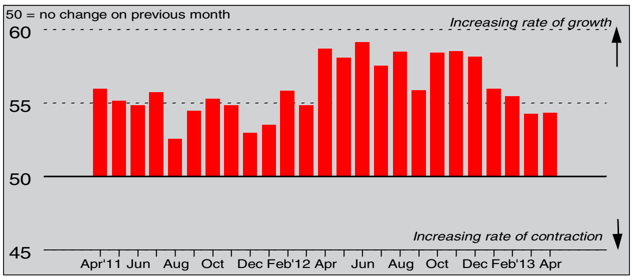


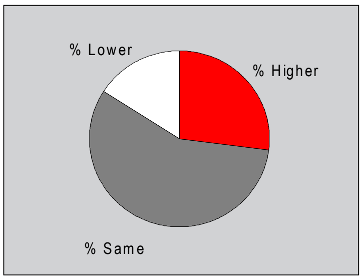


Lead times for inputs shortened in April, as signalled by the seasonally adjusted Suppliers' Delivery Times Index rising above the 50.0 no-change mark. This was the first above-50 reading since June 2011 and was consistent with a moderate improvement in overall vendor performance. Panellists that registered shorter delivery times for inputs mostly suggested a lack of pressure in suppliers' capacity 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.

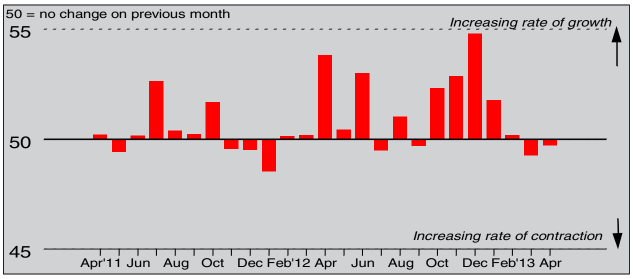


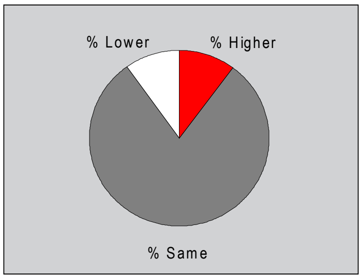


Reflective of higher production requirements, the quantity of inputs bought by manufacturers rose further in April. Approximately 27% of panellists raised their purchasing volumes over the month, while 16% reduced their buying activity. Overall, the rate of growth was marginally faster than in March, but still the second-weakest in 15 months.

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 below the 50.0 no-change level for the second month running in April, signalling a further depletion of input inventories. Firms generally attributed the reduction of pre-production goods stock to weaker new order growth. That said, the rate of contraction was only marginal and slower than in March.

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.