HSBC *Purchasing Managers' Index*™ 2013

compiled by markit

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HSBC Mexico Manufacturing PMI™

Mexican manufacturing sector stagnates

Key findings:

- PMI registers exactly at 50.0, signalling no change in business conditions
- Output unchanged over the month, while new orders increase slightly
- Employment growth slows to marginal pace

Mexico's manufacturing sector stagnated in September, after having grown marginally one month previously. The level of output was the same as in August, with a number of firms linking this to little-change in new orders, and this was a factor behind only a marginal rise in employment. Meanwhile, firms reduced their selling prices further in a bid to boost new work intakes, despite seeing the strongest rise in input costs since February.

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 registered exactly at the 50.0 no-change mark in September, indicating that business conditions were the same as one month previously. The headline index, down from 50.8 in August, was the second-lowest since data collection began in April 2011.

Manufacturing output in Mexico was unchanged during September, after having increased in August. This generally reflected a broadly stagnant trend for new orders. Total new work intakes rose only slightly over the month, despite an increase in new export orders – the first in five months.

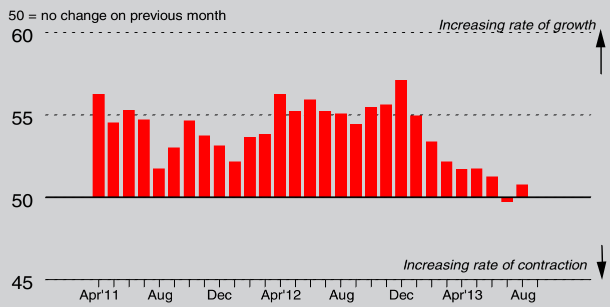
Concurrently, outstanding business at manufacturing firms was the same as one month previously, while stocks of finished goods increased at the fastest rate in seven months.

The quantity of inputs bought by Mexican manufacturers increased for the second month running in September. However, the rate of growth eased to one of the weakest in the series history. Meanwhile, stocks of purchases were depleted for the seventh consecutive month. Suppliers' delivery times shortened in the latest survey period, with this the first improvement in vendor performance in four months.

Employment in the Mexican manufacturing sector continued to increase in September. Firms that hired additional staff often linked this to greater business activity. That said, the rate of job creation slowed to only a marginal pace.

Input costs faced by manufacturers rose at the strongest pace in seven months in September. Higher raw material prices and unfavourable exchange rates were factors behind the latest increase in costs. Nonetheless, firms reduced their selling prices further in a bid to win new business. The latest deduction was only slight and the weakest in the current six-month sequence.

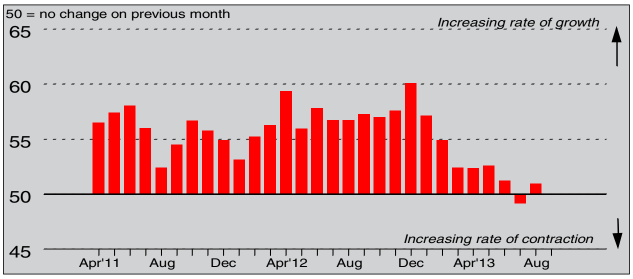
HSBC Mexico *Purchasing Managers' Index (PMI™)*

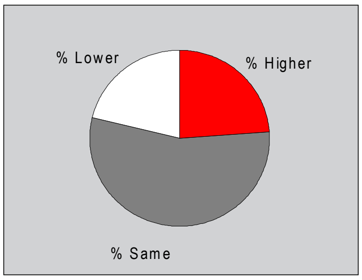


The HSBC Mexico Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new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

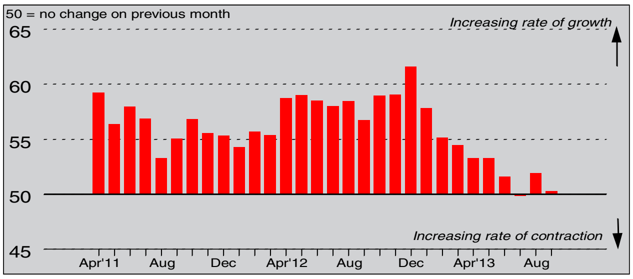


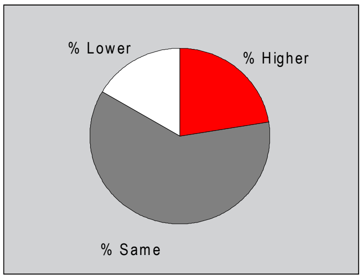


The seasonally adjusted Output Index posted exactly at the 50.0 no-change mark in September, indicating that manufacturing production in Mexico was the same as in August. This was the second-lowest reading since data collection began in April 2011. Anecdotal evidence provided by panellists suggested that a stagnant trend for new orders was the main factor behind the unchanged level of output.

New Orders Index

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

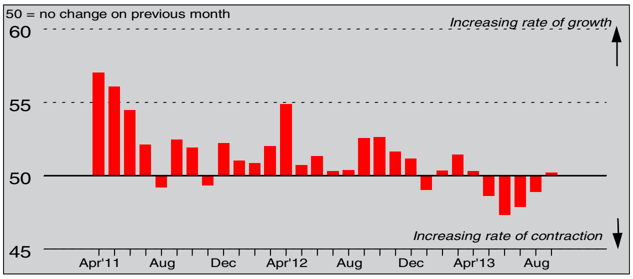


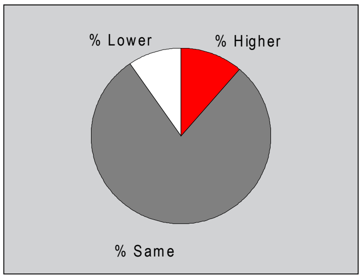


Incoming new work at Mexican manufacturing companies increased for the second month running in September. Firms generally linked this to new product offerings. However, the rate of new order growth was only marginal, with the seasonally adjusted New Orders Index posting its second-lowest reading in the two-and-a-half year series history.

New Export Orders Index

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

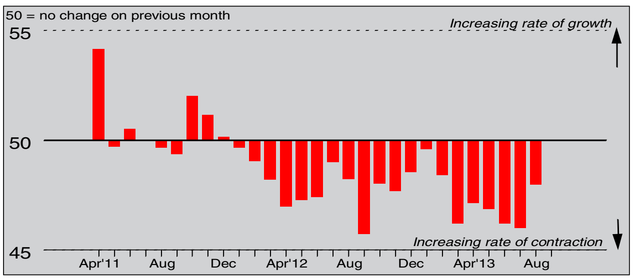


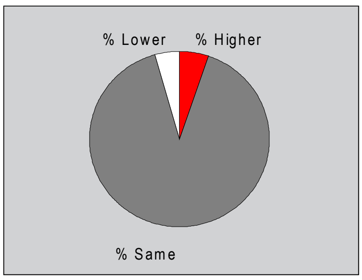


Following a four-month sequence of decline, the volume of new export orders placed at Mexican manufacturers increased in September. That said, the rate of growth was only marginal and weaker than the series average. Approximately 11% of surveyed companies reported an increase in new export work (while 10% registered a reduction), and generally attributed this to recent new product launches.

Backlogs of Work Index

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

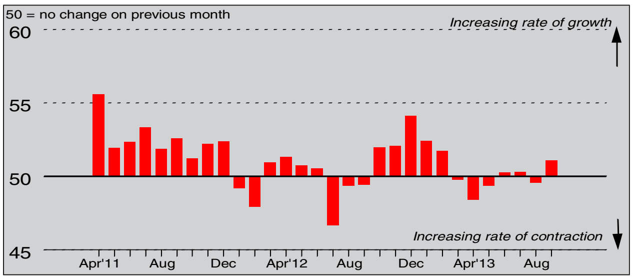


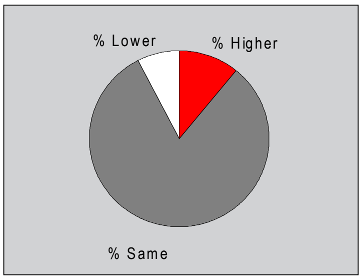


In September, the level of outstanding business at manufacturing firms was the same as in August. This was signalled by the seasonally adjusted Backlogs of Work Index posting exactly at the 50.0 no-change threshold. The majority of panellists (over 90%) reported an unchanged level of work-in-hand in the latest survey period.

Stocks of Finished Goods Index

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

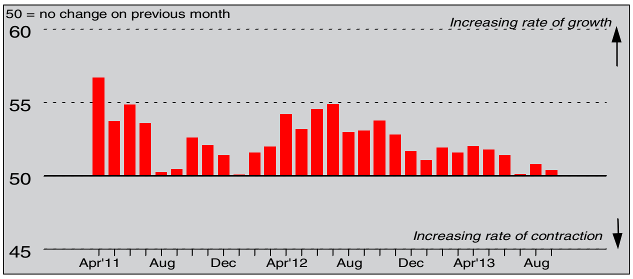


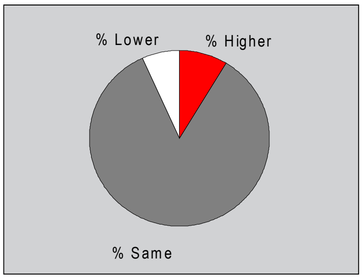


Stocks of finished goods at Mexican manufacturers increased in September. Although modest, the rate of inventory accumulation was the fastest since February, and more than reversed a reduction one month previously. Almost 11% of panellists reported higher levels of post-production stock in the latest survey period, compared with 8% that registered a reduction.

Employment Index

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

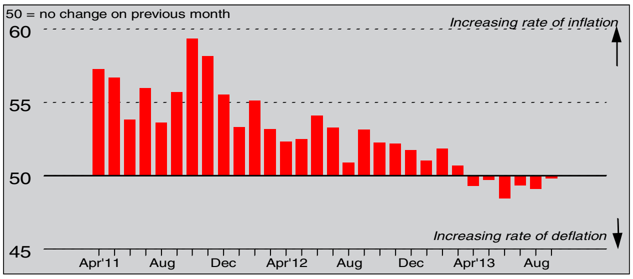


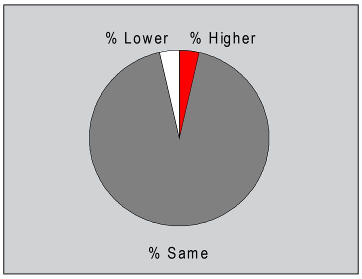


Manufacturing employment in Mexico continued to increase in September, as has been the case in each month since data collection began in April 2011. Firms that hired additional staff (approximately 9%) generally attributed this to increased business activity. However, the overall rate of job creation was only slight and one of the slowest in the series history.

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.

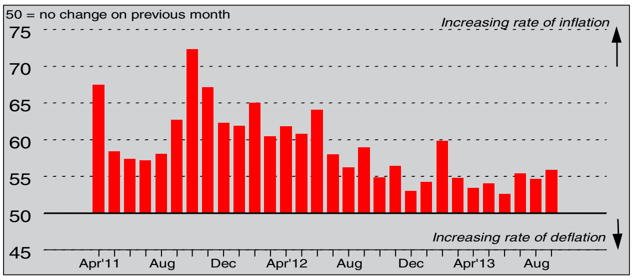


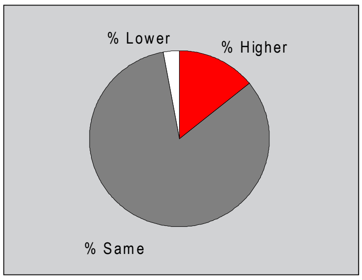


Average selling prices at manufacturing companies fell for the sixth consecutive month in September. A number of panellists that reduced their output charges commented on recent promotions and discounts that were offered to some clients. That said, the latest deduction in output prices was only slight and the weakest in the current sequence.

Input Prices Index

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

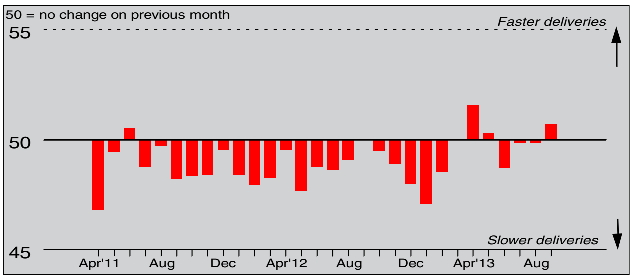


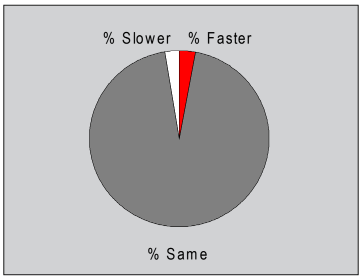


Following the trend that has been recorded in each month since data collection began two-and-a-half years ago, input costs faced by manufacturing firms increased in September. The rate of inflation was solid and the strongest in seven months, but remained weaker than the series average. Panellists largely attributed increased costs to higher raw materials, particularly for steel, as well as unfavourable exchange rates.

Suppliers' Delivery Times Index

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

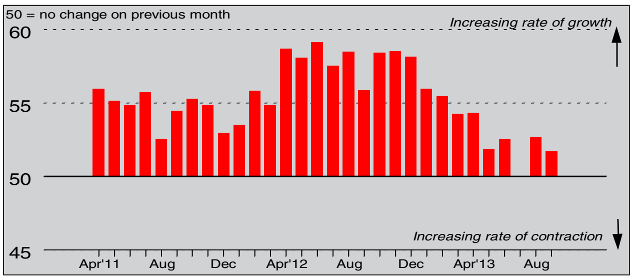


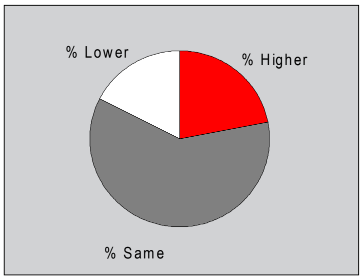


The seasonally adjusted Suppliers' Delivery Times Index registered above the 50.0 no-change mark in September, signalling shorter lead times for inputs. This was the first improvement in vendor performance in four months, but was only marginal overall. Panellists commented that weaker demand for inputs and increased output at suppliers were factors behind the shortening of delivery times.

Quantity of Purchases Index

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

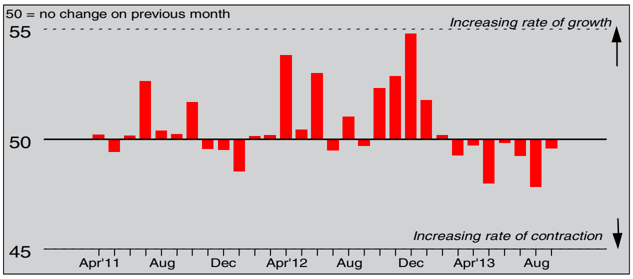


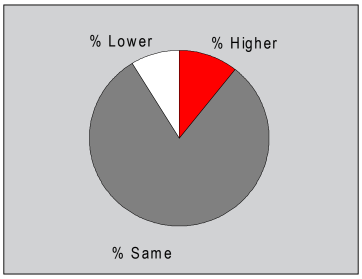


The quantity of inputs bought by manufacturing companies increased for the second month running in September. Approximately 22% of surveyed companies raised their purchasing volumes over the month. Overall, the rate of growth was modest but, having slowed since August, one of the weakest in the two-and-a-half year series history.

Stocks of Purchases Index

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





Stocks of purchases at Mexican manufacturers were depleted in September, taking the current sequence of contraction to seven months. Anecdotal evidence generally linked the latest reduction to the weak trend for new orders. However, the seasonally adjusted Stocks of Purchases Index posted only slightly below the neutral threshold, a three-month high, and suggested that the rate of decline was marginal.

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