HSBC Purchasing Managers' Index™ 2013

compiled by markit

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HSBC Mexico Manufacturing PMI™

Manufacturing output contracts in October

Key findings:

- PMI signals little-change in manufacturing business conditions
- Production declines, despite modest increase in new orders
- Employment falls for first time in 31-month series history

Mexico's manufacturing sector continued to stagnate in October, with business conditions improving only slightly since September. Although new orders continued to rise at a modest pace, both output and employment fell over the month. Notably, this was the first indication of net job losses since data collection began in April 2011.

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 HSBC Mexico Manufacturing PMI registered only slightly above the 50.0 no-change mark in October. At 50.2, up marginally from 50.0 in September, the headline index indicated only a slight improvement in manufacturing operating conditions.

Incoming new work at Mexican manufacturers increased for the third consecutive month in October. Panellists largely linked this to greater demand and new client wins. New export orders also rose over the month, albeit fractionally. Overall, the latest increase in total new orders was modest, but remained much

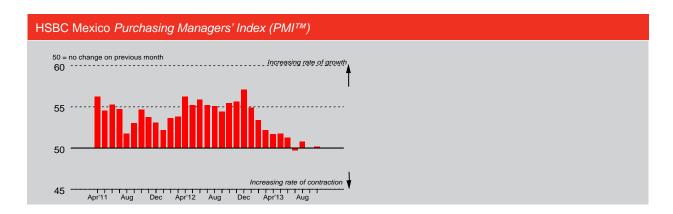
weaker than that at the beginning of the year.

Meanwhile, production was lower than in September, with panellists attributing this to weak market conditions. Notably, this was only the second instance where output had declined since data collection began in April 2011. Nonetheless, stocks of finished goods increased, and at a slightly faster pace, while backlogs of work were depleted.

Employment similarly fell in the latest survey period. Although the rate of contraction was marginal, it was the first indication of job losses in the 31-month series history.

The quantity of inputs bought by manufacturers was unchanged in October, while stocks of purchases rose marginally. The increase in input inventories was the first in eight months and the strongest since January. Concurrently, suppliers' delivery times lengthened over the month, as some vendors experienced problems with importing key raw materials.

Input costs faced by manufacturing firms increased in October, with this reflecting higher raw material prices and unfavourable exchange rates. Overall, the rate of inflation was solid, but the slowest since June. In contrast, output charges fell for the seventh consecutive month, with a number of companies citing recent promotions.



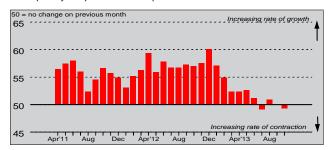
The HSBC Mexico Purchasing Managers' Index[™] (PMI[™]) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, 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 expensionally declining; above 50.0, that it is generally expensionally declining; above 50.0 that it is generally expensionally expension

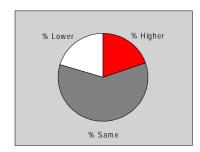




Output Index

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

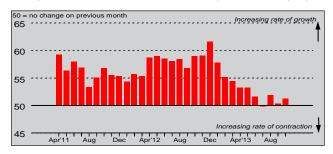


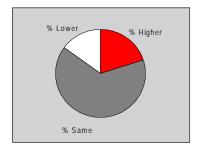


Manufacturing output in Mexico fell during October, after having remained unchanged in September. This was signalled by the seasonally adjusted Output Index posting below the 50.0 no-change threshold. Notably, this was only the second instance where the index has registered below the neutral threshold since data collection started in April 2011. Lower production levels were generally attributed to weaker market conditions by a number of survey respondents.

New Orders Index

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

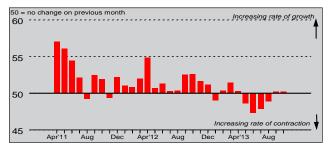


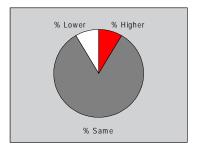


Mexican manufacturers received a larger volume of new orders in October, taking the current sequence of growth to three months. Panellists largely attributed this to new client wins, as well as greater demand, particularly for new products. Nonetheless, the rate of new order growth was modest and much weaker than that at the beginning of the year.

New Export Orders Index

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



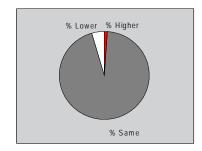


After adjusting for seasonal variation, the volume of new export orders received by Mexican manufacturing companies increased only fractionally in October. A slight rise in incoming new work from abroad was also registered in September. Anecdotal evidence suggested that an increase in new orders from South American countries was partially offset by a reduction from the US.

Backlogs of Work Index

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

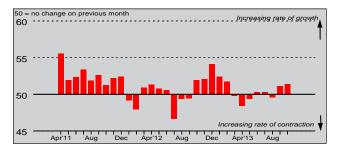


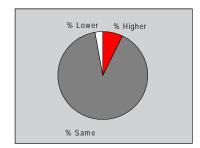


Following no change in September, the level of outstanding business at Mexican manufacturers decreased in October. This was indicated by the seasonally adjusted Backlogs of Work Index registering below the 50.0 no-change mark, as has been the case in 21 out of the past 22 months. The latest index reading was broadly in line with the series average, and consistent with a modest reduction in work-in-hand.

Stocks of Finished Goods Index

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

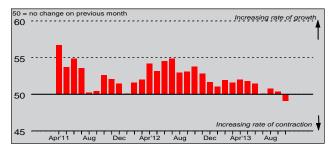


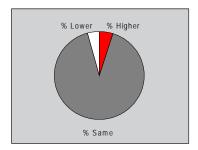


Inventories of post-production goods at manufacturing companies increased for the second month running in October. Although modest, the rate of stock accumulation accelerated slightly to the fastest pace since February. Approximately 7% of panellists reported an increase in stocks of finished goods (compared with 3% that registered a reduction), and largely linked this to greater client demand.

Employment Index

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

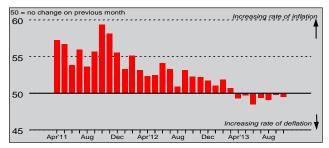


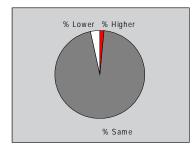


For the first time since data collection began in April 2011, employment in the Mexican manufacturing sector fell during October. The rate of job losses was marginal, however, with the seasonally adjusted Employment Index registering slightly below the 50.0 no-change mark. The majority of surveyed companies (almost 91%) reported that employee numbers were the same as one month previously.

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.

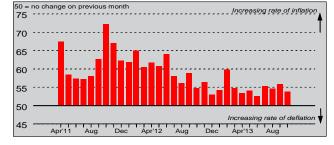


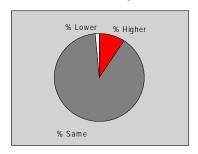


Average selling prices at Mexican manufacturers fell for the seventh consecutive month in October. Panellists that reduced their output charges over the month suggested that this partly reflecting recent promotions and attempts to boost sales. Overall, output prices fell only marginally, but to a greater extent than in the previous survey period.

Input Prices Index

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

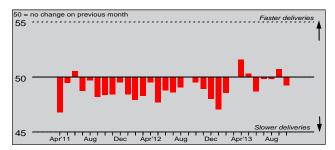


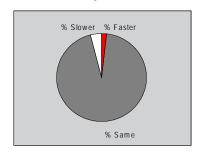


Input costs faced by manufacturing firms increased in October, as has been the case in each month since data collection started in April 2011. Higher raw material prices and unfavourable exchange rates contributed to the latest rise in costs. Overall, the rate of inflation was solid but, having slowed from September's seven-month peak, the weakest since June.

Suppliers' Delivery Times Index

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

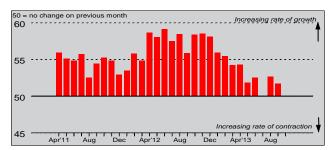




The seasonally adjusted Suppliers' Delivery Times Index returned below the 50.0 no-change mark in October, indicating that delivery times for inputs lengthened over the month. Anecdotal evidence suggested that problems with importing goods and limited supplies of key raw materials were factors behind the deterioration in vendor performance. Nevertheless, the increase in suppliers' delivery times was modest and weaker than the series average.

Quantity of Purchases Index

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

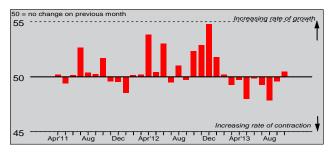


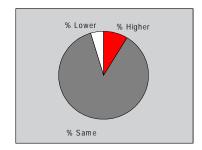


In October, the quantity of inputs bought by Mexican manufacturing companies was the same as in September. This was indicated by the seasonally adjusted Quantity of Purchases Index posting exactly at the 50.0 no-change level. The index previously signalled larger volumes of purchases in the previous two survey periods.

Stocks of Purchases Index

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





Following a seven-month sequence of reductions, input inventories at Mexican manufacturers increased in October. Although the rate of stock accumulation was only marginal, it was nonetheless the strongest since January. Firms largely attributed the increase in pre-production stocks to higher new order volumes in the latest survey period.

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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