HSBC Purchasing Managers' Index™ Press Release

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HSBC Mexico Manufacturing PMI™

Mexico manufacturing PMI edges higher in May

Summary

The Mexican manufacturing sector continued to expand in May, as companies scaled up both production and employment in response to rising inflows of new work. Input cost inflationary pressures remained solid, but these were partly offset by improved pricing power at a number of manufacturers.

The headline figure derived from the survey is the Manufacturing *Purchasing Managers' Index™ (PMI™)*. Readings above 50.0 signal an improvement 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.

Adjusted for seasonal influences, the HSBC Mexico Manufacturing PMI registered 51.9 in May, from 51.8 in April, to edge up further from March's five-month low. The headline PMI has signalled an improvement in overall operating conditions for eight months running.

Manufacturing production rose for the seventh straight month in May, underpinned by a further solid increase in new work received. Although the rate of output expansion moderated since April, and was below the long-run survey average, this partly reflected firms efforts to slow the rate of inventory accumulation.

May saw the level of incoming new business increase again, continuing a trend observed in all except one month since the survey began in April 2011. Where an expansion was reported, this was attributed to better inflows of new work from both domestic and foreign clients. New export business rose for the third month in a row, and at the fastest pace in over two years, reflecting improved demand from the US.

The ongoing upturn at manufacturers filtered through to the labour market, with the sector creating jobs for the seventh month running. Apart from rising production and new order volumes, companies linked increased headcounts to efforts to clear backlogs of work. The level of outstanding business subsequently fell for the fourth month in succession.

Input price inflation remained solid during the latest survey period. However, the rate of increase eased to a four-month low and was below the long-run survey average. Higher costs were linked to rising raw material prices and exchange rate movements. Part of the increase in purchasing costs was offset by higher selling prices, with output charges having now risen in each month of the year-to-date.

Holdings of both finished products and purchased goods continued to accumulate during the latest survey period. Rates of increase remained only moderate, however, and slower than those signalled in the prior month.

Comment

Commenting on the Mexico Manufacturing *PMI™* survey, Sergio Martin, Chief Economist at HSBC in Mexico said:

"The HSBC Mexico Manufacturing PMI increased for the second month in a row in May and placed at 51.9pts.

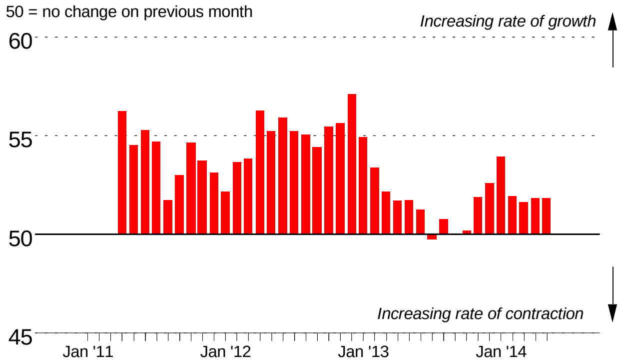
"This result suggests that the manufacturing sector will keep on recovering. The return to more normal levels of production in the US after the disruptive weather at the beginning of the year may support manufacturing production in Mexico. This view is supported by the sharp rise registered in the manufacturing exports in April."

Key points

- Growth of output and new orders maintained
- Manufacturers initiate further increase to headcounts
- Selling prices raised for fifth straight month

Historical Overview

HSBC Mexico Manufacturing *PMI™*



Sources: HSBC, Markit.

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Notes to Editors:

The HSBC Mexico Manufacturing PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 400 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to Mexican 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: 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. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

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About PMI:

Purchasing Managers' Index™ (PMI™) surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics