

HSBC Mexico Manufacturing PMI™

Manufacturing sector remains in expansion mode during April

Summary

The latest survey highlighted a sustained upturn in manufacturing sector business conditions, although growth momentum was still weaker than that seen at the start of 2015. Stronger export sales were the main positive development during April, alongside a rebound in production growth from March's recent low. Meanwhile, the weaker exchange rate continued to push up the price of imported raw materials, with the rate of cost inflation easing only slightly over the month and still the second-fastest since June 2012.

At 53.8 in April, the seasonally adjusted HSBC Mexico Manufacturing PMI™ was unchanged since March, but above the neutral 50.0 threshold for the nineteenth successive month. The latest reading also signalled a slightly stronger improvement in business conditions than the average recorded since the survey began in early 2011 (53.4).

April data pointed to a robust and accelerated upturn in manufacturing production levels, although the latest expansion was still weaker than that seen at the start of 2015. Companies that raised their output volumes mainly commented on increased sales (especially to export clients), as well as efforts to reduce backlogs of work at their plants. The latest drop in unfinished work across the manufacturing sector was the most marked so far this year.

Overall growth of new business intakes moderated for the third month running to its weakest since October 2014. However, survey respondents commented on stronger demand patterns from export clients, particularly those in the U.S. and Asia. As a result, new work from abroad picked up at the sharpest pace for three years in April. Slower rises in total volumes of new work contributed to more cautious job hiring across the manufacturing sector in April. The latest survey pointed to only a marginal increase in employment numbers, and the rate of hiring was the slowest since November 2014.

Average cost burdens increased sharply in April, and the rate of inflation eased only fractionally from March's recent peak. This in turn resulted in a solid rise in factory gate charges. Prices charged by manufacturers in Mexico have increased in each month since November 2014, but the rate of inflation moderated slightly during the latest survey period.

Comment

Commenting on the Mexico Manufacturing PMI™ survey, Tim Moore, Senior Economist at Markit said:

"April's survey illustrates a robust performance for Mexico's manufacturing sector, although momentum remains somewhat slower than at the start of 2015."

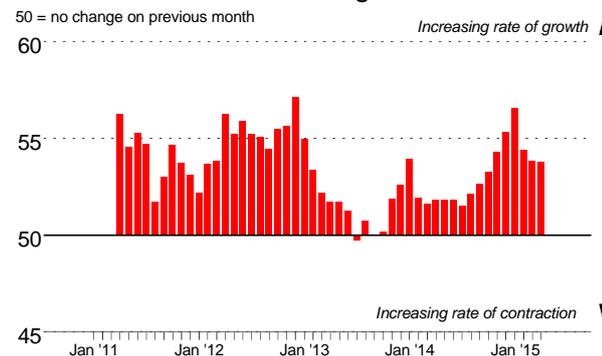
"The latest upturn in new work from abroad was the fastest for three years, suggesting that exchange rate depreciation and strong flows of capital investment are delivering an appreciable boost to export sales across the manufacturing sector."

Key points

- Output growth accelerates, but new orders expand at slower pace
- Solid upturn in new export work
- Input prices continue to rise at sharp rate in April

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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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

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