

# HSBC Mexico Manufacturing PMI™

## Slowest improvement in manufacturing business conditions since October 2014

### Summary

May data indicated that output and new business growth across the Mexican manufacturing sector remained weaker than the peaks seen in January. Although the latest survey highlighted a slowdown in overall new order gains, the upturn in export sales was close to the three-year high recorded during April, thereby suggesting robust external demand trends.

Moreover, manufacturers continued to boost their employment numbers, with the pace of job creation picking up slightly since the previous month. On the prices front, latest data highlighted that exchange rate depreciation contributed to a further sharp rise in input costs, but competitive pressures resulted in the slowest increase in factory gate charges since the start of 2015.

Adjusted for seasonal influences, the HSBC Mexico Manufacturing PMI registered 53.3 in May, down slightly from 53.8 in April and the lowest reading for seven months. However, the headline index has now remained above the neutral 50.0 threshold for 20 months running and the latest reading was broadly in line with the average since the survey began in 2011 (53.4).

Slower rates of output and new business growth were key factors weighing on the headline index in May. In both cases, the latest pace of expansion was the weakest since September 2014. Companies that reported a rise in new work generally cited successful marketing initiatives and the launch of new products. Solid growth of export sales continued in May, which survey respondents mainly attributed to stronger demand from the U.S. and South America.

Backlogs of work fell for the sixteenth successive month in May and the rate of decline accelerated to the fastest since July 2014. Reports from survey respondents suggested that rising capital expenditure and associated efforts to boost production capacity had contributed to lower levels of work outstanding. Meanwhile, payroll numbers continued to rise in May, which extended the current period of job creation to ten months.

May data indicated rising stocks of finished goods and increased pre-production inventories across the Mexican manufacturing sector. Supply chains nonetheless remained under pressure, with manufacturers noting that

low stocks at vendors contributed to a further lengthening of delivery times.

### Comment

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

*"Mexico's manufacturing sector continued to expand at a solid pace in May, helped by new export orders rising at one of the fastest rates seen over the past three years. However, domestic demand has slipped down to a more subdued growth path, which contributed to the slowest overall improvement in business conditions since last October."*

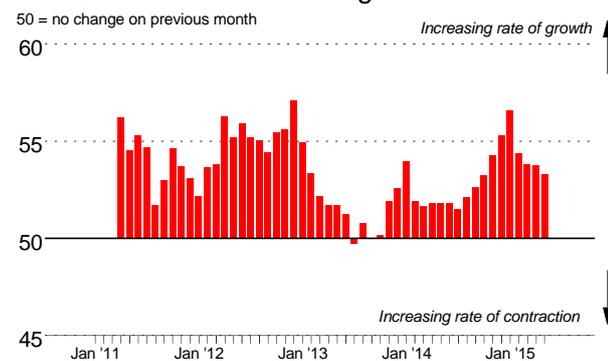
*"Looking ahead, manufacturers appear confident about the business outlook, with employment numbers rising again during May, while survey respondents also widely commented on sustained capital investment growth and associated plans to boost capacity at their plants."*

### Key points

- Softer rates of output and new business expansion in May
- New export order growth remained close to April's three-year high
- Manufacturing job creation sustained for the tenth month running

### Historical Overview

#### HSBC Mexico Manufacturing PMI™



Sources: HSBC, Markit.

**For further information, please contact:**

**HSBC**

Lorena Dominguez, Senior Economist, Mexico  
Telephone +52-55-5721-2172  
Email [lorena.dominguez@hsbc.com.mx](mailto:lorena.dominguez@hsbc.com.mx)

Lyssette Bravo, Head of External Communication  
Telephone + 52-55-5721-2888  
Email [lyssette.bravo@hsbc.com.mx](mailto:lyssette.bravo@hsbc.com.mx)

**Markit**

Tim Moore, Senior Economist  
Telephone +44-1491-461-1067  
Email [tim.moore@markit.com](mailto:tim.moore@markit.com)

Joanna Vickers, Corporate Communications  
Telephone +44207 260 2234  
E-mail [joanna.vickers@markit.com](mailto:joanna.vickers@markit.com)

**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*<sup>™</sup> (*PMI*<sup>™</sup>) 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](mailto:economics@markit.com).

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