HSBC Purchasing Managers' Index™ Press Release

compiled by markit

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HSBC Mexico Manufacturing PMI™

Output growth accelerates to ten-month high

Summary

Mexican manufacturing business conditions continued to improve in December, with the rate of growth the fastest since February. The modest improvement in operating conditions partly reflected the strongest increase in production for ten months, as well as a solid rise in new orders. Concurrently, manufacturers hired additional staff for the second month running in December, although the rate of job creation remained only marginal.

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.

The seasonally adjusted HSBC Mexico Manufacturing PMI registered 52.6 in December, indicating a moderate improvement in manufacturing operating conditions. Although having risen from 51.9 in November to a ten-month high, the PMI remained below the series average of 53.6.

The volume of new orders received by Mexican manufacturers increased for the fifth consecutive month in December. Panellists often linked this to greater demand and new client wins. Overall, the rate of growth was solid and the fastest since March, with new export work also rising over the month.

Output increased for the second month running in December, largely reflecting higher new order requirements. Moreover, the latest rise in production was moderate and the strongest since February. Concurrently, stocks of finished goods were accumulated at the fastest pace for a year, while backlogs of work fell marginally.

The quantity of stocks bought by Mexican manufacturing firms increased at a solid pace in December. A number of companies used some of their larger purchasing volumes to rebuild their stocks, with input inventories rising at the second-strongest pace since data collection in April 2011. Subsequently, greater demand for inputs put additional pressure on vendors, with delivery times lengthening for the third consecutive month.

Manufacturing employment in Mexico increased for the second successive month in December. However, the overall rate of job creation eased from November and was only marginal.

Although input costs faced by manufacturers continued to rise in December, particularly for raw materials and fuel, the rate of inflation was the weakest since June. Meanwhile, average selling prices at monitored companies were little-changed from one month previously.

Comment

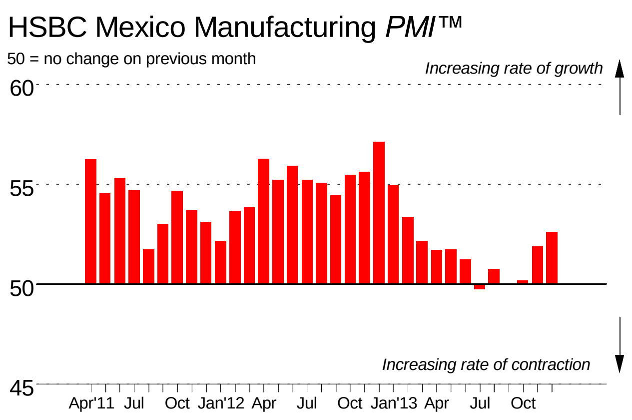
Commenting on the Mexico Manufacturing *PMI™* survey, Sergio Martin, Chief Economist at HSBC in Mexico said:

"The HSBC Mexico Manufacturing PMI improved for the third month in a row and placed at 52.6 in December, the highest reading in ten months. This result seems to confirm the nascent recovery in the manufacturing sector. Our view is supported by the upward trend in non-oil exports as well as by the normalization of gas that represented a constraint for industrial companies in 1H13. "

Key points

- PMI signals strongest improvement in business conditions since February
- Solid new order growth supports higher production
- Employment increases marginally

Historical Overview



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.

HSBC:

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About Markit:

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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