HSBC Purchasing Managers' Index™ Press Release

Embargoed until: 09:30 (Mexico City), 1 October 2014

compiled by markit

HSBC Mexico Manufacturing PMI™

Manufacturing PMI hits eight-month high in September

Summary

September data indicated a solid overall improvement in manufacturing business conditions. Output growth accelerated for the second month running, supported by the steepest rise in new orders since January. However, new export sales dipped for the first time in seven months and at the most marked pace since July 2013. Nonetheless, manufacturers continued to take on additional staff and boost their input buying. Increased purchasing activity contributed to a further lengthening of supplier lead-times. Pre-production inventories and finished goods stocks both increased during September, but at slower rates than in August.

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.

At 52.6 in September, up from 52.1 in August, the HSBC Mexico Manufacturing PMI registered above the neutral 50.0 threshold for the twelfth consecutive month. The latest reading pointed to a solid improvement in business conditions that was the most marked since January. All five component indices had a positive influence on the headline PMI, led by a robust contribution from new order growth in September.

Manufacturing production levels increased for the eleventh successive month in September and the rate of expansion picked up to the fastest since January. Survey respondents generally commented on improving business conditions and stronger client demand, especially from domestic sources. In line with the trend for output, latest data highlighted the fastest expansion of incoming new business since the start of 2014. That said, new export orders decreased moderately amid intense competition in key markets, which ended a six-month period of expansion.

Staffing levels increased for the second month in a row during September. Although the rate of employment growth remained only modest, the latest upturn in workforce numbers was the most marked since March. Meanwhile, backlogs of work were reduced for the eighth successive month, which manufacturers attributed to rising staff recruitment, improved production efficiency and investments in additional capacity at their plants.

September data pointed to a robust and accelerated pace of input price inflation across the manufacturing sector, largely driven by higher raw material costs. However, factory gate charges decreased for the first time in nine months, with survey respondents pointing to squeezed pricing power and efforts to boost sales through price discounts.

Comment

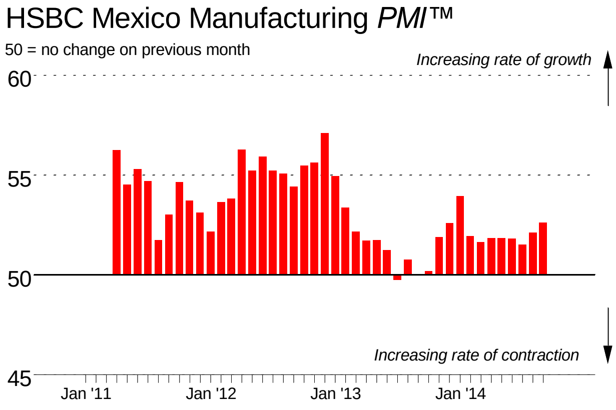
Commenting on the Mexico Manufacturing *PMI*™ survey, Lorena Dominguez, Senior Economist at HSBC in Mexico said:

"The HSBC Mexico Manufacturing PMI increased to 52.6 in September from 52.1 in August, supported by the fastest rise in new orders since January. 2Q14 GDP results surprised to the upside with a quarterly growth of 1.0% in seasonally adjusted terms. The recovery was supported by external demand that boosted manufacturing exports. September's manufacturing PMI results suggest that industrial activity will continue to support the economic recovery in the 2H14."

Key points

- Sharper rises in output and new orders...
- ...despite a slight reduction in new export business
- Moderate increase in payroll numbers

Historical Overview



Sources: HSBC, Markit.

markit

HSBC

For further information, please contact:

HSBC

Lorena Dominguez, Senior Economist, Mexico
Telephone +52-55-5721-2172
Email lorena.dominguez@hsbc.com.mx

Lyssette Bravo, Head of External Communication
Telephone + 52-55-5721-2888
Email lyssette.bravo@hsbc.com.mx

Markit

Tim Moore, Senior Economist
Telephone +44-1491-461-1067
Email tim.moore@markit.com

Joanna Vickers, Corporate Communications
Telephone +44207 260 2234
E-mail 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™ (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:

HSBC is one of the world's largest banking and financial services organisations. With around 6,600 offices in both established and faster-growing markets, we aim to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

We serve around 55 million customers through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 80 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Our aim is to be acknowledged as the world's leading international bank.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by about 216,000 shareholders in 130 countries and territories.

About Markit:

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,000 people in 10 countries. Markit shares are listed on NASDAQ under the symbol "MRKT". For more information, please see www.markit.com

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