HSBC Purchasing Managers' Index™ Press Release

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

compiled by markit

HSBC Mexico Manufacturing PMI™

Mexico manufacturing PMI eases to nine-month low in July

Summary

July data indicated further rises in production and new orders across the Mexican manufacturing sector, but staffing levels declined for a second month running and the latest improvement in overall business conditions was the weakest since October 2013. Meanwhile, input costs increased at a robust and accelerated pace, but output charge inflation at manufacturing firms was only marginal and eased to a three-month low.

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 51.5 in July, down from 51.8 in June and the lowest for nine months. The headline index was slightly above the neutral 50.0 mark, to signal only a moderate improvement in overall business conditions. The latest reading was also below the average seen since the survey began in April 2011 (53.3).

Output levels increased at a moderate pace in July, which extended the current period of expansion to nine months. However, the latest rise in production was weaker than that seen in June and slower than the survey average. Some manufacturers noted relatively subdued domestic demand and a lack of pressure on operating capacity.

Overall volumes of new work increased at a solid pace in July, with the rate of expansion in line with that seen during the previous month. A number of firms attributed greater new business levels to stronger export demand, as highlighted by a further rise in new orders from abroad in July. Moreover, the rate of new export order growth picked up to its second-fastest since April 2012.

July data indicated a sharp and accelerated reduction in outstanding business across the manufacturing sector. Moreover, the latest fall was the steepest since the survey began in early-2011, which firms linked to operational efficiency and spare capacity at their plants. The latest survey also signalled a reduction in employment levels for the second consecutive month, although the rate of job shedding was only marginal.

Input cost inflation picked up for the second month running to its strongest pace since March. Survey respondents cited stronger demand for raw materials, as highlighted by purchasing activity rising for the ninth successive month. Meanwhile, suppliers' delivery times lengthened in July, but the latest deterioration of vendor performance was only marginal.

Comment

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

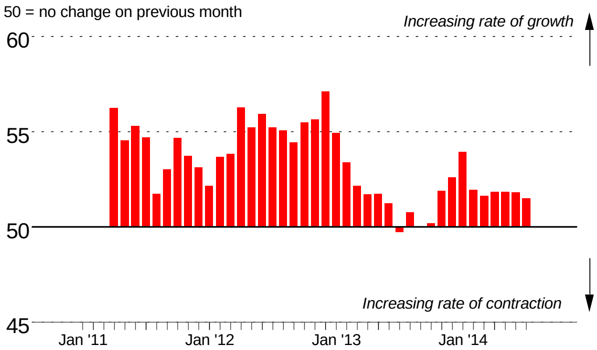
"The HSBC Mexico Manufacturing PMI slipped for the second consecutive month to 51.5 in July from 51.8 in June, though the index remains above the neutral 50.0 value. This suggests that the manufacturing sector may continue to grow, although probably at a slower pace. Nonetheless, the new export orders index signalled a solid increase in new business from abroad, which suggests that external demand will continue to support the sector."

Key points

- Output growth slows in July, while employment continues to fall
- Solid rise in new business, supported by export order growth
- Fastest increase in average cost burdens since March

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.

HSBC:

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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