

IMEF's PMI surveys – July's figures suggest a more positive outlook

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- **IMEF Manufacturing PMI (July, sa): 48.9pts. Banorte-Ixe: 49.1 points; consensus: 49.4pts. (range of estimates: 48.5 to 50); previous: 49.3**
- **IMEF Non-manufacturing PMI (July, sa): 52.4; Banorte-Ixe: 50.8; consensus: 49.7pts. (range of estimates: 48.5 to 50.8); previous: 48**
- **The 0.3 points reduction in the manufacturing index was explained by the contraction in the production, employment, and inventories sub-indexes**
- **However, the new orders to inventories ratio is above the 1 point threshold**
- **While the headline figure suggests a negative outlook for Mexico's manufacturing industry, we believe that the recent evolution of the new orders and inventories sub-indices suggests that the manufacturing sector could show a marginal recovery in 3Q16**

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IMEF's manufacturing PMI posted a 0.3 points reduction. The *IMEF* just published its PMI surveys results for July, where the manufacturing indicator stood at 48.9 points, marginally below our 49.1 forecast. Today's figure implies a 0.3 points reduction from the level observed in June. However, we highlight that June's figure was revised up to 49.3 from 47.5. Taking a look at the breakdown, we highlight that the fall in the production, employment, and inventories indexes (0.2, 1.7 and 0.8 points, respectively). However, the new orders and deliveries sub-indices edged-up by 0.6 and 8.4 points, respectively (refer to the following table).

Manufacturing PMI index

Seasonal adjusted figures

sa	Jul-16	Jun-16	Difference
Manufacturing	48.9	49.3	-0.3
New orders	50.6	50.0	0.6
Production	48.1	48.3	-0.2
Employment	48.0	49.7	-1.7
Deliveries	56.3	47.9	8.4
Inventories	44.7	45.5	-0.8

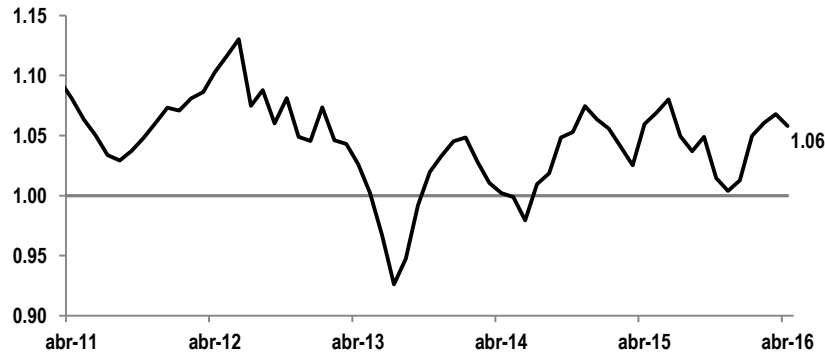
Source: IMEF

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The new orders to inventories ratio is in positive territory. The new orders to inventories ratio, a leading indicator of Mexico’s manufacturing output, has remained above the 1 point threshold, which implies that despite July’s contraction, Mexico’s manufacturing output will probably show a better performance during the third quarter.

New orders to inventories ratio

Seasonal adjusted figures, 3-month moving average



Source: Banorte-ixe

The non-manufacturing index stood at 52.4 points (seasonally adjusted figures). This number implies a 4.5 point monthly expansion. Taking a look at the breakdown, all of the sub-indices posted a significant recovery. However, we highlight the expansion in the new orders (+6.6 points) and production (5 points) sub-indices, as shown in the table below.

Non-manufacturing PMI index

	Jul-16	Jun-16	Difference
Non-manufacturing	52.4	48.0	4.5
New orders	54.5	47.9	6.6
Production	53.2	48.3	5.0
Employment	50.7	47.2	3.5
Deliveries	51.6	45.5	6.1

Source: IMEF

The devil is in the details. Even though the PMI headline figure suggests a more negative outlook for Mexico’s manufacturing industry, we believe that the recent evolution of the new orders and inventories sub-indices suggests that the manufacturing sector could show a marginal recovery in the third quarter of the year. We’ll wait for the following PMI report in order to assess if manufacturing output will begin to recover.

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