

IMEF's PMI surveys – Marginal recovery in manufacturing shadowed by a sharp fall in services

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- **IMEF Manufacturing PMI (January, sa): 49.0 pts; Banorte-Ixe: 46.9 pts; consensus: 47.1 pts (range of estimates: 46.9 to 48.5 pts); previous: 48.6 pts**
- **IMEF Non-manufacturing PMI (January, sa): 47.1 pts; Banorte-Ixe: 47.8 pts; consensus: 48.5 pts (range of estimates: 47.8 to 48.7 pts); previous: 48.5 pts**
- **The 0.4 point expansion in the manufacturing index was explained by an increase in employment, deliveries and inventories sub-indices**
- **However, the monthly gains in the manufacturing PMI were offset by the 1.4 point contraction in the non-manufacturing index, as a result of decreases in the new orders, deliveries and employment components**
- **Today's figures suggest that exports will probably outperform manufacturing output**
- **We believe that the uncertainty around the U.S. commercial policy will continue to impact in firms' future decisions**

IMEF's manufacturing PMI posted a 0.4 point increase. The *IMEF* just published its PMI surveys results for January, where the manufacturing indicator stood at 49 points, above our 46.9 forecast (consensus: 47.2). Today's figure implies a 0.4 point increase from December's revised figures. Moreover, the weighted sum of the individual components within the manufacturing series shows a 0.9 points gain in the month. Taking a look at the breakdown, the rise in the index was explained by increases in the employment, deliveries and inventories sub-indices. However, the 2.8pt fall in production and the 1.1pt decrease in the new orders components are particularly relevant, since both are leading indicators of manufacturing's outlook.

Exports will outperform manufacturing production. Despite the contraction in the production sub-index, the average level of the inventories during December and January has significantly underperformed production's performance (49.7pt vs 44.3pt).

Considering that the above-mentioned level of inventories implies a contraction, while production's average level only suggests a sharp decline in the growth rate, we expect manufacturing output to be slower than manufacturing exports in the coming months.

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Manufacturing PMI index

Seasonally adjusted figures

	Jan-17	Dec-16	Difference
Manufacturing	49.0	48.6	0.4
New orders	47.3	48.4	-1.1
Production	48.3	51.1	-2.8
Employment	49.1	44.6	4.5
Deliveries	53.7	52.3	1.5
Inventories	45.6	42.9	2.7

Source: IMEF

The non-manufacturing index stood at 47.1 points (seasonally adjusted figures). This number implies a 1.4 point monthly reduction. In addition, the weighted sum of the sub-indices within the non-manufacturing series shows that the headline index decreased 1.1 points.

Taking a look at the breakdown, three of the four sub-indices posted a contraction, where we highlight the decreases in new orders (-4.6 units), deliveries (-0.8 units) and employment (-0.7 points) sub-indices. Despite the higher production figure, looking ahead we expect the non-manufacturing index to show weakness for the same reasons as the manufacturing index.

Non-manufacturing PMI index

Seasonally adjusted figures

	Dec-16	Nov-16	Difference
Non-manufacturing	47.1	48.5	-1.4
New orders	42.9	47.5	-4.6
Production	44.3	42.7	1.6
Employment	46.6	47.3	-0.7
Deliveries	53.0	53.8	-0.8

Source: IMEF

We believe that the uncertainty around the U.S. commercial policy will continue to have a negative impact in firms' future decisions. With both indices staying below the 50 point threshold, we consider that the uncertainty around the future performance of the Mexican economy –stemming from Donald Trump's possible protectionist policies–, will continue to have a negative impact on Mexico's economic growth in the coming months. We expect this trend to continue until there is more certainty about the U.S. commercial stance.

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