

IMEF's PMI surveys – Mixed results

February 1, 2018

- **IMEF Manufacturing PMI (January, sa): 51.2pts; Banorte: 51.6pts; consensus: 52pts (range of estimates: 51.2 to 52.3pts); previous: 52.1pts**
- **IMEF Non-manufacturing PMI (January, sa): 53.1pts; Banorte: 52.2pts; consensus: 51.9pts (range of estimates: 51.5 to 52.4pts); previous: 51.9pts**
- **The 1 point contraction in the manufacturing index was explained by a decrease in the new orders and manufacturing sub-indices**
- **Moreover, the non-manufacturing index grew by 1.1 points, given the expansion in the employment component**
- **The increase in uncertainty about possible US trade policies may weigh on the indices in the coming months**

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Francisco Flores
Economist, Mexico
francisco.flores.serrano@banorte.com

IMEF's manufacturing PMI posted a 1 point contraction. The *IMEF* just published its PMI surveys for January, where the manufacturing indicator stood at 51.2 points, below our 51.6 forecast. Today's figure implies a 1 point fall from December's revised figures. Moreover, the weighted sum of the individual components within the manufacturing series posted a 1.1 point contraction. Taking a look at the breakdown, the reduction in the index was explained by a drop in two of the five sub-indices. We highlight the 4.1pts fall in the new orders component while production decreased by 3.1pts. Moreover, it is also worth noting the 1.5pts rise in deliveries.

It should be noted that the employment and inventory indices are below the 50 point threshold while the deliveries component currently stands at this level. Only the sub-indices of new orders and production are located above it. However, the production component has maintained a downward trend during the last five months.

We believe that this recent weakness in the index reflects the higher uncertainty about the future of the commercial relationship between Mexico and the US. given several adverse comments from the Trump administration in late 2017. However, we think that the sixth round of the NAFTA renegotiation showed a greater desire on the part of the US negotiators to reform the treaty instead of leaving it. In this sense, as the uncertainty decreases, the index will have more room to recover.

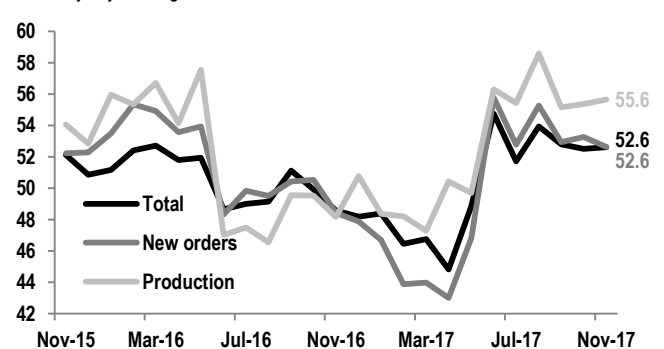
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IMEF's PMI manufacturing index
Seasonally adjusted figures

	Jan-18	Dec -17	Difference
Manufacturing	51.2	52.1	-1.0
New orders	52.7	56.8	-4.1
Production	51.1	54.2	-3.1
Employment	49.4	49.1	0.3
Deliveries	50.0	48.5	1.5
Inventories	49.4	49.4	0.0

Source: Banorte, IMEF

IMEF's PMI manufacturing index
Seasonally adjusted figures



Source: Banorte, IMEF

The non-manufacturing index stood at 53.1 points (seasonally adjusted figures). This number implies a 1.1 point monthly rise, which previously stood at 51.9 points. The increase comes on the back of the 1.1 expansion in the employment sub-index.

However, the weighted sum of the sub-indices within the non-manufacturing series shows that the headline index fell 0.3 points, reflecting the fall of 1.1pts. in the new orders component as well as the 1.4 contraction in production.

Unlike the manufacturing index, all components of the non-manufacturing index are in expansion, showing greater strength in this sector.

Non-manufacturing PMI index
Seasonally adjusted figures

	Jan-18	Dec -17	Difference
Non-manufacturing	53.1	51.9	1.1
New orders	53.0	54.1	-1.1
Production	53.3	54.7	-1.4
Employment	51.6	50.6	1.1
Deliveries	50.3	50.3	0.0

Source: IMEF

The increase in uncertainty about possible US trade policies may weigh on the indices in the coming months. Although the tone of the administration of Donald Trump over the renegotiation of NAFTA seems to have improved in the last days of January, we believe that purchasing managers will continue to be cautious until they have a clearer picture. On the other hand, the prospects of lower dynamism in private consumption could have a negative impact on the non-manufacturing index.

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GRUPO FINANCIERO BANORTE S.A.B. de C.V.
Research and Strategy

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

Economic Analysis

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Alejandro Cervantes Llamas	Senior Economist, Mexico	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Katia Celina Goya Ostos	Senior, Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional & Sectorial	miguel.calvo@banorte.com	(55) 1670 - 2220
Juan Carlos García Viejo	Economist, International	juan.garcia.viejo@banorte.com	(55) 1670 - 2252
Francisco José Flores Serrano	Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Fixed income and FX Strategy

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Juan Carlos Alderete Macal, CFA	FX Senior Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Strategist Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Technical Analysis	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Equity Research – Conglomerates / Financials/ Mining / Petrochemicals	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research – Airlines / Airports / Cement / Infrastructure / REITs	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

Corporate Debt

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.roldan.ferrer@banorte.com	(55) 5004 - 1454