

IMEF's PMI surveys – Mixed signals

April 3, 2017

- **IMEF Manufacturing PMI (March, sa): 45.9 pts; Banorte-Ixe: 46.8 pts; consensus: 48 pts (range of estimates: 46 to 49 pts); previous: 46.3 pts**
- **IMEF Non-manufacturing PMI (March, sa): 48 pts; Banorte-Ixe: 46.8 pts; consensus: 47.9 pts (range of estimates: 45.8 to 49 pts); previous: 46.8 pts**
- **The 0.4 point contraction in the manufacturing index was explained by a decrease in four of the five sub-indices**
- **By contrast, the non-manufacturing index, grew by 1.2 points as a result of increases in all of the sub-indices**
- **We believe that the uncertainty around the U.S. trade policy will continue to impact firms' future decisions**

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IMEF's manufacturing PMI posted a 0.4 point contraction. The *IMEF* just published its PMI surveys for March, where the manufacturing indicator stood at 45.9 points, below our 46.8 forecast (consensus: 48). Today's figure implies a 0.4 point decrease from February's revised figures. Moreover, the weighted sum of the individual components within the manufacturing series shows a 1.3 points loss in the month.

Taking a look at the breakdown, the fall in the index was explained by decreases in the production, employment, deliveries and inventories sub-indices. However, the new orders sub-index posted a 0.6 units growth, but still remains the second worst performing sub-index. Both new orders and production component's trajectory are particularly relevant since they are leading indicators of manufacturing's outlook.

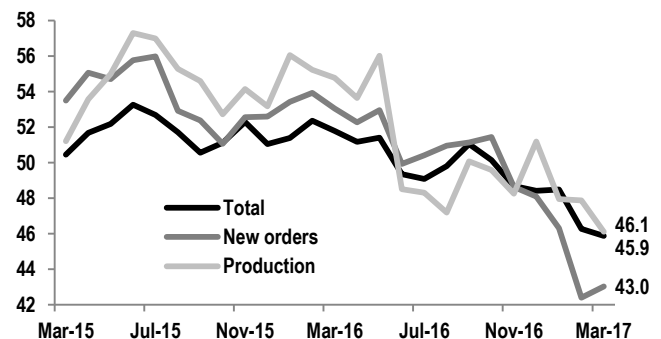
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IMEF's PMI manufacturing index
Seasonally adjusted figures

	Mar-17	Feb-17	Difference
Manufacturing	45.9	46.3	-0.4
New orders	43.0	42.4	0.6
Production	46.1	47.9	-1.8
Employment	43.7	44.6	-0.9
Deliveries	49.2	53.1	-3.8
Inventories	42.4	42.8	-0.4

Source: Banorte-Ixe, IMEF

IMEF's PMI manufacturing index
Seasonally adjusted figures



Source: Banorte-Ixe, IMEF

The non-manufacturing index stood at 48 points (seasonally adjusted figures). This number implies a 1.2 points monthly increase, and stands 1.2 points above our forecast and 0.1 points above consensus. Moreover, the weighted sum of the sub-indices within the non-manufacturing series shows that the headline index increased 1.5 points.

Taking a look at the breakdown, we highlight the increases in new orders (+3.0 points) and employment (+1.8 points) sub-indices. Despite these figures, 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

	Mar-17	Feb-17	Difference
Non-manufacturing	48.0	46.8	1.2
New orders	46.5	43.5	3.0
Production	48.8	47.6	1.1
Employment	45.3	43.5	1.8
Deliveries	50.9	50.7	0.2

Source: IMEF

We believe that the uncertainty around the U.S. commercial policy will continue to have a negative impact in firms' future decisions. Despite the increase in the non-manufacturing index, both indices remain below the 50 point optimism threshold, which we believe continue to reflect uncertainty around the future performance of the Mexican economy –stemming from the new US administration's possible protectionist policies–. The possible implementation of these 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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