

IMEF's PMI surveys – Both indices decline

May 2, 2017

- **IMEF Manufacturing PMI (April, sa): 45 pts; Banorte-Ixe: 46.5 pts; consensus: 46.5 pts (range of estimates: 45.8 to 48.5 pts); previous: 46 pts**
- **IMEF Non-manufacturing PMI (April, sa): 47.2 pts; Banorte-Ixe: 47.4 pts; consensus: 48.2 pts (range of estimates: 47.4 to 49.9 pts); previous: 47.9 pts**
- **The 1 point contraction in the manufacturing index was explained by a decrease in three of the five sub-indices**
- **Moreover, the non-manufacturing index, declined by 0.7 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 1 point contraction. The *IMEF* just published its PMI surveys for April, where the manufacturing indicator stood at 45 points, below the consensus and our 46.5 forecast. Today's figure implies a 1 point decrease from March's revised figures. Moreover, the weighted sum of the individual components within the manufacturing series shows a 0.4 point loss in the month.

Taking a look at the breakdown, the fall in the index was explained by decreases in the new orders, employment and deliveries sub-indices. However, the production sub-index posted a 3.1 units growth, being the best performing sub-index. Despite this last increase, both new orders and production component's trajectory are particularly relevant since they are leading indicators of manufacturing's outlook. Considering that both sub-indices stand below the 50 point threshold, we believe that they continue to reflect uncertainty about the future performance of the Mexican economy.

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IMEF's PMI manufacturing index

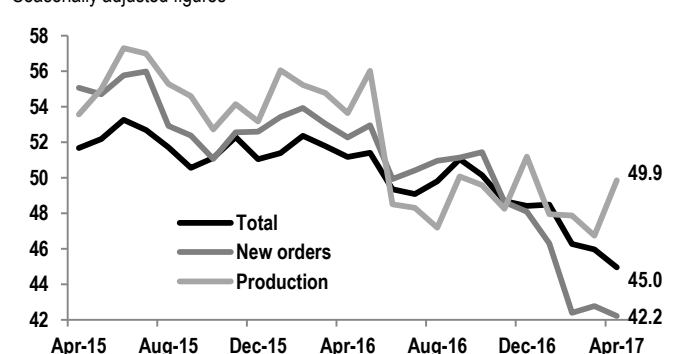
Seasonally adjusted figures

	Apr-17	Mar-17	Difference
Manufacturing	45.0	46.0	-1.0
New orders	42.2	42.8	-0.6
Production	49.9	46.7	3.1
Employment	40.2	44.4	-4.2
Deliveries	49.6	50.2	-0.6
Inventories	43.8	43.5	0.3

Source: Banorte-Ixe, IMEF

IMEF's PMI manufacturing index

Seasonally adjusted figures



Source: Banorte-Ixe, IMEF

The non-manufacturing index stood at 47.2 points (seasonally adjusted figures). This number implies a 0.7 points monthly decrease, which previously stood at 47.9 points. Moreover, the figure was in line with our forecast but 1

point below consensus. Moreover, the weighted sum of the sub-indices within the non-manufacturing series shows that the headline index decreased 0.8 points.

Taking a look at the breakdown, we highlight the fall in new orders (-1.8 points) and production (-0.7 points) sub-indices. Considering these figures, looking ahead we expect the non-manufacturing index to continue to show weakness for the same reasons as the manufacturing index.

Non-manufacturing PMI index

Seasonally adjusted figures

	Apr-17	Mar-17	Difference
Non-manufacturing	47.2	47.9	-0.7
New orders	44.9	46.7	-1.8
Production	48.2	48.9	-0.7
Employment	45.9	46.6	-0.7
Deliveries	50.7	50.9	-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. 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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