IMEF's PMI surveys – Tentative signs of a manufacturing recovery in February

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- ***IMEF* Manufacturing PMI (February, sa): 54.3pts; Banorte: 50.1pts; consensus: 50.0pts; previous: 50.2pts**
- ***IMEF* Non-manufacturing PMI (February, sa): 50.7pts; Banorte: 50.4pts; consensus: 50.4; previous: 50.7pts**
- **The manufacturing index surprised to the upside 4.1pts with respect to the revised figure of the previous month. With this, the index reached its highest level since June 2017**
- **The non-manufacturing index remained largely unchanged with an increase of less than 0.1pts**
- **Figures were particularly positive for the manufacturing sector given the generalized improvement while the non-manufacturing index posted mixed results**
- **Today's report suggest a better performance of activity related to the external sector at the start of the year**

***IMEF's* manufacturing PMI picks-up strongly in February.** The Mexican Institute of Financial Executives (*IMEF)* published its PMI surveys, where the manufacturing indicator stood at 54.3 points, considerably above our 50.1pts forecast and consensus at 50.0pts and at its highest since June 2017. It is worth mentioning that January was revised higher to 50.2pts, so the index stood in contraction only in November and December. In line with this data, the weighted-sum stood at 53.2pts, 4.5pts above the previous month.

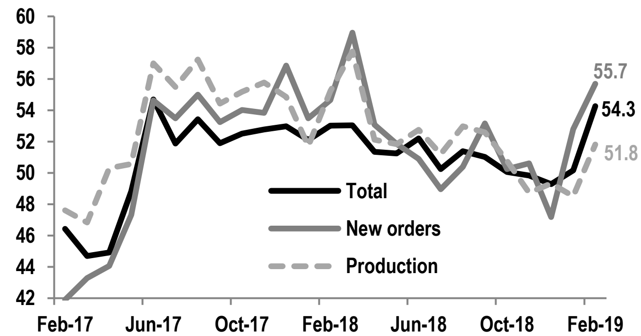
The manufacturing index benefited from the strong increase in inventories and new orders. In our view, this is related to the logistical problems stemming from the delay in fuel distribution and railway blockades in several states during January and the first half of February. In particular, this is more evident in the 8.9pts increase in the inventories sub-index, which reached a new high since July 2012. Moreover, the new orders component was the best performer as it came at 55.7 units. With today's release, all components now stand above the 50pts threshold, suggesting a better-than-expected performance of the sector in 1Q19, including data on manufacturing exports according to the trade balance in January. Nevertheless, an additional improvement could be limited as inventories will tend to decrease as issues in distribution normalize in coming months.

IMEF's PMI manufacturing index
Seasonally adjusted figures

	Feb-19	Jan-19	Difference
Manufacturing	**54.3**	**50.2**	**4.1**
New orders	55.7	52.8	2.9
Production	51.8	48.5	3.3
Employment	51.7	49.0	2.7
Deliveries	51.8	47.0	4.7
Inventories	55.1	46.2	8.9

Source: Banorte, IMEF

IMEF's PMI manufacturing index
Seasonally adjusted figures



Source: Banorte, IMEF

The non-manufacturing index remained unchanged. The indicator stayed at 50.7pts, unchanged when compared to the revised figure of the previous month (+0.1pts). This sector has showed higher stability when compared to manufacturing, which we see as positive. Taking a look at the breakdown, we highlight the strong rebound of 2.0pts in the production component to 49.5pts, getting closer to expansion territory. Moreover, new orders rebounded from 50.7pts in January to 51.1pts. On the other hand and in contrast with the generalized increase in manufacturing, employment and deliveries fell 1.6pts and 0.2pts, respectively. In general terms, this indicator has been suggesting stability in the domestic sector, supported by consumption that remains as the main driver of growth for the Mexican economy.

Non-manufacturing PMI index
Seasonally adjusted figures

	Feb-19	Jan-19	Difference
Non-manufacturing	**50.7**	**50.7**	**0.1**
New orders	51.5	50.7	0.8
Production	49.5	47.5	2.0
Employment	48.4	50.0	-1.6
Deliveries	51.3	51.5	-0.2

Source: IMEF

Today's report suggest a better performance of activity related to the external sector at the start of the year. In particular, the strong positive surprise in manufacturing and its increase for a second consecutive month after the deceleration at the end of last year suggests that this sector has recovered some of its dynamism. This is relevant considering lower global trade volumes and recent local events that that could have impacted performance more significantly. In services, we highlight that the index stands at a high since last September and has exhibited less impact from the recent deceleration in activity in spite of the increase in the unemployment rate by year-end 2018 and the moderation in the pace of job creation. In this sense, this indicator suggests that consumption has maintained its relative strength. Broadly speaking, today's results signal a better-than-expected performance of the external sector, consistent with the improvement observed in other indicators for 1Q19 released so far.

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