

# IMEF's PMI surveys – Lower dynamism at the start of 3Q18

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- **IMEF Manufacturing PMI (July, sa): 50pts; Banorte: 52.3pts; consensus: 52.4pts; previous: 52pts**
- **IMEF Non-manufacturing PMI (July, sa): 49.7pts; Banorte: 51.3pts; consensus: 51.2; previous: 50.2pts**
- **The 2 points contraction in the manufacturing index was explained by a fall in the five sub-indices**
- **Moreover, the non-manufacturing index fell by 0.5 points, given the reduction in two sub-indices**
- **We believe that negative data in this report was due to a combination of adverse factors, mainly tariffs and the pickup in inflation**

**IMEF's manufacturing PMI posted at 2 points contraction.** The (Mexican Institute of Financial Executives (*IMEF*)) just published its PMI surveys for July, where the manufacturing indicator stood at 50 points, below our 52.3pts forecast. Today's figure implies a 2 points decrease from June's revised figures. Moreover, the weighted sum of the individual components within the manufacturing series posted a 1.9 points fall. Taking a look at the breakdown, the contraction of the index was explained by a reduction in the five sub-indices.

We highlight the 2.8pts fall in the employment component, as well as the 2.7 and 0.9pts declines in inventories and deliveries, respectively. In addition, new orders edged-down 2pts while the production index was reduced by 1pt. It should be noted that with these results both new orders and employment stand below the 50 unit threshold.

We believe that the monthly decline was explained in part by the application of tariffs imposed by the US, which may have diminished the optimism in the areas of new orders and production. In addition, the appreciation of the Mexican currency during the month could also have negatively impacted the exporting companies. By contrast, in recent days, positive news have been released regarding the renegotiation of NAFTA, which could improve the sentiment of manufacturing companies in the coming months.

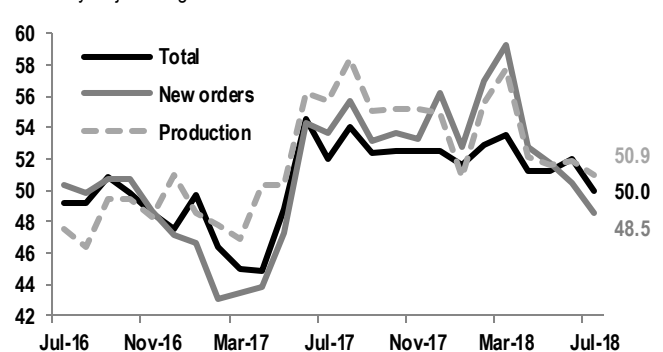
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**IMEF's PMI manufacturing index**  
Seasonally adjusted figures

	Jul-18	Jun -18	Difference
<b>Manufacturing</b>	<b>50.0</b>	<b>52.0</b>	<b>-2.0</b>
New orders	48.5	50.5	-2.0
Production	50.9	51.9	-1.0
Employment	49.0	51.8	-2.8
Deliveries	50.3	51.1	-0.9
Inventories	52.4	55.1	-2.7

Source: Banorte, IMEF

**IMEF's PMI manufacturing index**  
Seasonally adjusted figures



Source: Banorte, IMEF

**The non-manufacturing index stood at 49.7 points (seasonally adjusted figures).** This number implies a 0.5 point monthly decline, which previously stood at 50.2 points. In this regard, the weighted sum of the components showed a 0.2pts contraction, reaching 50.1pts from 50.3pts.

The fall comes on the back of the 1.9pts reduction in the new orders sub-index, as well as the 0.1pts contraction in the employment component. By contrast, the deliveries component showed a 0.3pts increase, while production posted a 0.9pts expansion.

With these results, both the employment (49.7pts) and new orders (48.7pts) components stand in the contraction zone. We believe that the decline in the sector was explained in part by the recent increase in inflation, which could reduce consumption prospects in the short term. However, we expect this effect to be transitory, pointing to a rebound in private consumption in the coming months.

**Non-manufacturing PMI index**

Seasonally adjusted figures

	Jul-18	Jun -18	Difference
<b>Non-manufacturing</b>	<b>49.7</b>	<b>50.2</b>	<b>-0.5</b>
New orders	48.7	50.6	-1.9
Production	51.6	50.7	0.9
Employment	49.7	49.8	-0.1
Deliveries	50.5	50.2	0.3

Source: IMEF

**This is one of our first glimpses into 3Q18 economic activity.** We believe that the results of this report are negative given a combination of adverse factors – mainly tariffs and a rebound in inflation, among others–, which have weighed on business optimism. However, we believe that there are positive factors, which we previously detailed, that could boost the economic dynamism moving forward.

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