IMEF's PMI surveys – A slow but steady progress in manufacturing

July 1, 2015

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Miguel Calvo
Economist, Regional and Sectorial
miguel.calvo@banorte.com

- ***IMEF* Manufacturing PMI (June, sa): 53.1pts Banorte-Ixe: 53pts.; consensus: 52pts. (range of estimates: 51.8 to 53); previous: 52.4**
- ***IMEF* Non-manufacturing PMI (June, sa): 51.3; Banorte-Ixe: 51.7; consensus: 51.5 (range of estimates: 51 to 51.7); previous: 51.1pts.**
- **We believe that the 0.5 points gain in the manufacturing index was explained by the significant recovery in the manufacturing industry**
- **We believe that the manufacturing sector will hold its upward trend in 3Q15**

***IMEF's* manufacturing PMI posted a 0.5 points expansion.** The *IMEF* just published its PMI surveys results for June, where the manufacturing indicator stood at 53.1 points, practically in line with our forecast. Today's figure implies a 0.5 points gain from the level observed in May, and was explained by a recovery in three of the five sub-indices. Taking a look at the breakdown, we highlight the expansion observed in production, employment and inventories (+0.4 points) components. However, new orders and deliveries sub-indices fell 1.1 and 1.3 points respectively (please refer to the following table).

Manufacturing and Non-manufacturing PMI indexes

sa	Jun-15	May-15	Difference
Manufacturing	**53.1**	**52.6**	**0.5**
New orders	54.9	55.9	-1.1
Production	56.9	56.5	0.4
Employment	51.1	50.7	0.4
Deliveries	48.3	49.6	-1.3
Inventories	53.4	53.0	0.4
Non-manufacturing	**51.3**	**51.2**	**0.1**
New orders	54.1	52.7	1.4
Production	52.8	52.8	0.0
Employment	49.2	49.7	-0.5
Deliveries	49.6	48.3	1.3

Source: IMEF

The non-manufacturing index stood at 51.3 (seasonally adjusted figures). This number was practically in line with our 51.7 forecast, and implies a 0.1 points monthly gain. Taking a look at the breakdown, the new orders and deliveries sub-indices posted a 1.4 and 1.3 points expansion respectively, while the employment sub-index fell 0.5 points. Production sub-index remains at 52.8 points, unchanged from previous month as shown in the table on the first page.

We believe that the manufacturing sector will hold its upward trend in 3Q15. Manufacturing output will continue to show a better performance due to the following factors: (1) The recovery of the U.S. economy in the third quarter of the year; (2) the better growth dynamics observed in other indicators associated with manufacturing output such as manufacturing exports; (3) the depreciation of the Mexican currency; and (4) the better growth prospects for Mexico’s private consumption which will eventually translate into an increasing domestic demand for manufacturing goods.

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 Godinez	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
Rey Saúl Torres Olivares	Analyst, Mexico	saul.torres@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 Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Analyst Fixed income and FX	santiago.leal@banorte.com	(55) 1103 - 2368
Equity Strategy			
Manuel Jiménez Zaldivar	Director Equity Research Analyst - Telecommunications / Media	manuel.jimenezza@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Equity Research Analyst	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Senior Equity Research Analyst – Conglomerates/Financials/Mining/Chemistry	marissa.garza@banorte.com	(55) 1670 - 1719
Marisol Huerta Mondragón	Senior Research Analyst – Food/Beverages	marisol.huerta.mondragon@banorte.com	(55) 1670 - 1227
José Itzamna Espitia Hernández	Equity Research Analyst – Airports/Cement/ Infrastructure/Fibras	jose.espitia@banorte.com.	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto parts	valentine.mendoza@banorte.com	(55) 1670 - 2250
María de la Paz Orozco García	Analyst	maripaz.orozco@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	Analyst, Corporate Debt	hugoa.gomez@banorte.com	(55) 1670 - 2247
Idalia Yanira Céspedes Jaén	Analyst, Corporate Debt	idalia.cespedes@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	Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Jorge de la Vega Grajales	Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Private Banking	lpietrini@ixe.com.mx	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Asset Management	pimentelr@ixe.com.mx	(55) 5268 - 9004
Ricardo Velazquez Rodríguez	International Banking	rvelazquez@ixe.com.mx	(55) 5268 - 9879
Victor Antonio Roldan Ferrer	Transactional Banking	vroldan@ixe.com.mx	(55) 5004 - 1454