

## **IMEF's PMI surveys – Pickup in overall activity in April**

- **IMEF Manufacturing PMI (April, sa): 52.0pts; Banorte: 48.6pts; consensus: 50.2pts; previous: 51.2pts**
- **IMEF Non-manufacturing PMI (April, sa): 52.4pts; Banorte: 50.6pts; consensus: 51.1; previous: 51.3pts**
- **Contrary to our expectations, the manufacturing index went up 0.9pts on the back of an increase in all components**
- **The non-manufacturing index accumulates five consecutive months in expansion, at a high not seen since April 2018 and supported by still favorable fundamentals in terms of domestic demand**
- **We believe manufacturing will advance modestly in 2Q19, limiting growth for industrial activity, while private consumption will continue as the main engine of growth**

**IMEF's manufacturing PMI up in April.** The Mexican Institute of Financial Executives (*IMEF*) published its PMI surveys, where the manufacturing indicator stood at 52.0 points, higher than our 48.6pts forecast and also ahead of consensus at 50.2pts. It is worth noting that the print of the previous month was revised up by 1.0pt, which we see as significant. Considering all components, the weighted-sum increased to 53.0pts, 2.3pts above March and at its second highest year-to-date.

**Manufacturing stronger on all fronts.** Contrary to our expectation, delays at the US border-crossings did not show up in the monthly dynamics despite reports stating that it has had an adverse impact. In this context, *CONCAMIN* has estimated on a preliminary basis that these have resulted in daily average losses of around US\$ 800 million. Despite of the latter, all five components posted a monthly increase, with only employment standing in contraction territory. We highlight the 3.3pts increase in inventories going from 51.4pts to 54.7pts, followed by deliveries which stood at 55.4pts (+3.2pts vs. March). In particular, in this last index is where we expected the highest impact due to the delays mentioned above. Nevertheless, we do not discard a shock in the following months if these issues extend further.

Regarding new orders, these stood at 54.6pts, up by 1.9pts, while employment rose 1.3pts to 48.6pts. The behavior of these components could point to an improvement in manufacturing in coming months. However, we believe there are considerable headwinds in the scenario ahead, with the US manufacturing ISM for the same month pointing to renewed weakness as it fell to a 2.5 year low.

May 2, 2019

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### IMEF's PMI manufacturing index

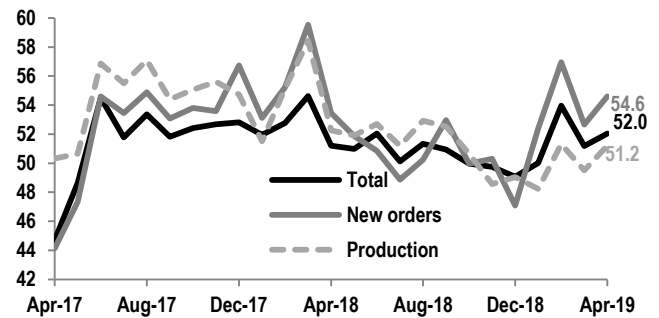
Seasonally adjusted figures

	Apr-19	Mar-19	Difference
<b>Manufacturing</b>	<b>52.0</b>	<b>51.2</b>	<b>0.9</b>
New orders	54.6	52.6	1.9
Production	51.2	49.5	1.7
Employment	48.9	47.6	1.3
Deliveries	55.4	52.2	3.2
Inventories	54.7	51.4	3.3

Source: Banorte, IMEF

### IMEF's PMI manufacturing index

Seasonally adjusted figures



Source: Banorte, IMEF

**The non-manufacturing index remains resilient.** The indicator increased 1.1pts to 52.4pts, its strongest monthly advance since September. Moreover, the index accumulates five consecutive months in expansion and all subindices are in expansion. Revisions were modest, with an accumulated +0.2pts in the two previous months. In our view, the result shows that domestic demand has stayed resilient. By components, the pickup was led by deliveries, increasing 2.2pts to 52.7 from 50.5pts, followed by production to 51.6 from 50.4pts in March. On the other hand, new orders leads all components, improving to 53.5pts from 52.8pts. Finally, employment only posted a 0.1pts increase, staying just 0.2pts above the 50-point threshold. Overall, we see dynamics in this sector as stronger than in manufacturing.

### Non-manufacturing PMI index

Seasonally adjusted figures

	Apr-19	Mar-19	Difference
<b>Non-manufacturing</b>	<b>52.4</b>	<b>51.3</b>	<b>1.1</b>
New orders	53.5	52.8	0.8
Production	51.6	50.4	1.1
Employment	50.2	50.1	0.1
Deliveries	52.7	50.5	2.2

Source: IMEF

**A soft spot in sectors more sensitive to external demand.** Despite both indices increasing during the month, it is our take that other data suggests manufacturing is going through a tougher patch than services, which remains supported by the resiliency of domestic demand. In this respect, global trade has been impacted by uncertainty despite some likely resolutions in the short-term, particularly between the US and China. In our view, manufacturing will manage to end the quarter in positive territory but will decelerate enough to limit industrial growth at least in 2Q19. In contrast, services keep confirming its strength, supported by real wage gains and dynamism in remittances, among others. We maintain our broad outlook that private consumption will remain as the main driver of Mexico's growth, with industry likely struggling in coming months.

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