

IMEF's PMI surveys – Downward trend continues in February

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@analisis_fundam

Francisco Flores
Economist, Mexico
francisco.flores.serrano@banorte.com

- **IMEF Manufacturing PMI (February, sa): 46.8 pts; Banorte-Ixe: 48.2 pts; consensus: 49.1 pts (range of estimates: 48.2 to 49.9 pts); previous: 48.7 pts**
- **IMEF Non-manufacturing PMI (February, sa): 46.2 pts; Banorte-Ixe: 46.7 pts; consensus: 48 pts (range of estimates: 46.5 to 50.4 pts); previous: 46.8 pts**
- **The 1.9 points contraction in the manufacturing index was explained by a decrease in four of the five sub-indices of the series**
- **Moreover, the non-manufacturing index, fell 0.5 points as a result of decreases in the deliveries and employment components**
- **We believe that the uncertainty around the U.S. trade policy will continue to impact firms' future decisions**

IMEF's manufacturing PMI posted a 1.9 point decrease. The *IMEF* just published its PMI surveys for February, where the manufacturing indicator stood at 46.8 points, below our 48.2 forecast (consensus: 49.1). Today's figure implies a 1.9 point increase from January's revised figures. Moreover, the weighted sum of the individual components within the manufacturing series shows a 2.2 points loss in the month.

Taking a look at the breakdown, the fall in the index was explained by decreases in the new orders, employment, deliveries and inventories sub-indices. However, the production sub-index posted a scant growth of 0.4 units. Both new orders and production component's trajectory are particularly relevant since they are leading indicators of manufacturing's outlook.

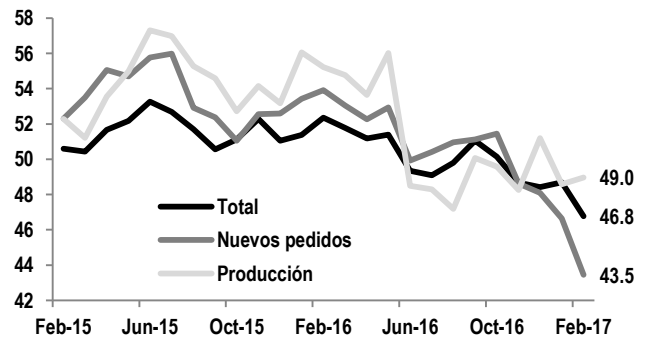
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IMEF's PMI manufacturing index
Seasonally adjusted figures

	Feb-17	Jan-17	Difference
Manufacturing	46.8	48.7	-1.9
New orders	43.5	46.6	-3.2
Production	49.0	48.6	0.4
Employment	44.7	48.9	-4.1
Deliveries	53.7	53.8	-0.1
Inventories	42.4	45.8	-3.4

Source: Banorte-Ixe, IMEF

IMEF's PMI manufacturing index
Seasonally adjusted figures



Source: Banorte-Ixe, IMEF

The non-manufacturing index stood at 46.2 points (seasonally adjusted figures). This number implies a 0.5 points monthly reduction, and stands 0.5 points below our forecast and 1.8 points below consensus. However, the weighted sum of the sub-indices within the non-manufacturing series shows that the headline index increased 0.1 points.

Taking a look at the breakdown, we highlight the decreases in deliveries (-2.6 points) and employment (-2.4 points) sub-indices. Despite the higher new orders and production figures, looking ahead we expect the non-manufacturing index to show weakness for the same reasons as the manufacturing index.

Non-manufacturing PMI index

Seasonally adjusted figures

	Feb-17	Jan-17	Difference
Non-manufacturing	46.2	46.8	-0.5
New orders	42.7	41.6	1.1
Production	48.6	44.3	4.4
Employment	43.2	45.7	-2.4
Deliveries	50.9	53.5	-2.6

Source: IMEF

We believe that the uncertainty around the U.S. commercial policy will continue to have a negative impact in firms' future decisions. With both indices falling and staying below the 50 point threshold, we consider that the uncertainty around the future performance of the Mexican economy –stemming from the new US administration’s possible protectionist 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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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 Godínez	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
Juan Carlos García Viejo	Economist, International	juan.garcia.viejo@banorte.com	(55) 1670 - 2252
Francisco José Flores Serrano	Economist, National	francisco.flores.serrano@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) 1670 - 2144

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@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
José Itzamna Espitia Hernández	Equity Research Analyst – Airlines / Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@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	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454