IMEF's PMI surveys – Contraction continues in both indices

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- ***IMEF* Manufacturing PMI (May, sa): 51.0pts; Banorte: 52.2pts; consensus: 52pts; previous: 51.4pts**
- ***IMEF* Non-manufacturing PMI (May, sa): 51.1pts; Banorte: 52.6pts; consensus: 52.6; previous: 52.2pts**
- **The 0.4 points contraction in the manufacturing index was explained by an increase in three out of the five sub-indices**
- **Moreover, the non-manufacturing index fell by 1.1 points, given the reduction in two sub-indices**
- **Uncertainty about future U.S. trade policies, as well as the electoral process, could weigh on the index in the coming months**

***IMEF's* manufacturing PMI posted a 0.4 points contraction.** The *IMEF* just published its PMI surveys for May, where the manufacturing indicator stood at 51 points, below our 52.2 forecast. Today's figure implies a 0.4 points decrease from April's revised figures. Moreover, the weighted sum of the individual components within the manufacturing series posted a 0.5 points fall. Taking a look at the breakdown, the reduction of the index was explained by a drop in three of the five sub-indices.

We highlight the 2.4pts contraction in the new orders component, as well as the 1.1pts fall in production. Inventories were reduced by 1.4pts, while deliveries and employment roses 1.3pts and 1pt respectively. It should be noted that with these results only the new orders component stands below the 50 unit threshold.

We believe that the drop in May was due to a moderation in the favorable responses in the components of new orders and production, given that these had presented very high figures in the previous months. Going forward, a favorable renegotiation of NAFTA, as well as an environment of less uncertainty after the electoral process on July 1 may boost the manufacturing indicator.

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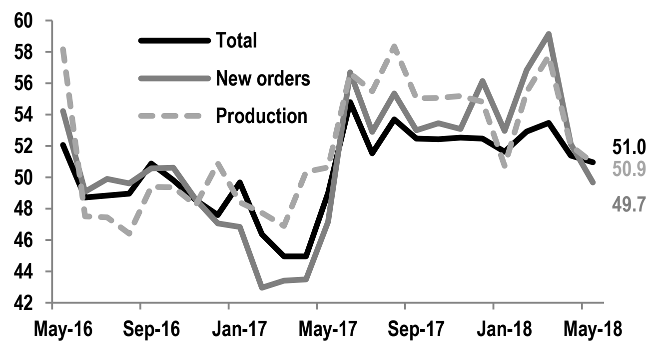
IMEF's PMI manufacturing index
Seasonally adjusted figures

	May-18	Apr-18	Difference
Manufacturing	**51.0**	**51.4**	**-0.4**
New orders	49.7	52.1	-2.4
Production	50.9	52.0	-1.1
Employment	51.3	50.3	1.0
Deliveries	51.6	50.4	1.3
Inventories	51.3	52.7	-1.4

Source: Banorte, IMEF

IMEF's PMI manufacturing index
Seasonally adjusted figures



Source: Banorte, IMEF

The non-manufacturing index stood at 51.1 points (seasonally adjusted figures). This number implies a 1.1 points monthly decline, which previously stood at 52.2 points. In this regard, the weighted sum of the components showed a 0.2pts contraction.

The fall comes on the back of the 0.9pts reduction in the employment sub-index, as well as the 0.5pts contraction in the new orders component. In addition, the production component shows a 0.04pts increase, while deliveries rose by 0.5pts.

With these results, the deliveries component is the only one in the contraction field (49.6 pts), while the new orders (53pts) and production (52.5pts) remain in relatively high levels. Looking ahead, we believe that inflation's recent trajectory could lead to an increase in the index in the following months.

Non-manufacturing PMI index
Seasonally adjusted figures

	May-18	Apr-18	Difference
Non-manufacturing	**51.1**	**52.2**	**-1.1**
New orders	53.0	53.5	-0.5
Production	52.5	52.4	0.0
Employment	50.7	51.6	-0.9
Deliveries	49.6	49.1	0.5

Source: IMEF

Uncertainty about future U.S. trade policies, as well as the electoral process, could weigh on the index in the coming months. Taking into account the announcement of tariffs on steel and aluminum as well as the lack of positive news regarding the renegotiation of NAFTA, we believe that purchasing managers will continue to show caution until they have a clearer picture. Additionally, the uncertainty related to the electoral process could adversely impact the indices.

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