

IMEF's PMI surveys – February's fall probably explained by the survey's volatility

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- **IMEF Manufacturing PMI (February, sa): 50.7pts Banorte-Ixe: 51.8pts.; consensus: 51.6pts (range of estimates: 50.5 to 52); previous: 51**
- **IMEF Non-manufacturing PMI (February, sa): 49.6; Banorte-Ixe: 50.2; consensus: 50 (range of estimates: 48.9 to 50.2); previous: 49.2pts.**
- **We believe that the reduction observed in the manufacturing index was probably explained by the inherent volatility in the monthly survey**
- **We believe that the manufacturing sector will hold its upward trend in 1H15**

IMEF's manufacturing PMI posted a 0.3 points reduction. The *IMEF* just published its PMI surveys results for February, where the manufacturing indicator stood at 50.7 points, below market consensus of 51.6 points. Today's figure implies a 0.3 points reduction from the level observed in January, and was explained by a significant fall in most of the sub-indices. Taking a look at the breakdown, we highlight the drop observed in the new orders (-1.4 points), production (-2.4), and employment (-0.2 points) components. However, the deliveries sub-index increased 1.1 points (please refer to the following table).

Manufacturing and Non-manufacturing PMI indexes

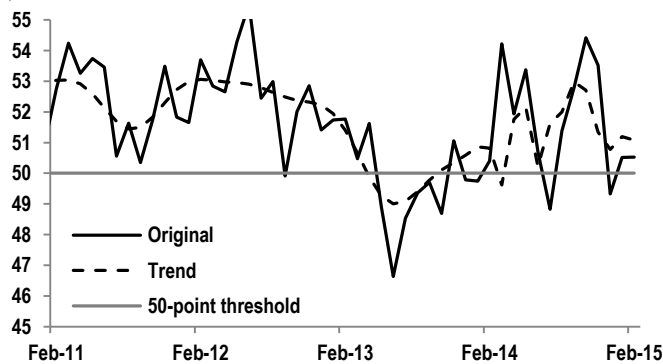
sa	Feb-15	Jan-15	Difference
Manufacturing	50.7	51.0	-0.3
New orders	51.6	53.0	-1.4
Production	52.7	55.1	-2.4
Employment	48.5	48.6	-0.2
Deliveries	49.0	47.9	1.1
Inventories	52.9	50.0	2.9
Non-manufacturing	49.6	49.2	0.4
New orders	51.6	49.2	2.4
Production	51.6	50.4	1.2
Employment	47.1	47.2	-0.1
Deliveries	48.5	48.5	-0.1

Source: IMEF

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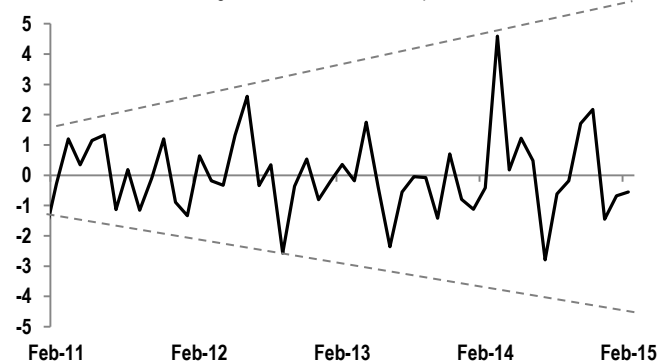
Reduction probably explained by the inherent volatility in the monthly survey. While *IMEF's* PMI manufacturing index has been characterized by offering an adequate diagnose of the performance of Mexico's manufacturing sector, in recent months the volatility of this indicator has increased significantly (refer to the following charts). This implies that February's figure should be read with caution, and that the reduction observed in the manufacturing indicator is probably reflecting the inherent volatility in *IMEF's* monthly survey. In fact, other indicators associated with the performance of this sector –like Mexico's non-oil exports and *INEGI's* own PMI indicator– show that the manufacturing sector has maintained a significant growth during the first quarter of the year.

IMEF's PMI manufacturing indicator
points



Source: IMEF

Monthly volatility in IMEF's PMI manufacturing indicator
Difference between the original and the trend series, points



Source: IMEF

The non-manufacturing index stood at 49.6 (seasonally adjusted figures). This number was below our 50.2 forecast, and implies a 0.4 points m/m growth. Taking a look at the breakdown, the production and new orders components posted a 1.2 and a 2.4 expansion, while the employment sub-index fell 0.1 points, as shown in the table on the first page.

We believe that the manufacturing sector will hold its upward trend in 1H15. Manufacturing output will continue to show a better performance due to the following factors: (1) The recovery of the U.S. economy; (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 products.

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