

# IMEF's PMI surveys – July's contraction doesn't changes our view of a stronger recovery

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- **IMEF Manufacturing PMI (July, sa): 52.7pts Banorte-Ixe: 52.8pts.; consensus: 52.8pts. (range of estimates: 52.4 to 53.6); previous: 53.1**
- **IMEF Non-manufacturing PMI (July, sa): 51.3; Banorte-Ixe: 51.4; consensus: 51.6 (range of estimates: 51.2 to 52.3); previous: 51.4pts.**
- **Despite the 0.4 points reduction in the manufacturing index, the production and employment sub-indices posted a visible recovery**
- **We believe that the manufacturing sector will show a much more visible recovery in 2H15**

**IMEF's manufacturing PMI posted a 0.4 points contraction.** The *IMEF* just published its PMI surveys results for July, where the manufacturing indicator stood at 52.7 points, practically in line with our 52.8 forecast. Today's figure implies a 0.4 points contraction from the level observed in June, and was explained by a significant reduction in 2 of its 5 components. However, the production (+0.5 points), employment (+0.6 points), and deliveries (+0.8 points) sub-indices showed a much more visible recovery. On the other hand, the new orders and inventories components fell 1.3 and 0.3 points respectively (refer to the following table).

**Manufacturing and Non-manufacturing PMI indexes**

sa	Jul-15	Jun-15	Difference
<b>Manufacturing</b>	<b>52.7</b>	<b>53.1</b>	<b>-0.4</b>
New orders	53.4	54.7	-1.3
Production	57.3	56.8	0.5
Employment	51.5	50.9	0.6
Deliveries	48.8	48.0	0.8
Inventories	52.6	52.9	-0.3
<b>Non-manufacturing</b>	<b>51.3</b>	<b>51.4</b>	<b>-0.1</b>
New orders	52.4	53.7	-1.3
Production	51.8	52.8	-1.1
Employment	48.8	49.5	-0.7
Deliveries	49.2	49.8	-0.6

Source: IMEF

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**The non-manufacturing index stood at 51.3 (seasonally adjusted figures).** This number was practically in line with our 51.4 forecast, and implies a 0.1 points monthly reduction, despite that all of its components posted a higher contraction. Taking a look at the breakdown, the new orders and production sub-indices edged-down 1.3 and 1.1 points respectively, while the employment sub-index fell 0.7 points, as shown in the table on the first page.

**We believe that the manufacturing sector will show a much more visible recovery in 2H15.** Manufacturing output will show a better performance in the second half of the year 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 Mexico's 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.

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