

## **IMEF's PMI surveys – Improvement in both indicators at the beginning of the year**

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- **IMEF Manufacturing PMI (January, sa): 49.8pts; Banorte: 48.5pts; consensus: 49.5pts; previous: 49.1pts**
- **IMEF Non-manufacturing PMI (January, sa): 50.6pts; Banorte: 49.0pts; consensus: 49.5; previous: 50.2pts**
- **The manufacturing index increased 0.7pts with respect to the revised figure of the previous month. Nevertheless, the sector remained in contraction territory for third month in a row**
- **The non-manufacturing picked up 0.4pts, at its highest level since September 2018**
- **The report was relatively positive as it showed increases in both the new orders and employment components. On the other hand, they exhibited weakness in terms of production**
- **In spite of this improvement, we believe that the possibility of extending the rebound is limited**

**IMEF's manufacturing PMI remains in contraction territory.** The Mexican Institute of Financial Executives (*IMEF*) just published its PMI surveys for January, where the manufacturing indicator stood at 49.8 points, above our 48.5pts forecast and consensus expectations. It is worth mentioning that the figure of the previous month was revised lower to 49.1pts, lowest in two years. In this context, the sector has been in contraction territory according to this indicator. The weighted sum stood at 48.2pts, lowest since April 2017.

**The manufacturing index was impacted by the fall in the production, deliveries and inventory components.** In our view, this is consistent with logistical problems stemming from the delay in fuel distribution in several states during the month. In particular, the production component fell to 47.9pts, low since March 2017. Moreover, the deliveries and inventory components also fell, reaching 46.2pts and 47.9pts, respectively. On a more positive note, looking-forward indicators (new orders and employment) improved, despite the latter remaining below the 50.0pts threshold. In our view, these figures suggest that even if logistic issues could have had a negative impact, the improvement in new orders suggests a better performance of demand at the margin, even rebounding from contraction territory after three consecutive months in this zone.

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### IMEF's PMI manufacturing index

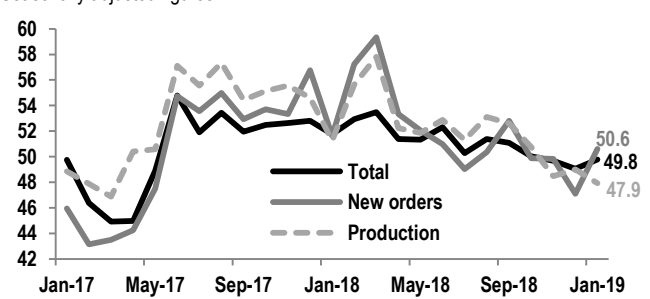
Seasonally adjusted figures

	Jan-19	Dec-18	Difference
<b>Manufacturing</b>	<b>49.8</b>	<b>49.1</b>	<b>0.7</b>
New orders	50.6	47.1	3.5
Production	47.9	49.0	-1.1
Employment	49.0	46.3	2.7
Deliveries	47.5	49.2	-1.7
Inventories	46.2	49.6	-3.4

Source: Banorte, IMEF

### IMEF's PMI manufacturing index

Seasonally adjusted figures



Source: Banorte, IMEF

**The non-manufacturing index improved substantially.** The indicator reached 50.6pts, improving 0.4pts in the month and in expansion territory. We also highlight that, with revised figures, the index improved in each of the previous four months, in particular with December above the 50.0pts level. Similar to the manufacturing index, the production component fell strongly, reaching 47.7pts. Nevertheless, all other components were modestly higher. In our view, this is consistent with the relative strength observed in terms of domestic consumption, which has benefited services. The latter is broadly in line with our expectation that consumption will remain as the main support for growth for the Mexican economy.

### Non-manufacturing PMI index

Seasonally adjusted figures

	Jan-19	Dec-18	Difference
<b>Non-manufacturing</b>	<b>50.6</b>	<b>50.2</b>	<b>0.3</b>
New orders	50.3	50.0	0.3
Production	47.7	50.8	-3.0
Employment	50.3	49.6	0.7
Deliveries	51.5	50.6	0.9

Source: IMEF

**In spite of this improvement, we believe that the possibility of extending the rebound is limited.** In particular, we continue seeing that hard data point to a deceleration in economic activity. Moreover, we believe that the impact in both indicators from fuel distribution delays could remain as some states have still shown issues in this respect. Moreover, train blockades in Michoacan and the strike in manufacturing companies in Matamoros will likely limit further strong advances as they induced bottlenecks in supply chains, apart from the possibility that these result in downward revisions. On the other hand, we see as positive the improvement in services. Nevertheless, we believe that this indicator could also be limited to the upside as a result of the increase in the unemployment rate, which could be a slight headwind to private consumption.

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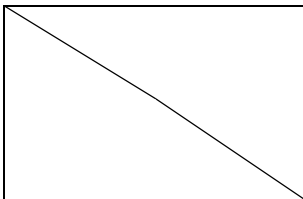
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