

IMEF's PMI surveys – Both indices fall to contraction territory

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@analisis_fundam

Juan Carlos Alderete, CFA
Senior Economist, Mexico
juan.alderete.macal@banorte.com

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

- **IMEF Manufacturing PMI (November, sa): 49.7pts; Banorte: 49.2pts; consensus: 49.5pts; previous: 50.1pts**
- **IMEF Non-manufacturing PMI (November, sa): 49.2pts; Banorte: 50.5pts; consensus: 50.2; previous: 50.3pts**
- **The manufacturing index was 0.4pts lower with respect to the revised figure of the previous month. All components fell with the exception of inventories, highlighting the strong reduction in the production component**
- **The non-manufacturing plunged 1.1pts in spite of positive signs about the results of *El Buen Fin* (Mexico's Black Friday), with both new orders and employment falling relative to the previous month**
- **As a result, both indices have fallen to contraction territory for the first time since April 2017**
- **Today's results signal that the economy will likely decelerate in 4Q18, possibly on a broader basis than previous anticipated**

IMEF's manufacturing PMI keeps decelerating. The Mexican Institute of Financial Executives (*IMEF*) just published its PMI surveys for November, where the manufacturing indicator stood at 49.7 points, above our 49.2pts forecast. It is worth mentioning that September's figures were revised slightly higher, as they were previously printed at contraction territory. The weighted sum matched the headline figure from a previous level of 49.6pts from 50.1pts.

The manufacturing index fell in four out of five of its subcomponents. In our view, this is consistent with signs from US manufacturing that point towards a deceleration, such as the US manufacturing PMI. Nevertheless, today's ISM manufacturing was actually stronger, reaching 59.3pts in November, reversing some of the decrease observed in the previous month.

In terms of its components, the most forward-looking indicators (new orders and employment) fell more modestly when compared to the previous month, when they registered the deepest declines. Nevertheless, the production component plunged 2.3pts to 48.5pts. In this respect, we note that only the inventories component is at expansion territory, which in our view signals a broad-based deceleration in spite of the US still exhibiting a relatively strong performance. In this respect, we will wait for possible confirmation with auto sector production data in the trade balance report (the latter published on December 28th).

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IMEF's PMI manufacturing index

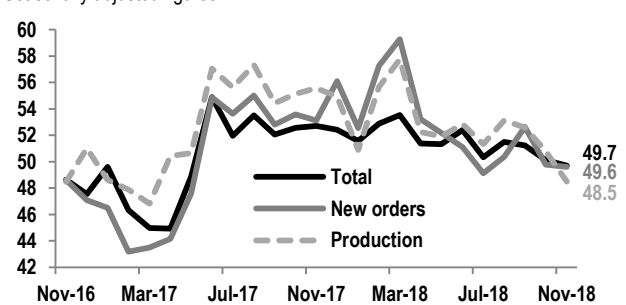
Seasonally adjusted figures

	Nov-18	Oct-18	Difference
Manufacturing	49.7	50.1	-0.4
New orders	49.6	49.8	-0.2
Production	48.5	50.8	-2.3
Employment	48.9	49.1	-0.2
Deliveries	49.3	50.6	-1.3
Inventories	51.4	50.3	1.1

Source: Banorte, IMEF

IMEF's PMI manufacturing index

Seasonally adjusted figures



Source: Banorte, IMEF

The non-manufacturing index surprises to the downside, also below the 50pts threshold. The indicator reached 49.2pts, falling 1.1pts in the month and below consensus expectations of staying in expansion territory, at 50.2pts. The weighted sum of the components reached 49.7pts. We also highlight that the new orders and employment components were among the most impacted, falling by 1.0 and 0.9pts, respectively, which we believe could be related to higher uncertainty in the Mexican economy. In this respect, positive preliminary comments by retailers about sales' growth in *El Buen Fin* (Mexico's Black Friday) were not reflected in the index, in our view signaling a more cautious stance among consumers going into year-end, which has been the main support for growth in recent quarters.

Non-manufacturing PMI index

Seasonally adjusted figures

	Nov-18	Oct-18	Difference
Non-manufacturing	49.2	50.3	-1.1
New orders	49.6	50.5	-1.0
Production	51.0	51.0	0.0
Employment	48.2	49.1	-0.9
Deliveries	50.1	51.8	-1.7

Source: IMEF

IMEF indices are consistent with a deceleration in 4Q18 GDP growth. In particular, we estimate economic growth in 4Q18 could be at a near-trend pace of 2.1% yoy, below the 2.5% advance in the previous quarter. In this respect, IMEF indices suggest a more modest advance, and risks that skewed to the downside, with higher uncertainty and market volatility as a possible restraint for activity. Moreover, we would add the logistic difficulties typically seen during changes in the Federal Administration as a potential headwind. On a more positive tone, US economic activity has held up strong while uncertainty about the trade relationship keeps decreasing after the signature on the G20 meeting, in spite of not been exempt of risks for an approval (particularly in the US Congress). Last but not least, labor market data shows that employment has maintained positive dynamics, while recent decreases in inflation could also be supportive of households' purchasing power.

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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
Katia Celina Goya Ostos	Senior, Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Juan Carlos Alderete Macal, CFA	Senior Economist, Mexico	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Miguel Alejandro Calvo Domínguez	Economist, Regional	miguel.calvo@banorte.com	(55) 1670 - 2220
Francisco José Flores Serrano	Economist, Mexico	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
Santiago Leal Singer	FX Senior Strategist	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalía Orozco Vélez	Fixed Income and FX Strategist	leslie.orozco.velez@banorte.com	(55) 5268 - 1698

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research – Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Technical Analysis	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Equity Research – Conglomerates / Financials/ Mining / Petrochemicals	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research – Airlines / Airports / Cement / Infrastructure / REITs	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Francisco Duarte Alcocer	Analyst	francisco.duarte.alcocer@banorte.com	(55) 1103 - 4000 x 2707
Jorge Antonio Izquierdo Lobato	Analyst	jorge.izquierdo.lobato@banorte.com	(55) 1670 - 1746
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	Senior, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@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
Víctor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454