

IMEF's PMI surveys – September's figures suggest a more positive outlook for manufacturing output

October 3, 2016

www.banorte.com
www.ixe.com.mx
@ analisis_fundam

Alejandro Cervantes
Senior Economist, Mexico
alejandro.cervantes@banorte.com

- **IMEF Manufacturing PMI (September, sa): 51.7pts. Banorte-Ixe: 50.1 points; consensus: 50.1pts. (range of estimates: 48.8 to 50.5); previous: 50**
- **IMEF Non-manufacturing PMI (September, sa): 51.6; Banorte-Ixe: 50.4; consensus: 51.1pts. (range of estimates: 50.4 to 51.6); previous: 51.7**
- **The 1.7 points expansion in the manufacturing index was explained by a visible recovery in all of its sub-indeces**
- **In addition, the new orders to inventories ratio is above the 1 point threshold**
- **We believe that the recent evolution of the new orders and inventories sub-indices suggests that the manufacturing sector could show a marginal recovery in 3Q16**

IMEF's manufacturing PMI posted a 1.7 points increase. The *IMEF* just published its PMI surveys results for September, where the manufacturing indicator stood at 51.7 points, above our 50.1 forecast. Today's figure implies a 1.7 points increase from the level observed in August. Taking a look at the breakdown, we highlight that the expansion in the new orders, production, employment, and inventories indeces (0.7, 3, 1, and 0.6 points, respectively; refer to the following table).

Manufacturing PMI index

Seasonal adjusted figures

	Sep-16	Aug-16	Difference
Manufacturing	51.7	50.0	1.7
New orders	51.9	51.2	0.7
Production	50.2	47.2	3.0
Employment	50.9	49.8	1.0
Deliveries	55.3	54.7	0.6
Inventories	48.5	47.7	0.8

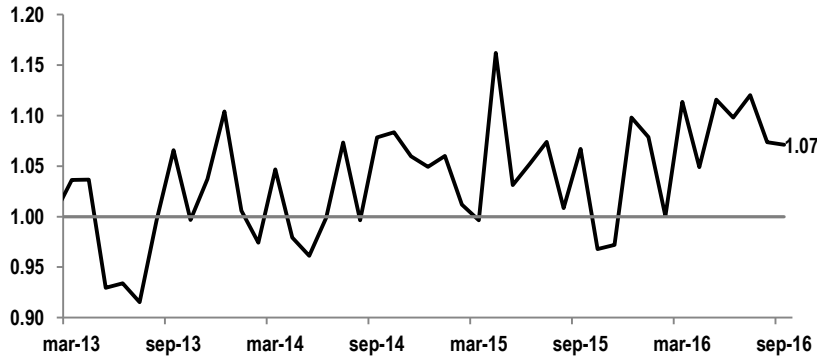
Source: IMEF

Document for distribution among public

The new orders to inventories ratio is in positive territory. The new orders to inventories ratio, a leading indicator of Mexico’s manufacturing output, has remained above the 1 point threshold, which implies that Mexico’s manufacturing output will probably show a better performance during the third quarter.

New orders to inventories ratio

Seasonal adjusted figures, 3-month moving average



Source: Banorte-ixe

The non-manufacturing index stood at 51.6 points (seasonally adjusted figures). This number implies a 0.1 point monthly reduction. Taking a look at the breakdown, three of the four sub-indices declined. However, the new orders sub-index posted a 0.5 points expansion, as shown in the table below.

Non-manufacturing PMI index

	Sep-16	Aug-16	Difference
Non-manufacturing	51.6	51.7	-0.1
New orders	53.1	52.6	0.5
Production	51.8	52.0	-0.1
Employment	49.2	50.7	-1.5
Deliveries	51.1	51.6	-0.6

Source: IMEF

We expect a marginal recovery in manufacturing output. We believe that the recent evolution of the new orders and inventories sub-indices suggests that the manufacturing sector could show a marginal recovery in the third quarter of the year. Actually the first figures for the auto industry confirm that the recovery in the manufacturing industry has begun. We’ll wait and see August’s industrial production report (to be published on October 12) to evaluate if this recovery is generalized throughout all of the manufacturing subsectors.

Disclaimer

The information contained in this document is illustrative and informative so it should not be considered as an advice and/or recommendation of any kind. BANORTE is not part of any party or political trend.

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
Alejandro Cervantes Llamas	Senior Economist, Mexico	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Katia Celina Goya Ostos	Senior Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional & Sectorial	miguel.calvo@banorte.com	(55) 1670 - 2220
Juan Carlos García Viejo	Economist, International	juan.garcia.viejo@banorte.com	(55) 1670 - 2252
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
Juan Carlos Alderete Macal, CFA	FX Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Analyst Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Equity Research Analyst	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Senior Equity Research Analyst – Conglomerates / Financials/ Mining / Chemistry	marissa.garza@banorte.com	(55) 1670 - 1719
Marisol Huerta Mondragón	Equity Research Analyst – Food / Beverages / Specialized Commerce	marisol.huerta.mondragon@banorte.com	(55) 1670 - 1746
José Itzamna Espitia Hernández	Equity Research Analyst – Airlines / Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Eugenia Ivonne Arias Medina	Analyst	eugenia.arias.medina@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	Analyst, Corporate Debt	hugoa.gomez@banorte.com	(55) 1670 - 2247
Idalia Yanira Céspedes Jaén	Analyst, Corporate Debt	idalia.cespedes@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
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.roltan.ferrer@banorte.com	(55) 5004 - 1454