

# IMEF's PMI surveys – Slight fall in both indices

November 1, 2017

www.banorte.com  
www.ixe.com.mx  
@analisis\_fundam

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

- **IMEF Manufacturing PMI (October, sa): 52.4pts; Banorte: 52.5pts; consensus: 52pts (range of estimates: 51 to 53.3pts); previous: 52.9pts**
- **IMEF Non-manufacturing PMI (October, sa): 51.9pts; Banorte: 52.2pts; consensus: 52pts (range of estimates: 50.7 to 52.2pts); previous: 52.2pts**
- **The 0.5 points contraction in the manufacturing index was explained by a decrease in two of the five sub-indices**
- **Moreover, the non-manufacturing index declined by 0.4 points, given the fall in two sub-indices**
- **Despite an increase in the uncertainty about the future of the US trade policy, purchasing managers remain optimistic**

**IMEF's manufacturing PMI posted a 0.5 point contraction.** The IMEF just published its PMI surveys for October, where the manufacturing indicator stood at 52.4 points, practically in line with our 52.5 forecast. Today's figure implies a 0.5 points reduction from September's revised figures. Moreover, the weighted sum of the individual components within the manufacturing series shows a 0.2 points contraction. Taking a look at the breakdown, the fall in the index was explained by a decrease two of the five sub-indices. We highlight the 2.8pts contraction in the employment component. However, it is also worth noting the 0.2pts reduction in the production sub-index, as well as the stagnation in the new orders component.

Despite the setback, the manufacturing index appears to have consolidated above the 50-point optimism threshold. In addition, the behavior of the new orders and production sub-indices –as they are still relatively high–, which act as leading indicators of manufacturing production, seem to indicate that despite the recent increase in uncertainty about the future of the commercial relationship between Mexico and the US, purchasing managers probably expect a favorable outcome in the renegotiation of NAFTA. (refer to the table below).

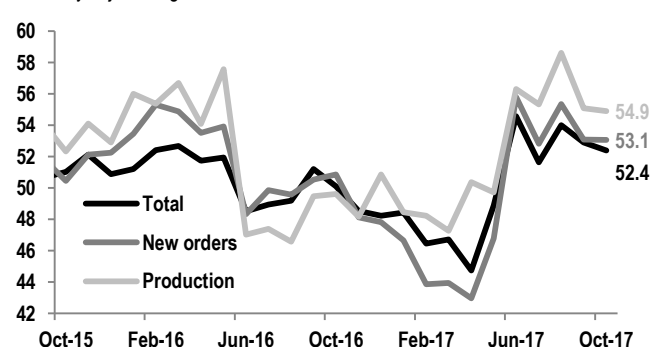
Document for distribution among public

**IMEF's PMI manufacturing index**  
Seasonally adjusted figures

	Oct-17	Sep-17	Difference
<b>Manufacturing</b>	<b>52.4</b>	<b>52.9</b>	<b>-0.5</b>
New orders	53.1	53.1	0.0
Production	54.9	55.1	-0.2
Employment	51.5	54.3	-2.8
Deliveries	49.2	48.0	1.2
Inventories	52.6	51.7	0.9

Source: Banorte-Ixe, IMEF

**IMEF's PMI manufacturing index**  
Seasonally adjusted figures



Source: Banorte-Ixe, IMEF

**The non-manufacturing index stood at 51.9 points (seasonally adjusted figures).** This number implies a 0.4 points monthly reduction, which previously stood at 52.2 points. Moreover, the weighted sum of the sub-indices within the non-manufacturing series shows that the headline index fell 0.1 points.

Taking a look at the breakdown, we highlight the decrease in production (0.8 points) and deliveries (1 point) sub-indices. Despite today's fall, the recent trend in the index still appears to forecast an above-trend performance for the services sector in the coming months.

#### **Non-manufacturing PMI index**

Seasonally adjusted figures

	Oct-17	Sep-17	Difference
<b>Non-manufacturing</b>	<b>51.9</b>	<b>52.2</b>	<b>-0.4</b>
New orders	54.6	54.4	0.2
Production	53.7	54.6	-0.8
Employment	49.7	48.7	1.0
Deliveries	50.2	51.2	-1.0

Source: IMEF

**Despite an increase in the uncertainty about the future of the US trade policy, purchasing managers remain optimistic.** In spite that the tone of Donald Trump's administration over the renegotiation of NAFTA worsened during October, we believe that purchasing managers still foresee a positive outlook for the economy, which would contemplate a successful renegotiation of NAFTA. This has been evidenced by the permanence of both indices above the of 50-unit threshold.

#### **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
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
Juan Carlos Alderete Macal, CFA	FX Senior Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Strategist 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	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
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
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.roldan.ferrer@banorte.com	(55) 5004 - 1454