IMEF's PMI surveys –Both indices now stand at expansion levels

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- ***IMEF* Manufacturing PMI (June, sa): 54.1 pts; Banorte-Ixe: 48.7 pts; consensus: 48.6 pts (range of estimates: 47.8 to 49.5 pts); previous: 48.5 pts**
- ***IMEF* Non-manufacturing PMI (June, sa): 54.5 pts; Banorte-Ixe: 51.9 pts; consensus: 52 pts (range of estimates: 51.9 to 52.1 pts); previous: 52.4 pts**
- **The 5.6 points expansion in the manufacturing index was explained by an increase in the five sub-indices**
- **Moreover, the non-manufacturing index, rose by 2.1 points as a result of increases in all of the sub-indices**
- **We believe that the uncertainty around the U.S. trade policy has dissipated in the eyes of the purchasing managers**

***IMEF's* manufacturing PMI posted a 5.6 point expansion.** The *IMEF* just published its PMI surveys for June, where the manufacturing indicator stood at 54.1 points, above our 48.7 forecast. Today's figure implies a 5.6 point increase from May's revised figures, reaching its highest level since October 2014. Moreover, the weighted sum of the individual components within the manufacturing series shows a 5.6 point growth in the month. Taking a look at the breakdown, the expansion in the index was explained by increases in all of the sub-indices.

We point out that all sub-indices were above the 50-point optimism threshold, although we highlight the 8.3pts and 7.0pts increments in new orders and production components, respectively. In particular, the production component ranked with the best performance reaching 56.5pts. We believe that the recent behavior of the indicator, particularly in the new orders and production sub-indices, which act as leading indicators of manufacturing production, seem to indicate that part of the uncertainty generated by possible changes in trade relations between Mexico and the US has dissipated.

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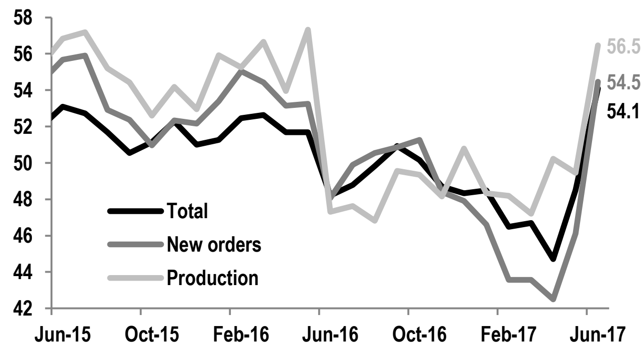
IMEF's PMI manufacturing index
Seasonally adjusted figures

	Jun-17	May-17	Difference
Manufacturing	**54.1**	**48.5**	**5.6**
New orders	54.5	46.1	8.3
Production	56.5	49.4	7.0
Employment	53.7	50.2	3.5
Deliveries	51.9	50.0	1.9
Inventories	55.7	48.7	7.0

Source: Banorte-Ixe, IMEF

IMEF's PMI manufacturing index
Seasonally adjusted figures



Source: Banorte-Ixe, IMEF

The non-manufacturing index stood at 54.5 points (seasonally adjusted figures). This number implies a 2.1 points monthly increase, which previously stood at 52.4 points. Moreover, the figure was 2.6 points above our forecast and 2.7 point above consensus. In this sense, the weighted sum of the sub-indices within the non-manufacturing series shows that the headline index increased 1.3 points.

Taking a look at the breakdown, we highlight the increase in employment (2.1 points) and new orders (1.3 points) sub-indices. The recovery in the index seems to show a better performance in the services sector, since it was the main driver of growth during the first quarter of 2017, which we believe impacted the perception of the purchasing managers.

Non-manufacturing PMI index
Seasonally adjusted figures

	Jun-17	May-17	Difference
Non-manufacturing	**54.5**	**52.4**	**2.1**
New orders	56.9	55.6	1.3
Production	55.2	54.4	0.7
Employment	50.5	48.4	2.1
Deliveries	52.8	51.6	1.2

Source: IMEF

Uncertainty about possible US trade policies seems to have dissipated for the purchasing managers. We believe that given an environment of lesser uncertainty, the purchasing managers anticipate a better outlook for the economy during the second half of 2017. This was evidenced by the return of both indexes above the 50-unit optimism threshold, having been 7 months below it for the manufacturing index and 5 for the non-manufacturing index.

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