

## IMEF's PMI surveys – Despite December's fall, today's figures suggest a more visible recovery in 1Q16

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- **IMEF Manufacturing PMI (December, sa): 50.7pts. Banorte-Ixe: 52.6 points; consensus: 51.5pts. (range of estimates: 50.8 to 52.6); previous: 52.2**
- **IMEF Non-manufacturing PMI (December, sa): 49.2; Banorte-Ixe: 51.9; consensus: 51.8pts. (range of estimates: 51.3 to 52.3); previous: 51pts.**
- **The 1.5 points reduction in the manufacturing index was explained by the 5.6pts. fall in the inventories sub-index**
- **However, the new orders/inventories ratio posted its highest level in the last 8 months**
- **All in all, we believe that today's figures suggests that the manufacturing sector will show a much more visible recovery in 1Q16**

**IMEF's manufacturing PMI posted a 1.5 point contraction.** The *IMEF* just published its PMI surveys results for December, where the manufacturing indicator stood at 50.7 points, below our 52.6 forecast, but still above the 50 points threshold. Today's figure implies a 1.5 points contraction from the level observed in November.

Taking a look at the breakdown, the new orders index grew 0.5 points, while the employment sub-index posted a 0.1 expansion, and the deliveries sub-index edged-up 0.9 points. However, the production and inventories indices edged-down 1.1 points and 5.6pts. respectively (refer to the following table).

### Manufacturing PMI index

sa	Dec-15	Nov-15	Difference
<b>Manufacturing</b>	<b>50.7</b>	<b>52.2</b>	<b>-1.5</b>
New orders	52.9	52.4	0.5
Production	52.4	53.5	-1.1
Employment	49.2	49.1	0.1
Deliveries	50.0	49.1	0.9
Inventories	48.1	53.7	-5.6

Source: IMEF

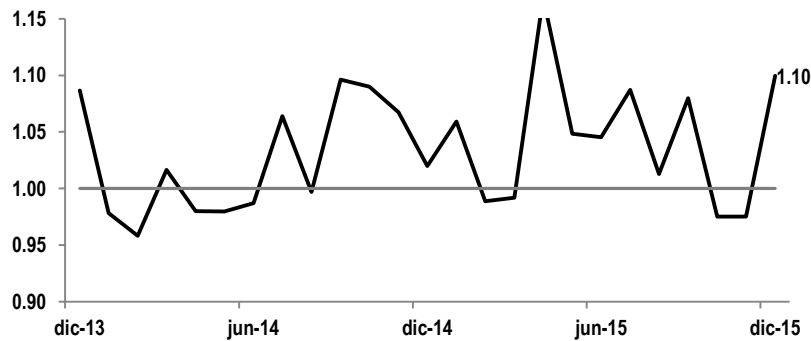
**The new orders/inventories ratio posted its highest level in the last 8 months** The new orders/inventories ratio stood at 1.1 points, well above the 1.04 points average observed during 2015 (refer to the following chart), which implies that the growth dynamics of the new orders sub-index was much higher than the inventories sub-index. This may indicate that manufacturing production could show a much more visible recovery in 1Q16.

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In this regard, the manufacturing sector posted a moderate slowdown during the past year as a result of the significant deceleration in the U.S. manufacturing industry, which has caused a decline in orders for Mexican manufacturing goods. However, we believe Mexico’s manufacturing industry will show a better performance given the higher growth in Mexican exports and the significant depreciation of the Mexican currency.

**New orders/inventories ratio**

sa



Source: Banorte-Ixe; IMEF

**The non-manufacturing index stood at 49.2 (seasonally adjusted figures).**

This number was marginally below our 51.9 forecast, and implies a 1.7 points monthly reduction. Taking a look at the breakdown, the new orders and production sub-indices edged-down 2.7 and 4.5 points respectively, while the employment sub-index decreased 0.8 points.

**Non-manufacturing PMI index**

sa	Dec-15	Nov-15	Difference
<b>Non-manufacturing</b>	<b>49.2</b>	<b>51.0</b>	<b>-1.7</b>
New orders	49.4	52.1	-2.7
Production	49.8	54.3	-4.5
Employment	49.2	50.0	-0.8
Deliveries	50.5	50.4	0.1

Source: IMEF

**We believe that the manufacturing sector will show a more visible recovery in 1Q16.** We believe that manufacturing output will show a better performance in the first quarter of 2016 given the following factors: (1) The depreciation of the Mexican currency; and (2) the better growth prospects for Mexico’s private consumption, which will translate into an increasing domestic demand for manufacturing goods.

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