

# IMEF's PMI surveys – Broad recovery in both indices

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- **IMEF Manufacturing PMI (May, sa): 47.6 pts; Banorte-Ixe: 47.2 pts; consensus: 46.1 pts (range of estimates: 45.5 to 47.2 pts); previous: 44.5 pts**
- **IMEF Non-manufacturing PMI (May, sa): 52.3 pts; Banorte-Ixe: 47.4 pts; consensus: 47.8 pts (range of estimates: 46.4 to 48.5 pts); previous: 48.7 pts**
- **The 3.1 point expansion in the manufacturing index was explained by an increase in four of the five sub-indices**
- **Moreover, the non-manufacturing index, rose by 3.5 points as a result of increases in 3 of the 4 sub-indices**
- **We believe that the uncertainty around the U.S. trade policy will continue to weigh on firms' future decisions**

**IMEF's manufacturing PMI posted a 3.1 point expansion.** The IMEF just published its PMI surveys for May, where the manufacturing indicator stood at 47.6 points, above our 47.2 forecast. Today's figure implies a 3.1 point increase from April's revised figures. Moreover, the weighted sum of the individual components within the manufacturing series shows a 3.9 point growth in the month. Taking a look at the breakdown, the expansion in the index was explained by increases in the new orders, employment, deliveries, and inventories sub-indices. However, the production sub-index posted a 1.6 unit decrease, being the second worst performing sub-index. It is worth noting that both employment and inventories rose past the 50-point optimism threshold, standing at 50.5 and 50.6 points each.

Despite this last increase in new orders, looking ahead it will be particularly relevant to follow the trend of this and the production sub-indices since they are leading indicators of manufacturing's outlook. Considering that both sub-indices still stand below the 50 point threshold, we believe that they continue to reflect uncertainty, albeit at lower levels, about the future performance of the Mexican economy.

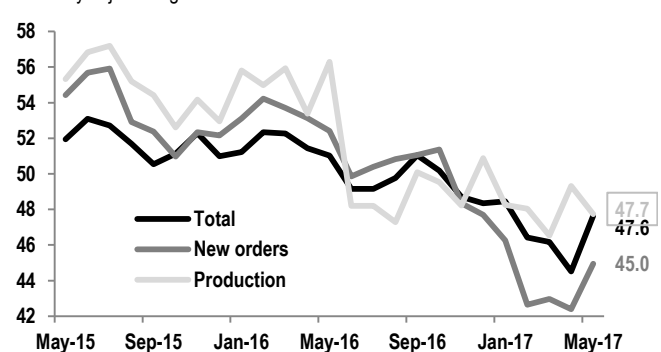
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**IMEF's PMI manufacturing index**  
Seasonally adjusted figures

	May-17	Apr-17	Difference
<b>Manufacturing</b>	<b>47.6</b>	<b>44.5</b>	<b>3.1</b>
New orders	45.0	42.4	2.6
Production	47.7	49.3	-1.6
Employment	50.5	40.5	10.0
Deliveries	49.7	49.2	0.5
Inventories	50.6	43.3	7.3

Source: Banorte-Ixe, IMEF

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



Source: Banorte-Ixe, IMEF

**The non-manufacturing index stood at 52.3 points (seasonally adjusted figures).** This number implies a 3.5 points monthly increase, which previously stood at 48.7 points. Moreover, the figure was 4.9 points above our forecast and 4.5 point below consensus. In this sense, the weighted sum of the sub-indices within the non-manufacturing series shows that the headline index increased 3.4 points.

Taking a look at the breakdown, we highlight the increase in new orders (8.0 points) and production (4.9 points) sub-indices. The recovery in the index seems to show a better performance in the services sector, which 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

	May-17	Apr-17	Difference
<b>Non-manufacturing</b>	<b>52.3</b>	<b>48.7</b>	<b>3.5</b>
New orders	55.1	47.1	8.0
Production	54.1	49.2	4.9
Employment	47.8	46.3	1.5
Deliveries	51.4	52.1	-0.7

Source: IMEF

**We believe that the uncertainty around the U.S. commercial policy will continue to weigh on firms' future decisions.** Despite the non-manufacturing index rising above the 50 point optimism threshold, we believe both indices continue to reflect a certain degree of uncertainty around the future performance of the Mexican economy –stemming from the new US administration's possible protectionist policies–. The probability of implementation of these policies will continue to have an impact on Mexico's economic growth in the coming months. We expect this trend to continue until there is more certainty about the U.S. commercial stance.

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