IMEF's PMI surveys – August's contraction doesn't changes our view of a stronger recovery

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- ***IMEF* Manufacturing PMI (August, sa): 51.8pts Banorte-Ixe: 53.2pts.; consensus: 53pts. (range of estimates: 52.5 to 54.2); previous: 52.4**
- ***IMEF* Non-manufacturing PMI (August, sa): 49.5; Banorte-Ixe: 51.8; consensus: 51.6 (range of estimates: 50.4 to 52); previous: 50.8pts.**
- **Despite the 0.6 points reduction in the manufacturing index, we continue to believe that the manufacturing sector will show a much more visible recovery in 2H15**

***IMEF's* manufacturing PMI posted a 0.6 points contraction.** The *IMEF* just published its PMI surveys results for August, where the manufacturing indicator stood at 51.8 points, below our 53.2 forecast. Today's figure implies a 0.6 points contraction from the level observed in July, and was explained by a significant reduction in 4 of its 5 components. In particular, the production index fell 1.7 points, while the new orders index edged-down 1.7 points. Moreover, the employment and deliveries sub-indices posted a 0.7 and a 0.8 points reduction, respectively (refer to the following table).

Manufacturing and Non-manufacturing PMI indexes

sa	Aug-15	Jul-15	Difference
Manufacturing	**51.8**	**52.4**	**-0.6**
New orders	52.1	56.7	-4.6
Production	54.6	56.3	-1.7
Employment	49.8	50.4	-0.7
Deliveries	48.1	48.9	-0.8
Inventories	53.1	52.2	0.9
Non-manufacturing	**49.5**	**50.8**	**-1.3**
New orders	48.3	51.8	-3.5
Production	49.8	51.6	-1.9
Employment	49.1	48.3	0.7
Deliveries	49.0	49.2	-0.2

Source: IMEF

The non-manufacturing index stood at 49.5 (seasonally adjusted figures). This number was below our 51.8 forecast, and implies a 1.3 points monthly reduction. Taking a look at the breakdown, the new orders and production sub-indices edged-down 3.5 and 1.9 points respectively, while the employment sub-index increased 0.7 points, as shown in the table.

We believe that the manufacturing sector will show a much more visible recovery in 2H15. Despite today's contraction in the manufacturing index, we believe that manufacturing output will show a better performance in the second half of the year given the following factors: (1) The recovery of the U.S. economy in the third quarter of the year; (2) the better growth dynamics observed in other indicators associated with Mexico's manufacturing output such as manufacturing exports; (3) the depreciation of the Mexican currency; and (4) the better growth prospects for Mexico's private consumption which will eventually translate into an increasing domestic demand for manufacturing goods.

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