

Economic Analysis

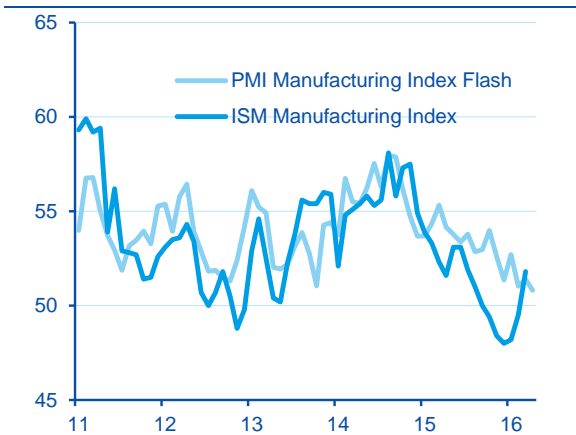
PMI manufacturing flash points to continuing weakness in April

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- Flash estimate declined to 50.8 from 51.4 in March, barely holding in expansion territory
- The decline points to continuing weakness in manufacturing going into the second quarter

Markit's preliminary manufacturing purchasing manager's index flash declined 0.6 points to 50.8 in April, significantly below the consensus figure of 52. While it still stands above 50, which indicates increasing activity, it is low compared to where it stood in the past years (Chart 1). This is the first estimate of manufacturing activity in April and confirms that the weakness from the first quarter will spill into the second quarter, even though an improvement in the next months is still expected. Based on the flash reading, we can expect the ISM Manufacturing Index for April to decline somewhat, but still remain above 50. The ISM Manufacturing Index crawled back into expansion territory in March, driven by new orders and improving prices. Even though it might remain above 50 in April, the declines in manufacturing shipments and orders will continue, albeit at a slower rate (Chart 2). Manufacturing in April will be slow and will add very little, if anything, to GDP growth.

Chart 1
PMI Manufacturing Flash and ISM Manufacturing (Index SA, 50+=Increasing)



Source: Markit, ISM, & BBVA Research

Chart 2
ISM Manufacturing Index and Manufacturing Shipments and Orders (Index - SA and % YoY)



Source: ISM, Census Bureau & BBVA Research

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