

Ahead of the Curve

Few economic data in coming days

- Formal employment (June).** Focus will center on formal job creation, considering losses accumulated in the last three months that have amounted to little over one million. In this context, president López-Obrador stated in one of his morning press conferences that close to 82 thousand additional jobs were lost in the period. We will also look to wage dynamics and business affiliation numbers, which will convey helpful information about the state of the economy
- ANTAD same-store sales (June).** We believe that the start of reopening plans –with more decisive steps in this period– will likely result in a more meaningful recovery in sales relative to the previous two months. Nevertheless, the annual comparison will likely keep showing a double-digit decline. Given the persistent uncertainty regarding the virus and already weaker fundamentals, we anticipate declines in annual terms to extend in coming months

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Winners of the award for best economic forecasters for Mexico in 2019, granted by *Refinitiv*



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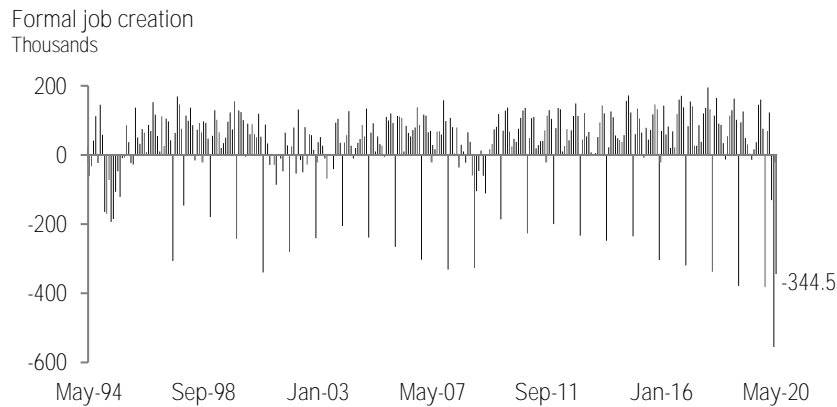
Mexico weekly calendar

DATE	HOUR (ET)	EVENT	PERIOD	UNIT	BANORTE	CONSENSUS	PREVIOUS
Sun 12-Jul		Formal job creation	June	thousands	--	--	-345.5
Mon 13-Jul		ANTAD same-store sales	June	% y/y in real terms	--	--	-21.2
Tue 14-Jul	10:00am	International reserves	Jul-10	US\$ billion	--	--	190.5

Source: Banorte; Bloomberg

Proceeding in chronological order...

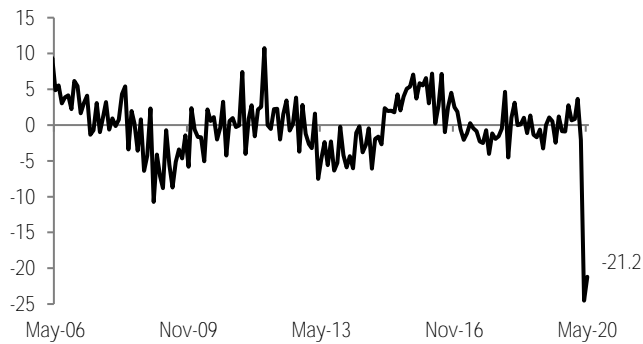
Possibility of additional job losses in June. On Sunday, the Mexican Institute for Social Security (IMSS in Spanish) will release its report of total affiliated employees for June. Focus will center on formal job creation, considering losses accumulated in the last three months that have amounted to little over one million. In this context, president López-Obrador stated in one of his morning press conferences that close to 82 thousand additional jobs were lost in June. We should mention that, about a month ago and ahead of the release of May data, the president stated the final number would be close to -350 thousand, off by only 4,500. Given this, we expect a decline close to previewed figures. Within the report, we will also be looking into wage dynamics, with the average trending up in the last couple of months, albeit for the wrong reasons. Specifically, this is explained by job losses concentrated in the low part of the wage, skewing the average higher. Finally, business affiliation numbers will also be released, which will also convey helpful information about the state of the economy, along its recovery potential going forward.



Source: IMSS, STPS

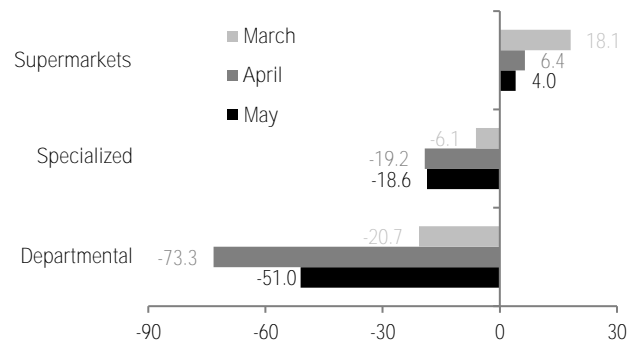
A sequential recovery in ANTAD's same-store sales. On Monday, the National Association of Retailers (ANTAD, in Spanish) will publish same-store sales data for June. In this context, the start of reopening plans has resulted in increased mobility, despite still being very cautious. In turn, it is our take this will likely result in a more meaningful recovery in sales relative to the previous two months, when restrictions due to the pandemic were more stringent. Nevertheless, the annual comparison will likely keep showing a double-digit decline. Since March, departmental stores have been the most impacted, feeling the brunt of closed shopping malls and their specific product mix (which is tilted towards non-essential and durable goods). We believe the easing of restrictions in some states might provide some boost to this subsector. However, and given the persistent uncertainty regarding the virus and already weaker fundamentals, we anticipate declines in annual terms to extend in coming months. Meanwhile, supermarkets will likely remain in positive territory, benefited by its defensive characteristics in the current backdrop.

ANTAD same-store sales
% y/y in real terms



Source: Banorte with data from ANTAD and INEGI

ANTAD same-store sales by sector
% y/y in real terms



Source: Banorte with data from ANTAD and INEGI

Weekly international reserves report. Last week, net international reserves increased by US\$1,605 million, closing at US\$190.5 billion. According to Banxico's report, this was explained by: (1) Sales of US\$1,500 million from the Federal Government to the central bank; and (2) a positive valuation effect in institutional assets of US\$105 million. In this context, the central bank's international reserves have increased by US\$9.7 billion during 2020 (please refer to the following table).

Banxico's foreign reserve accumulation details
US\$, million

	2019	Jul 3, 2020	Jul 3, 2020	Year-to-date
	Balance		Flows	
International reserves (B)-(C)	180,877	190,546	1,605	9,669
(B) Gross international reserve	183,028	197,007	-46	13,980
Pemex	--	--	-5	2,619
Federal government	--	--	-24	6,951
Market operations	--	--	0	0
Other	--	--	-16	4,410
(C) Short-term government's liabilities	2,151	6,461	-1,650	4,311

Source: Banco de México

Follow-up on Banxico's liquidity and credit measures

Banxico adds another \$25.1 billion on support measures during the last week. In recent days, we published a follow-up note about the different [measures that Banxico has implemented](#) to improve liquidity and strengthen credit channels. Since its publication, another \$25.1 billion (US\$1.1 billion) have been allocated, taking the sum of all resources deployed to \$121.4 billion (US\$5.4 billion; 15.2% of the total available). Specifically, these resources were placed through the following facilities:

- *Corporate Securities Repurchase Facility.* Last Friday (July 3rd), [\\$100 million \(US\\$ 4.4 million\) were allocated](#), out of the \$100 billion auctioned (US\$ 4.4 billion). Today, despite another auction for the remaining amount, [there were no bids received](#). As a result, \$99.9 billion (US\$4.4 billion) are left in this facility. This measure is identified as number 10 in the table below
- *Government securities term repurchase window.* On Monday (July 6th), \$25 billion (US\$1.1 billion) were allocated, on top of the \$28.1 billion (US\$1.2 million) previously assigned. Therefore, \$46.9 billion (US\$2.1 billion) are still available. This is identified as number 8 in the table below

Measures implemented by Banco de Mexico regarding credit and liquidity
\$ billion, US\$ billion, % of GDP

	Planned			Implemented		
	MXN	USD ²	% of GDP	MXN	USD ²	% of GDP
Total ¹	800.0	35.5	3.3	121.4	5.4	0.5
Provide liquidity and reestablish operational conditions in money markets						
(1) Reduction of the Monetary Regulation Deposit	50.0	2.2	0.2	50.0	2.2	0.2
(2) Adjustments to the Ordinary Additional Liquidity Facility interest rate	--	--	--	--	--	--
(3) Increasing liquidity during trading hours to facilitate the optimal functioning of financial markets and payment systems	--	--	--	--	--	--
(4) Extending the securities eligible for the Ordinary Additional Liquidity Facility	--	--	--	--	--	--
(5) Extending the counterparts eligible for the Ordinary Additional Liquidity Facility	--	--	--	--	--	--
(6) Temporary securities swap window	100.0	4.4	0.4	NA	NA	NA
Promote the orderly behavior in governmental and corporate bond markets						
(7) Strengthening of the Government Debt Market Makers Program	--	--	--	--	--	--
(8) Government securities term repurchase window	100.0	4.4	0.4	53.1	2.4	0.2
(9) Swap of government securities	100.0	4.4	0.4	18.2	0.8	0.1
(10) Corporate Securities Repurchase Facility	100.0	4.4	0.4	0.1	0.0	0.0
Strengthen credit channels						
(11) Provision of resources to banking institutions to channel credit to MSMEs and individuals affected by the COVID-19 pandemic	250.0	11.1	1.0	NA	NA	NA
(12) Collateralized financing facility for commercial banks with corporate loans, to finance MSMEs	100.0	4.4	0.4	NA	NA	NA
Promote the orderly behavior of the foreign exchange market						
(13) Non-deliverable FX forwards program expansion	--	--	--	--	--	--
(14) USD credit auctions (financed with the swap line facility with the Federal Reserve)	--	--	--	--	--	--
(15) Foreign exchange hedges settled by differences in USD	--	--	--	--	--	--

Note: 1. The total only adds up facilities for which we have information; 2. Using an exchange rate of USD/MXN 22.54

NA = Not available

Source: Banxico, Banorte

Facilities announced for the week ahead. As of the close of this edition, Banxico has announced another operation regarding the *Government securities term repurchase window*. The auction will be held on July 13th at 10:00am (ET) and the amount available will be the remaining \$46.9 billion (US\$2.1 billion).

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