Ahead of the Curve

Banxico minutes, final 2020 GDP, inflation, and the first hard data for January slated for release

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

STARMINE AWARDS FOR REUTERS POLLS FROM REFINITIV

- **Banxico's minutes (February 11th).** The central bank will release the monetary policy minutes of its decision held on February 11th, in which the reference rate was cut by 25bps to 4.00%. The decision was unanimous, which was somewhat surprising given previous statements by Deputy Governor Irene Espinosa, as well as a more cautious and data-dependent approach from Governor Alejandro Díaz de León. In addition, we also noted several relevant changes on inflation in the statement, with the skew on growth still very accommodative. We will focus our attention on this first front. Moreover, there were comments by some members after the decision about the 'window of opportunity' for more cuts, so we will be looking into this as well. Nevertheless, we will pay close attention to identify the comments from Deputy Governors Irene Espinosa and Galia Borja. In this context, we believe the document will support our call of two additional 25bps cuts in the March and May meetings, taking the rate to 3.50%, level where we expect it to remain by year-end

Mexico weekly calendar

DATE	HOUR (ET)	EVENT	PERIOD	UNIT	BANORTE	CONSENSUS	PREVIOUS
Mon 22-Feb	4:30pm	Citibanamex bi-weekly survey of economic expectations					
Tue 23-Feb	10:00am	International reserves	Feb-19	US$ bn	--	--	195.8
Wed 24-Feb	7:00am	CPI inflation	1H Feb	% 2w/2w	0.27	0.23	0.50
				% y/y	3.88	3.87	3.74
		Core		% 2w/2w	0.28	0.21	0.36
				% y/y	3.91	--	3.84
Wed 24-Feb	7:00am	Retail sales	December	%	-5.8	--	-5.1
		sa		%	-2.3	--	3.3
Thu 25-Feb	7:00am	GDP	2020	% a/a	-8.3	--	-0.1
Thu 25-Feb	7:00am	GDP	4Q20 (F)	% y/y	-4.4	--	-4.5
		sa		% q/q	3.1	--	3.1
		Primary activities		% y/y	5.4	--	4.8
		Industrial production		% y/y	-3.1	--	-3.3
		Services		% y/y	-5.2	--	-5.1
Thu 25-Feb	7:00am	Economic activity indicator	December	% y/y	-3.1	--	-3.9
		sa		% m/m	-0.6	--	0.9
		Primary activities		% y/y	1.0	--	8.8
		Industrial production		% y/y	-2.1	--	-3.7
		Services		% y/y	-3.9	--	-4.8
Thu 25-Feb	7:00am	Unemployment rate	January	%	4.61	--	3.80
		sa		%	4.39	--	4.35
Thu 25-Feb	10:00am	Banxico minutes					
Thu 25-Feb	10:00am	Current account	4Q20	US$ bn	--	--	17.5
Fri 26-Feb	7:00am	Trade balance	January	US$ mn	-1,237.9	--	6,262.0
		Exports		% y/y	-0.5	--	11.5
		Imports		% y/y	-3.9	--	3.7
Fri 26-Feb	10:00am	Comercial banking credit	January	% y/y, real terms	-4.8	--	-4.6
		Consumption		% y/y, real terms	-11.9	--	-11.5
		Housing		% y/y, real terms	5.4	--	5.3
		Non-banking private firms		% y/y, real terms	-4.7	--	-4.5

Source: Banorte; Bloomberg

Proceeding in chronological order...

Weekly international reserves report. Last week, net international reserves increased by US$86 million, closing at US$195.8 billion (please refer to the following table). According to Banxico's report, this was mainly explained by a positive valuation effect in institutional assets. So far this year, the central bank's international reserves have increased by US$145 million.

Banxico's foreign reserve accumulation details
US$, million

	2020	Feb 12, 2021	Feb 12, 2021	Year-to-date
	Balance		Flows	
International reserves (B)-(C)	195,667	195,812	86	145
(B) Gross international reserve	199,056	202,917	70	3,861
Pemex	--	--	0	450
Federal government	--	--	-96	4,157
Market operations	--	--	0	0
Other	--	--	166	-746
(C) Short-term government's liabilities	3,389	7,105	-16	3,716

Source: Banco de México

Inflation in 1H-February to be driven by relevant seasonal effects. We expect headline inflation at 0.27% 2w/2w, below the 0.50% of the previous fortnight. We see the core at 0.28%, contributing 21bps to the total, relatively close to its five-year average. We believe the latter component will be the main driver given some key seasonal patterns. Dynamics within the non-core component will also be interesting, climbing 0.22%. If our forecast materializes, annual inflation would pick up again, now at 3.88% from 3.53% on average in January, with the core also higher at 3.91% (previous: 3.84%). Meanwhile, the non-core would rise to 3.81% from 2.63%.

Within the core, pressures would be concentrated in goods, up 0.4% (+16bps). Specifically, we expect goods to add 8bps, with reports of higher tortilla prices in some cities, despite not having been approved by the Consumer Protection Agency (PROFECO in Spanish). Other goods would add 7.5bps, similar to their usual seasonal pattern given the end of winter discounts in clothing and other accessories. Nevertheless, it would be more modest than in previous years, with some distortions associated to the pandemic. Services would remain more contained, up 0.2% (+6bps), with little changes in both housing (0.1%) and education (0.0%) given high economic slack. Nevertheless, other services would be slightly higher (0.2%), expecting additional pressures in dining away from home and restaurants. On the contrary, those related to tourism would remain low.

Meanwhile, the non-core component would explain only 5bps of the headline despite still relevant increases in energy prices. We highlight that the benchmark reference price for LP gas started to increase towards the end of the period as it reacted to worsening weather conditions in US southern states and the northern part of our country. Nevertheless, we expect these to have a quite limited effect this fortnight, with a more forceful impact until the second half of February. In this context, we expect this good to climb 1.3%.

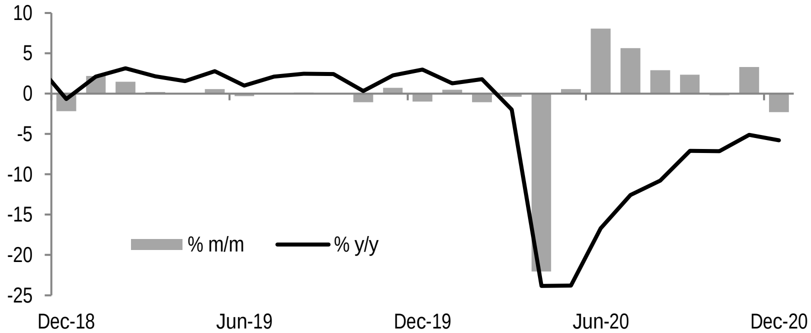
Going to gasoline, futures in the US extended gains, also with a spike towards the end of the period due to the same factors outlined above. Nevertheless, the MoF announced subsidies on the excise tax on low-grade gasoline starting on February 6th, which should dampen the increase. Hence, we estimate low-grade fuel at +2.1%, with a more modest uptick in high-grade at 1.6%. Both would add 11bps. On the contrary, agricultural goods would be benign, subtracting 10bps. We anticipate a sharp decline in fresh fruits and vegetables (-2.4%), highlighting additional declines in onions and tomatoes within our monitoring. We note that there seems to be a seasonal effect on the latter good, showing a downward trend since the end of the previous year and until February-March, for then to climb back up. Finally, meat and eggs would be more stable at 0.3%.

Retail sales to fall sharply in December. We anticipate a 5.8% y/y decline, below the -5.1% of the previous month despite a positive calendar effect. With seasonally adjusted figures, we expect a 2.3% m/m contraction after last month's +3.3%. We highlight two likely drivers for performance: (1) Lower sales as consumers brought forward some of their purchases to November, taking advantage of discounts in *El Buen Fin* (Mexico's Black Friday); and (2) renewed lockdowns in the State of Mexico and Mexico City since the middle of the month, triggering the closure of non-essential stores (particularly shopping malls). Supporting this view, we highlight that total sales by ANTAD members fell 6.7% y/y in real terms from +1.8% in November. The breakdown is quite telling, with departmental stores down 11.3% (previous: +5.1%). Meanwhile, supermarkets increased 1.4%, unchanged relative to November. Taken together, these signals are consistent with our view of a 'double whammy' to sales in the period.

Other signals were slightly better, albeit with some caveats. The volume of gasoline sales stood at -17.2% y/y from -19.2% in November. However, this is likely related to some spikes in mobility levels on the holidays. We believe family meetings at home increased relative to historical norms due to the pandemic, which in our view would not drive economic activity as strongly. In a similar fashion, non-oil consumption goods imports rose 3.5% m/m, albeit with some lingering concerns about delays in customs' reporting due to recent administrative changes.

On fundamentals, employment levels dipped in December, consistent with the period's seasonality. Meanwhile, remittances remain strong, stringing a fourth consecutive month with double-digit annual expansions. In our view, these will continue supporting consumption for the most vulnerable groups. Finally, consumer credit was weak again, suggesting that cautiousness may continue, especially in the acquisition of high-ticket and durable goods items. In this respect, auto sales remained quite low in the month, at -19.5% y/y.

Retail sales
% y/y nsa, % m/m sa

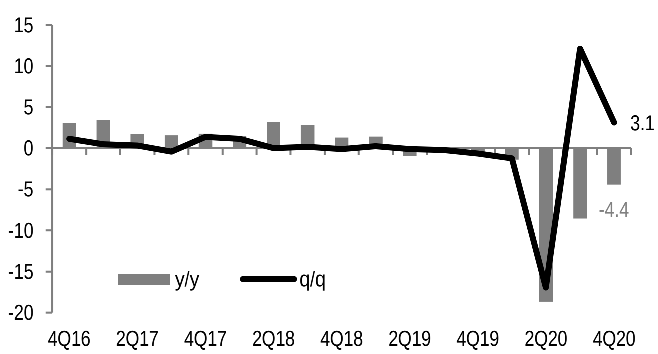


Source: INEGI, Banorte

Mexico's final 4Q20 GDP expected an inch higher on stronger IP. We anticipate 4Q20 GDP to be revised only by around 5bps higher relative to the preliminary estimate, to -4.4% y/y. This would be driven by a stronger result in industry. The primary sector would also be better, while we see a modest downtick in services. With seasonally adjusted figures, performance would remain at 3.1% q/q. Moreover, full-year 2020 GDP would also stay at -8.3% y/y, in line with the preliminary report released in late January.

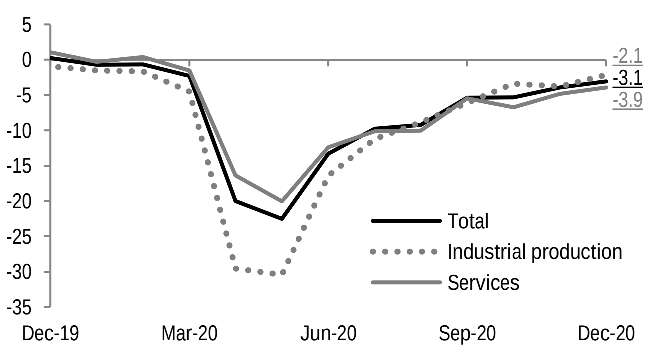
Specifically, December was probably better than originally thought. In this respect, we expect the monthly GDP proxy (IGAE) for this period at -3.1% y/y. According to our calculations, this would be slightly better than the implied print of -3.2% in the first GDP estimate. Figures for the last month of 2020 were benefited by a positive calendar effect as there were two more working days in the annual comparison, so we need to correct for this distortion. Hence, with seasonally adjusted figures we anticipate a 4.1% y/y contraction, below the -3.5% observed in November. The latter would be quite close to the last update within INEGI's Timely Indicator of Economic Activity, which sees a 4.2% fall. In sequential terms, activity in December would contract 0.6% m/m, its first decline since the recovery started in June. This would be driven by: (1) Renewed lockdowns and other distortions, affecting services more strongly once again; and (2) an increasingly challenging base effect, recalling that vaccinations started at a very modest pace until the end of the month.

GDP
% y/y nsa, q/q sa



Source: INEGI, Banorte

IGAE
% y/y nsa



Source: INEGI, Banorte

Going back to quarterly GDP, we do not anticipate meaningful revisions to results already released for October and November. By sectors we see industry revised up, to -3.1% y/y (previous: -3.3%). As a result, activity would have expanded 3.4% q/q from the +3.3% in the preliminary report. This was largely driven by positive surprises within December's industrial production (-2.1% y/y; +0.1% m/m), mostly because of renewed dynamism in manufacturing. Even with this upward revision, the full-year figure would remain at -10.0% y/y, worst since 1995.

Services would decline 5.2% y/y (preliminary: -5.1%), unchanged sequentially at +3.0% q/q. Although hard data for December is still scarce, we believe that: (1) They will show to some extent the impact from new lockdowns in December; and (2) they will suffer from a partial reversion of growth in November. Regarding the former, we highlight that all components within IMEF's non-manufacturing indicator declined except for 'employment'. Nevertheless, the signal is not as negative as the most impacted was 'deliveries'. Entertainment services, restaurants and others relying on social interaction should remain very weak. Nevertheless, their negative contribution would not be as strong at the margin, with hotel occupancy rates and air traffic in private-operated airports improving at the margin. Regarding the second point, we see a relevant setback in retail sales (see section above for more details) which could may also dampen wholesales. Considering the strong increase in COVID-19 cases, we see an acceleration in health services. We see more stability in more robust sectors, such as financial and professional services. On the contrary, and more positive, the strong showing in manufacturing at the end of the year may have boosted transportation services despite a very strong result in November, Considering the expected performance by sector, both negative and positive, the net result would be of a modest downward adjustment for the full quarter. As such, the full-year print is estimated to remain at -7.7%

Looking ahead, we are increasingly cautious about the start of the year, with worsening epidemiological conditions through January and early February. We believe the impact from new lockdowns in this period will dominate activity, with a sequential decline in 1Q21. Other headwinds include some bad news in the auto sector and disruptions due to power outages in the US and our country. In the medium term, vaccinations to non-medical personnel began on February 15th, with a new strategy outlined by the government in the last few days. Signals from abroad in this front remain positive, suggesting that the main driver for activity in 2021 will continue to be external demand. We still expect GDP to climb 4.1% this year, with more dynamism in 2H21 as activity gradually normalizes.

The unemployment rate will increase in January given renewed pandemic restrictions. We estimate the unemployment rate at 4.61% (original figures), up 81bps relative to the previous month. This strong adjustment would be mainly explained by a seasonal effect, as the strong decline in December reverses by the first month of the year. In this respect, using seasonally adjusted data we see a modest increase of 4bps, to 4.39%.

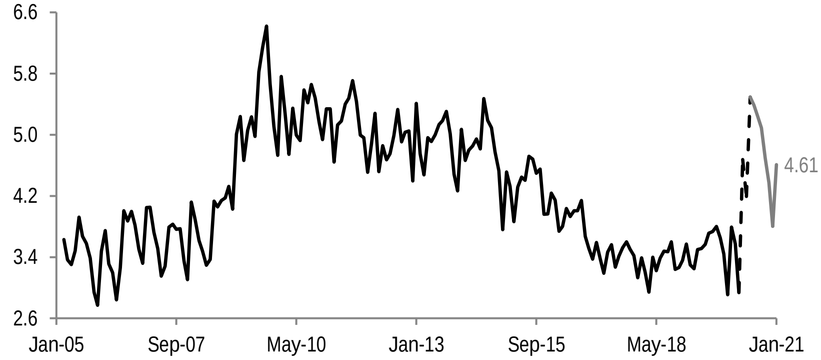
In our view, performance would be slightly affected by higher restrictions due to the increase in COVID-19 cases, recalling that: (1) Several states worsened in the traffic light indicator, with 10 in red from 3 in December; and (2) the highest number of new cases (22,339) and deaths (1,803) was observed on January 21st.

In this respect, available indicators are mixed to negative. For example, total employees in the IMSS's employment report contracted 3.26% y/y from -3.17% in December. Based on our seasonal adjustment, a little more than 47,900 positions were shed after gaining 101,514 in the previous month. It is our take that services were the most affected again, in line with mobility trends, which fell during the period. Specifically, informal workers may have been hit the worst, albeit these are not captured in this data set. Moreover, the employment components within IMEF indicators diverged, with manufacturing up in the month to 49.6pts from 49.2pts in November, but with services down to 45.4pts (low since August 2020) from 46.3pts, in the same order. Similar dynamics were seen in business confidence. Manufacturing, construction and commerce were stronger but services excluding commerce declined in both the headline and the 'adequate moment to invest' component.

Along the deterioration in the pandemic's evolution, we recall the 15% increase in the minimum wage starting on January 1st. In our view, the brunt of the adjustment because of this will likely be in employment levels –particularly for low-income workers– given the high amount of slack. Nevertheless, our estimate of a modest uptick (in seasonally adjusted terms) is also related to the possibility that people losing their jobs may also report themselves as not looking for a job. Evidence of the latter has already been seen when strict lockdowns were implemented, with the participation rate from 60.4% in March to a historical low of 47.3% in May. In turn, this would bias the unemployment rate to the downside. Despite of this, the effect may be more modest than at the start of the pandemic as workers and businesses have learned to adapt and are less willing to fully close operations. If we are right, this the latter would probably induce upward pressures in the part-time rate.

Considering the abovementioned factors, we still believe that labor market data will remain distorted by the pandemic. Going forward, we continue seeing a gradual recovery in the labor market. Nevertheless, the pace of decline in the rate may be slower in the short term as economic activity remains limited, particularly in sectors heavily dependent on social interactions. In contrast, there's the possibility of a stronger recovery in 2H21 as vaccinations continue and winter ends, which may help reduce contagions and result in an improvement in the traffic light indicator in several states, boosting mobility levels.

Unemployment rate
%, nsa

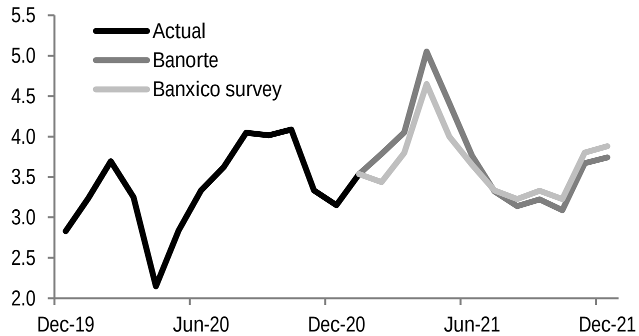


Source: INEGI, Banorte

Banxico's minutes to shed light on the degree of the Board's dovish tilt. The central bank will release the monetary policy minutes of its decision held on February 11th, in which the reference rate was cut by 25bps to 4.00%. The decision was unanimous, which in our view was somewhat surprising given previous statements by Deputy Governor Irene Espinosa, as well as a more cautious and data-dependent approach from Governor Alejandro Díaz de León. In addition, we also noted several relevant changes on inflation in the statement, with the skew on growth still very accommodative.

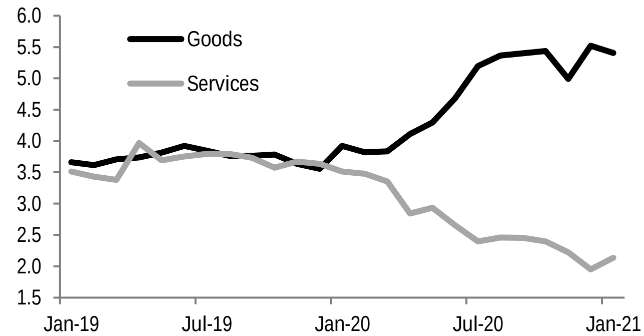
Our attention will focus on the debate about the outlook for prices. Among the adjustments in the statement on this front, we highlight: (1) The addition of the phrase about the 'hump' in annual inflation in 2Q21, driven by an adverse base effect; and (2) more explicit comments on the different price dynamics between goods and services within the core component. On the former, we believe the central bank focused on this to emphasize that the spike will not be driven by actual inflation trends but will mostly correspond to an arithmetic effect. This was already expected by the institution –as seen in the quarterly forecasts released in the 1Q20 *Quarterly Report*, tweaking it in more recent releases–, and market participants, including us (see chart below on the left). Nonetheless, it represents a risk about the 'window of opportunity' in which cuts can take place. In this respect, both Deputy Governors Esquivel and Heath have talked recently about this (as detailed in the following section). Regarding the second point, there has been a marked divergence on the behavior of these two categories, reflecting changing consumption patterns because of the pandemic (see chart below on the right), among other factors. It is our take that stressing these differences constituted a relevant signal that concerns on this front may be subsiding. Moreover, it reinforces the view of limited demand-side pressures for inflation due to the wide degree of economic slack. Lastly, and in our view more important, we will look for comments about the recent increase of the non-core component, which has been mostly driven by energy prices. This is relevant considering that monetary policy has a very modest effect on influencing this type of shocks, albeit remaining an important source of concern, especially if they start to pass-through to other prices and may compromise the evolution of short-term inflation expectations.

Inflation forecasts
% y/y, monthly frequency



Note: January's print replaced with actual data. The survey's implied path is based on the median forecasts for monthly inflation
Source: INEGI, Banxico Survey (January), Banorte

Core inflation: Goods and services
% y/y, monthly frequency



Source: INEGI

Considering this, we note some comments by Board members after the decision. Firstly, Governor Díaz de León made the rounds on Thursday and Friday, broadly expressing the institution's view while limiting his own personal opinions (as stated in the bank's communication guidelines). Meanwhile, Deputy Governor Jonathan Heath retained his dovish bias, stressing again the importance of acting now, while the 'window' for more cuts remains open, before headline inflation climbs in late March and early April. While current expectations are that prices will decline towards the target after this 'hump', he said it will be important to assess if this indeed materializes. In the latter scenario, the 'window' to ease could open once again. Lastly, Deputy Governor Gerardo Esquivel stated that he sees enough room to cut the reference rate two more times this year (in 25bps clips), while suggesting that it would not be desirable to reach the previous low of 3.00%. In our view, this seems to be informed to a great extent by previous comments in which he said that the real ex ante interest rate can reach 0% as a lower bound. This would equate to a 3.50% nominal rate if based on mid- and long-term inflation expectations firmly anchored at the same level (according to the bank's survey). However, he also echoed some of the comments from Heath, stating that they will remain data-dependent on inflation meeting the central bank's forecasts.

In our view, these latter two expositions are in line with their corresponding vote in the previous meeting, with both favoring a rate cut. Taking this into account, we believe comments in the minutes from Deputy Governors' Irene Espinosa and Galia Borja may provide key insights about the Board's overall bias. Hence, we will focus on differentiating them. Regarding the former, we will be looking to possible factors that may have changed her vote, given that we saw her as one of the most hawkish members. For the latter, we hope to gather valuable information about her policy bias and priorities within her decisions making-process, recalling that this was her first meeting. We think their stances will be relevant to gauge the probability of different policy paths that may be taken by the central bank.

Lastly, we expect comments on activity to remain mostly unchanged, highlighting risks to the downside –which arguably are materializing to some degree at the start of the year–. They will probably emphasize that the output gap remains very wide despite upward growth surprises in 2H20. Turning to macro and financial risks, they will likely elaborate on higher global risk appetite and possibly better local trading conditions.

Nevertheless, they will probably keep stressing the need to safeguard and reinforce healthy macroeconomic fundamentals given some relevant risks, such as those in public finances and Pemex. However, we will also heed to comments on the evolution of discussions regarding potential changes to the central bank's law.

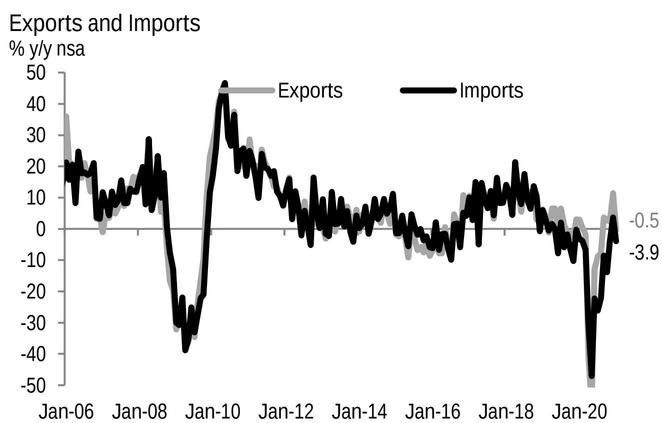
In our view, the minutes will be very helpful to shed further light about the policy path ahead. Apart from this, the next *Quarterly Report* will also be key, to be released on Wednesday, March 3rd. In it, our attention will center mainly on updated inflation forecasts. Overall, we expect the tone to remain quite dovish, supporting our call of two additional 25bps rate cuts, in March 25th and May 13th. We expect activity indicators to keep showing a slow economic recovery. Adjustments on inflation will likely be skewed higher given recent events affecting commodities. Nevertheless, it remains to be seen how temporary and persistent these recent dynamics will turn out to be.

January's trade balance to register a modest deficit. We estimate a US$1,237.9 million deficit, after a historically high surplus of US$6,262.0 million in December. This would be highly determined by seasonal effects, as non-oil exports are usually low in the first month of the year. Historically, non-oil imports have also shown a similar patter, although moderating not as much as shipments abroad and distributed between January and February. We think some dynamism will remain in shipments abroad, albeit with some unfavorable news for domestic activity and with some payback after December's surge. Moreover, there is a challenging calendar effect as the month had two less working days in the annual comparison. All in all, we expect total exports at -0.5% y/y (previous: 11.5%), with imports also negative, at -3.9% (previous: 3.7%).

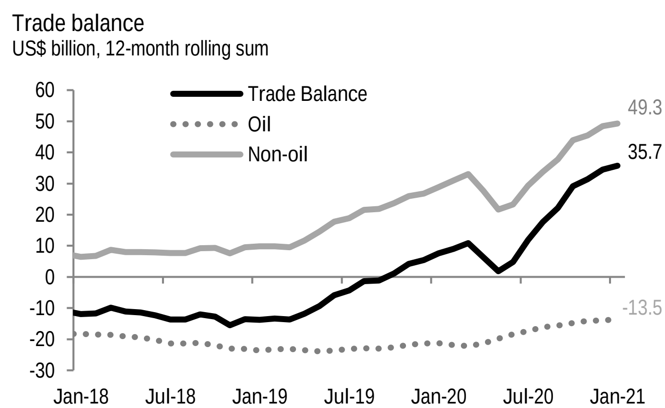
In the oil balance, we expect a US$1,459.4 million deficit. The period's dynamic was dominated by a recovery in prices, both for crude oil as well as finished products such as gasoline. The Mexican oil mix averaged 50.86 US$bbl from 45.64 in December. Regarding volumes, developments were mixed. We had reports of loading issues in the Pajaritos terminal but progress in the *Yúum K'ak' Náab* Floating Production Storage and Offloading (FPSO) unit. In this context, hard data showed a slight decrease in Mexico's shipments to the US. Therefore, we expect a 11.7% y/y contraction in oil exports. Going to imports, volumes coming from the US improved on an annual basis, on top of rising prices. We believe this is positive as mobility indicators fell due to more stringent lockdowns. Hence, we expect total imports in this sector at -17.2%.

We expect the non-oil balance with a surplus of barely US$221.8 million. Exports would decelerate meaningfully, to 0.3% from 13.1% in December. Despite of this, they would remain above imports, at -2.2%. In the former, we anticipate agricultural (1.1%) and mining (12.5%) to keep growing, both helped to some extent by higher commodity prices. On the contrary, manufacturing would be much more modest, at 0.1%. Specifically, autos would contract 5.4%, with AMIA data showing that vehicle exports slipped 6.4% in the period.

This would likely be payback from a very strong 11.3% advance in December. More positively, this sector in the US kept growing (4.1%), with fundamentals supportive. We see similar dynamics in other manufacturing, at 3.0% from 14.8% previously. Available figures here were more favorable, including US strength in the 'imports' component within the ISM manufacturing –albeit with reports of some limits to capacity expansion due to COVID-19–. In imports, we also see some reversal of December's results, with annual rates affected significantly by a negative calendar effect. In consumption we expect -3.5% and intermediate goods at -0.7%. In the former, we note that the Chinese New Year ran from February 11th to the 17th. Given the lag in transportation times, we believe some boost in Mexican imports would be reflected until February (as Chinese exporters likely accelerated shipments in late January and the first days of the current month). In the latter, we note that the 'exports' component within the ISM index fell strongly, in our view signaling a limited performance. Lastly, we expect capital goods to stay dampened at -12.0% after surprising higher in the previous month, with the exchange rate stable but with still low domestic demand.



Source: INEGI, Banorte



Source: INEGI, Banorte

Banking credit to dip further into negative territory in January. We expect a 4.8% y/y contraction in real terms, below the -4.6% seen in December. Performance would be mostly explained by an additional decrease in consumer (-11.9%) and corporate (-4.7%) loans. Regarding the former, timelier data suggests an additional decline in consumption, highlighting ANTAD sales. On the latter, we consider the further deterioration in epidemiological conditions will weigh on financing needs, resulting in an additional contraction. On the contrary, we consider that mortgages could remain relatively strong (5.4%). It should be mentioned that during the month the effect from inflation was negative as it stood at 3.54% y/y in January, 39bps above the previous month's print.

Analyst Certification

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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Last-twelve-month activities of the business areas.

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Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V, since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

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