

Ahead of the Curve

Activity weakness likely persisted in November, picking up until the last month of 2021

- Timely Indicator of Economic Activity (December).** This release will include the first estimate for December, as well as revised figures for November. In this context, we believe November's print could be revised down, considering that it stands at 1.2% y/y. [Industry came in below expectations](#), while trends for services are slightly more mixed. Therefore, it is likely that the estimate shows a sequential decline. Signals for December are more favorable at the margin, with epidemiological conditions stable and mobility improving modestly. In this sense, IMEF's PMIs point to a recovery, with an acceleration in both sectors. However, this contrasts with other timely data, such as consumer confidence. Therefore, although a monthly increase is likely, it will probably be modest at best
- Unemployment rate (December).** We estimate the unemployment rate at 3.25% (original figures), down 42bps relative to November. Similar to the previous month, this would mostly be because of year-end seasonality. Nonetheless, we expect a continuation of the recovery for a fifth consecutive month in seasonally adjusted terms. Specifically, we estimate the rate at 3.78%, down almost 5bps sequentially and better than our call for the rate closing the year closer to 4.0%. Related indicators are positive (e.g. employment affiliated to IMSS, IMEF's PMIs), while epidemiological conditions were still favorable. In our view, both the participation and part-time rate could also benefit from this situation

January 14, 2022

www.banorte.com
@ analisis_fundam

Juan Carlos Alderete, CFA
Executive Director of Economic Research
and Financial Markets Strategy
juan.alderete.magal@banorte.com

Francisco Flores
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com

Document for distribution among the
general public

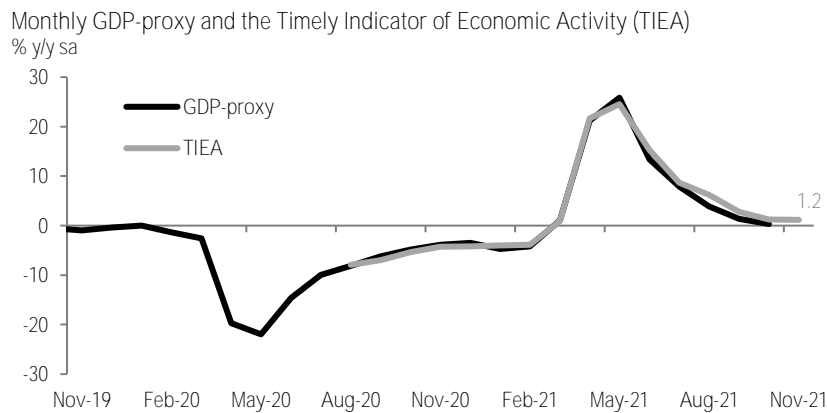
Mexico weekly calendar

DATE	HOOR (ET)	EVENT	PERIOD	UNIT	BANORTE	CONSENSUS	PREVIOUS
Tue 18-Jan	7:00am	Timely Indicator of Economic Activity (sa)	December	% y/y	--	--	1.2
Tue 18-Jan	10:00am	International reserves	Jan-14	US\$ bn	--	--	202.0
Tue 18-Jan		ANTAD: Same-store sales	December	% y/y in real terms	--	--	1.8
Thu 20-Jan	7:00am	Unemployment rate	December	%	3.25	3.37	3.66
		sa		%	3.78	--	3.83
Thu 20-Jan	3:30pm	Citibanamex bi-weekly survey of economic expectations					

Source: Banorte; Bloomberg

Proceeding in chronological order...

Timely Indicator of Economic Activity (December). This release will include the first estimate for December, as well as revised figures for November. We recall that October's mid-point forecast stood at 1.2% y/y (using sa figures), higher than the 0.3% in the GDP-proxy (IGAE). In this context, we believe November's print could be revised down, considering that it stands at 1.2% y/y. [Industry came in below expectations](#), while trends for services are slightly more mixed. Therefore, it is likely that the estimate shows a sequential decline. Signals for December are more favorable at the margin, with epidemiological conditions stable and mobility improving modestly. In this sense, IMEF's PMIs point to a recovery, with an acceleration in both sectors. However, this contrasts with other timely data, such as consumer confidence. Therefore, although a monthly increase is likely, it will probably be modest at best.



Source: INEGI

Weekly international reserves report. Last week, net international reserves decreased by US\$446 million, closing at US\$202.0 billion (please refer to the following table). According to Banxico's report, this was mainly explained by a negative valuation effect in institutional assets. Year-to-date, the central bank's international reserves have fallen by US\$446 million.

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

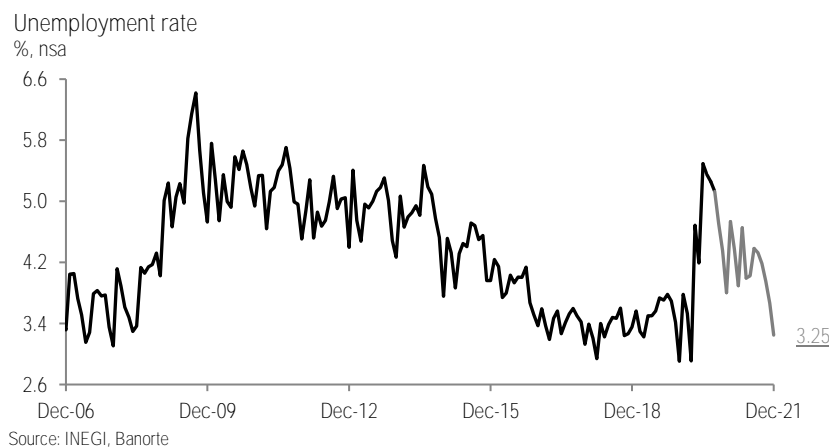
	2021	Jan 7, 2022	Jan 7, 2022	Year-to-date
	Balance		Flows	
International reserves (B)-(C)	202,399	201,953	-446	-446
(B) Gross international reserve	207,745	206,965	-780	-780
Pemex	--	--	0	0
Federal government	--	--	638	638
Market operations	--	--	0	0
Other	--	--	-1,417	-1,417
(C) Short-term government's liabilities	5,346	5,012	-333	-333

Source: Banco de México

Employment gains likely continued in December, despite recent economic weakness. We estimate the unemployment rate at 3.25% (original figures), down 42bps relative to November. Similar to November, this would mostly be because of year-end seasonality. Nonetheless, we expect a continuation of the recovery for a fifth consecutive month in seasonally adjusted terms. Specifically, we estimate the rate at 3.78%, down almost 5bps sequentially and better than our call for the rate closing the year closer to 4.0%

Related indicators are positive. Employment of people affiliated to IMSS showed 312,902 net positions were shed. Nevertheless, a heavy decline is typically seen as hiring slows down meaningfully (with a plethora of companies closing their books for the year), while terminations are elevated (after temporary hiring in advance of the holidays and children vacations, among other factors). Adjusting for this, our seasonal adjustment method points to an acceleration of job creation at the margin and the best month since July. Reinforcing this, employment components within IMEF PMIs picked up, with manufacturing at 52.0pts (sa) from 50.4pts previously, and non-manufacturing at 51.6pts from 50.6pts. Employment in INEGI's aggregate trend indicator for services was also higher across the board (construction, manufacturing, commerce and services). In our view, these signals are consistent with a better epidemiological backdrop –with 27 states in ‘green’ and the remaining 5 in ‘yellow’. Although the Omicron variant was identified at the end of November in South Africa, heightened global concerns were seen until later in December. In our view, both the participation and part-time rate could also benefit from this situation.

Looking ahead, the recovery of the labor market looks increasingly challenged by weaker economic growth, with the momentum waning in recent months. As mentioned above, December seems to have been stronger, albeit less so than what we originally expected. Given gains already seen since the pandemic shock, we are increasingly concerned that a moderation may be in store given headwinds still in place from several fronts (*e.g.* the pandemic, supply issues, price pressures, less fiscal impulse in the US), which could affect both industry and services.



Analyst Certification

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, José Itzamna Espitia Hernández, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez and Gerardo Daniel Valle Trujillo, 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.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

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.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.

GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandra.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
Economic Research			
Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Leslie Thalia Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Victor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Quantitative Analysis			
Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandra.cervantes@banorte.com	(55) 1670 - 2972
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandra.aguilar.cebaldos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandra.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandra.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Oswaldo Brondo Menchaca	Head of Specialized Banking Services	oswaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandra.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.roltan.ferrer@banorte.com	(55) 1670 - 1899