Ahead of the Curve

Annual inflation to keep trending higher on generalized pressures

- **Inflation (1H-April).** We expect headline inflation at 0.11% 2w/2w, 35bps higher than its 5-year average. Inside, the core would be pressured once again, up 0.38% (contribution: +28bps), driven again by goods –partly due to an adverse seasonal effect–, but with services more moderate. The non-core would fall 0.67% (-17bps), benefiting from the start of summer discounts on electricity tariffs. However, we highlight additional pressures on remaining energy items and agricultural goods. With these results, annual inflation would reach 7.67% from 7.45% on average in March. Meanwhile, the core would rise to 7.10%, with 16 consecutive fortnights higher. Lastly, the non-core would come in at 9.37% (previous: 9.45%)

- ***Timely Indicator of Economic Activity* (March).** This release will include the first estimate for March, as well as revised figures for February. Regarding this last month, we believe there is some uncertainty regarding the revision, albeit likely being to the downside, considering that it stands at 2.8% y/y. Despite of this, it will likely maintain a sequential expansion. Signals for March are more positive, with additional improvements in virus dynamics and mobility apparently stabilizing above its pre-pandemic average. As such, timely data suggest that dynamism continued, including IMEF's PMIs and ANTAD sales

April 18, 2022

www.banorte.com
@analisis_fundam

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

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

Yazmín Pérez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com

Winners of the award for best economic forecasters for Mexico in 2021, granted by *Refinitiv*

STARMINE AWARDS FOR REUTERS POLLS FROM REFINITIV

Document for distribution among the general public

Mexico weekly calendar

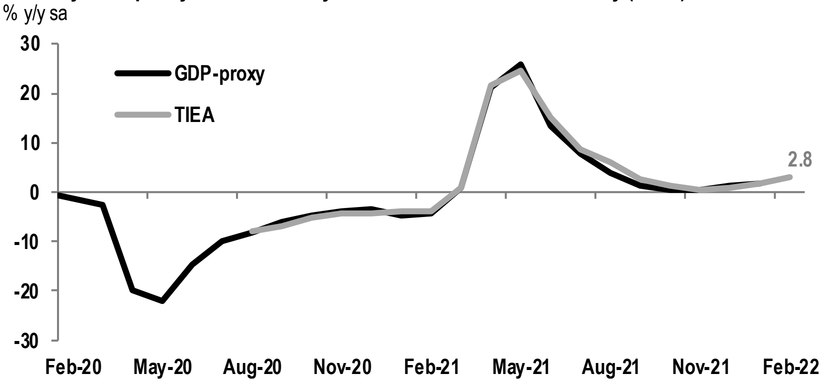
DATE	TIME (ET)	EVENT	PERIOD	UNIT	BANORTE	CONSENSUS	PREVIOUS
Tue 19-Apr	7:00am	Timely Indicator of Economic Activity (sa)	March	% y/y	--	--	2.8
Tue 19-Apr	10:00am	International reserves	Apr-15	US$ bn	--	--	200.1
Wed 20-Apr	3:30pm	Citibanamex bi-weekly survey of economic expectations					
Fri 22-Apr	7:00am	CPI inflation	1H Apr	% 2w/2w	0.11	0.05	0.59
				%y/y	7.67	7.51	7.62
		Core		%2w/2w	0.38	0.30	0.40
				%y/y	7.10	7.01	6.88

Source: Banorte; Bloomberg

Proceeding in chronological order…

February's activity forecasts possibly lower, with positive signs for March. This release will include the first estimate for March, as well as revised figures for February. We recall that January's mid-point forecast stood at 1.8% y/y (using sa figures), higher than the GDP-proxy (IGAE) at 1.6%. Turning to February, we believe there is some uncertainty regarding the revision, albeit likely being to the downside, considering that it stands at 2.8% y/y. So far, industrial production was lower than what the indicator suggested, albeit with services giving hints of further progress amid a more favorable backdrop. Despite of this, it will likely maintain a sequential expansion. Signals for March are more positive, with additional improvements in virus dynamics and mobility apparently stabilizing above the pre-pandemic average. As such, timely data suggest that dynamism continued, including IMEF's PMIs and ANTAD sales.

Monthly GDP-proxy and the Timely Indicator of Economic Activity (TIEA)
% y/y sa



Source: INEGI

Weekly international reserves report. Last week, net international reserves decreased by US$580 million, closing at US$200.1 billion (please refer to the following table). According to Banxico's report, this was explained by a negative valuation effect in institutional assets. Year-to-date, the central bank's international reserves have fallen by US$2.3 billion.

Banxico's foreign reserve accumulation details
US$ millions

	2021	Apr 8, 2022	Apr 8, 2022	Year-to-date
	Balance		Flows	
International reserves (B)-(C)	202,399	200,146	-580	-2,254
(B) Gross international reserve	207,745	207,319	-936	-426
Pemex	--		0	350
Federal government	--		-121	3,208
Market operations	--		0	0
Other	--		-815	-3,984
(C) Short-term government's liabilities	5,346	7,173	-356	1,828

Source: Banco de México

Inflation in 1H-April boosted by the core component. We expect headline inflation at 0.11% 2w/2w, 35bps higher than its 5-year average. Inside, the core would be pressured once again, up 0.38% (contribution: +28bps), driven again by increases in goods –partly due to an adverse seasonal effect–, but more modest in services. The non-core would fall 0.67% (-17bps), benefiting from the start of the summer discounts on electricity tariffs.

However, we highlight additional pressures on other energy items and agricultural goods. With these results, annual inflation would reach 7.67% from 7.45% on average in March. Meanwhile, the core would rise to 7.10%, with 16 consecutive fortnights higher. Lastly, the non-core would come in at 9.37% (previous: 9.45%).

Within the core, pressures would center, once again, on goods (0.5%; +20bps), particularly processed foods. These would climb 0.6% (+13bps), anticipating a higher pass-through from input costs to final prices, mainly reflected on items related to grains –like corn tortillas, cooking oils– but also soda and milk. 'Other goods' would rise 0.6% (+8bps), with an adverse seasonality due to the end of the last discounts on clothing that began at the start of the year. Services would be more modest (0.2%; +8bps). On 'others' we notice a less adverse seasonality from the Easter holiday on tourism categories –considering that increases occur mostly before this period–, although with pressures on inputs driving up the rest of the items, resulting in a 0.4% advance overall (+7bps). Housing would be more stable and modest at the margin at 0.1% (+2bps).

At the non-core, energy would fall 2.7% (-28bps), dragged by electricity tariffs (-12.1%; -25bps) given their typical seasonality. Also, on the downside we note LP gas, down by 2.6% (-6bps). Specifically, declines in international references and the appreciation of the MXN would have resulted in a lower price ceiling, although with the latter also smoothening the fall. Meanwhile, and despite similar dynamics for gasoline in global markets, fiscal stimulus to the excise tax was reduced for all fuels, which we believe may have overcompensated for said benefits. As a result, we anticipate low-grade gasoline at +0.5% (+2bps). In agricultural goods (0.9%; +11bps), the increase would be concentrated in fruits and vegetables, up 1.1% (+6bps), with our price monitoring suggesting upward moves in chilies and tomatoes, albeit with declines in bananas and onions. On the other hand, meat and egg (0.8%; +5bps), would be boosted again by chicken and, to a lesser extent, eggs.

Analyst Certification

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, David Alejandro Arenas Sánchez, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Miguel Alejandro Calvo Domínguez, Daniela Olea Suárez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal and Daniel Sebastián Sosa Aguilar 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.

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

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godinez	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
Yazmín Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Leslie Thalía Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Isaías Rodríguez Sobrino	Analyst, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144
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
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 - 2250
David Alejandro Arenas Sánchez	Senior Strategist, Equity	david.arenas.sanchez@banorte.com	(55) 1103 - 4000 x 2755
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Paola Soto Leal	Analyst	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 1746
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugoa.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	alejandro.cervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Daniela Olea Suárez	Senior Analyst, Quantitative Analysis	daniela.olea.suarez@banorte.com	55) 1103 - 4000
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
Daniel Sebastián Sosa Aguilar	Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.ceballos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.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
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.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.roldan.ferrer@banorte.com	(55) 1670 - 1899