

Ahead of the Curve

Possible hints of lower dynamism in September

- Timely Indicator of Economic Activity (September).** This release will include the first estimate for September, as well as revised figures for August. In this latter month, [industrial production](#) was practically in line with the first estimate. Meanwhile, timely signals for services –including retail sales (see section below)– lead us to believe that the adjustment will be to the upside. Therefore, we think the monthly comparison could show a sequential increase. Going to September, signs are somewhat mixed, with positive trends from manufacturing, but with services showing a slowdown. As such, we could see a moderation in the pace of growth or even a slight contraction
- Retail sales (August).** We forecast them at +6.6% y/y, higher than the 5.0% of the previous month, partly boosted by a more favorable base effect. More importantly, sales would have grown 0.4% m/m, building up on the 0.9% expansion of the previous month, which we believe would be quite favorable. In our view, dynamism would be driven by: (1) The consolidation of fundamentals, including remittances and employment; (2) the continuation of disbursements of social programs after the pause in the electoral season; and (3) spending related to the tail-end of the holiday period and the start of school. However, we expect the figure to remain limited by additional price pressures

October 14, 2022

www.banorte.com
@ analisis_fundam

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

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

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

Cintia Nava
Senior Economist, Mexico
cintia.nava.roa@banorte.com

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



Document for distribution among the general public

Mexico weekly calendar

DATE	TIME (ET)	EVENT	PERIOD	UNIT	BANORTE	CONSENSUS	PREVIOUS
Tue 18-Oct	10:00am	International reserves	Oct-14	US\$ bn	--	--	197.0
Thu 20-Oct	7:00am	Timely Indicator of Economic Activity (sa)	September	% y/y	--	--	2.9
Thu 20-Oct	3:30pm	Citibanamex bi-weekly survey of economic expectations					
Thu 20-Oct		Deadline for the Lower House approval of the Revenue Law					
Fri 21-Oct	7:00am	Retail Sales	August	% y/y	<u>6.6</u>	5.7	5.0
		sa		% m/m	<u>0.4</u>	0.1	0.9

Source: Banorte; Bloomberg

Proceeding in chronological order...

Weekly international reserves report. Last week, net international reserves increased by US\$46 million, closing at US\$197.0 billion (please refer to the following table). This was mainly explained by a positive valuation effect in institutional assets. Year-to-date, the central bank’s international reserves have fallen by US\$5.4 billion.

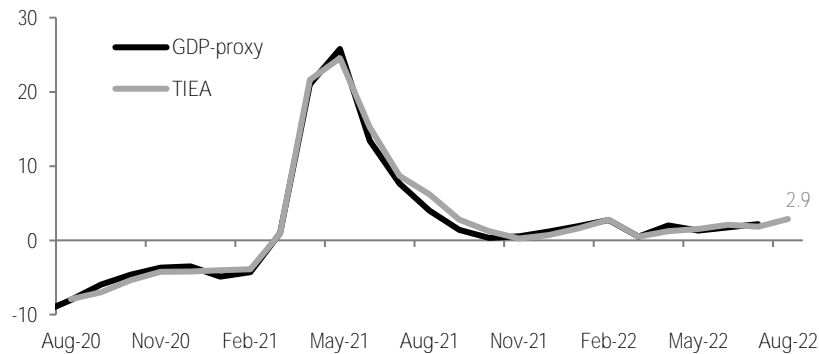
Banxico's foreign reserve accumulation details
US\$, million

	2021	Oct 7, 2022	Oct 7, 2022	Year-to-date
	Balance		Flows	
International reserves (B)-(C)	202,399	196,963	46	-5,436
(B) Gross international reserve	207,745	202,269	133	-5,476
Pemex	--	--	0	350
Federal government	--	--	-172	673
Market operations	--	--	0	0
Other	--	--	305	-5,499
(C) Short-term government's liabilities	5,346	5,306	88	-40

Source: Banco de México

The Timely Indicator of Economic Activity will likely show a deceleration in September. This release will include the first estimate for September, as well as revised figures for August. We recall that July’s mid-point forecast stood at 1.8% y/y (using sa figures), lower than the [2.2% in the GDP-proxy \(IGAE\)](#). In August, [industrial production](#) was practically in line with the first estimate. Meanwhile, timely signals for services –including retail sales (see section below)– lead us to believe that the adjustment will be to the upside. Therefore, we think the monthly comparison could show a sequential increase. Going to September, signs are somewhat mixed. Inflationary pressures persisted, which is consistent with a more adverse situation for domestic sectors, as suggested by ANTAD sales. Nevertheless, we could see an acceleration in external sectors, with a better performance in the US, which we believe has already favorably impacted [IMEF’s manufacturing PMI](#). As such, we could see a moderation in the pace of growth or even a slight contraction.

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

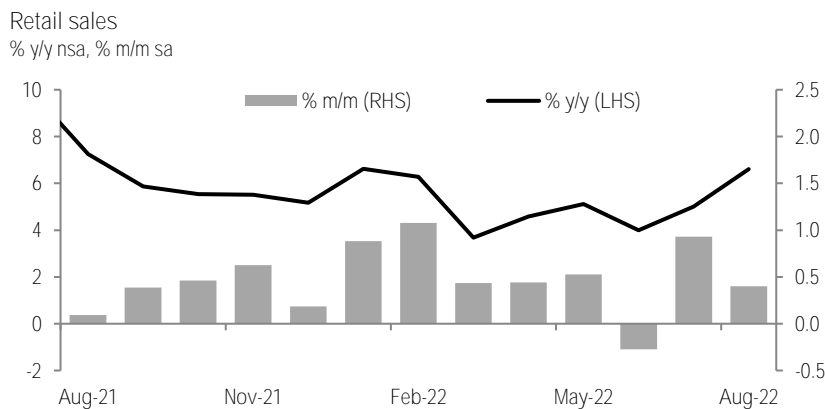


Source: INEGI

Additional progress in retail sales in August, helped by fundamentals. We forecast them at +6.6% y/y, higher than the 5.0% of the previous month, partly boosted by a more favorable base effect. More importantly, sales would have grown 0.4% m/m, building up on the 0.9% expansion of the previous month, which we believe would be quite favorable. In our view, dynamism would be driven by: (1) The consolidation of fundamentals, including remittances and employment; (2) the continuation of disbursements of social programs after the pause in the electoral season; and (3) spending related to the tail-end of the holiday period and the start of school. However, we expect the figure to remain limited by additional price pressures, with [annual inflation accelerating to 8.70%](#).

So far, available data is somewhat mixed, but still suggesting progress. ANTAD sales lost a bit of momentum, with total stores up 4.9% y/y in real terms (previous: +5.6%) and same-stores at +2.5% (previous: +3.3%), both dragged by higher inflation. On a more positive note, auto sales jumped by 5.1% m/m to 91.1 thousand units. Gasoline sales moderated again –in line with the period’s seasonality–, standing at 681kbpd from 700kbpd in July. Lastly, [non-oil consumption goods imports contracted 1.1%](#), adding two months lower. However, considering lower transportation costs and a moderation in overall supply-chain disruptions, we believe these figures are not as negative as they seem. On fundamentals, we believe conditions are more favorable. [Remittances remained strong](#), topping US\$5 billion (or \$100 billion in MXN) for a fourth month in a row, despite decelerating sequentially. While [employment kept improving](#) –with +177.1 thousand new positions– wages decelerated, especially when measured in real terms. Nevertheless, the latter seems to be partly offset by additional leverage from families, with [consumer loans still on the upside](#), situation which we think is helping smooth out consumption patterns.

We consider that the result would be consistent with our view of persistent dynamism in 3Q22, continuing with the favorable trend seen in the first half of the year. Nevertheless, additional risks seem to be materializing, likely limiting an acceleration towards the end of the year.



Source: INEGI, Banorte

Analyst Certification

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldivar, 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, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enriquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, Daniela Olea Suárez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Daniel Sebastián Sosa Aguilar and Salvador Austria Valencia 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	alejandro.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
María Fernanda Vargas Santoyo	Analyst	maria.vargas.santoyo@banorte.com	(55) 1103 - 4000
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
Cintia Gisela Nava Roa	Senior Economist, Mexico	cintia.nava.roa@banorte.com	(55) 1103 - 4000
Luis Leopoldo López Salinas	Manager Global Economist	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
Isaias Rodríguez Sobrino	Strategist, 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
Victor 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	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	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
José De Jesús Ramírez Martínez	Senior Analyst, Quantitative Analysis	jose.ramirez.martinez@banorte.com	(55) 1103 - 4000
Daniel Sebastián Sosa Aguilar	Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Salvador Austria Valencia	Analyst, Quantitative Analysis	salvador.austria.valencia@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
Victor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899