

IMEF's PMI surveys – Consolidation in services, with manufacturing inching higher

- **IMEF Manufacturing PMI (November, sa): 50.5pts; Banorte: 49.5pts; previous: 50.0pts**
- **IMEF Non-manufacturing PMI (November, sa): 53.4pts; Banorte: 52.6pts; previous: 51.7pts**
- **Performance was stronger. Manufacturing inched higher, recovering the loss from the previous month. Services also rose, likely aided by a slight moderation in prices and boosted by key events**
- **In manufacturing, strength centered in ‘new orders’, while ‘production’ fell slightly. Volatility in ‘inventories’ and ‘deliveries’ continues, with the former higher, but the latter taking another step back**
- **Changes in non-manufacturing were mixed, with notable progress in ‘new orders’ and ‘production’, but with ‘employment’ and ‘deliveries’ lower. Despite of this, all categories stood above the 50pts threshold**
- **We believe these results suggest that divergences persist across different sectors. However, industry could be slightly more resilient than we originally thought, while services have strengthened**

Both sectors improved, with non-manufacturing outperforming. IMEF's indicators climbed in November, with manufacturing up to 50.5pts from 50.0pts in the previous month –with the latter figure originally at 50.1pts. Meanwhile, the non-manufacturing was stronger at 53.4pts (previous: 51.7pts, originally at 51.8pts). Both remain in expansion territory. Regarding the former, the result is positive considering additional weakness in US industry, reflected in the same indicator from *S&P Global* at 47.7pts from 50.4pts, a new low since June 2020. According to the report, this was driven by weakness in both local and external demand. Domestically, some relief may have come from a slight easing in supply pressures –although with challenges persisting in key areas, such as autos–, while some intermediate prices for industry declined recently. On non-manufacturing, the pandemic seems to have been left behind (despite signs of a slight pickup recently). Key events, such as *El Buen Fin* (Mexico's Black Friday) and the spillover from increased spending because of the *2022 FIFA World Cup*, likely boosted dynamism further. Moreover, an easing in non-core prices, mainly LP gas, could have freed up some household income.

Manufacturing improves slightly. Performance inside was mixed, with only three categories up. The expansion was driven by ‘new orders’ (+0.8pts), with employment inching higher (+0.2pts). ‘Production’ backtracked 0.7pts, as seen in the chart below. As has been since the outset of the pandemic, volatility prevails in logistics, with ‘inventories’ climbing further (+0.3pts), but with ‘deliveries’ again lower (-0.7pts). With this result, the latter stands as the only one in contraction territory (see table below).

November 1, 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

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*



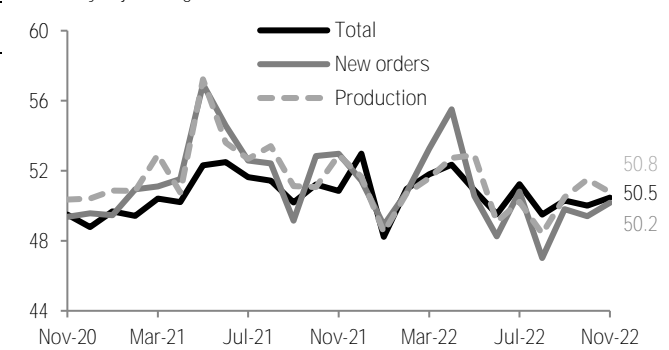
Document for distribution among the
general public

IMEF's manufacturing indicator
Seasonally adjusted figures

	Nov-22	Oct-22	Difference
Manufacturing	50.5	50.0	0.5
New orders	50.2	49.4	0.8
Production	50.8	51.5	-0.7
Employment	51.0	50.8	0.2
Deliveries	46.6	47.3	-0.8
Inventories	51.2	50.9	0.3

Source: IMEF

IMEF's PMI manufacturing indicator
Seasonally adjusted figures



Source: Banorte, IMEF

Non-manufacturing keeps improving. The index reached its highest level since March 2022. Nevertheless, only two of the four categories improved, these being ‘new orders’ (+2.1pts) and ‘production’ (+1.5pts). In our view, their dynamism was likely driven by the abovementioned factors. Meanwhile, both ‘deliveries’ (-1.4pts) and ‘employment’ (-1.7pts) declined. The reading on the former could be somewhat uncertain, considering that the lag may be because of increased demand. On the latter, we remain more cautious considering the outlook ahead.

IMEF's non-manufacturing indicator
Seasonally adjusted figures

	Nov-22	Oct-22	Difference
Non-manufacturing	53.4	51.7	1.7
New orders	56.6	54.5	2.1
Production	54.9	53.4	1.5
Employment	51.1	52.8	-1.7
Deliveries	50.4	51.8	-1.4

Source: IMEF

Despite a more challenging outlook, activity could remain resilient for longer, especially services. Despite the positive surprise in manufacturing, today’s results support our view of some divergence between industry –mainly manufacturing– and services, with the former affected by headwinds abroad. On the latter, we believe December’s print could continue to benefit from holiday spending and the late stages of the World Cup. As such, our call of a mild contraction in 4Q22 (-0.2% q/q) could be facing some upside risks.

Diving into manufacturing, risks out of China prevail, with lockdowns in key industrial cities continuing after a spike in contagions, with further distortions likely from increased social unrest. In the US, we await the outcome of a possible rail strike as early as December 9, with potentially harsh ramifications on activity and prices in both that country and in Mexico. However, it seems Congress might take actions to avert a crisis. Regarding local conditions, shutdowns in the auto sector could ease, with no news about planned factory halts in December so far. In addition, improvements on input prices could provide some relief to producers, albeit with supply constraints still very much a challenge.

For non-manufacturing, we expect services to maintain momentum, still supported by fundamentals. [Remittances](#) have remained high despite some signs of a cooldown in the US labor market, while [employment](#) rebounded strongly in October. In addition, interest from foreign and domestic tourism could likely continue, even despite the uncertain outlook. If inflation continues to ease, households could gain some breathing room to consolidate basic spending and possibly expand on discretionary consumption. Lastly, according to recent figures, COVID-19 cases are trending up. While we believe the effect from another wave could be very limited, we remain on the look for its possible fallout.

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
Katía 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
Isaías 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
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
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.cebillos@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