

Ahead of the Curve

Possible signs of additional dynamism at the end of 4Q22

- Timely Indicator of Economic Activity (December).** This release will include revised figures for November as well as the first estimate for December. For the former, we believe a slight upward revision might be in order, highlighting [industrial production strength](#). Services could show some resilience, supported by entertainment and/or tourism categories, more than making up for lower optimism on retail sales (see section below). As such, we expect progress on the monthly comparison. Going to December, signals are relatively positive, with an additional moderation in prices –[despite a slight rebound in the annual metric](#)– likely a boost for consumer and business spending. IMEF’s PMI increased for the manufacturing sector, with the non-manufacturing more stable. Nevertheless, signs from abroad are still challenging, particularly forward-looking indicators in the US. It is our take that sequential growth is probable, albeit of a lower magnitude
- Retail sales (November).** We forecast sales at 1.9% y/y, below the 3.8% of the previous month. This implies a sequential contraction of 0.4% m/m after gaining 0.7% in October. It would be a disappointing result as we expected higher dynamism on: (1) Sales related to *El Buen Fin* (Mexico’s Black Friday); (2) the positive spillover from the 2022 FIFA World Cup; and (3) a moderation in inflation, with the [annual metric decreasing to 7.80%](#). Despite of this and solid fundamentals, timely data points to a slowdown. If the latter consolidates, we believe it is important not only for economic activity at the end of 2022, but also for the beginning of this year.

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



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Mexico weekly calendar

DATE	TIME (ET)	EVENT	PERIOD	UNIT	BANORTE	CONSENSUS	PREVIOUS
Tue 17-Jan	10:00am	International reserves	Jan-13	US\$ bn	--	--	199.7
Fri 20-Jan	7:00am	Timely Indicator of Economic Activity (sa)	December	% y/y	--	--	4.2
Fri 20-Jan	7:00am	Retail Sales	November	% y/y	<u>1.9</u>	2.6	3.8
		sa		% m/m	<u>-0.4</u>	--	0.7
Fri 20-Jan	3:30pm	Citibanamex bi-weekly survey of economic expectations					

Source: Banorte; Bloomberg

Proceeding in chronological order...

Weekly international reserves report. Last week, net international reserves increased by US\$626 million, closing at US\$199.7 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 risen by US\$626 million.

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

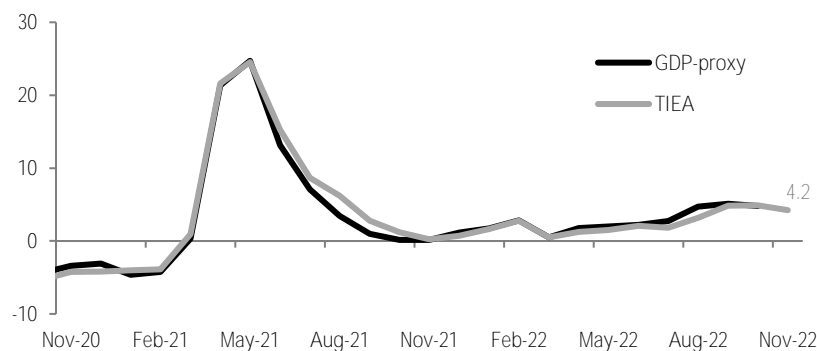
	2022	Jan 6, 2023	Jan 6, 2023	Year-to-date
	Balance		Flows	
International reserves (B)-(C)	199,094	199,720	626	626
(B) Gross international reserve	201,143	201,231	88	88
Pemex	--	--	0	0
Federal government	--	--	-11	-11
Market operations	--	--	0	0
Other	--	--	99	99
(C) Short-term government's liabilities	2,049	1,511	-538	-538

Source: Banco de México

Positive signs likely from the *Timely Indicator of Economic Activity* at the end of 2022. This release will include revised figures for November as well as the first estimate for December. We recall that October’s mid-point forecast stood at 4.9% y/y (with sa figures), practically in line with the 4.8% result in the GDP-proxy (IGAE). For the eleventh month of 2022, we believe a slight upward revision might be in order, highlighting [industrial production strength](#). Services could show some resilience, supported by entertainment and/or tourism categories, more than making up for lower optimism on retail sales (see section below). As such, we expect progress on the monthly comparison. Going to December, signals are relatively positive, with an additional moderation in prices –[despite a slight rebound in the annual metric](#)– likely a boost for consumer and business spending. IMEF’s PMI increased for the manufacturing sector, with the non-manufacturing more stable. Nevertheless, signs from abroad are still challenging, particularly forward-looking indicators in the US. It is our take that sequential growth is probable, albeit of a lower magnitude.

Monthly GDP-proxy and the Timely Indicator of Economic Activity (TIEA)

% y/y sa



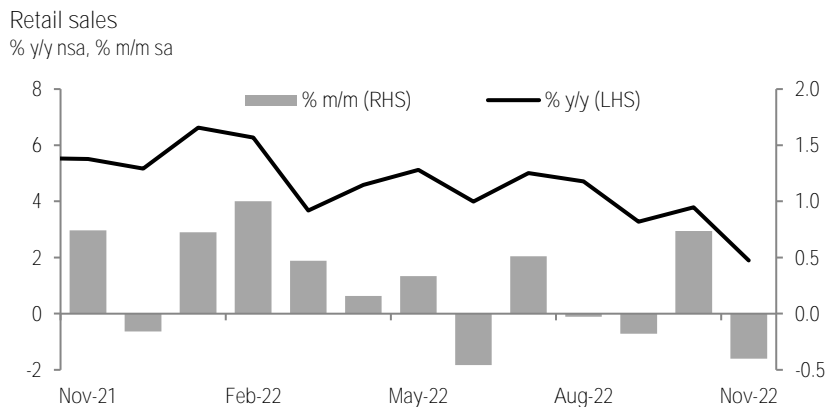
Source: INEGI

Retail sales deceleration on lower dynamism and a challenging base effect.

We forecast sales at 1.9% y/y in November, below the 3.8% of the previous month. This implies a sequential contraction of 0.4% m/m after gaining 0.7% in October. It would be a disappointing result as we expected higher dynamism on: (1) Sales related to *El Buen Fin* (Mexico’s Black Friday); (2) the positive spillover from the 2022 FIFA World Cup; and (3) a moderation in inflation, with the [annual metric decreasing to 7.80%](#). Despite of this and solid fundamentals, timely data points to a slowdown.

ANTAD sales were unfavorable, with same-stores back to negative at -1.6% y/y in real terms (previous: +1.5%), and total-stores dropping to +0.7% (previous: +3.7%). This is especially adverse when factoring-in a more modest pace of price increases that should have helped. Related to *El Buen Fin*, the *Mexican Association of Online Sales* (AMVO in Spanish) reported total sales of \$134.4 billion. Considering fewer days of available discounts, this represents a decline vs. last year. Car sales fell 10.1% m/m (using our in-house adjustment model), significant even when discounting for the +3.4% of the previous month. On the contrary, gasoline sales rebounded to 671.8kbpd, albeit it may have been driven by seasonality from the *Day of the Dead* and *Mexican Revolution* holidays. Finally, non-oil consumption goods imports declined 4.5% m/m. Despite these were probably dragged down further by lower prices, they have now added five months lower. On fundamentals, conditions remain favorable even with modest signs of a slowdown. We highlight remittances at US\$4,801.1 million –below US\$5,000 million for the first time since April. On the contrary, domestic employment kept climbing, with +444.0 thousand jobs. Lastly, consumer credit improved again (+9.0% y/y in real terms), driven by both credit cards and other durable goods.

We believe that the result is still consistent with our vision that the dynamism in consumption would prevail in 4Q22, although showing a more modest rate of improvement than in previous periods. However, it seems certain risks are materializing. This is very relevant not only for the end of 2022, but also for the beginning of this 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, 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.

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SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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