

Ahead of the Curve

Industry likely expanded further in January

- Industrial Production (January).** We forecast the headline figure at 5.2% y/y, accelerating from 3.0% in the previous month. With seasonally adjusted figures we anticipate +4.6% y/y, far higher than the 3.1% within [INEGI's Timely Indicator of Economic Activity](#). More importantly, this implies +1.2% m/m –which would be its fourth straight month higher–, in our view favored by further improvements in supply chains and trade conditions. By sectors, we expect strength to center in manufacturing, followed by mining. In turn, construction would have declined modestly.

March 10, 2023

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 Document for distribution among the
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Mexico weekly calendar

DATE	TIME (ET)	EVENT	PERIOD	UNIT	BANORTE	CONSENSUS	PREVIOUS
Mon 13-Mar	8:00am	Industrial production	January	% y/y	<u>5.2</u>	--	3.0
		sa		% m/m	<u>1.2</u>	--	0.7
		Mining		% y/y	<u>-0.2</u>	--	0.9
		Utilities		% y/y	<u>-1.8</u>	--	2.0
		Construction		% y/y	<u>4.8</u>	--	5.5
		Manufacturing		% y/y	<u>7.7</u>	--	2.7
Mon 13-Mar		ANTAD: Same-store sales	February	% y/y in real terms	--	--	
Tue 14-Mar	11:00am	International reserves	Mar-10	US\$ bn	--	--	200.3

Source: Banorte; Bloomberg

Proceeding in chronological order...

Industry likely gathered steam at the start of the year, boosted by manufacturing. We anticipate industrial production at 5.2% y/y, ramping up from the 3.0% of the previous month. With seasonally adjusted figures we anticipate +4.6% y/y, far higher than the 3.1% within [INEGI's Timely Indicator of Economic Activity](#). More importantly, this implies +1.2% m/m –which would be its fourth straight month higher–, in our view favored by further improvements in supply chains and trade conditions. By sectors, we expect strength to center in manufacturing, followed by mining. In turn, construction would have declined modestly.

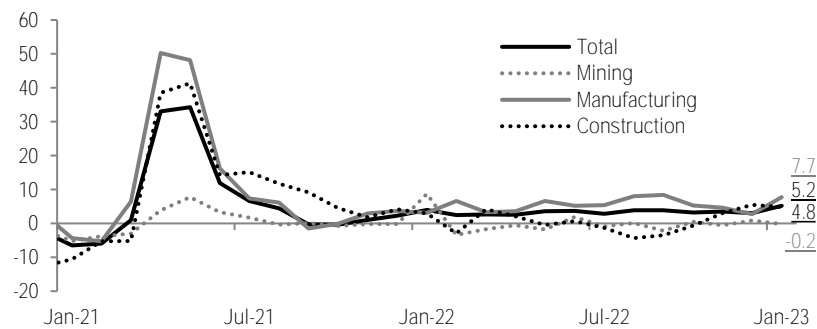
We anticipate manufacturing output at +2.5% m/m (7.7% y/y). We believe dynamism would be driven by: (1) Less stress in global supply chains –spurred by China's reopening; and (2) signs of resilience in US demand. Timely data was positive after a lackluster performance throughout 4Q22. Broadly speaking, IMEF's manufacturing PMI inched down to 50.2pts, with marginal setbacks in most sectors. However, the [trade balance](#) was much more dynamic, with exports in this category at +7.1% m/m and auto sector strength. Some boost came from US manufacturing, up 1.0% sequentially. However, auto production according to AMIA fell 3.4% m/m, albeit only after rising 4.4% in December. Lastly, employment data was also favorable. Using seasonally adjusted figures, our in-house models point to higher manufacturing jobs both according to IMSS and [INEGI](#).

Mining would also be positive, up 1.8% (-0.2% y/y). We expect the push from both the oil and non-oil sectors, albeit with a mild drag from 'related services' as they faced a challenging base. On the former, crude output according to the CNH climbed to 1,648kbpd (previous: 1,617), with gas also stronger at 4,984mfcpd (previous: 4,885). On non-oil we expect the recovery in the price of metals and other commodities prices in the aftermath China's reopening to boost production.

Lastly, we expect a slight step back in construction, at -0.1% (4.8% y/y), which would not be of concern considering an accumulated expansion of 6.2% in the previous four months. In this context, soft indicators were mixed, with gains in business confidence, but a decline in the aggregate trend indicator. On employment, there was also a divergence- Adjusted data showed gains in IMSS, but INEGI's figures exhibited losses. Finally, we expect a negative effect from higher prices, with the sector's PPI higher in monthly terms for the first time since September at +2.6%.

If these results materialize, industry would have started 2023 with the right foot, building up on momentum at the end of last year. This would bode well for our 1.5% GDP forecast. Moreover, we await further evidence of the positive impact from [nearshoring](#) efforts. On the other hand, we remain on the look for headwinds, noting expectations of even more monetary policy tightening along prevailing price pressures that could keep dampening dynamism.

Industrial production
% y/y nsa



Source: INEGI, Banorte

Weekly international reserves report. Last week, net international reserves picked up by US\$185 million, closing at US\$200.3 billion (see table below). This was mainly due to a positive valuation effect in institutional assets. Year-to-date, central bank reserves have increased by US\$1.2 billion.

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

	2022	Mar 13, 2023	Mar 3, 2023	Year-to-date
	Balance		Flows	
International reserves (B)-(C)	199,094	200,268	185	1,173
(B) Gross international reserve	201,143	204,459	116	3,315
Pemex	--	--	0	0
Federal government	--	--	-243	2,583
Market operations	--	--	0	0
Other	--	--	359	733
(C) Short-term government's liabilities	2,049	4,191	-69	2,142

Source: Banco de México

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, 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, Isaias Rodríguez Sobrino, Paola Soto Leal, Daniel Sebastián Sosa Aguilar and Andrea Muñoz Sánchez, 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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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
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