

## Budget Proposal 2022 – Realistic despite an optimistic GDP outlook

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Gabriel Casillas  
Chief Economist and Head of Research  
gabriel.casillas@banorte.com

Alejandro Padilla  
Executive Director of Economic Research  
and Financial Markets Strategy  
alejandro.padilla@banorte.com

Juan Carlos Alderete, CFA  
Director of Economic Research  
juan.alderete.macal@banorte.com

Francisco Flores  
Senior Economist, Mexico  
francisco.flores.serrano@banorte.com

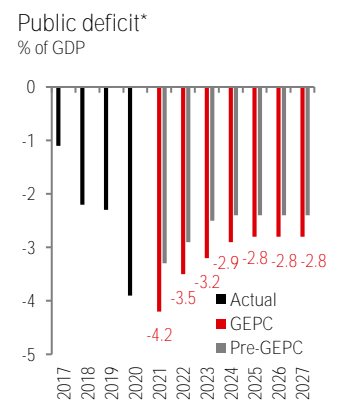
- The Minister of Finance, Rogelio Ramírez de la O, delivered today the budget proposal for fiscal year 2022 to the Lower House
- The proposal includes three documents: (1) *The General Economic Policy Criteria*; (2) the *Revenue Law*; and (3) the *Spending Budget*
- In the first, the government adjusted higher the GDP forecast for 2021, with the mid-point at 6.3% y/y (previous: 6.0%). For 2022, they expect 4.1% (Banorte: 3.0%; consensus: 2.9%), which we see as optimistic
- There were also changes in the rest of the forecasts, highlighting a move lower in oil production, although with a higher oil price, as well as higher inflation for both this year and next
- For 2021, they now see a primary balance deficit of 0.4% of GDP (previous: 0.0%), with the PSBR at -4.2% of GDP (previous: -4.0%). In 2022, they expect these at -0.3% and -3.5%, respectively
- On revenues, upward adjustments were made due to more favorable assumptions. For 2022, they expect a 1.3% increase in real terms. We highlight the proposal of two new simplified regimes for income taxes paid by individuals and enterprises, as well as a 0% VAT rate for female hygiene products
- Spending would grow 1.5% in real terms next year, with mixed changes in autonomous branches, albeit lower overall. In administrative ones, the ministries with more sizable gains would be Tourism and Welfare, with losses in Economy and SEDATU
- Resources to federal entities are estimated 4.7% higher relative to the approved amount in 2021, with higher transfers to states from taxes collected by the Federal Government (+6.7%)
- With this, the Historical Balance of the PSBR would reach 51.0% of GDP by year-end (previous: 50.8%). In 2022 and during the whole forecast horizon (2027), it is estimated constant and at the same level (51.0%)
- We believe the government is still signaling a firm commitment with healthy public finances despite an optimistic outlook for GDP next year. Moreover, we welcome measures aimed towards increasing the tax base, reiterating our view that Mexico will maintain its investment grade status by the three main rating agencies

Document for distribution among the general public

Macroeconomic framework and fiscal variables<sup>1</sup>  
Selection

2021	GDP 6.3% (Previous: 6.0%)	USD/MXN: 20.1 (Previous: 20.1)	Oil price: US\$/bbl 60.6 (Previous: 58.8)	Public deficit*: 4.2% (Previous: 4.0%)	Public debt**: 51.0% (Previous: 50.8%)	Primary balance -0.4% (Previous: 0.0%)
2022	GDP 4.1% (Previous: 3.6%)	USD/MXN: 20.3 (Previous: 20.3)	Oil price: US\$/bbl 55.1 (Previous: 53.1)	Public deficit*: 3.5% (Previous: 2.9%)	Public debt**: 51.0% (Previous: 51.1%)	Primary balance -0.3% (Previous: 0.4%)

Source: MoF. Previous figures 2021 correspond to the revisions in the latest quarterly report, while for 2022 they correspond to the PGEPC.  
1. GDP: Real annual growth rate; Nominal exchange rate; Public deficit, public debt y and primary balance as a percentage of GDP. \*Public Sector Borrowing Requirements (PSBR). \*\*Historical Balance of Public Sector Borrowing Requirements (HBPSBR)



Source: MoF  
\*Measured by the Public Sector Borrowing Requirements (PSBR)

**The MoF submitted to Congress its budget proposal for fiscal year 2022.** The Minister of Finance, Rogelio Ramírez de la O, delivered today the documents to the Lower House, which include: (1) The *General Economic Policy Criteria* (GEPC) –which states macroeconomic projections used to estimate the budget–; (2) the *Revenue Law*; and (3) the *Spending Budget*. In the first two cases, they must be approved by both the Lower House (October 20<sup>th</sup>) and the Senate (October 31<sup>st</sup>), while the spending budget should be approved only by the Lower House no later than November 15<sup>th</sup>.

Main deadlines for FY2022 Fiscal Budget

Deadline	Document
September 8	2021 Budget Proposal
October 20	Lower House approval of the Revenue Law
October 31	Senate approves the Revenue Law
November 15	Lower House of the <i>Spending Budget</i>

Source: Ministry of Finance

**Updated assumptions a bit rosier than consensus.** Regarding GDP, mid-point forecasts stand at 6.3% and 4.1% for this year and next, respectively. Both are above the latest estimates of 6.0% and 3.6% (see table below), in the same order. The former is relatively in line with our forecast at 6.2%, which also coincides with consensus in the [latest Banxico survey](#). Nevertheless, 2022 looks optimistic relative to our 3.0% and the market’s 2.9%. The average USD/MXN was unchanged, standing at 20.1 per dollar this year and 20.3 in 2022. We recall that a weaker peso has a slight positive effect on the fiscal deficit, as gains in higher oil income in local currency more than compensate for an increase in foreign debt’s financial cost. Inflation stands at 5.7% and 3.4% for the same periods, in line with the [latest central bank forecasts](#). Regarding oil, the average price for this year is higher than [in the quarterly report](#), to 60.6 US\$/bbl. For 2022 it stands at 55.1 US\$/bbl (previous: 53.1 US\$/bbl). In contrast, oil production for 2021 would be lower, at 1,753kbpd from 1,794kbpd. For 2022 the adjustment was also to the downside, at 1,826 from 1,867kbpd in the [preliminary version of the GEPC](#), released in March. Just as a reference, YTD production until July has averaged 1,677kbpd according to the *National Hydrocarbons Commission* (CNH, in Spanish).

**Wider deficits in coming years.** *Public Sector Borrowing Requirements* (PSBR) –the broadest measure of the fiscal deficit– were revised lower, resulting in higher deficits. For 2020, these are estimated at -4.2% of GDP from -4.0% previously. In a similar fashion, PSBR for 2022 are projected at -3.5% (previous: -2.9%). According to the MoF, this was driven by: (1) The need to maintain support in the health sector and the economy; (2) higher inflation-indexed debt levels; (3) the utilization of resources, trusts, and other assets to fund spending requirements, as these metrics are accounted for as net financing. Consequently, the public balance<sup>1</sup> was also adjusted downwards, to -3.2% of GDP for 2021 and -3.1% in 2022.

<sup>1</sup> The Public Balance is obtained as the PSBR less the financial requirements of the Mexican Bank Savings Protection Institute, financial requirements of deferred investment projects, adjustments to budget records, financial requirements of the National Infrastructure Funds, program of debtors and the expected gain or loss of development banks and development funds.

Lastly, the primary balance –the public balance less debt financial costs–, which internationally is considered as a fundamental measure of the health of public finances, was adjusted to -0.4% and -0.3% of GDP, in the same order, as shown in the chart below to the left.

General Economic Policy Criteria (GEPC) – 2021-2022

	2021					2022		
	GEPC (Sep'21)	Quarterly Report (Jul'21)	Pre-GEPC (Mar'21)	Approved (Nov'20)	Consensus*	GEPC (Sep'21)	Pre-GEPC (Mar'21)	Consensus*
GDP (% yoy)								
Range	5.8 a 6.8	--	4.3 a 6.3	3.6 a 5.6	--	3.6 a 4.6	2.6 a 4.6	--
Mid-point	6.3	6.0	5.3	4.6	6.2	4.1	3.6	2.9
Inflation (%)								
December / December	5.7	--	3.8	3.0	6.1	3.4	3.0	3.7
Nominal exchange rate								
End of period	20.2	--	20.2	21.9	20.4	20.4	20.4	21.0
Average	20.1	20.1	20.4	22.1	--	20.3	20.3	--
Interest rate (28-day CETES)								
% nominal, end of period	4.8	--	3.8	4.0	5.0	5.3	4.3	5.5
% nominal, average	4.3	--	4.0	4.0	--	5.0	4.0	--
Current Account Balance								
% of GDP	0.1	--	-0.4	-2.0	--	-0.4	-0.7	--
Fiscal Accounts (% of GDP)								
PSBR**	-4.2	-4.0	-3.3	-3.4	-3.5	-3.5	-2.9	-3.5
Public Balance	-3.2	--	-2.8	-2.9	-3.0	-3.1	-2.4	-3.0
Primary balance	-0.4	0.0	0.0	0.0	--	-0.3	0.4	--
HBPSBR***	51.0	50.8	51.4	54.7	--	51.0	51.1	--
Mexican oil mix								
Price (average, US\$/bbl)	60.6	58.8	55.0	42.1	--	55.1	53.1	--
Production (average, kbpd)	1,753	1,794	1,794	1,857	--	1,826	1,867	--
Exports (average, kbpd)	997	--	1,097	870	--	979	996	--

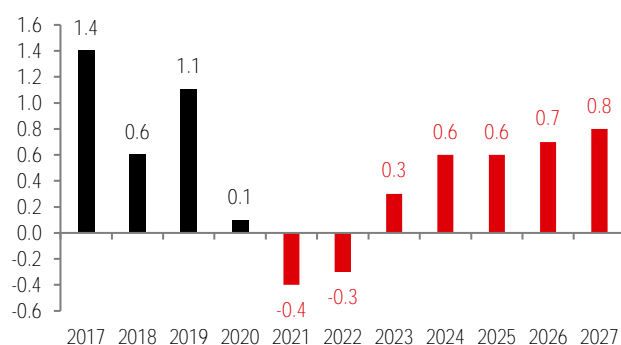
\* According to the latest Banxico survey. For GDP, the mid-point corresponds to the survey median

\*\* Public Sector Borrowing Requirements

\*\*\* Historical balance of the PSBR, which is the broadest measure of the country's public debt

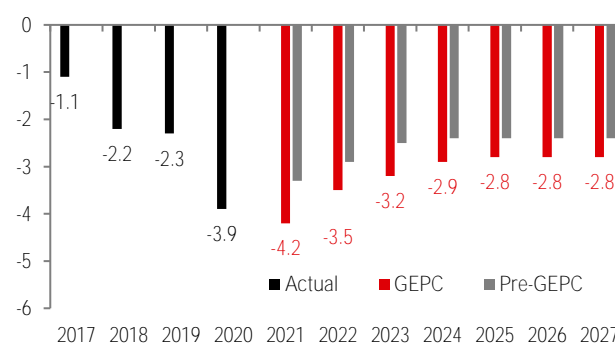
Source: MoF, Banxico

Primary balance  
% GDP



Source: GEPC 2022, MoF

Public balance\*  
% GDP



Source: GEPC 2022, MoF.

\*Measured by the Public Sector Borrowing Requirements

**More revenues this year...** For 2021, total revenues are estimated at \$5.9 trillion (US\$294.5 billion), \$333.6 billion more than the amount originally approved in the 2021 *Revenue Law*. This is mainly explained by higher oil-related income – with higher prices more than compensating for lower production– by \$139.4 billion, along non-tax, non-oil revenue by +\$150 billion. Tax revenues would also be higher at the margin, up \$42.1 billion. Specifically, this would translate into an overall increase of 0.3% of GDP, consistent with the adjustment to the PSBR.

**...as well as in 2022.** For next year, revenues are estimated at \$6.2 trillion (US\$309.4 billion), a 1.3% y/y increase in real terms relative to this year's estimate (see table below). In the detail, and considering the new estimates above, a 2.65 y/y decline is expected in oil-related income because of a steeper downward revision in the price of crude oil relative to 2021 when compared to higher production. In this backdrop, the document mentions that the Federal Government will follow the strategy of fully hedging the exposure of a potential decline in oil prices. Non-tax income would decline 34.7%, remembering that excess resources obtained mainly from the extinction of trusts and other funds were accounted in this category in 2021. Income from government-controlled entities (IMSS, ISSSTE and CFE) would fall only 0.1%. Tax income are estimated to grow 6.4%, driven by a further improvement in economic activity and expected gains from more efficient collections. Inside, this would increase all relevant categories, including income (+4.9%), value-added (+4.5%), imports (4.1%) and excise taxes (+19.2%).

2022 Budget Proposal  
\$ billion; % of GDP; % y/y in real terms

	\$ billion		% of GDP		% y/y in real terms
	2022	2021*	2022	2021*	
Public balance	-875.6	-821.1	-3.1	-3.2	2.8
Ex. high-impact investments	0.0	-278.0	0.0	-1.1	--
Budget Balance	-875.6	-821.1	-3.1	-3.2	2.8
Revenues	6,172.6	6,093.4	21.9	22.5	1.3
Oil revenues	1,087.1	1,116.1	3.9	4.1	-2.6
Non-oil revenues	5,085.6	4,977.3	18.1	18.4	2.2
Federal Government	4,184.5	3,929.2	14.9	15.1	2.7
Tax collection	3,944.5	3,707.7	14.0	13.7	6.4
Non-tax revenues	240.0	367.3	0.9	1.4	-34.7
Government-controlled entities (IMSS, ISSSTE and CFE)	901.1	902.4	3.2	3.3	-0.1
Spending	7,048.2	6,696.6	25.1	25.7	1.5
Programmable	5,207.3	5,027.8	18.5	19.3	-0.1
Non-programmable	1,841.0	1,668.7	6.5	6.4	6.4
Financial costs	791.5	713.3	2.8	2.7	7.0
Transfers to states of federal tax revenues	1,019.5	947.5	3.6	3.6	3.7
Accrued spending of previous fiscal years	30.0	7.9	0.1	0.0	266.0
Primary balance	-83.6	-107.3	-0.3	-0.4	-24.9

Source: GEPC 2022, MoF.

\*Note: Estimated values for year-end 2021

**No additional taxes, but new simplified regimes to foster a wider tax base and lower informality.** One of the main highlights from the revenue side is the proposal of a “Simplified Regime of Confidence” of income-tax payments for: (1) Self-employed individuals (“*personas físicas con actividad empresarial*” in Spanish); and (2) micro, small and medium enterprises (MSMEs). These aim to foster a wider tax base, induce lower informality, and incentivize growth and employment. The goal is to simplify processes to comply with tax obligations, reducing their administrative costs, as well as to provide other incentives. Both regimes establish fixed payments based on yearly gross income, with eligibility in the former only for individuals with a maximum income of \$3.5 million (progressive basis) and up to \$35 million in the latter. Specifically:

(a) *For self-employed individuals:* This group also includes individuals providing professional services, leaseholders, and people working in the primary sector. Progressive tax rates would be applied based on annual gross income, as shown in the table below.

Total obligations would be calculated by multiplying the corresponding rate to annual income received. The MoF estimates around 21 million potential beneficiaries of this new regime –including some individuals currently in compliance, as well as those that could migrate from the informal sector–. For example, according to an analysis by the ministry, 10.2 million out of a total 12.5 million of self-employed individuals in compliance have an annual income below the \$3.5 million threshold, equivalent to 81.6%. Currently, they need to undertake several administrative procedures such as the presentation of informative tax statements, declaring retentions, transactions with suppliers, as well as make provisional and annual income tax return statements. This forces them to keep and maintain updated book records and hire external accountants, increasing administrative costs. The new regime would be based on only five requirements, leveraging the widespread use of electronic invoices and signatures. The latter allows for the automatization of procedures, so the required information will be pre-loaded for taxpayers at the IRS.

Simplified Regime of Confidence for personal income taxes

% of gross annual income

Maximum annual income (pesos)	Percentage (%)
300,000	1.0
600,000	1.1
1,000,000	1.5
2,500,000	2.0
3,500,000	2.5

Source: GEPC 2022, MoF

(b) *For MSMEs.* According to an analysis by the MoF, 96% of total businesses established in Mexico currently could be benefitted, while INEGI has counted 2.1 million companies as micro- and small-sized. Under this regime, companies will not be required to provide provisional statements based on the “profit coefficient” (“*coeficiente de utilidad*” in Spanish) of their previous fiscal year, which could hurt business with high income seasonality. More importantly, tax obligations would be calculated on a cash-flow as opposed to an accrual basis, which could help bolster liquidity levels. In addition, they will be allowed to use an accelerated depreciation scheme for their investments, with more favorable rates than currently applied. The regime also tries to maximize the simplification of procedures with pre-loaded information and allow for electronic payments, recognizing the nature of these businesses. Nevertheless, the ministry argues that it does not imply a lower tax bill, as the income-tax rate remains at 30%.

**Other revenue measures.** In 2022: (1) The VAT rate for female hygiene products will fall from 16% to 0% with the goal of promoting gender equality; (2) the provisional retention rate for interest-paying securities will fall from 0.96% to 0.08%, in accordance with the methodology established in the *Revenue Law* which considers the rate of return of Mexican financial instruments and observed inflation; and (3) excise taxes for auto fuels, sugary drinks and cigarettes will be updated. Moreover, the MoF will work to make the necessary adjustments for the effective taxation of companies benefitted by the economic digitalization, particularly the agreements achieved for the imposition of a global minimum tax rate for multinational companies.

**Upward adjustments to spending in 2021.** Total expenditures this year are projected at \$6.7 trillion (US\$335.7 billion), representing \$439.5 billion more. The programmable component would rise by \$448.1 billion, with the non-programmable down by \$8.6 billion. The former is partially driven by higher income, although it also considers additional fiscal stimulus of \$102.9 billion. Within the latter, the decline is mainly on lower-than-expected financial costs, even after accounting for higher transfers to states resulting from taxes collected at a federal level.

**Modestly higher spending next year, still socially focused.** For 2022, the MoF proposes spending of \$7.0 trillion (US\$353.3 billion), 1.5% higher in real terms relative to this year's estimates (see table above). The document highlights that spending is based on the three guiding principles of the *National Development Plan*, which are (1) Politics and government; (2) social policy; and (3) economics. Spending aims to strengthen the Rule of Law and to reinforce the government's social priorities. In this context, flagship projects and programs are projected at \$577.9 billion (US\$28.9 billion), as shown in the table below.

Priority programs and projects for the federal government  
\$ billion; % of GDP

Program	\$ billion	% of GDP	Program	\$ billion	% of GDP
<i>Priority programs</i>	450.3	1.601	<i>Priority projects</i>	127.6	0.453
Pension for the elderly	238.0	0.846	Maintenance and construction projects by the MoT	24.4	0.087
Pension for people with disabilities	18.0	0.064	Connectivity of the Sta. Lucía airport	1.7	0.006
Girls and boys	2.8	0.010	Mexico-Toluca train	7.0	0.025
Apprenticeship program	21.2	0.075	Hydraulic works by CONAGUA	15.4	0.055
Guaranteed prices	11.4	0.040	Texcoco ecological park	2.1	0.007
Sowing life (reforestation)	29.4	0.105	Mayan train	63.2	0.225
Scholarships program	82.6	0.294	Development of the Tehuantepec Isthmus	10.0	0.036
Fishing	1.6	0.006	Los Pinos - Chapultepec cultural facility	3.8	0.014
Fertilizers	2.5	0.009			
The school is ours	14.0	0.050			
Production for welfare	14.0	0.050			
Rebuilding	1.9	0.007			
Urban improvement	4.2	0.015			
Social housing	4.3	0.015			
Welfare colleges	1.0	0.004			
Purchases of domestic milk	3.3	0.012			

Source: GEPC 2022.

**Important adjustments to programmable spending.** This component would fall only 0.1% y/y in real terms relative to year-end 2021. Nevertheless, when compared to the *Spending Budget* approved for the current year, it is 9.6% higher. Based on the latter, spending by autonomous branches would fall 0.5%. We highlight the strong decline by the National Electoral Institute (INE) of 11.5%, as mid-term elections took place this year. On the contrary, the National Statistics Agency (INEGI) would grow 38.4%. Administrative branches are estimated to expand 16.5%. The most benefitted ministries include Tourism (64.0%), Welfare (+48.1%), and Public Security (41.9%). We note that the Ministry of Health would grow 27.6%. On the contrary, the highest reductions were in the Ministry of Economy (-31.4%), SEDATU (-25.3%) and Defense (-10.8%). Spending in Pemex is poised to increase 12.7%, while CFE would climb 4.0%. Spending in both IMSS and ISSSTE are proposed to increase, in line with the priority in the health sector, up 8.1% and 2.5%, respectively. Lastly, expenditures in general branches would increase 6.1%, with transfers and subsidies up +5.5%.

Main adjustments in programmable spending for administrative branches  
\$ billion, % y/y in real terms

	2022	2021 Budget	% y/y in real terms
Upward			
Tourism	65.7	40.0	64.0
Welfare	296.9	200.4	48.1
Public Security	93.4	65.8	41.9
Downward			
Economy	3.6	5.2	-31.4
SEDATU	12.9	17.2	-25.3
Defense	104.1	116.7	-10.8

Source: GEPC 2022, MoF

**With a sizable pickup in the non-programmable component.** The government calculates 6.4% growth when compared to estimated data for full-year 2021. These would pick up 5.8% relative to the approved budget. Under the latter comparison, financial costs are expected higher by 5.4%, driven by the estimation of higher interest rates, albeit also on higher inflation. Transfers to states resulting from taxes collected at a federal level are estimated to increase 6.7%, as detailed in the following section.

**Higher resources to federal entities.** Total resources for states in 2022 would amount to \$2.1 trillion (US\$105 billion), up 4.7% from last year's approved amount. This is driven by higher tax collection expected for the year, improving the availability of some of these resources. Apart from this, the government boosted contributions marginally higher by 2.7% (see table below).

Federal allocations to states  
\$ billion, % y/y in real terms

	2022	2021 Budget	% y/y
Total	2,108.9	2,014.2	4.7
Transfers resulting from taxes collected at a federal level	1,019.5	955.6	6.7
Contributions	890.5	867.3	2.7
Other concepts	198.8	191.3	3.9

Source: CGPE 2022, Ministry of Finance

**Virtually all states will receive more federal government transfers.** Specifically, with the 6.7% increase nationwide, only one federal entity will not have higher resources from this component (Baja California Sur, -3.2%). The states with higher growth include Querétaro (15.8%), Nuevo León (15.4%), and Michoacán (11.8%). as shown in the table below.

Transfers resulting from taxes collected at a federal level to states  
\$ billion, % y/y in real terms

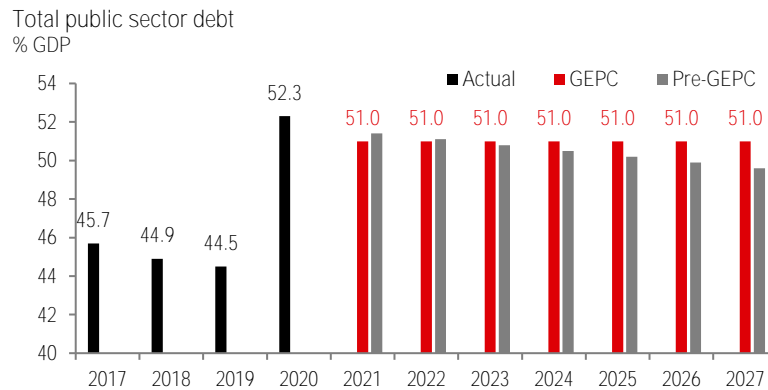
State	2022	2021 Budget	% y/y in real terms
Total	1,019.5	921.4	6.7
Aguascalientes	11.6	9.9	12.9
Baja California	31.9	27.7	10.9
Baja California Sur	6.5	6.5	-3.2
Campeche	10.0	9.2	5.7
Coahuila	24.8	21.7	9.9
Colima	6.6	6.0	7.0
Chiapas	38.7	34.1	9.2
Chihuahua	31.6	27.5	11.0
Mexico City	106.7	94.1	9.3
Durango	13.6	12.2	8.3
Guanajuato	45.6	39.7	10.7
Guerrero	23.4	21.3	5.9
Hidalgo	20.1	18.3	6.0
Jalisco	69.3	60.7	10.1
State of Mexico	137.2	125.4	5.6
Michoacán	33.5	28.9	11.8
Morelos	13.5	12.1	7.4
Nayarit	9.3	8.6	4.1
Nuevo León	50.5	42.2	15.4
Oaxaca	26.2	23.7	6.4
Puebla	44.9	39.3	10.1
Querétaro	19.2	16.0	15.8
Quintana Roo	14.1	12.8	6.4
San Luis Potosí	21.4	19.4	6.6
Sinaloa	24.4	22.2	5.8
Sonora	27.0	24.8	4.9
Tabasco	27.8	25.5	5.2
Tamaulipas	31.6	28.7	6.0
Tlaxcala	10.1	9.4	3.3
Veracruz	57.9	51.9	7.6
Yucatán	17.3	15.6	7.1
Zacatecas	13.3	11.9	7.6
Non-deliverable*	0.0	14.2	-100.0

\*Source: CEFP with data from the MoF

\*Note: Incorporates 'others'

**Slightly higher deficits imply a more modest reduction in debt levels in the medium-term.** The *Historical Balance of Public Sector Borrowing Requirements* (HBPSBR) is now expected at 51.0% of GDP from 50.8% in the latest quarterly report. This is explained by the increase in PSBR mentioned above, with the upgrade in GDP not enough to compensate for it. The forecast for 2022, as well as for the rest of the horizon (until 2027) also stands at the same level (see below). Lastly, public debt is estimated at 49.7% of GDP in both years, with marginal declines in the rest of the period.





Source: GEPC 2022, MoF.

\*Measured by the Historical Balance of the Public Sector Borrowing Requirements

**Fiscal prudence maintained, despite some optimistic estimates.** We believe that the budget proposal reinforces the Federal Government’s commitment to healthy public finances, as has been the case in the last three years. Although some estimates look optimistic relative to market expectations –especially in GDP–, they still look realistic considering that: (1) The economy has not recovered fully from the contraction in 2020; (2) tailwinds from abroad will remain in place, with US stimulus measures key for this; and (3) the new ‘wave’ of COVID-19 is likely to have a more modest impact than in previous instances, mainly on prospects that the vaccination campaign will progress further. The latter, along with Minister of Financer Rogelio Ramírez de la O looking to refill stabilization funds, is consistent with the view of primary deficits this year and next. We also welcome the proposals aimed towards the simplification of administrative procedures for collecting taxes from individuals and small businesses, while also looking to increase the tax base and incentivize the transition towards the formal sector. Nevertheless, its impact is yet to be seen. In either case, and consistent with previous years, we believe that authorities will react to any negative deviations with spending cuts, prioritizing the fiscal stance. In this backdrop, we reiterate our view that Mexico will keep its IG status by the three main rating agencies (*S&P Global Ratings*, *Fitch Ratings* and *Moody’s Investors Service*), with macroeconomic stability paramount for this. Nevertheless, we still think that additional efforts to imbue market participants with higher certainty could support a more dynamic recovery, especially considering that lingering doubts remain in terms of some legislative proposals.

## Analyst Certification

We, Gabriel Casillas Olivera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Alik Daniel García Álvarez, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo and Juan Barbier Arizmendi, 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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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.

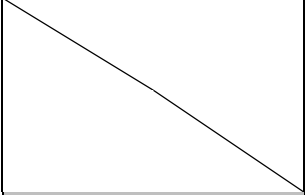
## Securities holdings and other disclosures.

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.

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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.

	<b>Reference</b>
<b>BUY</b>	When the share expected performance is greater than the MEXBOL estimated performance.
<b>HOLD</b>	When the share expected performance is similar to the MEXBOL estimated performance.
<b>SELL</b>	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.

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**GRUPO FINANCIERO BANORTE S.A.B. de C.V.**
**Research and Strategy**

Gabriel Casillas Olvera	IRO and Chief Economist	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

**Economic Research and Financial Market Strategy**

Alejandro Padilla Santana	Executive Director of Economic Research and Financial Markets Strategy	alejandro.padilla@banorte.com	(55) 1103 - 4043
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

**Economic Research**

Juan Carlos Alderete Macal, CFA	Director of Economic Research	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Senior Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Senior Economist, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	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**

Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalía Orozco Vélez	Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698

**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
Alik Daniel García Álvarez	Senior Strategist, Equity	alick.garcia.alvarez@banorte.com	(55) 1670 - 2250
Victor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Juan Barbier Arizmendi, CFA	Analyst	juan.barbier@banorte.com	(55) 1670 - 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

**Economic Studies**

Delia María Paredes Mier	Executive Director of Economic Studies	delia.paredes@banorte.com	(55) 5268 - 1694
Miguel Alejandro Calvo Domínguez	Senior Analyst, Economic Studies	miguel.calvo@banorte.com	(55) 1670 - 2220

**Wholesale Banking**

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(81) 8319 - 6895
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebaldos@banorte.com	(55) 5268 - 9996
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 - 1002
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) 8318 - 5071
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) 5004 - 1453
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) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Commercial Banking	victor.roldan.ferrer@banorte.com	(55) 5004 - 1454