Ahead of the Curve

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Waiting for the release of domestic demand indicators, highlighting consumption and government spending data

- **Aggregate supply and demand (2Q18).** We anticipate an increase of 3.6%, higher than the 2.4% observed in 1Q18. By components, we expect a 3.2% expansion in consumption, 3.9% in gross fixed investment, and 4.8% in government spending, with the latter picking up as a result of additional expenses associated with the electoral process
- **Retail Sales (July).** On Friday, INEGI will release at 9:00am ET the retail sales report for the seventh month of the year, in which we estimate a 2.8% yoy increase. Nevertheless, this figure would be consistent with a seasonally adjusted fall of 0.7% m/m

Mexico weekly calendar

DATE	HOUR (ET)	EVENT	PERIOD	UNIT	BANORTE	CONSENSUS	PREVIOUS
Tue 18-Sep	10:00am	International reserves	Sep-14	US$ bn	--	--	173.5
Tue 19-Sep	12:30pm	Government weekly auction: 1-, 3-, 6-month CETES; 3y Mbono (Dec'21); 3y Udibonos (Jun'22)					
Thu 20-Sep	9:00am	Aggregate Demand	2Q18	% yoy	3.6	--	2.4
		Private consumption		% yoy	3.2	--	2.6
		Government consumption		% yoy	4.8	--	1.1
		Gross-fixed investment		% yoy	3.9	--	1.5
Thu 20-Sep	4:30pm	Citibanamex bi-weekly survey of economic expectations					
Thu 21-Sep	9:00am	Retail sales	July	% yoy	2.8	--	3.7
		sa		% m/m	-0.7	--	0.0

Source: Banorte; Bloomberg

Proceeding in chronological order...

Weekly international reserves report. On Tuesday, at 10:00am (ET), Banco de Mexico will release its weekly balance report. Last week, net international reserves decreased by US$90 million amounting to US$173.5 billion. According to Banxico's report, this figure comes mainly as a result of a negative valuation effect in central bank assets. In this context, the central bank's international reserves have increased by US$714 million during 2018 (please refer to the following table).

Banxico's foreign reserve accumulation detail
US$, million

	2017	Sep 7, 2018	Sep 7, 2018	Year-to-date
	Balance		Flows	
International reserves (B)-(C)	172,802	173,516	-90	714
(B) Gross international reserve	175,450	176,747	246	1,298
Pemex	--	--	82	-564
Federal government	--	--	453	700
Market operations	--	--	0	0
Other	--	--	-290	1,162
(C) Short-term government's liabilities	2,648	3,231	336	583

Source: Banco de México

Weekly government bond auction. In addition, on Tuesday, the Ministry of Finance (MoF) –via Banco de Mexico as its financial agent–, will offer 3-year fixed-rate Mbonos (Dec'21), 3-year inflation-linked Udibonos (Jun'22), in addition to the "more traditional" 1-, 3-, and 6-month zero-coupon Cetes (please refer to the table below). As usual, the results will be released at 12:30pm (ET).

Auction specifics (Tuesday, September 18th, 2018)

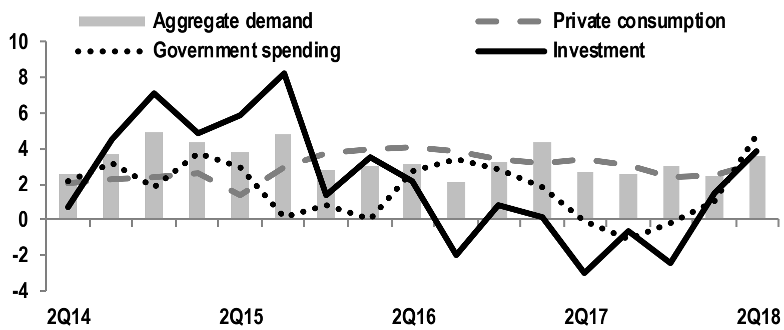
	Maturity	Coupon rate, %	To be auctioned[1]	Previous yield[2]
Cetes				
1m	18-Oct-18	- -	7,000	7.70
3m	20-Dec-18	- -	15,000	7.90
6m	14-Mar-19	- -	11,500	8.14
M Bono				
3y	09-Dec-21	7.25	8,500	7.83
Udibono				
3y	09-Jun-22	2.00	UDIS 950	3.64

Source: Banorte with data from Banco de México 1. Except for Udibonos, which are expressed in UDI million, everything else is expressed in MXN million. 2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

Aggregate supply and demand (2Q18): Banorte: 3.6% yoy; previous: 2.4%. On Thursday at 9:00am (ET), *INEGI* will publish its aggregate supply and demand report for the second quarter of 2018. For aggregate demand we anticipate an increase of 3.6%, higher than the 2.4% observed in 1Q18. By components, we expect a 3.2% expansion in consumption, slightly above the 2.9% rate in the monthly series of domestic private consumption, with the latter showing a modest acceleration when compared to the 2.2% increase observed in the previous quarter.

Moreover, we estimate a 3.9% yoy increase in gross fixed investment, in line with the monthly data already published by *INEGI*. Last but not least, we believe government spending could present a 4.8% increase as a result of additional expenses associated with the electoral process, picking up after the 1.1% rise observed in 1Q18.

Aggregate demand
% yoy nsa



Source: INEGI, Banorte

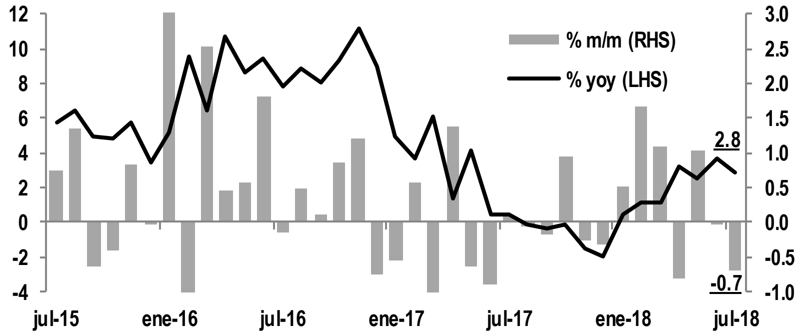
***Citibanamex* Survey.** Also on Thursday, around 4:30pm (ET) *Citibanamex* will release its bi-weekly survey of economic expectations, where market focus will be on analysts' inflation forecasts for the first half of September (to be published on Monday, September 24th). Furthermore, attention will be on monetary policy assessments, particularly given the information contained in Banxico's latest publications. In addition, the survey will contain forecasts for growth and FX.

Cross-currents in August retail sales. On Friday, *INEGI* will release at 9:00am ET the retail sales report for the seventh month of the year, in which we estimate a 2.8% yoy increase. In this respect, the figure is consistent with a moderation in ANTAD sales (null growth rate in the yearly comparison). Despite this latter figure, we anticipate the seasonally adjusted figure to fall by 0.7% m/m.

In our view, this monthly contraction would be driven by the recent uptick in inflation (from 4.65% in June to 4.81% in July, followed by a further increase to 4.90% in August). Moreover, retail sales will likely be impacted by the 1.8% m/m contraction in non-oil consumption goods imports. Meanwhile, there are some tentative signs of a moderation in the labor market and economic activity. Despite ticking slightly down in July to 3.35%, the unemployment rate is still above the cycle-low of 3.20% observed in May. On the contrary, there have been some positive developments. First, consumer confidence surged in the month as a result of the presidential election, reaching its highest since December 2007.

The latter was also partly explained by the 6.3% gain in the Mexican peso against the dollar during the month, commonly associated by consumers with a better economic outlook.

Retail sales
% yoy, % m/m



Source: INEGI, Banorte

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HOLD	*When the share expected performance is similar to the MEXBOL estimated performance.*
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