

# Ahead of the Curve

**Banxico minutes focused on inflation, reaffirming their prudent approach**

- Banxico minutes (March 25<sup>th</sup>).** The central bank will release the minutes of its monetary policy meeting held on March 25<sup>th</sup>, in which the Board voted unanimously to [maintain the reference rate unchanged at 4.00%](#). This was contrary to our call of a 25bps cut. We noted relevant adjustments on comments about inflation and its balance of risks, in our view turning the tone of the statement more hawkish. It is our take that investors' attention will center on comments about the outlook for prices, given significant changes in this front. They also commented on recent market developments, with rising yields in medium- and long-term bonds and depreciation of the Mexican peso amid a volatile environment. We expect the minutes will reaffirm a broad sense of caution and a prudent approach by the institution. In this respect, we think the "window of opportunity" for more cuts has closed, mainly because of the global inflation and monetary policy outlook, among other factors, so the next move will be a hike. However, the timing remains very uncertain, as Banxico is still highly data-dependent

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**Mexico weekly calendar**

DATE	TIME (ET)	EVENT	PERIOD	UNIT	BANORTE	CONSENSUS	PREVIOUS
Sun 4-Apr		Daylight savings time begins in Mexico					
Mon 5-Apr	10:00am	Family remittances	February	US\$ mn	3,375.3		3,297.9
Mon 5-Apr	10:00am	Banxico's survey of economic expectations	March				
Mon 5-Apr	1:00pm	PMI's survey (IMEF)	March				
		Manufacturing		index	50.4	--	49.1
		Non-manufacturing		index	51.7	--	49.4
Tue 6-Apr	7:00am	Consumer confidence (sa)	March	index	38.9		38.4
Tue 6-Apr	10:00am	International reserves	Mar-31	US\$ bn	--	--	194.9
Tue 6-Apr	3:30pm	Citibanamex bi-weekly survey of economic expectations					
Wed 7-Apr	7:00am	Gross fixed investment	January	% y/y	-13.5		-11.5
		sa		%m/m	1.6	--	-2.1
		Machinery and equipment		% y/y	-16.4	--	-8.1
		Construction		% y/y	-11.6	--	-14.1
Wed 7-Apr		Private consumption	January	% y/y	--	--	-5.3
		sa		%m/m	--	--	-0.5
		Domestic (Goods and services)		% y/y	--	--	-6.5
		Imported (Goods)		% y/y	--	--	5.1
Thu 8-Apr	7:00am	CPI inflation	March	% m/m	0.83		0.63
				% y/y	4.67		3.76
		Core		% m/m	0.53		0.39
				% y/y	4.11	--	3.87
Thu 8-Apr	10:00am	Banxico's minutes	Mar-25				
Fri 9-Apr		Wage negotiations	March	%	--	--	4.3
Fri 9-Apr	7:00am	Industrial production	February	% y/y	-6.1		-4.9
		sa		% m/m	-0.5		0.2
		Mining		% y/y	-6.1	--	-3.3
		Utilities		% y/y	-8.0	--	-4.9
		Construction		% y/y	-11.0	--	-10.0
		Manufacturing		% y/y	-3.9		-3.4

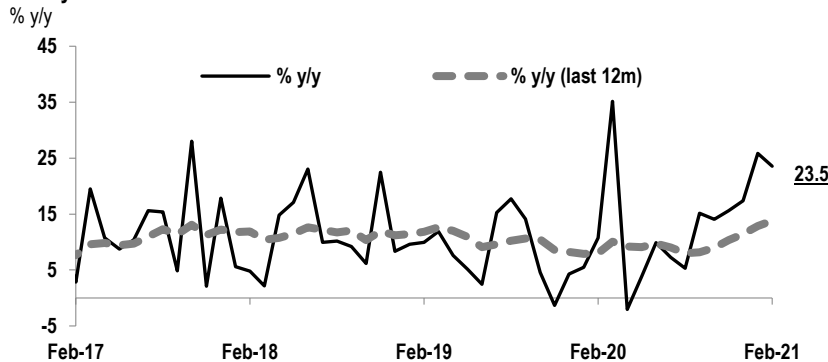
Source: Banorte; Bloomberg

Proceeding in chronological order...

**Remittances to maintain a strong pace in February.** We expect remittances to increase 23.5% y/y to US\$3,375.3 million. We expect the absolute amount would be higher than in January despite decelerating slightly in annual terms, recalling a more difficult base effect as 2020 was a leap year. Nevertheless, it would remain quite elevated, with dynamism still supported by fiscal stimulus approved in December in the US. Among the measures, it expanded unemployment benefits, which continued in the month. More favorably, employment levels in said country kept improving. The unemployment rate among Hispanics and Latinos declined marginally to 8.5% from 8.6%, albeit with a relevant increase in the participation rate. The working-age population of Mexican migrants rose by 59.4 thousand but there was a net job creation of 208.4 thousand –including ‘natives’, ‘non-native citizens’, and ‘non-citizens’ (legal or illegal)–. Gains were centered in the first (+287.5 thousand) and third groups (+89.0 thousand), with a net loss of 168.1 thousand in the second one. We believe it is relevant that ‘non-citizens’ regained some positions, as in our view these are the most likely to send back remittances.

On other developments, this represented Joe Biden’s first full month as President. As we mentioned on previous reports, his administration has taken a very different approach to Trump on migration. Within the first few days he introduced a comprehensive immigration reform and reversed several policies of the previous administration. However, some news has surfaced recently of some legacy actions remaining, along pressures from an increased flow of migrants. Overall, we believe fears among undocumented migrants should decline relative to those seen in recent years. On the other hand, the Mexican peso depreciated, averaging USD/MXN 20.31 from 19.92 in January, possibly skewing flows to the upside. In this backdrop, we reaffirm our view that remittances will probably keep growing in 2021. Our current call is that they will growth at a pace between 7% and 10% y/y. Nevertheless, risks are skewed to the upside. Specifically, we are waiting for results in March and April, as it is our take that the US\$1.9 trillion fiscal stimulus package approved in the US could provide a stronger-than-expected boost to inflows in the short term. Apart from this, an additional positive driver could be a faster-than-anticipated vaccination campaign in the US, allowing for less restrictions that could help employment recover more rapidly, particularly as they have also been reflected in higher mobility levels (as shown by the index developed by the Dallas Fed).

Family remittances



Source: Banxico

**Banxico's survey of economic expectations.** As usual, market participants will focus on inflation, growth, reference rate, and exchange rate forecasts. In the first, analysts expect 2021 year-end inflation at 3.90% y/y, higher than our 3.7%. Despite of this, we do not rule out additional changes given recent dynamics. Medium and long-term expectations will likely remain unchanged, still above target. On GDP, this year's estimate stands at 3.7%, below our revised 5.3%. The current view on the reference rate by YE21 is that it will stand at 3.75%, which implies an additional cut. Nevertheless, after the latest monetary policy decision, it is our take that it will adjust to 4.00%, its current level. Finally, the year-end exchange rate stands at USD/MXN 20.30 (Banorte: 19.80), which could be slightly pressured, likely reflecting higher volatility.

**IMEF indicators to bounce back in March.** We expect both measures to gain dynamism, pushing them into expansion territory (above the 50pts threshold). Relative to the previous month, broad conditions were more favorable, with distortions to industry fading away and a more positive evolution of the virus.

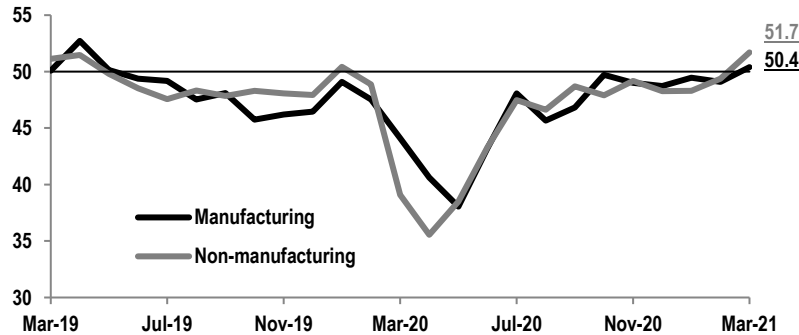
The manufacturing indicator would stand at 50.4pts from 49.1pts in February, back into expansion for the first time in little over one year and a half. We believe the result in February was not that bad considering blackouts and the undersupply of natural gas. However, it contrasted with some [hard data](#), which showed a more significant impact. In either case, we expect manufacturing to have followed through on the recovery as conditions normalized. In addition, we expect some additional boost from the improvement in epidemiological conditions, allowing for more activities to resume (see paragraph below for details). On the external front, news were mostly positive, with indicators in the US remaining strong. *Markit's* manufacturing PMI in said country climbed to 59.0pts after a slight hit from outages in Texas (similar to those experienced locally). The report warned about persistent distortions in deliveries of raw materials and other inputs, consistent with the shocks in Mexico during February and other bottlenecks (*e.g.* semiconductors, heavy traffic in ports and shipping lanes). Moreover, progress on vaccinations in the US is very favorable (with more ambitious targets set) along the approval of new fiscal stimulus in the US –with some of the checks disbursed in the month–, both key drivers for a robust performance of external demand.

The non-manufacturing would climb to 51.7pts from 49.4pts, highest since May 2018. We believe the key driver will be the improvement in COVID-19 curves, with no states in 'red' throughout the month according to the traffic light indicator. Moreover, the latest data show seven states in 'green' and only another seven remaining in 'orange'. Nevertheless, some of the most important metro areas are still lagging. In this context, mobility has continued to rise, albeit at a somewhat modest pace, which in our view could be reflecting some prevailing caution among some consumers. Among other relevant news, we expect a positive windfall towards the end of the month on the start of the *Easter* holiday. Despite the pandemic, we believe it will attract people to go for vacations or to engage in other recreational activities. Moreover, payments of social programs were brought forward to this month to avoid potential conflicts with the electoral process, possibly given the period an additional boost.

Lastly, some effects from the blackouts, albeit in our opinion modest, should also disappear and marginally benefit performance. On prices, energy kept trending up, which in an environment of ample slack, could be pressuring companies' profit margins. In turn, this could be at least a partial headwind for the recovery.

#### IMEF indicators

Diffusion indicators, sa



Source: IMEF, Banorte

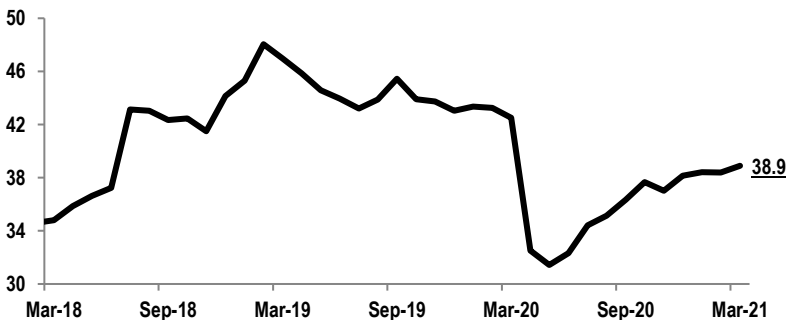
**Consumer confidence to edge higher in March.** We expect confidence at 38.9pts (seasonally adjusted), breaking with last month's stagnation. In our view, there were several positive developments, especially relative to February. Among these, conditions surrounding the virus extended their positive trend. Specifically, new COVID-19 cases have fallen to August/September lows, albeit with the pace of decline moderating relative to February. Meanwhile, the traffic light indicator throughout the month showed no states in 'red', with an average of 9 entities in 'orange' and 20 in 'yellow'. New shipments of vaccines have permitted an uptick in the pace of inoculations, averaging over 100 thousand per day since early March and gathering additional steam throughout the month, currently close to 200 thousand. We expect the possible drag from cold weather conditions to have faded away. Finally, another positive factor would be that payments related to social programs were brought forward due to the electoral season, possibly boosting confidence as they started in the month.

More neutral, net presidential approval declined slightly to +30% according to the aggregator *Oraculus*, with tiny downward revisions in the previous months. In our view, we consider that modest changes are not meaningful to point to major changes in confidence. Nevertheless, given the proximity of the mid-term elections, we expect its relevance to rise in coming months. We also noted some factors that could act to the downside. Firstly, prices kept climbing, as reflected in [inflation for the first half of the month](#). While energy remained to the upside, we also noted pressures on processed foods –mainly tortillas– and meat and egg, categories that we believe could be more sensitive for consumers. Moreover, market volatility continued, with the Mexican peso experiencing relevant swings, reaching a year-to-date high of USD/MXN 21.49 on March 8<sup>th</sup>, albeit appreciating mostly since then and until the end of the survey period (March 20<sup>th</sup>). While these factors are relevant, we believe positive developments will outweigh for the latter.

All in all, we maintain our view that confidence will expand at a gradual pace, highly dependent of labor market dynamics, and to a lesser extent, the economy as a whole. We do not rule out another boost from higher remittances and the spillover effect from the recently approved fiscal stimulus in the US. However, some risks still loom in the horizon, mainly the possibility of an increase in COVID-19 cases or a slower-than-expected recovery in some economic sectors.

#### Consumer confidence

Pts, seasonally adjusted



Source: Banorte with data from INEGI

**Weekly international reserves report.** Last week, net international reserves decreased by US\$5 million, closing at US\$194.9 billion (please refer to the following table). According to Banxico’s report, this was mainly explained by a negative valuation effect in institutional assets. So far this year, the central bank’s international reserves have fallen by US\$734 million.

#### Banxico's foreign reserve accumulation details

US\$, million

	2020	Mar 26, 2021	Mar 26, 2021	Year-to-date
	Balance		Flows	
International reserves (B)-(C)	195,667	194,934	-5	-734
(B) Gross international reserve	199,056	199,504	-608	448
Pemex	--	--	0	449
Federal government	--	--	-117	1,647
Market operations	--	--	0	0
Other	--	--	-492	-1,648
(C) Short-term government's liabilities	3,389	4,571	-603	1,182

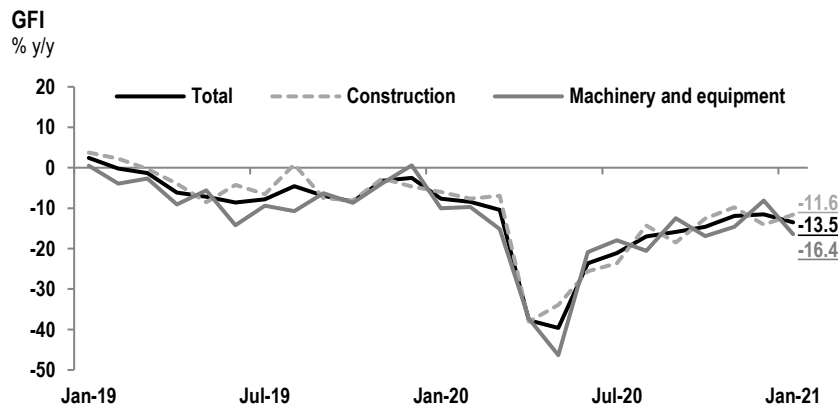
Source: Banco de México

**Investment likely rebounded in January.** We expect GFI at -13.5% y/y, below December’s -11.5%, although significantly affected by an adverse calendar effect. Correcting for this with seasonally adjusted data, we anticipate a 1.6% m/m advance, reversing some of the previous month’s fall. Despite worse COVID-19 dynamics, available data suggests a positive performance.

Specifically, we expect construction would lead at -11.6% y/. This would be in line with the sector’s performance in the [industrial production report](#). In this respect, activity was boosted by civil engineering –more related to government activities–, which surged to -7.9% y/y from -21.8%. This contrasts with recent dynamics, in with edification led gains. Hence, we believe the non-residential sector will be the main support. Moreover, we recall that construction has been designed as an essential activity, limiting the impact from virus restrictions. Although this signal would be welcomed, we remain concerned as uncertainty in the private sector remains high and the public sector’s room to increase infrastructure spending is still very limited.

On the other hand, we anticipate machinery and equipment (M&Eq.) at -16.4% y/y (previous: -8.1%). Both the domestic (-25.3%) and imported components (-11.1%) would be weaker at the margin. In particular, we expect epidemiological conditions to have hit the former more, particularly on a weak performance of the auto sector within IP (which constitutes a big share within GFI). Other pockets of weakness were seen in basic metals and metallic goods. On the other hand, in the imported component, [capital goods imports](#) within the trade balance fell 10.9%, partly also on calendar effects. This figure may be slightly higher than advanced data, as the Mexican peso depreciated modestly during the period, reaching 20.30 per dollar on average, which may skew it to the upside in local currency.

Overall, we continue seeing a very difficult environment for investment, both by the public and private sectors. Regarding the latter, we believe anti-market initiatives proposed by legislators (even when not approved) keep affecting the environment, with businessmen increasingly more cautious. This maintains uncertainty very elevated, more than compensating for a better outlook due to vaccinations and recent COVID-10 dynamics. In addition, we still think other idiosyncratic factors will weigh on the outlook. Among them, it is our take that the most relevant in the short-term will be the mid-term elections, followed by possible discussions about a fiscal reform for 2022.



Source: INEGI, Banorte

**Private consumption to remain weak at the turn of the year.** Performance in December was relatively negative, falling 0.5% m/m. In our view, performance was influenced by: (1) Some payback after November’s expansion due to discounts in *El Buen Fin* (Mexico’s Black Friday), with a shift in the timing of big-ticket purchases; and (2) the deterioration in epidemiological conditions in key states. We expect some of the weakness to have lingered around in January, with even more states to ‘red’ in the traffic light indicator and reduced mobility. However, and contrary to our initial expectations, timelier data suggests that while there was indeed an impact, but more modest than envisaged. In this sense, [retail sales barely moved](#), up 0.1% m/m, albeit with major differences across sectors, reflecting more cautiousness among consumers. Meanwhile, services [within the monthly GDP-proxy \(IGAE\)](#) were weaker, posting a 0.1% m/m decline. Inside, we highlight relevant hits on more socially exposed sectors, such as lodging, transportation, and to a lesser extent, retail. The outlook ahead seems to be more favorable, with more positive signals for services in February and March, albeit with a bump in industry in the former due to blackouts and the lack of natural gas.

**Annual inflation to its highest since year-end 2018.** We expect headline inflation at 0.83% m/m, above the 0.63% of the previous month. The core would be at 0.53%, contributing 40bps. We estimate the non-core at 1.74%, (+43bps). If our forecast materializes, annual inflation would surge to 4.67% from 3.76% on average in February, highest since December 2018. In this sense, distortions because of the start of the pandemic last year begin to be increasingly relevant from this print forward. The core would also be higher, at 4.11% from 3.87%, with the non-core to 6.37% from 3.43%.

Within the core, we had already seen [meaningful pressures in the first fortnight](#), with goods particularly surprising higher but with services also influenced by an adverse seasonality ahead of the *Easter* holiday. In our view, these could remain elevated, particularly in the former, estimating a 0.6% m/m advance. In processed foods we highlight that our monitoring showed a further increase in tortilla prices, while in other goods we could see additional adjustments, mainly on passthrough from higher energy prices. In turn, we expect services at 0.4% m/m. Housing and education would stay very limited, albeit with additional upticks in airfares and tourism-related services on higher demand.

At the non-core, we flag a 1.4% m/m increase in agricultural goods. Although results were mixed in the first two weeks, our price monitoring showed sizable increases in some fruits and vegetables (1.4% m/m), such as tomatoes and avocados. We believe an adverse seasonality may be at play, with reductions in some other goods (*e.g.* potatoes, apples) not enough to compensate. Meat and eggs (1.3%) are also expected to climb, although driven by the first half of the period, with a modest decline in the rest of the month. In a similar fashion, energy prices would keep trending higher (2.7%), albeit more modestly at the margin. In this respect, we expect LP gas to increase 5.4% after surging in the previous print –likely affected by weather disruptions in mid-February–. Gasolines would follow a somewhat equal pattern, with low- and high- grade up 2.1% and 5.7%, respectively. In this respect, recent moves in global markets would still reverberate through them, despite subsidies to excise taxes increasing meaningfully in the second half.

**Banxico’s minutes to confirm the end of the easing cycle.** The central bank will release the minutes of its monetary policy meeting held on March 25<sup>th</sup>, in which the Board voted unanimously to [maintain the reference rate unchanged at 4.00%](#). This was contrary to our call of a 25bps cut. We noted relevant adjustments on comments about inflation and its balance of risks, in our view turning the tone of the statement more hawkish. They also commented on market developments, with rising yields in medium- and long-term bonds and depreciation of the Mexican peso amid a volatile environment. We believe the minutes will reaffirm a broad sense of caution and a prudent approach by the institution.

It is our take that investors’ attention will center on comments about the outlook for inflation. Significant changes in this front were made relative to the previous statement as well as the [Quarterly Report](#), which was the last piece of information we had from the central bank.

In this sense, we think one of the main drivers behind the decision was that headline and core inflation breached the 4.00% upper-bound of the variability range around the target. This would be consistent with the statement that the short-term paths of inflation in both cases were “slightly higher” than their most recent estimates. Taking also into account considerable modifications to the balance of risks –particularly the order and relevance of those to the upside–, along the removal of the explicit mention of its skew as uncertain, we think the Board’s majority might consider it as tilted to the upside. Hence, we will focus on these discussions, trying to identify the main drivers behind these changes and their relative magnitudes. These should help assess how big is the concern, including if they are either temporary or more structural in nature. In addition, we will also be looking into the debate about inflation expectations, especially in the short-term and both from surveys and financial markets. Specially, as heightened volatility and important shifts in market view might convey different and valuable information.

Given recent financial market dynamics, comments on this will also be very relevant. We could see a further explanation of the potential impact that these are having on financial assets, with a special focus on the Mexican peso and medium- and long-term government bond yields. It is our take that they will emphasize that this performance has been largely influenced by a broad re-pricing in global markets, as opposed to domestic factors. Nevertheless, it will be relevant to see what Board members think this entails for financial stability risks in emerging markets, the outlook for financial flows in Mexico, and on growth and inflation. We will search for their view on the implications this could have on domestic conditions –including the possibility of a passthrough effect from the MXN to prices– and risk premia in local assets, among others. Moreover, we will heed comments about other relevant risks, mainly to public finances and Pemex given financial support actions announced recently by the Federal Government.

Specific comments since the decision have been scarce given the upcoming *Easter* holiday season. Nevertheless, we highlight an interview from Governor Alejandro Díaz de León after the meeting, in which he emphasized again the need to maintain a data-dependent approach. He also noted that markets are volatility prone, but data confirming a strong recovery or low inflation could help calm them down. In this same context, Deputy Governor Irene Espinosa shared with us on the *Norte Económico* podcast the importance of carefully analyzing both economic data and the situation that could affect Banxico's inflation target. She stressed out that there are currently four factors that have deteriorated the balance of risks for inflation, which could have influenced the central bank to stay put on March 25<sup>th</sup>. These are: (1) The possibility of additional pressures in the goods component within core inflation, due to the rebalancing of spending; (2) likely pressures in services (non-tradables) amid a more rapid reactivation of the economy; (3) volatility in financial markets, especially in EM currencies (*e.g.* Mexican peso), which may trigger a passthrough effect on inflation; and (4) the expectation of inflationary pressures in the world as a result of a greater recovery accompanied by an unprecedented economic policy response, especially in advanced economies.

Meanwhile, we will try to identify comments (and contrast them with the previous minutes) from the members that we thought were in the more dovish wing, comprised of Deputy Governors Galia Borja, Gerardo Esquivel and Jonathan Heath. We think this will be very important to: (1) Assess the specific drivers that may have made them more cautious, including their relative importance; and (2) evaluate the probability that this easing cycle has effectively ended, particularly considering the Governor's comments about remaining data-dependent.

All in all, we believe the “window of opportunity” for more cuts has closed, mainly because of the global inflation and monetary policy outlook, so the next move will be a hike. However, the timing surrounding it remains very uncertain. In our view, it will depend primarily on: (1) The behavior of inflation after the ‘hump’ resulting from negative base effects in 2Q21; (2) overall market dynamics –including for commodities’ prices, currencies and government bond yields– and how it could affect inflation and its expectations; (3) the moment in which the Fed starts to taper asset purchases and hike the *fed funds* rate, affecting the relative monetary stance to the US and other EMs; and (4) several idiosyncratic factors, including possible actions on the sovereign credit rating, the mid-term elections, and even the possibility of a fiscal reform for 2022.

**Industry to take a step lower in February on temporary shocks.** We anticipate a 6.1% y/y decline, below the -4.9% from the previous month. One drag would be the calendar effect from the leap year in 2020, which added one day to February. However, its impact would be more modest than historically, as we had the same number of working days. Correcting for the distortions (using seasonally adjusted data), activity would fall 4.5% y/y. This would be below INEGI's latest estimate within the [Timely Indicator of Economic Activity](#). In sequential terms we expect a 0.5% m/m decline, first contraction since last May, in the midst of the pandemic. Performance was likely affected by the direct and indirect effect from the extreme cold weather at the Northern Border, resulting in blackouts and lack of natural gas.

The sector with the largest impact and most direct impact would be utilities, declining around 8.0% y/y (-2.2% m/m). We should recall this sector encompasses both the production and distribution of electricity, as well as the supply of gas through ducts. In this sense, the shock in the former started on February 13<sup>th</sup>, with service fully restored by the 18<sup>th</sup>. On gas, we had reports of undersupply at least until the 22<sup>nd</sup> in some industries, albeit not ruling out further complications after that.

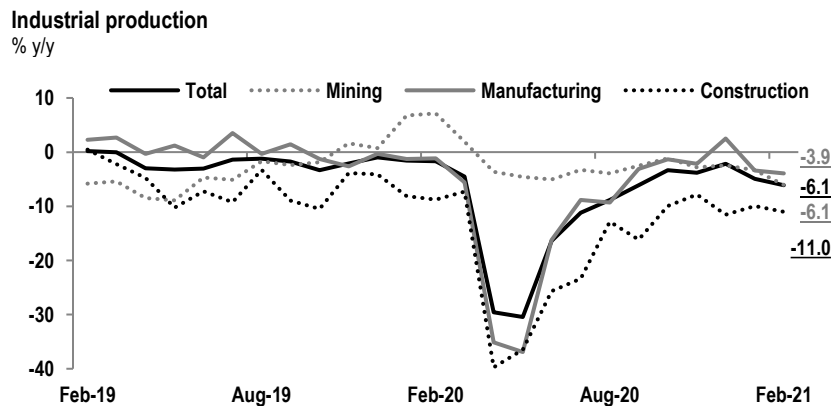
We expect this to have had an impact on other industries, mainly manufacturing, anticipating a 3.9% y/y contraction. Sequentially, it would be a 1.5% m/m decline. Figures inside would go from mixed to sharply negative, with performance among sectors varying widely. Among those most impacted was auto production, down by a whopping 28.9% y/y, lowest since the lockdown months (May 2020). This was further confirmed by the -13.1% m/m in auto exports within the [trade balance](#) (-10.0% y/y). However, ‘other’ manufacturing exports were more positive, bouncing back 1.1% m/m (+1.5% y/y). This is somewhat in line with [IMEF's performance](#), with only a slight 0.3pts decline to 49.1pts in manufacturing.

Meanwhile, US activity was also impacted by the same factors (mainly in Texas), with total IP down 3.6% y/y. Lastly, and consistent with the temporary nature of the shock, employment within [INEGI's report](#) showed a net creation of 404.6 thousand positions, with a boost from a positive seasonal trend and no significant job cuts as the impact was brief.

In construction, we forecast -11.0% y/y. This implies a 1.2% m/m decline, driven by two main factors: (1) A partial reversal of last month's 1.5% m/m expansion, which was likely led by the public sector; and (2) some indirect fallout from the outages. This would contrast with aggregate trend indicators and business confidence for the period (already available). However, we should mention that these indicators have failed to capture some of the short-term volatility despite being consistent with the signal of a modest recovery. Moreover, and on the positive side, total employment in the sector rose by 435.6 thousand, also with seasonal factors at play.

Finally, we see mining at -6.1% y/y, with annual data strongly distorted by the leap year effect. In our opinion, this is because activity in the sector is carried out continuously, especially in the oil sector, with one day less definitely taking a toll on reported figures. Adjusting for this, sequential performance would be more stable at +0.2% m/m. Pemex's data was better on average. Oil production stood at 1,732kbpd (previous: 1,713kbpd), and gas was also marginally higher. A stable output is rather positive considering some structural challenges that the state-owned company is going through. In this context, we will remain vigilant about Federal Government support –including further capitalization efforts– which could translate into additional CAPEX to boost production. On non-oil mining, we expect dynamism to prevail, with commodities' prices still elevated and driving performance.

Looking ahead, the outlook looks more favorable going into 2Q21, with additional strength in external demand, especially from the US. In this context, we recently revised our 2021 GDP forecast to 5.3% y/y, mainly on this latter factor. However, there are still some risks on the horizon, mainly on supply chain issues, such as the scarcity of semiconductors globally.



Source: INEGI, Banorte

## Analyst Certification

We, Gabriel Casillas Olvera, 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, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega 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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## 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.

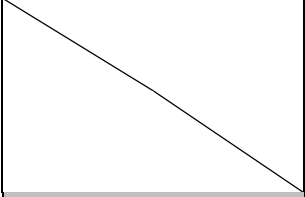
## Securities holdings and other disclosures.

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.

	<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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