

Ahead of the Curve

Industry likely boosted by manufacturing in February

- Industrial production (February).** We expect IP at +3.8% y/y (previous: 4.3%). Part of the deceleration is due to a more challenging base effect, although also impacted by a negative calendar effect. Adjusting for this, figures would show a 3.7% y/y expansion, better than INEGI's 3.5% estimate within the [Timely Indicator of Economic Activity](#). More importantly, this implies an 0.1% m/m increase, which we believe is positive considering accumulated growth of 3.3% in the previous four months. By sectors, we expect progress in manufacturing (0.3% m/m) and construction (0.2%), with a hefty setback in mining (-3.6%)

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www.banorte.com
@analisis_fundam

Juan Carlos Alderete, CFA
Executive Director of Economic Research
and Financial Markets Strategy
juan.alderete.magal@banorte.com

Francisco Flores
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com

Yazmín Pérez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com

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
Mon 11-Apr	7:00am	Industrial production	February	% y/y	<u>3.8</u>	--	4.3
		sa		% m/m	<u>0.1</u>	--	1.0
		Mining		% y/y	<u>1.3</u>	--	10.6
		Utilities		% y/y	<u>5.9</u>	--	1.1
		Construction		% y/y	<u>-1.1</u>	--	0.7
		Manufacturing		% y/y	<u>6.4</u>	--	3.8
Tue 12-Apr	10:00am	International reserves	Apr-8	US\$ bn	--	--	200.7
Tue 12-Apr		ANTAD: Same-store sales	March	% y/y	--	--	11.7
Thu 14-Apr		Markets closed due to the Easter holiday					
Fri 15-Apr		Markets closed due to the Easter holiday					

Source: Banorte; Bloomberg

Proceeding in chronological order...

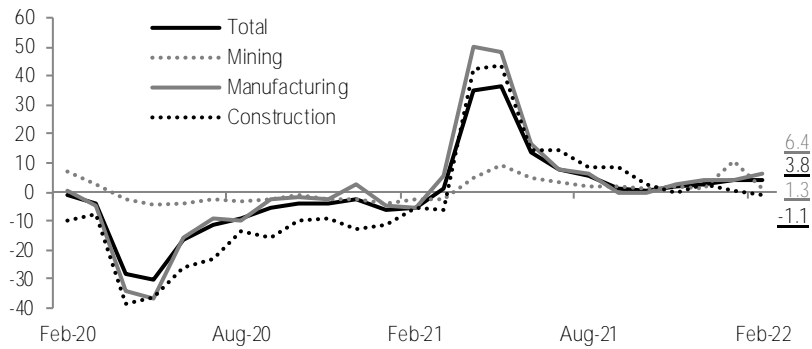
Industry to decline in February with a more challenging base effect. We expect IP at +3.8% y/y (previous: 4.3%). Part of the deceleration is due to a more challenging base effect, although also impacted by a negative calendar effect, considering that there was an additional working day in January in the annual comparison. Despite of this, with seasonally adjusted figures, we expect an expansion of 3.7% y/y, which would be better than the estimate within INEGI's [*Timely Indicator of Economic Activity*](#) at 3.5%. More importantly, this implies an 0.1% m/m increase, which we believe is positive considering accumulated growth of 3.3% in previous four months.

Manufacturing would climb 0.3 m/m (+6.4% y/y), with quite positive signs –including epidemiological conditions–. Overall, the IMEF's manufacturing PMI rose to 51.1pts, with an improvement in all categories. More specific, the auto sector seems to be giving more signs of recovery, evidenced by both [exports](#) (+34.7% m/m) as well as production reported by AMIA (240.5 thousand units; +8.0% m/m). Meanwhile, the rest of the signs from abroad are favorable, with non-auto shipments at +9.3%, boosted by sequential acceleration from this sector in the US, also rebounding from the impact of the virus. On a more mixed note, a 2.5 thousand job loss was reported for total manufacturing employment, despite the rebound of 66.9 thousand positions for the sector affiliated to IMSS.

Construction would advance, although only 0.2% m/m (-1.1 y/y) and after a decline in the previous month. Although the signs from opinion indicators are positive (*e.g.* consumer confidence and the aggregate trend indicator), we believe that backdrop for prices in the sector –with constant increases that are reflected in the PPI– will continue to impact edification. However, civil engineering works could remain relatively strong, supported by progress in key projects –mainly the *Felipe Ángeles* Airport–. This is partly reflected in the spending in physical investment from the Federal Government, up 16.2% y/y in real terms. Lastly, the signs from employment are better, with increases in both IMSS (+26.3 thousand) and the one reported by INEGI (+202.0 thousand).

On the other hand, we expect a substantial decline in mining, down 3.6% m/m (1.3% y/y). The fall would be driven by a normalization in 'related services' sector, considering that they grew 21.8% m/m the previous month, which does not seem to be sustainable. Meanwhile, signs from production in the oil sector were slightly negative, with crude output according to the *National Hydrocarbons Commission* (CNH in Spanish) decreasing to 1,634kbpd (previous: 1,652kbpd) and with gas showing a similar trend. On the contrary, prices of metals and other commodities kept climbing, supporting the non-oil sector.

Industrial production
% y/ynsa



Source: INEGI, Banorte

Weekly international reserves report. Last week, net international reserves increased by US\$195 million, closing at US\$200.7 billion (please refer to the following table). According to Banxico's report, this was explained by: (1) A sale of US\$200 million from Pemex to the central bank; and (2) a negative valuation effect in institutional assets of US\$5 million. Year-to-date, the central bank's international reserves have fallen by US\$1.6 billion.

Banxico's foreign reserve accumulation details
US\$ millions

	2021	Apr 1, 2022	Apr 1, 2022	Year-to-date
	Balance		Flows	
International reserves (B)-(C)	202,399	200,726	195	-1,674
(B) Gross international reserve	207,745	208,255	228	510
Pemex	--	--	200	350
Federal government	--	--	-108	3,329
Market operations	--	--	0	0
Other	--	--	136	-3,169
(C) Short-term government's liabilities	5,346	7,529	33	2,184

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, David Alejandro Arenas Sánchez, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Miguel Alejandro Calvo Domínguez, Daniela Olea Suárez, 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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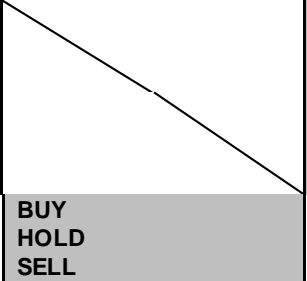
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GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandropadilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
Economic Research			
Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmín Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Leslie Thalía Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Isaias Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144
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
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 - 2250
David Alejandro Arenas Sánchez	Senior Strategist, Equity	david.arenas.sanchez@banorte.com	(55) 1103 - 4000 x 2755
Victor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Paola Soto Leal	Analyst	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 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
Quantitative Analysis			
Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandrocervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Daniela Olea Suárez	Senior Analyst, Quantitative Analysis	daniela.olea.suarez@banorte.com	(55) 1103 - 4000
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
Daniel Sebastián Sosa Aguilar	Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5004 - 1282
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 - 5140
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) 8173 - 9127
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) 5249 - 6423
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	raul.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899