Economic and Financial Markets Research
Economic Research, Mexico

April 9, 2024

March inflation – We expect the headline by YE24 at 4.3%, with the core higher


Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com


Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com


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


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


Cintia Gisela Nava Roa
Senior Economist, Mexico
cintia.nava.roa@banorte.com

- **Headline inflation (March): 0.29% m/m; Banorte: 0.33%; consensus: 0.36% (range: 0.30% to 0.47%); previous: 0.09%**
- **Core inflation (March): 0.44% m/m; Banorte: 0.49%; consensus: 0.51% (range: 0.48% to 0.58%); previous: 0.49%**
- **The downside surprise was driven by the non-core (-0.16%), with a mixed performance across different categories, albeit with some of the trends of the 1st fortnight continuing. As such, agricultural items were negative (-0.5%), with energy more stable (0.1%). Turning to the core (0.44%), goods were quite limited at 0.2%, with services higher (0.7%) due to adverse seasonal effects in tourism items and more persistent pressures in other categories**
- **With this, inflation in March accelerated to 4.42% from 4.40% in the previous month. The core extended its downward trend, standing at 4.55% (previous: 4.64%)**
- **Considering the recent performance of the non-core –with fewer disruptions than anticipated in agricultural items–, we revise our year-end forecast for the headline to 4.3% (previous: 4.6%). Nevertheless, with services maintaining a relevant persistence to the upside, we now expect the core at 4.4% (previous: 4.2%)**

Inflation of 0.29% m/m in March. The result was helped by the non-core, coming in at -0.16%. It is relevant to mention that performance across different categories was somewhat mixed, although with some trends seen in the 1st fortnight extending. As such, agricultural items were negative at -0.5% on the back of fruits and vegetables (-3.4%) –with relevant declines in onions and tomatoes–, although with pressures in meat and egg (2.1%) –with higher chicken prices standing out. In energy (0.1%), the adjustment was more limited. LP gas fell 3.9%, benefiting from lower international references and a stronger MXN. However, both low-grade gasoline (0.8%) and electricity (0.4%) were up. Finally, government tariffs were quite low at 0.2%. Within the core (0.44%), goods were subdued at 0.2% –highlighting the movement of only 0.1% in 'other goods', with MXN strength in our view key to this. However, services continued to grow at high rates at 0.7%. Part of the boost comes from the seasonality of the Easter holiday, with significant upticks in items such as airfares (28.4%) and tourism services (7.2%). However, it should be noted that pressures persist in other items such as housing (0.4%), as well as relevant categories within 'other services' (1.1%) such as 'dining away from home' (0.7%) and restaurants (0.6%), to name a few.

March inflation: Goods and services with the largest contributions
% m/m; monthly incidence in basis points

Goods and services with the largest positive contribution	Incidence	% m/m
Chicken	13.3	8.5
Air fares	6.5	28.4
Low-grade gasoline	3.8	0.8
Housing	3.7	0.4
Dining away from home	3.4	0.7
Goods and services with the largest negative contribution		
Onions	-0.9	-19.9
Tomatoes	-8.5	-12.5
LP gas	-3.9	-2.4
Nopales	-3.3	-26.9
Squash	-1.4	-12.6

Source: INEGI

www.banorte.com/analisiseconomico
@analisis_fundam

Winners of the awards as the best economic forecasters in Mexico by *LSEG* and *Focus Economics* in 2023

LSEG STARMINE AWARD FOR REUTERS POLLS
Best Forecaster Economic Indicators for Mexico 2023

FOCUS ECONOMICS ANALYST FORECAST AWARDS 2023

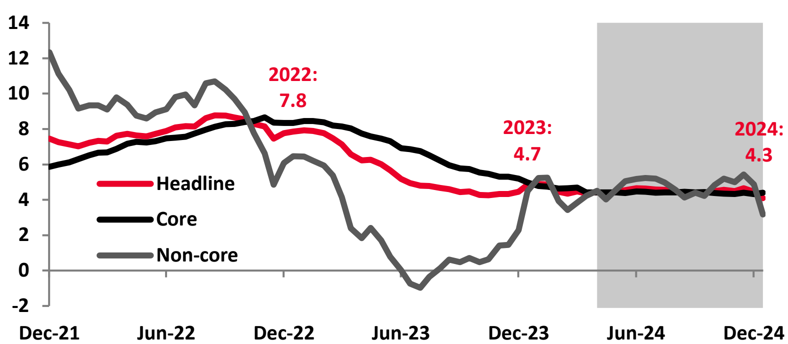
BANORTE

Slight rebound in annual headline inflation. With this result, inflation climbed to 4.42% from 4.40% y/y in the previous month. Looking at the breakdown, the non-core rose to 4.03% from 3.67%, with the increase partly explained by a more challenging base effect. On the other hand, the core extended its downward trend, although with a more limited improvement as it stood at 4.55% from 4.64%.

Downward revision in the headline inflation forecast by year-end... We now estimate the figure at 4.3%, implying -30bps relative to our previous estimate. A relevant share of this decline is related to agricultural items, which have been better at the margin despite their marked volatility. Specifically, we believe this has been explained by higher imports of some cereals –mainly corn–, sugar, and some livestock products –such as eggs and beef. This has likely helped offset persistent problems in terms of drought levels and some climate distortions due to the *El Niño* phenomenon –which, also positively, will have a shorter duration than expected, with expectations from NOAA's Climate Prediction Center that *La Niña* could materialize between June and August with a 62% probability. Regarding energy, the extension of output cuts by OPEC+ and expectations of higher fuel demand due to a more positive economic outlook stand out. Although this has been reflected in higher crude oil and gasoline prices, gas has remained more stable. When adding Mexican peso strength to the equation, the results point to some stability or even a more positive outlook.

...but with the core higher on services. Specifically, the revision implies +20bps to 4.4%. The adjustment is largely due to a more adverse outlook for services. We were already anticipating pressures in categories such as 'others' –in previous publications we have highlighted relevant adjustments in practically all generics except for those related with telecommunications. However, now the increases have been slightly higher than predicted, where demand remains high. We have also noted above-average adjustments in housing, where we believe that wage gains and accumulated inflation in previous years –along with other supply-side issues in some cities– have contributed to the upside. We believe this will be more than offset by gains in goods, where MXN strength and supply chain improvements have contributed to more modest growth.

Banorte: Inflation forecasts
% y/y, bi-weekly frequency



Source: Banorte with figures from INEGI

Analyst Certification.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Santiago Leal Singer, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Daniel Sebastián Sosa Aguilar, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Marcos Saúl García Hernandez, Juan Carlos Mercado Garduño, Jazmin Daniela Cuautencos Mora, Andrea Muñoz Sánchez and Paula Lozoya Valadez, 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.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

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.

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.

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

Directory
Research and Strategy

Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com
(55) 1103 - 4043

Raquel Vázquez Godinez
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

María Fernanda Vargas Santoyo
Analyst
maria.vargas.santoyo@banorte.com
(55) 1103 - 4000 x 2586

Economic Research

Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market 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

Cintia Gisela Nava Roa
Senior Economist, Mexico
cintia.nava.roa@banorte.com
(55) 1103 - 4000

Luis Leopoldo López Salinas
Economist, Global
luis.lopez.salinas@banorte.com
(55) 1103 - 4000 x 2707

Market Strategy

Santiago Leal Singer
Director of Market Strategy
santiago.leal@banorte.com
(55) 1670 - 1751

Marissa Garza Ostos
Director of Equity Strategy
marissa.garza@banorte.com
(55) 1670 - 1719

Víctor Hugo Cortes Castro
Senior Strategist, Technical
victorh.cortes@banorte.com
(55) 1670 - 1800

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

Hugo Armando Gómez Solís
Senior Analyst, Corporate Debt
hugoa.gomez@banorte.com
(55) 1670 - 2247

Leslie Thalía Orozco Vélez
Senior Strategist, Fixed Income and FX
leslie.orozco.velez@banorte.com
(55) 5268 - 1698

Marcos Saúl García Hernandez
Analyst, Fixed Income, FX and Commodities
marcos.garcia.hernandez@banorte.com
(55) 1670 - 2144

Gerardo Daniel Valle Trujillo
Analyst, Corporate Debt
gerardo.valle.trujillo@banorte.com
(55) 1670 - 2248

Juan Carlos Mercado Garduño
Strategist, Equity
juan.mercado.garduno@banorte.com
(55) 1103 - 4000 x 1746

Paula Lozoya Valadez
Analyst, Equity
paula.lozoya.valadez@banorte.com
(55) 1103 - 4000

Quantitative Analysis

Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com
(55) 1670 - 2972

José Luis García Casales
Director of Quantitative Analysis
jose.garcia.casales@banorte.com
(55) 8510 - 4608

Miguel Alejandro Calvo Domínguez
Senior Analyst, Quantitative Analysis
miguel.calvo@banorte.com
(55) 1670 - 2220

José De Jesús Ramírez Martínez
Senior Analyst, Quantitative Analysis
jose.ramirez.martinez@banorte.com
(55) 1103 - 4000

Daniel Sebastián Sosa Aguilar
Senior Analyst, Quantitative Analysis
daniel.sosa@banorte.com
(55) 1103 - 4000 x 2124

Jazmin Daniela Cuautencos Mora
Strategist, Quantitative Analysis
jazmin.cuautencos.mora@banorte.com
(55) 1103 - 4000

Andrea Muñoz Sánchez
Analyst, Quantitative Analysis
andrea.muñoz.sanchez@banorte.com
(55) 1103 - 4000

BANORTE