

Timely Indicator of Economic Activity – Signs of a stall in November

- Today, INEGI released its *Timely Indicator of Economic Activity (IOAE, in Spanish)* for November, as well as revised figures for October
- This indicator provides an advance estimate for the monthly GDP-proxy IGAE. According to our calculations, it suggests growth lost momentum in November for the first time since the recovery started, back in June
- For October, it forecasts a 5.4% y/y decline (seasonally adjusted), higher than the first estimate of -6.2%, with a much stronger performance in industry. Sequentially, it implies an acceleration of 1.2% m/m
- In November, the forecast is -5.0% y/y sa (-5.6% y/y nsa). We highlight the expectation of services stalling (0.0% m/m), despite extended discounts in ‘El Buen Fin’ (Mexico’s Black Friday) due to the pandemic

Headwinds for growth in 4Q20. Today, INEGI released its *Timely Indicator of Economic Activity (IOAE in Spanish)*. According to our calculations, the indicator suggests growth lost momentum in November for the first time since the recovery started, back in June (see table below). Industry would fall 0.8% m/m, probably affected by higher COVID-19 cases in both the US and Mexico and idiosyncratic factors, such as railway blockades in Michoacán. This contrasts with hard data in the US, in which manufacturing production was quite positive, at +0.8% m/m. Services are estimated with null growth despite extended discounts in ‘El Buen Fin’, from November 9th to 20th. The latter is consistent with ANTAD’s data, which did not accelerate strongly despite a sizable pickup in departmental stores sales.

Upward revision for October... The institute expects a 5.4% y/y (sa) decline (range: -6.7% to -4.3%), 83bps above the previous estimate. This implies an expansion of around 1.2% m/m, accelerating at the margin relative to September (+1.0%). This was mainly due to [better industry performance](#), at -3.1% y/y sa from -6.9% in the first estimate. Services are projected at -5.4% (range: -6.9% to -4.3%), quite resilient in sequential terms at 1.7% m/m. According to our calculations, this translates into a 5.8% y/y decline in IGAE with nsa data.

...but weakness in November. The forecast stands at -5.0% y/y (range: -6.1% to -3.6%), barely up in sequential terms (0.1% m/m). By sectors, they see industry at -5.3% y/y (range: -7.4% to -3.2%). Services would be at -4.8% (range: -5.7% to -3.0%). With non-seasonally adjusted figures, we obtain a 5.6% y/y contraction for total activity in the period.

Timely Indicator of Economic Activity
Seasonally adjusted figures unless stated otherwise

	IGAE (GDP-proxy)			Industrial production			Services		
	% y/y (nsa)	% y/y	% m/m	% y/y (nsa)	% y/y	% m/m	% y/y (nsa)	% y/y	% m/m
September	-5.5*	-7.0*	1.0*	-6.1*	-7.2*	0.6*	-5.6*	-7.1*	1.8*
October	-5.8	-5.4	1.2	-3.3*	-3.1*	2.0*	-5.9	-5.4	1.7
November	-5.6	-5.0	0.1	-6.1	-5.3	-0.8	-5.2	-4.8	0.0

*Note: Actual data
Source: INEGI and Banorte

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This indicator is an effort by INEGI to forecast the monthly GDP-proxy IGAE five weeks in advance, which is very valuable. It is constructed through *nowcasting* methods, based on econometric models –which in turn rely on forward-looking high-frequency data to anticipate economic activity–. By construction, INEGI publishes confidence intervals for these estimates; nevertheless, we focus only in the midpoint of these ranges.

Winners of the award for best economic forecasters for Mexico in 2019, given by *Refinitiv*



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