

Timely Indicator of Economic Activity – Weakness would have extended to 4Q21

January 18, 2022

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- Today, INEGI released its *Timely Indicator of Economic Activity (IOAE, in Spanish)* for December, as well as revised estimates for November
- November’s forecast was mixed, with the sequential print at +0.6% m/m, partly aided by a weaker base effect. However, annual figures were much lower at +0.2% (sa), consistent with signs of prevailing weakness
- For December, they see 0.0% m/m (-0.2% y/y sa), showing that some challenges remained despite a possible boost from the holiday season and stability in epidemiological conditions
- Today’s data suggest a decline in 4Q21 GDP of around -0.2% q/q (+0.7% y/y nsa). If this materializes, full-year growth would stand at 4.7% y/y, below consensus at 5.5%

Additional weakness in 4Q21. INEGI released its *Timely Indicator of Economic Activity (IOAE in Spanish)*. With the whole view for the last quarter of 2021, it seems that the economy weakened further in the period. Specifically, these figures imply 4Q21 GDP at around -0.2% q/q (+0.7% y/y nsa), which translates into a full-year print of 4.7%. This would be below current consensus, at 5.5%, as well as our 5.7%. If proven right, this points to a more challenging backdrop than anticipated, with factors such as supply disruptions, price increases and uncertainty about the pandemic, among others, weighing heavily on activity.

More modest performance in November... The forecast stands at +0.2% y/y (range: -0.9% to +1.3%), 93bps below the first estimate (sa). In sequential terms, this implies +0.6% m/m, higher than previously (+0.5%), mainly because of a more favorable base effect. The adjustment is explained by lower dynamism in [industry](#), with services at +0.6% (previous: +0.5%). According to our calculations –based on INEGI’s estimate– activity would have grown 2.0% y/y nsa.

...while stalling in December. The estimate is -0.2% y/y (range -2.0% to +1.5%), implying about 0.0% m/m. Industry would fall further (-0.2% m/m), once again limited by supply constraints and a further acceleration in input costs globally. Meanwhile, services would climb 0.1%, likely boosted by stable epidemiological conditions. However, lower confidence and higher prices might have dampened optimism. We estimate -0.1% y/y with original data, propped up at the margin by one more working day in the annual comparison, similar to November.

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.

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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
October	-0.7*	0.3*	-0.2*	0.7*	1.6*	0.6*	-1.2*	0.0*	-0.5*
November	2.0	0.2	0.6	1.6*	0.7*	-0.1*	1.2	-0.1	0.6
December	-0.1	-0.2	0.0	0.5	0.4	-0.2	-1.2	-1.3	0.1

*Note: Actual data: in industrial for actual data, figures are taken from the last report from the sector and not from the available IGAE figures
Source: INEGI and Banorte

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, José Itzamna Espitia Hernández, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez and Gerardo Daniel Valle Trujillo, 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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