

## Timely Indicator of Economic Activity – Better signs for the start of the year

- Today, INEGI released its *Timely Indicator of Economic Activity (IOAE, in Spanish)* for February, as well as revised estimates for January
- January’s forecast improved vs. preliminary figures, now at **0.5% m/m**, (**1.6% y/y sa** figures). The increase would be supported by industry, albeit with services negative
- For February, they expect **0.3% m/m (2.8% y/y sa)**, in line with timely figures for the same period that reflect a reactivation of domestic demand
- Estimates are consistent with some resiliency at the beginning of the year despite a relatively adverse backdrop. Nevertheless, some elements could weaken this pace, including higher price pressures and the continuation of supply chain disruptions

**The year begins with growth despite a difficult backdrop.** INEGI released its *Timely Indicator of Economic Activity (IOAE in Spanish)*. With revised data for January, it would be confirmed that activity withstood the impact of ‘Omicron’ contagions despite implying work absenteeism and lower mobility –although at a lesser extent than in previous waves–. However, we think activity remained impacted by other factors, including price pressures. This, along problems in supply chains that could jeopardize the evolution of economic activity going forward. Despite of this, we believe there are other favorable factors that could compensate, so we maintain our full-year GDP estimate at 2.4%.

**Resilience in January...** The revised figure stood at +1.6% y/y (range: 0.5% to 2.8%), 91bps above the first estimate (sa). In sequential terms, this implies a 0.5% m/m expansion (previous: -0.1%). The boost was mainly on [industrial production strength](#). However, services would be negative, now expected at -0.2% m/m (previous: 0.0%) Considering these figures –and according to our calculations– activity would have grown 0.5% y/y nsa.

**...with positive signals in February.** The estimate is +2.8% y/y (range 1.1% to 4.6%), implying +0.3% m/m. Industry would come in at -0.2% m/m, possibly with some payback after the strong increase of the previous month. Services would be better at +0.6%, with timely data suggesting a greater reactivation of domestic demand (e.g. [IMEF’s PMIs](#), ANTAD and AMIA sales, among others). Thus, we estimate the period’s activity at 3.1% y/y (nsa).

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
December	1.3*	1.1*	0.8*	3.0*	2.4*	1.2*	0.2*	0.2*	0.7*
January	0.5	1.6	0.5	4.3*	4.3*	1.0*	-0.1	0.5	-0.2
February	3.1	2.8	0.3	3.8	3.5	-0.2	1.7	1.6	0.6

\*Note: Actual data: for actual data for industrial production, 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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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 2021, granted by *Refinitiv*



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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 Luis García Casales, Yazmín Selene Pérez Enríquez, José Itzamna Espitia Hernández, Carlos Hernández García, David Alejandro Arenas Sánchez, Paola Soto Leal, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Daniela Olea Suárez, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalia Orozco Vélez, Gerardo Daniel Valle Trujillo and Isaías Rodríguez Sobrino, 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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<b>SELL</b>	When the share expected performance is lower than the MEXBOL estimated performance.

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