

## Timely Indicator of Economic Activity – Economic recovery in 1Q22

- Today, INEGI released its *Timely Indicator of Economic Activity (IOAE, in Spanish)* for March, as well as revised estimates for February
- February’s estimate was revised slightly down vs. preliminary figures, now at **0.2% m/m, (2.8% y/y sa)**. This is explained by the sequential decline in industry, although with greater dynamism in services
- For March, they see **0.8% m/m (0.4% y/y sa)**, consistent with timely figures that indicate that the economic recovery kept gathering pace
- These results suggest that **1Q22 GDP would have grown close to 1.1% q/q (2.0% y/y)**, signaling an economic recovery after a significant slowdown at the end of last year

**Recovery of economic activity in 1Q22.** INEGI released its *Timely Indicator of Economic Activity (IOAE in Spanish)*. With this release, we now have a complete forecast for the first quarter. Using January’s known figures and today’s two estimates, activity would have grown around 1.1% q/q (+2.0% y/y nsa). This would have been supported by a more modest impact from ‘Omicron’ –with cases declining rapidly–, as well as external demand strength. Moreover, we think domestic conditions were relatively positive, evidenced by a better performance so far in services. However, other factors, such as price pressures and supply chain disruptions, likely kept limiting the pace of expansion.

**Marginal downward revision in February...** The figure stood at +2.8% y/y (range: 1.7% a 3.9%), down 5bps vs the first estimate (sa). In sequential terms, this implies a 0.2% m/m expansion (previous: 0.3%). Inside, [industrial production](#) had a more modest performance than envisaged previously. On the other hand, services were adjusted to 0.7% m/m (previous 0.6%), consistent with signs of higher dynamism in other timely indicators. According to these figures –and based on our calculations– activity would have grown 2.7% y/y nsa.

**...but with further momentum in March.** The estimate is +0.4% y/y (range: -1.4% to 2.2%), resulting in +0.8% m/m. Industry would advance 1.0% m/m, benefiting from a more favorable base effect and with evidence of dynamism in manufacturing. Services are expected to extend their recovery by 0.7%, supported by domestic demand conditions that kept improving (e.g. [IMEF’s PMIs](#) and ANTAD sales). Thus, we estimate the period’s activity at +1.4% 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
January	1.8*	1.8*	0.4*	4.3*	4.3*	1.0*	0.6*	0.8*	0.2*
February	2.7	2.8	0.2	2.5*	2.5*	-1.0*	2.3	2.1	0.7
March	1.4	0.4	0.8	3.5	3.1	1.0	0.8	-0.3	0.7

\*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.

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