

## Timely Indicator of Economic Activity – Strength at 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 estimate was unchanged relative to the preliminary figure at **0.4% m/m, (3.3% y/y sa)**, with lower dynamism in industry, albeit with stronger services
- For February, they anticipate **+0.3% m/m (3.5% y/y)**, consistent with some signals in timely data. The boost would come from both services and industry
- Today’s results suggest that economic activity started 2023 on a positive trend, building up on some of the dynamism seen late last year. However, we remain cautious over increased headwinds, particularly external volatility and monetary policy

**Favorable results at the start of the year.** INEGI released its *Timely Indicator of Economic Activity (IOAE in Spanish)*. In our opinion, figures show that the Mexican economy managed to extend the dynamism seen at the end of 2022, with positive signs across several key sectors which will be crucial to maintain economic growth in coming quarters. Nevertheless, we recognize that risks are increasing. We are especially attentive to external volatility caused by negative news about the banking sector in the US and Europe, which could have an adverse spillover effect on overall activity and have lifted recession fears, as well as tight monetary conditions globally

**Strong sequential performance in January...** The revised print came in at +3.3% y/y (range: 2.0% to 4.6%), 47bps above the previous estimate (sa). However, this translates to a sequential increase of 0.4% m/m (previous: +0.4%). We highlight a [negative surprise in industry](#) (0.0% m/m), dragged by construction. Services would grow 0.7%, consistent with favorable figures for commerce –mainly retail sales– and tourism. Therefore, and based on our calculations, activity in the period would have grown 4.2% y/y (nsa).

**...extending into February.** The estimate stands at +3.5% y/y (range: 2.4% to 4.7%). In sequential terms it implies +0.3% m/m. Industry would climb 0.2%, with signs of additional dynamism in manufacturing and a likely rebound in construction. Services would be better at 0.3%, positive news considering a slowdown in ANTAD sales, but with some inflationary pressures subsiding. We estimate +3.6% y/y in the period (nsa).

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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.

Document for distribution among the general public

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	2.6*	3.1*	0.3*	3.0*	3.1*	0.7*	2.1*	2.8*	0.3*
January	4.2	3.3	0.4	2.8*	2.5*	0.0*	4.5	3.5	0.7
February	3.6	3.5	0.3	2.9	2.9	0.2	3.3	3.1	0.3

\*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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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Daniel Sebastián Sosa Aguilar and Andrea Muñoz Sánchez, 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>HOLD</b>	When the share expected performance is similar to the MEXBOL estimated performance.
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