Timely Indicator of Economic Activity – Signaling more modest growth at the start of 4Q20

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- **Today, INEGI released its *Timely Indicator of Economic Activity* (IOAE, in Spanish) for October, as well as revised figures for September**
- **We should remember that this new indicator tries to provide an advance estimate for the monthly GDP-proxy IGAE, albeit much timelier in terms of its publication**
- **For September, they now expect a 7.0% y/y decline (seasonally adjusted), from -6.9% forecasted in last month's report. According to our calculations, this translates into a 5.5% contraction with original figures**
- **Meanwhile, for October, the forecasted print stands at -6.2% y/y sa (-6.7% y/y nsa)**

More modest growth at the start of 4Q20. Today, INEGI released its *Timely Indicator of Economic Activity* (IOAE in Spanish) for October, as well as revised figures for September. We should remember this is an effort from the institution to forecast the monthly GDP-proxy IGAE five weeks in advance, which is very valuable. The indicator 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 will focus only in the midpoint of said range.

Slight downward revision for September… Now, the institute expects a 7.0% y/y decline (range: -8.5% to -5.5%) in the ninth month of the year (using seasonally adjusted figures), 10bps below the previous estimate. This implies an expansion of around 1.1% m/m, broadly in line with August's performance. By sectors, services are expected at -7.3% y/y (sa), worse than the -7.0% from the first estimate. Meanwhile, industry came in at -7.5% –remembering that actual data has already been published–, better than the original forecast (made a month ago) at -8.5%. According to our calculations, this performance translates into a 5.5% y/y decline in IGAE with non-seasonally adjusted data (see table below).

…and lower dynamism expected for October. The forecast for the period stands at -6.2% y/y (range: -7.8% to -4.6%), which in sequential terms would result at +0.3% m/m. By sectors, they estimate industrial production at -6.9% y/y and services at -6.0%. With non-seasonally adjusted figures, we obtain a 6.7% y/y contraction for total activity in the period.

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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
August	-9.4*	-8.5*	1.1*	-8.8*	-8.4*	3.3*	-10.2*	-9.3*	0.4*
September	-5.5	-7.0	1.1	-6.2*	-7.5*	0.0*	-5.9	-7.3	1.7
October	-6.7	-6.2	0.3	-7.5	-6.9	-0.5	-6.6	-6.0	1.4

*Note: Actual data
Source: INEGI and Banorte

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