Timely Indicator of Economic Activity – Signaling 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 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



Analyst Certification

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, 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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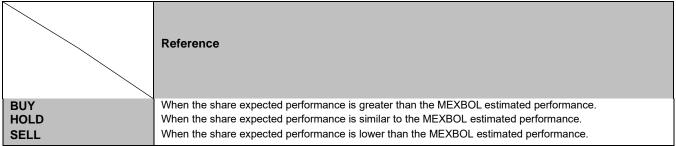
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