

## Timely Indicator of Economic Activity – Resiliency despite a surge in COVID-19 cases

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- Today, INEGI released its *Timely Indicator of Economic Activity (IOAE, in Spanish)* for July, as well as revised estimates for June
- June’s forecast was unchanged relative to the preliminary estimate, with lower than anticipated dynamism in services, along weaker data for industry. With this, the economy would rise 0.3% m/m (+15.3% y/y sa)
- For July, they see a 0.5% m/m acceleration (9.9% y/y sa), in our opinion suggesting greater resiliency despite a more complex backdrop due to COVID-19. Both services (0.5%) and industry (0.3%) would be relatively strong
- Considering June’s increase –far stronger than the implied decline within the preliminary GDP report– and an expansion in July, activity may maintain a path of recovery throughout the start of 3Q21

**Positive outlook for the start of 3Q21.** INEGI released its *Timely Indicator of Economic Activity (IOAE in Spanish)*, which points to an extension of the recovery even in a complex backdrop on the virus, likely driven by progress on vaccinations and people growing tired of the pandemic. We note that June’s result would imply a relatively large upward revision for 2Q21 GDP, to be published on August 25<sup>th</sup>. Meanwhile, the forecast for July is encouraging, with a relative acceleration suggesting renewed strength at the beginning of the third quarter.

**Increase in June...** The forecast stands at +15.3% y/y (range: 14.0% to 16.5%), 53bps higher than the preliminary estimate (sa). More importantly, activity would rise 0.3% sequentially, matching the preliminary forecast. As already known, [industry backtracked importantly](#), with all three main sectors (construction, mining and manufacturing) lower. Services would have expanded 0.3%, strong despite the first signs of a ‘third wave’ of COVID-19, likely related to most activities continuing unchanged. According to our calculations –based on INEGI’s estimate–, activity would have grown 15.4% y/y nsa.

**...with an acceleration in July.** They estimate 9.9% y/y sa (range: 8.6% to 11.2%), resulting in +0.5% m/m. This would be consistent with resiliency in mobility indicators, with the impact from higher contagions likely limited given hesitancy to announce harsher restrictions and some signs of a marginally better industry. This is in line with the expected uptick in services (0.5%). Industry would have been more modest (0.3%), still limited by persistent global supply chain disruptions. We forecast +9.3 y/y with original data, with the base effect diluting even more as the rebound gained momentum in 2H20.

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
May	25.1*	25.3*	0.6*	36.4*	36.5*	0.0*	21.5*	21.6*	0.8*
June	15.4	15.3	0.3	13.5*	13.6*	-0.5*	15.2	15.1	0.3
July	9.3	9.9	0.5	5.3	6.6	0.3	9.6	10.5	0.5

\*Note: Actual data: Source: INEGI and Banorte

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We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Alik Daniel García Álvarez, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo 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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