Timely Indicator of Economic Activity – Monthly growth in September and October

- Today, INEGI released its Timely Indicator of Economic Activity (IOAE, in Spanish) for October, as well as revised estimates for September
- September's forecast showed mixed revisions, with the sequential print higher at +0.3% m/m due to a lower base, but with annual figures much lower at +2.8% (sa) amid signs of additional weakness
- For October, they see +0.6% m/m (1.9% y/y sa). Although a base effect explains part of this, we consider there are several supportive factors, including better epidemiological conditions and higher mobility
- With the revision, the figure signals a more modest GDP deceleration than the 3Q21 preliminary print, contracting 0.1% q/q (4.9% y/y). After this, we consider activity will resume its recovery trend through the remainder of the year

Signals of less weakness in 3Q21. INEGI released its Timely Indicator of Economic Activity (IOAE in Spanish). With September's updated estimate (see following section), it seems the impact to economic activity might have been lower than originally thought. Specifically, the latter implies a decline of about 0.1% q/q in 3Q21 GDP (+4.9% y/y), slightly better than the -0.2% of the preliminary release. After this, signs for the end of the year seem stronger, with signs of an acceleration in the recovery, which in turn is consistent with our call of 5.7% y/y growth in full-year 2021.

Mixed, but overall lower, revisions for September. The forecast stands at +2.8% y/y (range: 1.6% to 4.0%), 219bps below the first estimate (sa). In sequential terms, this implies +0.3% m/m, higher than the previous estimate on a more favorable base. The adjustment is explained both by lower dynamism in industry -with weakness in construction and manufacturing-, but better in services, now at +0.5% (previous: +0.1%). According to our calculations -based on INEGI's estimate—activity would have grown 2.5% y/y nsa.

Modest rebound in October. The forecast is 1.9% y/y (range 0.7% to 1.6%), which implies +0.6% m/m. Industry would rebound at the margin (+1.1%), consistent with signs of higher dynamism globally and locally, albeit with activity still limited. Meanwhile, services would climb 0.8%, aided by an improvement on the pandemic driving an acceleration in consumption. We estimate +1.1% y/y with original data, with a more challenging base effect, on top of being skewed lower by one less working day in the annual comparison.

Timely Indicator of Economic Activity

Seasonally adjusted figures unless stated otherwise

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·	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	4.3*	3.8*	-1.6*	5.5*	5.0*	0.0*	3.8*	3.4*	-2.5*
September	2.5	2.8	0.3	1.6*	1.7*	-1.4*	1.7	2.2	0.5
October	1.1	1.9	0.6	0.3	1.3	1.1	1.2	2.0	0.8

*Note: Actual data; in industrial for actual data, 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.

Document for distribution among the general public



Analyst Certification

We, Alejandro Padilla Santana, 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, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez and Gerardo Daniel Valle Trujillo, 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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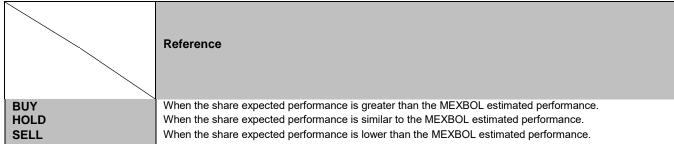
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