

## Timely Indicator of Economic Activity – Lower dynamism in January on higher contagions

- Today, INEGI released its *Timely Indicator of Economic Activity (IOAE, in Spanish)* for January, as well as revised estimates for December
- December's forecast improved vs. preliminary figures, now at **1.0% m/m**, driven by industry strength, albeit with services also better at the margin. Consistent with this, the annual figure was also revised up to **0.7% (sa)**
- For January, they see **-0.1% m/m (0.7% y/y sa)**, with generalized weakness given shocks stemming from surging cases due to the 'Omicron' variant at the turn of the year
- December's revised data suggests that **4Q21 GDP would remain at -0.1% q/q (+1.0% y/y nsa)**. As such, full-year growth would stand at **4.8% y/y**

**No changes in 4Q21 GDP.** INEGI released its *Timely Indicator of Economic Activity (IOAE in Spanish)*. With the revised data for December, GDP for 4Q21 would be unchanged at -0.1% q/q (+1.0% y/y nsa). As a result, 2021's figure would match the preliminary print at 4.8%. In addition, January's figures corroborate an impact to activity at the start of 2022, affected by the last wave of contagions due to the 'Omicron' variant and implying additional challenges for the recovery in the year. Nevertheless, we maintain our full-year GDP estimate at 2.4%, expecting greater dynamism in 2H22.

**Additional dynamism in December...** The revised figure stood at +0.7% y/y (range: -0.4% to +1.8%), 96bps above the first estimate (sa). In sequential terms, this implies an improvement to +1.0% m/m (previous: 0.0%). The adjustment would respond mainly to [an acceleration in industry](#). Nevertheless, services would also be more favorable, now expected at 0.6% m/m (previous: 0.1%). Considering these figures –and according to our calculations– activity would have grown 1.1% y/y nsa.

**...but contracting in January.** The estimate is 0.7% y/y (range -1.0% to +2.5%), implying -0.1% m/m. Industry would fall 0.4% m/m, with services slightly better at 0.0%. This is somewhat consistent with other figures showing less dynamism in activity at the start of the year, characterized by a reduction in mobility, worker absenteeism (as a result of contagions), and [still elevated inflationary pressures](#). As such, we estimate a 0.5% y/y (nsa) expansion in the period.

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
November	1.7*	0.3*	0.3*	1.7*	0.9*	0.1*	1.3*	0.0*	0.5*
December	1.1	0.7	1.0	3.0*	2.4*	1.2*	-0.5	-0.7	0.6
January	0.5	0.7	-0.1	2.3	2.1	-0.4	-0.4	0.1	0.0

\*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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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.

Winners of the award for best economic forecasters for Mexico in 2021, granted by *Refinitiv*



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