

GDP-proxy IGAE – Sequential increase driven by industry and services

- **Global Economic Activity Indicator (January): 1.8% y/y; Banorte: 1.9%; consensus: 2.1% (range: 0.6% to 5.1%); previous: 1.3%**
- **With seasonally adjusted figures, the economy grew 1.8% y/y, above INEGI's *Timely Indicator of Economic Activity* (1.6%)**
- **By sectors, industry stood at 4.3% y/y, with services up 0.6% and primary activities climbing 0.4%**
- **In monthly terms, the economy expanded 0.4%, in our view showing some resiliency considering a more challenging backdrop. Inside, industry was more dynamic (+1.0%) but services were also higher (+0.2%), while agriculture contracted (-2.3%)**
- **We anticipate that the growth trend may strengthen in the short-term. Nevertheless, we remain cautious in the medium-term given an extension in inflationary pressures and signs of additional supply chain disruptions**

The economy grew 1.8% y/y in January. This was lower than consensus, but closer to our call (1.9%). Calendar effects are negative in the period, although partly offset by one additional working day in the annual comparison. ([Chart 1](#)). Thus, using seasonally adjusted figures, growth was 1.8% y/y, higher than the forecast from [INEGI's *Timely Indicator of Economic Activity*](#) (+1.6%). Back to original figures, [industry grew 4.3%](#), driven by mining. On the other hand, services continued with moderate increases, standing at 0.6%, ([Chart 2](#)). By subcomponents, most sectors were in positive territory, albeit still reflecting distortions due to the pandemic and other domestic factors ([Table 1](#)). Lastly, the primary sector came in at 0.4%.

Favorable sequential performance. The economy rose 0.4% m/m, with three months of moderate consecutive growth ([Table 2](#)) and accumulated +1.9% in the period. This trend suggests that the economy managed to face several challenges in January, including: (1) Pressures in prices of raw materials and supplies; (2) increase in work absenteeism due to temporally leave permits related to 'Omicron'; and (3) persistence in supply restrictions caused by supply chain disruptions. Despite recent improvements, we believe the recovery has lagged relative to key trading partners (*e.g.* US). In this sense, current activity is 1.7% below that seen in February 2020 –used as a pre-pandemic metric– and 3.4% lower than the historical high in August 2018 ([Chart 4](#)).

By sectors, industry picked up 1.0% ([Chart 3](#)). The boost came from mining (+7.0%), while manufacturing was more modest (+0.3%) –with only 8 of the 21 subsectors increasing–. On the other hand, construction declined (-0.2%), dragged down by specialized works and edification.

March 25, 2022

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On the other hand, services grew 0.4%. Six of the nine sectors increased, albeit those lower with more significant moves. Within the former, we highlight education and healthcare at 1.4% (with the latter likely reflecting the latest wave of cases), lodging at 0.8% and recreational services at 0.4%. These last two, along with transportation (0.1%), suggest that the impact of the virus was more modest than in previous waves. To the downside, weakness centered once again in professional services (-7.6%), erasing some of the gains of the previous two months. Also with declines we noted wholesales (-3.7%) and retail sales (-0.7%), with the last one contrasting with the [report released yesterday](#). Primary activities fell 2.3%, stringing two months lower. This would reflect climatic effects that affected harvests scheduled for the beginning of winter in the country.

Signs of resilience at the start of the year, still with relevant challenges to overcome. Today's data suggests that activity managed to maintain some dynamism in a difficult environment, thus making signals in the very short term suggest that GDP will probably rise sequentially in 1Q22. Specifically, timely indicators show some strength. [IMEF's PMIs](#) rebounded vs the previous month –especially in manufacturing–, supported by better epidemiological conditions, both at a global and local scale. In turn, ANTAD sales contributed to the dynamism, with same-store sales at 4.1% y/y in real terms and achieving six straight months up. In addition, auto production also reported encouraging figures for February with a total of 264.2 thousand units produced, which translates into a 8.0% m/m expansion (sa).

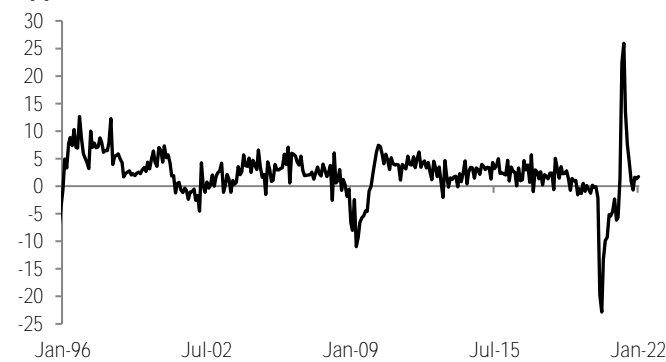
In addition, some events locally may trigger higher economic activity, at least in the short-term. Services could benefit from the return to in-person work, which will boost not only the real estate sector, but also subsectors related to business support services, as well as some other categories that could benefit from higher mobility (*e.g.* transportation, restaurants, etc.). In addition, the Tourism Secretary, Miguel Torruco, announced the 2022 forecast for this sector, in which volumes of tourists (foreign and domestic), as well as foreign exchange inflows (from foreign tourists) are expected to increase, approaching pre-pandemic levels –continuing the upward path for leisure tourism and reactivation of business travels–. In addition, we believe other drivers that could increase dynamism include: (1) Increased income via remittances; (2) the recovery in employment –at least in the short term– and (3) advanced payments of social programs between February and March due to the electoral ban. In our opinion, these will allow activity to keep growing in the first quarter. However, we do not rule out some impediments from higher input prices such as fertilizers, grains and metals, continuing problems in supply chains –with new lockdowns in China due to outbreaks of the virus– and less monetary stimulus both at the global and local levels.

Table 1: Global economic activity indicator
% y/y nsa, % y/y sa

	y/y nsa				y/y sa	
	Jan-22	Jan-21	2021	2020	Jan-22	Jan-21
Total	1.8	-6.2	4.8	-7.9	1.8	-4.8
Agriculture	0.4	-0.7	2.6	0.6	1.4	0.5
Industrial production	4.3	-6.0	6.5	-9.8	4.3	-5.0
Mining	10.6	-3.8	1.6	-0.7	10.1	-4.4
Utilities	1.1	-2.7	-0.5	-5.8	1.2	-2.6
Construction	0.7	-11.2	7.2	-17.6	1.1	-11.1
Manufacturing	3.8	-4.9	8.6	-9.6	4.0	-2.8
Services	0.6	-6.6	4.2	-7.5	0.8	-4.9
Wholesale	2.0	-1.9	10.7	-9.4	2.1	2.4
Retail	3.7	-6.2	9.9	-8.5	4.1	-2.5
Transport	17.9	-16.6	10.6	-13.3	18.3	-15.0
Financial services	1.7	-2.4	0.9	-2.4	1.8	-2.3
Professional services	-51.9	3.6	-16.4	1.9	-51.5	5.2
Education and healthcare services	3.6	-0.5	1.6	-2.0	3.4	-0.2
Recreational services	9.1	-21.3	6.2	-18.2	9.6	-20.7
Lodging services	44.2	-44.2	33.1	-44.5	46.5	-42.8
Government services	-0.1	-0.8	-0.4	0.9	0.0	-0.6

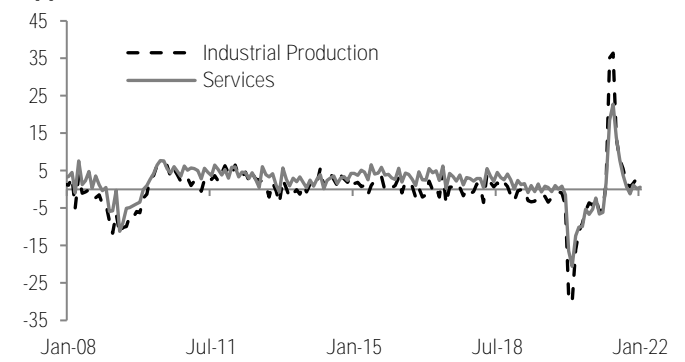
Source: INEGI

Chart 1: Global economic activity indicator
% y/y nsa



Source: INEGI

Chart 2: Global economic indicator by component
% y/y nsa



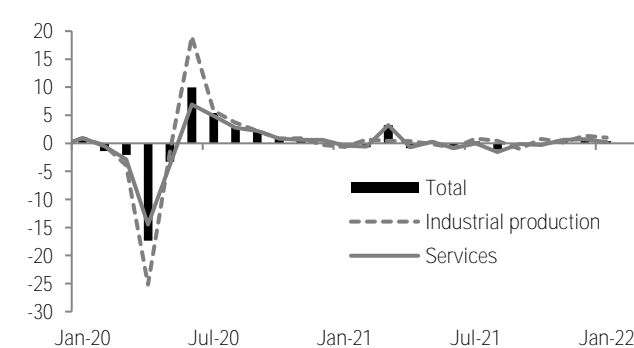
Source: INEGI

Table 2: Global economic activity indicator
% m/m sa, % 3m/3m sa

	% m/m, sa			% 3m/3m sa	
	Jan-22	Dec-21	Nov-21	Nov'21-Jan'22	Oct-Dec'21
Total	0.4	0.9	0.6	1.1	0.0
Agriculture	-2.3	-1.1	5.4	2.1	0.2
Industrial production	1.0	1.3	0.1	1.6	0.8
Services	0.2	0.7	0.6	0.9	-0.3

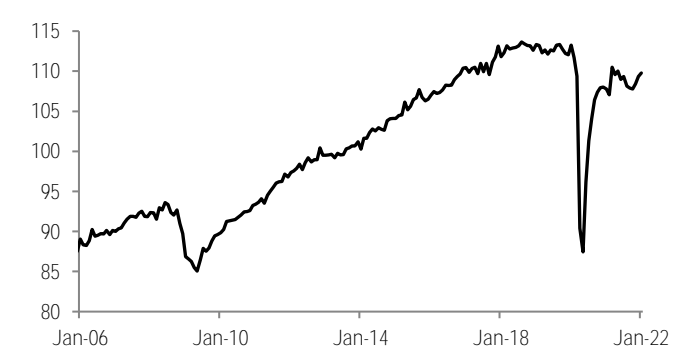
Source: INEGI

Chart 3: Global economic activity indicator
% m/m sa



Source: INEGI

Chart 4: Global economic activity indicator
Index sa



Source: INEGI

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