

Timely Indicator of Economic Activity – Economic recovery in 1Q22

- Today, INEGI released its *Timely Indicator of Economic Activity (IOAE, in Spanish)* for March, as well as revised estimates for February
- February’s estimate was revised slightly down vs. preliminary figures, now at **0.2% m/m, (2.8% y/y sa)**. This is explained by the sequential decline in industry, although with greater dynamism in services
- For March, they see **0.8% m/m (0.4% y/y sa)**, consistent with timely figures that indicate that the economic recovery kept gathering pace
- These results suggest that **1Q22 GDP would have grown close to 1.1% q/q (2.0% y/y)**, signaling an economic recovery after a significant slowdown at the end of last year

Recovery of economic activity in 1Q22. INEGI released its *Timely Indicator of Economic Activity (IOAE in Spanish)*. With this release, we now have a complete forecast for the first quarter. Using January’s known figures and today’s two estimates, activity would have grown around 1.1% q/q (+2.0% y/y nsa). This would have been supported by a more modest impact from ‘Omicron’ –with cases declining rapidly–, as well as external demand strength. Moreover, we think domestic conditions were relatively positive, evidenced by a better performance so far in services. However, other factors, such as price pressures and supply chain disruptions, likely kept limiting the pace of expansion.

Marginal downward revision in February... The figure stood at +2.8% y/y (range: 1.7% a 3.9%), down 5bps vs the first estimate (sa). In sequential terms, this implies a 0.2% m/m expansion (previous: 0.3%). Inside, [industrial production](#) had a more modest performance than envisaged previously. On the other hand, services were adjusted to 0.7% m/m (previous 0.6%), consistent with signs of higher dynamism in other timely indicators. According to these figures –and based on our calculations– activity would have grown 2.7% y/y nsa.

...but with further momentum in March. The estimate is +0.4% y/y (range: -1.4% to 2.2%), resulting in +0.8% m/m. Industry would advance 1.0% m/m, benefiting from a more favorable base effect and with evidence of dynamism in manufacturing. Services are expected to extend their recovery by 0.7%, supported by domestic demand conditions that kept improving (e.g. [IMEF’s PMIs](#) and ANTAD sales). Thus, we estimate the period’s activity at +1.4% y/y (nsa).

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
January	1.8*	1.8*	0.4*	4.3*	4.3*	1.0*	0.6*	0.8*	0.2*
February	2.7	2.8	0.2	2.5*	2.5*	-1.0*	2.3	2.1	0.7
March	1.4	0.4	0.8	3.5	3.1	1.0	0.8	-0.3	0.7

*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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