

Timely Indicator of Economic Activity – Suggests upward revision to 1Q22 GDP

- Today, INEGI released its *Timely Indicator of Economic Activity (IOAE, in Spanish)* for April, as well as revised estimates for March
- March’s estimate had a strong upward revision relative to the preliminary figure, now at +1.1% m/m, (0.5% y/y sa). This is explained by the resiliency in industry and an even better performance in services
- For April, they see +0.4% m/m (1.8% y/y sa), consistent with timely figures. This suggests that, despite additional challenges, the recovery continued
- These results suggest that 1Q22 GDP would be revised higher, reaching 1.2% q/q (preliminary: 0.9%). Meanwhile, towards 2Q22, economic activity seems to maintain the recovery trend

GDP in 1Q22 apparently better than preliminary figures. INEGI released its *Timely Indicator of Economic Activity (IOAE in Spanish)*. The revised figure for March confirmed that, despite the COVID-19 outbreak at the beginning of the year, economic activity recovered in the quarter. Specifically, services benefitted from higher mobility and advanced payments from social programs, with industry driven by external demand. Thus, the figure implies that 1Q22 GDP would go from 0.9% q/q in the preliminary estimate to 1.2%, assuming no further revisions for January and February. After this and despite a more challenging outlook at the global level for both activity and prices, signs seem to indicate that the recovery could extend to at least the beginning of the 2Q22.

Upward revision in March... The revised figure came in at +0.5% y/y (range: -0.6% to 1.6%), with an adjustment of +12bps vs the first estimate (sa). In sequential terms, this implies +1.1% m/m (previous: 0.8%). Although [industrial production](#) performed better than anticipated, services had an even stronger boost, adjusting to 1.0% m/m (previous: 0.7%), possibly supported by an additional recovery in mobility and better fundamentals. Hence, –and based on our calculations– activity would have grown 1.5% a/a (nsa).

...keeping momentum in April. The estimate stands at +1.8% y/y (range: 0.0% to 3.7%). In sequential terms, this translates to +0.4% m/m. Industry would accelerate to 0.5% m/m, likely with a manufacturing rebound. Services would also be positive at +0.4%, with the overall recovery driving the sector, albeit with price pressures limiting further dynamism. With this, we estimate a 1.1% y/y (nsa) expansion.

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
February	2.5*	2.7*	0.0*	2.5*	2.5*	-1.0*	2.7*	2.8*	0.6*
March	1.5	0.5	1.1	2.6*	2.4*	0.4*	1.5	0.3	1.0
April	1.1	1.8	0.4	2.3	2.5	0.5	0.8	1.4	0.4

*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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