

GDP-proxy IGAE – Additional dynamism in April despite a more challenging backdrop

- **Global Economic Activity Indicator (April): 1.3% y/y; Banorte: 1.2%; consensus: 1.3% (range: 0.4% to 2.4%); previous: 0.4%**
- **With seasonally adjusted figures, the economy grew 2.0% y/y, above INEGI's *Timely Indicator of Economic Activity* (1.3%)**
- **All three sectors had positive rates. Industry maintained its dynamism at 2.7% y/y, with services rebounding 0.6%. Primary activities moderated to 4.9%**
- **In monthly terms, the economy grew 1.1%, quite positive given the challenges at the beginning of 2Q22. Industry advanced 0.6%, with all categories higher, while services accelerated to +1.3%, with a mixed performance inside**
- **This result supports our view that the recovery will extend to the second quarter of the year. However, we remain watchful over the impact of further supply disruptions and price pressures in coming months**

Activity grew 1.3% y/y in April. This was practically in line with our call and matched consensus. With seasonally adjusted figures, growth was 2.0% y/y higher than [INEGI's *Timely Indicator of Economic Activity*](#) (+1.3%). Back to original figures, [industry grew 2.7%](#), again driven by manufacturing and with a better performance in construction. On the other hand, services increased 0.6% ([Chart 2](#)), with some sectors favored by the *Easter* holiday as well as better virus conditions. By items, performance was mixed but skewed upwards, with higher dynamism in categories related to tourism, but with professional and support services still lagging ([Table 1](#)). Lastly, the primary sector came in 4.9%.

A strong expansion in sequential terms. Activity rose 1.1% m/m, accelerating significantly ([Table 2](#)). In our opinion, this is quite positive considering that the balance of risks in April continued to deteriorate on the supply side. This was both because of prices (PPI in the period was +10.35% y/y) and uncertainty (extension of the conflict in Ukraine, financial market volatility, effects from Chinese lockdowns and more restrictive fiscal and monetary policies as an international trend). Nevertheless, the demand side outlook remained relatively strong, with our main trading partner as a driver for industry –mainly manufacturing– and domestic demand pushing services up. As such, current activity stands just 0.1% below February 2020 –used as a pre-pandemic metric– and 1.8% lower than the historical high in August 2018 ([Chart 4](#)).

By sectors, industry climbed 0.6% ([Chart 3](#)), with increases in its four components. Mining reported the highest increase at 1.4%. It is worth mentioning that the item remains impacted by volatility in 'related services'. Manufacturing rose 1.2% –with 15 of 21 subsectors higher–. Construction remained positive (0.5%), which we see as quite encouraging given the progress of the previous period (4.8%).

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Primary activities fell by 1.3%. In our opinion, this may be impacted by pressures experienced in terms of prices (*e.g.* fertilizers, grains), weather conditions (*e.g.* droughts), and the bird flu outbreak detected in chicken and egg farms in Coahuila and Durango towards the end of the month.

Services grew 1.3%, easily offsetting the decline of the previous month (-0.02%). Five out of the nine subcomponents gained. Despite the seasonal adjustment, tourism kept leading the charge, noting relevant gains in recreational services (8.3%), lodging (3.1%), and transportation (3.6%). Also quite positive, retail sales rebounded 8.0% after a 4.1% contraction in March, validating favorable results in the [stand-alone report](#). On the contrary, notable losses included wholesales (-1.5%) –stringing two months lower and possibly impacted by further supply disruptions– and government services (-1.2%). Lastly, professional and support services remain quite weak, with an additional decline of 1.0%.

The recovery will likely extend into 2Q22 despite heightened risks. Considering today’s report, along timely figures for May, we believe economic activity will manage to keep growing in coming months. However, it will likely be at a slower pace than in the first quarter, as risks and challenges have increased significantly.

So far, the outlook for May is more mixed, but still relatively positive. In particular for services. The [IMEF’s non-manufacturing PMI](#) suggests a slowdown but remains firmly in expansion at 52.5pts. In addition, ANTAD sales maintained their dynamism, likely boosted by *Hot Sale* discounts, with auto sales improving for a sixth month in a row. Regarding tourism, air passenger traffic seems to have remained strong, although we cannot fully rule out a deceleration considering: (1) Spending already made during the *Easter* holiday; and (2) slightly more caution as COVID-19 cases started to climb towards the end of the month. Nevertheless, considering most recent data, the latter could have more of an effect in June, with cases averaging 12,582 in the last week. As such, we will remain vigilant on the effect the latter could have on the economy, although past performance as well as anecdotal evidence signals that it will likely be much more modest than in previous waves.

Regarding industry, we await May’s trade balance report (to be released on Monday), which will have valuable information regarding the impact from the latest lockdowns in China. This is likely to be more evident in manufacturing –considering raw materials– but could also have affected construction and services. In addition, we remain relatively more cautious given the signal from IMEF’s manufacturing PMI, which is closer to the expansion threshold at 50.8pts. On a relatively positive note, we expect some resilience in construction despite additional pressures in prices, while mining could remain somewhat volatile.

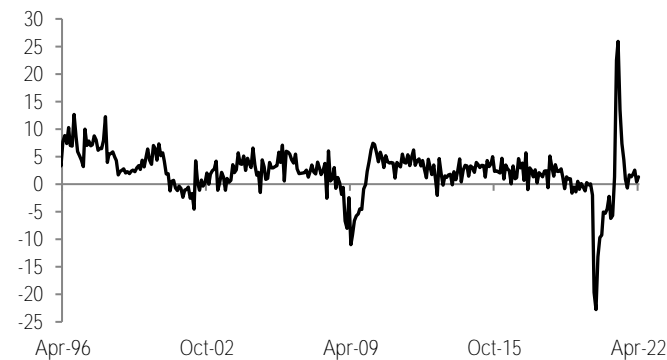
All in all, we believe the economy remains on an upward trend despite increasing risks and a more challenging global environment. However, positive surprises so far along and broad signs of resilience support our view of a 2.1% expansion in GDP this year.

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

	y/y nsa				y/y sa	
	Apr-22	Apr-21	Jan-Apr'22	Jan-Apr'21	Apr-22	Apr-21
Total	1.3	22.5	1.5	1.9	2.0	21.1
Agriculture	4.9	-1.6	2.7	-1.1	5.3	-0.8
Industrial production	2.7	34.4	3.0	3.9	2.9	33.9
Mining	0.0	5.0	1.7	-1.0	0.1	5.1
Utilities	2.6	-1.4	2.3	-3.5	3.2	-1.7
Construction	1.7	38.1	0.4	-0.1	2.1	36.9
Manufacturing	3.9	50.2	4.5	7.8	4.5	49.6
Services	0.6	18.9	0.7	1.2	1.1	17.5
Wholesale	4.1	17.9	5.6	7.0	8.5	16.9
Retail	6.9	51.8	4.8	6.9	7.8	50.0
Transport	15.7	36.1	16.0	-2.5	15.8	34.4
Financial services	2.2	2.6	2.2	-1.1	2.1	2.5
Professional services	-55.9	13.3	-52.9	9.0	-55.5	13.5
Education and healthcare services	0.4	4.7	2.3	0.8	1.8	2.5
Recreational services	22.2	29.6	14.4	-8.1	21.2	27.0
Lodging services	33.9	178.0	40.1	-15.2	32.5	178.6
Government services	-2.3	1.3	-0.9	-2.9	-2.2	1.3

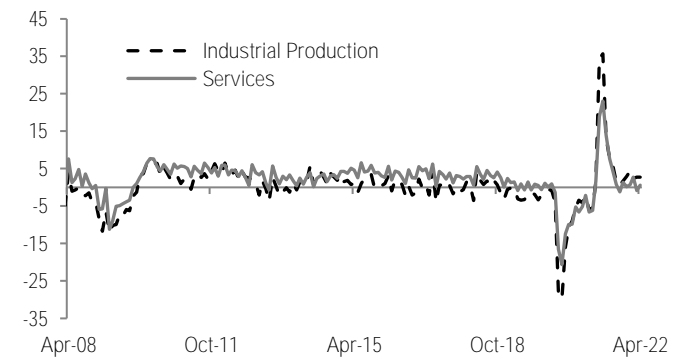
Source: INEGI

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



Source: INEGI

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



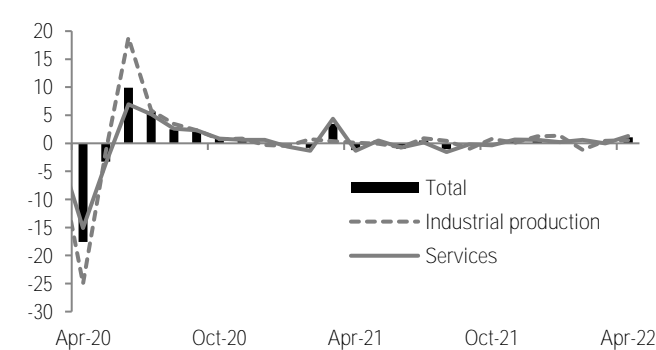
Source: INEGI

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

	% m/m, sa			% 3m/3m sa	
	Apr-22	Mar-22	Feb-22	Feb-Apr'22	Jan-Mar'22
Total	1.1	0.4	0.0	1.2	1.3
Agriculture	-1.3	4.5	-1.3	-0.6	-0.6
Industrial production	0.6	0.4	-1.1	0.6	1.6
Services	1.3	0.0	0.6	1.4	1.2

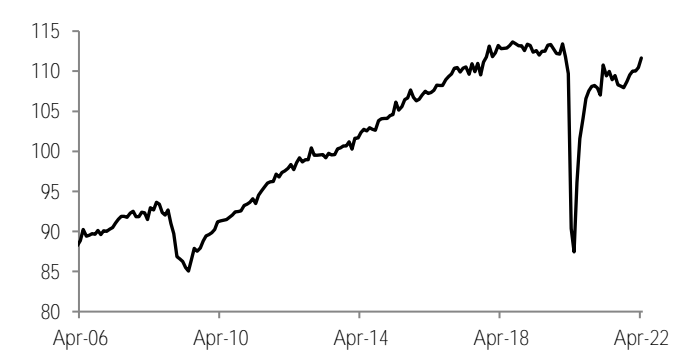
Source: INEGI

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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