

Timely Indicator of Economic Activity – Modest deceleration in 2Q22, but still recovering

- Today, INEGI released its *Timely Indicator of Economic Activity* (IOAE, in Spanish) for June, as well as revised estimates for May
- May's estimate was revised slightly downwards relative to the preliminary figure, now at 0.0% m/m, (1.5% y/y sa). This is explained by lower dynamism on both services and industry
- June is expected at -0.4% m/m (2.1% y/y sa). This is consistent with early data on economic activity, especially from industry. We believe this is a result of a more challenging backdrop, especially due to higher inflationary pressures
- These results suggest that GDP kept growing in 2Q22, with an expansion close to 0.8% q/q (1.9% a/a). While this would have been more modest than in the first quarter, it is slightly better than we originally expected, supported by domestic demand

GDP likely recovered further in 2Q22. INEGI released its *Timely Indicator of Economic Activity* (IOAE in Spanish). Using April's known figures and today's two estimates, activity would have grown about 0.8% q/q (+1.9% y/y nsa) in 2Q22w. While this represents a moderation relative to the first quarter, it would still be higher than we originally forecasted. Industry has remained resilient, especially manufacturing. Nevertheless, several headwinds were more prevalent in this period, including inflation and supply disruptions. Regarding services, while some momentum remains from an additional normalization in activities and strong fundamentals, we believe the sector could have been impacted more by price pressures, along the absence social programs' payments (due to the electoral ban) and an increase in contagions towards the end of June.

Slightly negative revision in May... The revised figure came in at +1.5% y/y (range: 0.3% to 2.8%), with an adjustment of +50bp relative to the previous estimate (sa). However, in sequential terms it translates to 0.0% m/m (previous: +0.1%). According to the [industrial production report](#), growth was limited but driven by manufacturing. Services were also lower, reaching 0.0% (previous: +0.1%). Therefore, –and based on our calculations– activity in the month would have grown 2.4% y/y (nsa).

...with a negative outlook for June. The estimate is +2.1% y/y (range: 0.2% to 4.1%), which implies a sequential decline of 0.4% m/m. Industry would fall 0.3%, with services lower at -0.5%. Hence, we estimate +1.8% y/y in the period (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
April	1.3*	2.0*	1.1*	2.7*	3.1*	0.5*	0.6*	1.6*	1.3*
May	2.4	1.5	0.0	3.3*	3.1*	0.1*	1.9	0.6	0.0
June	1.8	2.1	-0.4	3.3	3.5	-0.3	0.6	0.9	-0.5

*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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