

Timely Indicator of Economic Activity – Slight setbacks in June and July

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- Today, INEGI released its *Timely Indicator of Economic Activity (IOAE, in Spanish)* for July, as well as revised estimates for June
- June’s estimate was revised slightly upwards relative to the preliminary figure, now at **-0.1% m/m, (2.1% y/y sa)**. This is due to a more modest slowdown in services and industry growth
- July is also expected at **-0.1% m/m (1.5% y/y sa)**. This contrasts with timely data reflecting stronger dynamism for both industry and services
- These results suggest a slight downward revision to 2Q22 GDP. On the other hand, and as we have been anticipating, economic performance for 3Q22 it likely to keep moderating, albeit without this implying an outright contraction

Headwinds for economic growth ahead. INEGI released its *Timely Indicator of Economic Activity (IOAE in Spanish)*, which confirms that activity managed to grow throughout the first half of the year. Nevertheless, June’s estimate would imply a downward revision to 2Q22 GDP final figures relative to the [preliminary print](#), climbing around 0.9% q/q (+2.0% y/y, nsa). Going to July, figures remain down, but it is our take that results are not so worrisome considering a more challenging backdrop. Among the main risks, we highlight the persistence of high inflation and the possibility of lower demand from abroad –especially the US–, along globally tighter financial conditions. However, we believe some factors may help offset for the latter. On these, we highlight that domestic demand may be favored –in terms of disposable income– by the regularization of social programs’ payments, employment growth, and strength in remittances.

Slight contraction in June... The revised figure came in at +2.1% y/y (range: 0.9% to 3.3%), 3bps lower relative to the previous estimate (sa). In sequential terms this implies -0.1% m/m (previous: -0.3%). On one hand, the reasons behind the upturn in industry, according to its [own report](#), were mining and construction. As for services, these declined -0.1% (previous: -0.5%). Therefore –and based on our calculations–, activity in the month would have grown 1.8% y/y (nsa).

...with an additional deceleration in July. The estimate is 1.5% y/y (range: -0.5% to 3.4%), which translates into a sequential decrease of -0.1% m/m. Inside, industry would come in at -0.2% m/m and services at -0.1%, both contrasting with timely data from other indicators. Therefore, we estimate +0.6% y/y in the period (nsa).

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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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
May	2.1*	1.3*	-0.2	3.3*	3.1*	0.1*	1.4*	0.3*	-0.3*
June	1.8	2.1	-0.1	3.8*	3.8*	0.1*	0.8	1.0	-0.1
July	0.6	1.5	-0.1	1.5	2.7	-0.2	-0.1	0.8	-0.1

*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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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Miguel Alejandro Calvo Domínguez, Daniela Olea Suárez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Oscar Rodolfo Olivios Ortiz, Daniel Sebastián Sosa Aguilar and Salvador Austria Valencia certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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