

Timely Indicator of Economic Activity – Signs of moderation at the start of 4Q22

- Today, INEGI released its *Timely Indicator of Economic Activity* (IOAE, in Spanish) for October, as well as revised estimates for September
- September's estimate was revised up relative to the preliminary figure, now at 0.1% m/m, (4.8% y/y sa) with a better-than-expected result in industry (despite its contraction) and additional strength in services
- October is also expected at +0.1% m/m (5.0% y/y sa). While both industry and services would improve, the former is likely related to a base effect—as early figures suggest some weakness—, while the latter does look more resilient
- With the revision, figure points to a downward revision in GDP vs the preliminary print in 3Q22 towards 0.9% q/q (+4.0% y/y). After this, we believe signals for the last quarter are consistent with our view of a moderation due to increased headwinds

Slightly lower GDP in 3Q22, with a moderation ahead. INEGI released its *Timely Indicator of Economic Activity* (IOAE in Spanish). With September's revision, 3Q22 GDP would be revised to 0.9% q/q (+4.0% y/y), slightly lower than the 1.0% of the [preliminary release](#). In our view this is still positive, given prevailing risks both abroad and domestically. After this, and considering October's forecast, activity will likely moderate in 4Q22, consistent with our view of increased weakness in US demand (given tighter monetary conditions) and with domestic consumption affected by inflationary pressures.

Improvement in September... The revised print came in at +4.8% y/y (range: 3.6% to 6.1%), 155bps higher than the previous estimate (sa). In sequential terms, this implies +0.1% m/m (previous: 0.0%). Services would maintain some upward momentum at +0.1%, while [industry](#) fell marginally (-0.2%), showing broad weakness. Therefore, –and based on our calculations– activity in the month would have grown 4.8% y/y (nsa).

...with October moderating. The estimate stands at +5.0% y/y (range: 3.6% to 6.4%), which translates also into +0.1% m/m. Industry would rebound marginally (+0.1%) –in our view mostly because of a favorable base effect, as early data continues to suggest some weakness–, while services would continue recovering at +0.1% –more in line with timely figures from other indicators, such as [IMEF's non-manufacturing PMI](#) and ANTAD sales. Therefore, we estimate 4.7% 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
August	5.7*	4.7*	1.0*	3.9*	2.9*	-0.2*	6.6*	5.4*	1.2*
September	4.8	4.8	0.2	3.9*	4.3*	-0.2*	5.1	5.2	0.1
October	4.7	5.0	0.1	4.5	3.5	0.1	5.1	5.6	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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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.

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