

Timely Indicator of Economic Activity – Sequential increase in 4Q22

- Today, INEGI released its *Timely Indicator of Economic Activity (IOAE, in Spanish)* for December, as well as revised estimates for November
- November's estimate was unchanged vs. the preliminary figure at **-0.1% m/m (4.1% y/y sa)**, with weakness in services and despite an upward surprise in industry
- December is expected at **-0.4% m/m (2.7% y/y sa)**. The drag would come from both industry –with signs of deceleration abroad– as well as services, with advanced indicators consistent with this
- Using available data along these estimates, **GDP in 4Q22 would have grown around 0.4% q/q (+3.5% y/y), implying an expansion of 3.0% in full-year 2022**

Activity would have closed the year stronger despite a more challenging backdrop. INEGI released its *Timely Indicator of Economic Activity (IOAE in Spanish)* for November and December. Using the GDP-proxy for October and these estimates, GDP in the last quarter of the year would have expanded close to 0.4% q/q (+3.5% y/y). Although this is below the [previous quarter \(0.9% q/q\)](#), we believe it is quite favorable considering that some challenges persist, including: (1) Increased pessimism about the US, particularly industry; (2) persistence of inflationary pressures at the core component; and (3) further monetary tightening. Hence, we believe dynamism in 4Q22 was supported by consumption fundamentals (e.g. employment and remittances), allowing household consumption to grow further, at least at the beginning of the period. In addition, we think that industry benefited from new investments and lower energy prices. With this, GDP would have grown 3.0% in full-year 2022.

Stability in November... The revised print came in at +4.1% y/y (range: 2.8% to 5.4%), adjusting -12bps vs. the previous estimate (sa). Sequentially, this implies -0.1% m/m, unchanged vs the previous forecast. [Industry stood at 0.0% m/m](#), while services would fall 0.3%. Therefore, –and based on our calculations– activity in the month would have grown 3.9% y/y (nsa).

...but contracting in December. The estimate stands at +2.7% y/y (range: 1.3% to 4.0%), which translates into -0.4% m/m. Inside, both services and industry would decline 0.6%, with timely indicators for the former consistent with this, and weakness abroad affecting the latter. Therefore, we estimate +2.0% 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
October	4.4*	4.8*	0.0*	3.1*	3.2*	0.4*	5.0*	5.5*	-0.1*
November	3.9	4.1	-0.1	3.2*	2.9*	0.0*	4.3	4.5	-0.3
December	2.0	2.7	-0.4	0.6	1.2	-0.6	1.8	2.8	-0.6

*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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