

# Timely Indicator of Economic Activity – Resilience should persist in early 2023

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- Today, INEGI released its *Timely Indicator of Economic Activity (IOAE, in Spanish)* for January, as well as revised estimates for December
- December’s estimate was revised up relative to the preliminary figure, now at 0.1% m/m, (2.6% y/y sa) given a better performance in industry, albeit with services lower
- In January, they anticipate a 0.4% m/m expansion (2.8% y/y), even despite mixed signals in timely data. The boost would come from industry, although expecting a modest rebound in services
- December’s revised data indicate that 4Q22 GDP would be close to +0.4% q/q (3.4% y/y, nsa), marginally lower than what was seen in the preliminary print. Despite the adjustment, full-year GDP would remain at 3.0%

Today’s results would imply marginal changes in 4Q22 GDP. INEGI released its *Timely Indicator of Economic Activity (IOAE in Spanish)*. With December’s revision, 4Q22 GDP would remain unchanged in sequential terms at 0.4% q/q albeit with the annual print marginally lower at +3.4% y/y (preliminary: 3.5%). Despite the change, 2022 full-year GDP would remain at 3.0% y/y. In our opinion, these numbers are still positive, even despite suggesting less dynamism in services at the end of the year. Towards 2023, we believe that the indicator suggests that activity will maintain resiliency in a complex environment, with different headwinds weighing on dynamism, such as: (1) Persistence of inflationary pressures, driving monetary tightening; and (2) signs of a slowdown in US industrial activity, among others.

**Higher sequential dynamism in December...** The revised print came in at +2.6% y/y (range: 1.5% to 3.7%), 5bps lower vs. the previous estimate (sa). However, in sequential terms, this translates to an increase of +0.1% m/m (previous: -0.4%). We highlight a broad improvement in industry (0.7%). Meanwhile, services would contract 0.3% despite signs of progress in retail sales and spillovers from tourism. Therefore, –and based on our calculations–, activity in the month would have grown 2.1% y/y (nsa).

**...with strength extending to January.** The estimate stands at +2.8% y/y (range: 1.9% to 3.8%). In sequential terms this implies +0.4% m/m. Industry would increase +0.5%, driving the total despite signs of caution in manufacturing, although with construction likely stronger. Services would rebound 0.3%, despite the acceleration of inflation, but with increases in ANTAD sales. Therefore, we estimate 3.6% a/a 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.

Document for distribution among the general public

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
November	3.3*	3.5*	-0.5*	3.5*	3.3*	0.2*	3.0*	3.3*	-0.9*
December	2.1	2.6	0.1	3.0*	3.1*	0.7*	1.2	2.1	-0.3
January	3.6	2.8	0.4	3.8	3.1	0.5	3.2	2.5	0.3

\*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, Cintia Gisela Nava Roa, 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, Daniel Sebastián Sosa Aguilar and Andrea Muñoz Sánchez, 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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