

# Timely Indicator of Economic Activity – A strong performance in 1Q23

- Today, INEGI released its *Timely Indicator of Economic Activity* (IOAE, in Spanish) for March, as well as revised estimates for February
- February's estimate was revised up relative to the preliminary figure to 0.7% m/m (4.2% y/y sa), recognizing a relevant boost from both industry and services
- For March, they anticipate a more modest increase of 0.1% m/m (3.8% y/y), consistent with some mixed signals. Industry would be unchanged, with more resilient services
- Using these results, GDP in 1Q23 would have grown around 1.4% q/q (4.3% y/y), accelerating relative to the performance seen in the previous quarter. This would corroborate that activity remained strong in the period

**Strength likely prevailed in 1Q23.** INEGI released its *Timely Indicator of Economic Activity* (IOAE in Spanish). Using the GDP-proxy for January and these estimates, activity in the first quarter of the year would have expanded close to 1.4% q/q (+4.3% y/y). This represents an acceleration vs. 4Q22, when it grew 0.5% q/q, solidifying our view of Mexico's strong dynamism at the turn of the year, bolstered by positive fundamentals and despite some uncertainty in external conditions. Consistent with this, services would have been the main driver, with industry –particularly manufacturing– more vulnerable to sways from abroad.

**Strong sequential increase in February...** The revised print came in at +4.2% y/y (range: 3.0% to 5.4%), +66bps vs the previous estimate (sa). This translates to a sequential uptick of 0.7% m/m (previous: +0.3%), even despite a more challenging base effect. We highlight [a relevant rebound in industry](#) (0.7% m/m), driven by mining. Services would expand 0.6% –after growing 1.2% in the previous month–, with signs of strength due to solid fundamentals. Other figures also support this thesis. Therefore, and based on our calculations, activity in the period would have grown 4.4% y/y (nsa).

**...with a more modest uptick in March.** The estimate stands at +3.8% y/y (range: 2.7% to 5.0%), implying +0.1% m/m. Industry would be flat (0.0%), with adverse signs for manufacturing, albeit with a possible rebound in construction. Services would be slightly better at 0.1%, noting an additional slowdown in ANTAD sales, but with IMEF's non-manufacturing PMI up, and [some inflationary pressures subsiding](#). We estimate +4.1% 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
January	4.4*	3.6*	0.6*	2.7*	2.4*	-0.1*	5.6*	4.5*	1.2*
February	4.4	4.2	0.7	3.5*	3.5*	0.7*	4.6	4.2	0.6
March	4.1	3.8	0.1	3.3	3.0	0.0	4.5	4.2	0.1

\*Note: 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.

Document for distribution among the general public

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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 Thalia Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, 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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