Timely Indicator of Economic Activity – Potential rebound at the start of 2Q23

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- **Today, INEGI released its *Timely Indicator of Economic Activity* (IOAE, in Spanish) for April, as well as revised estimates for March**
- **March's estimate was revised down relative to the preliminary figure, standing at -0.1% m/m (3.2% y/y sa), highly impacted by industry weakness**
- **For April, they anticipate a 0.4% m/m rebound (2.6% y/y) despite some mixed signals. Industry would lead at 0.5%, with services up 0.4%**
- **Using March's result, 1Q23 GDP would stay virtually unrevised relative to the preliminary estimate, at 1.1% q/q (3.9% y/y). Going forward, we see a slower growth pace for the Mexican economy**

Signs of moderation in economic activity. INEGI released its *Timely Indicator of Economic Activity* (IOAE in Spanish). Using the GDP-proxy for January and February, along with March's estimate, GDP in 1Q23 would have grown about 1.1% q/q (3.9% y/y nsa), basically unchanged relative to the preliminary figure. Overall, we believe this is a positive result. Moving forward, April's print suggests that the economy kept growing in 2Q23, albeit at a more modest pace. This is consistent with a more difficult base effect and increasing headwinds, particularly on the external front.

Modest sequential contraction in March… The revised print came in at +3.2% y/y (range: 2.2% to 4.3%), 60bps lower vs the previous estimate (sa). This translates to a sequential decline of 0.1% m/m (previous: +0.1%). We highlight a relevant decline in industry (-0.9% m/m), impacted by mining and manufacturing. Nevertheless, services would have grown 0.2%, maintaining their relative resiliency, in our view explained by solid consumer fundamentals. Therefore, and based on our calculations, activity advanced 3.3% y/y (nsa).

…with an uptick in April. The estimate stands at +2.6% y/y (range: 1.7% to 3.5%), implying 0.4% m/m. Industry would stand at 0.5% m/m, underpinned by favorable signs for manufacturing (both locally and in the US), while we also do not rule out a rebound in mining. Services (0.4%) would also be better at the margin, noting a stronger ANTAD sales and lower inflationary pressures, albeit with IMEF's non-manufacturing PMI moderating. As such, we estimate +1.8% 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.

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
February	3.8*	3.9*	0.1*	3.3*	3.2*	0.5*	3.8*	3.8*	-0.1*
March	3.3	3.2	-0.1	1.6*	1.5*	-0.9*	3.9	3.9	0.2
April	1.8	2.6	0.4	0.9	1.7	0.5	2.1	2.8	0.4

*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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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, 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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