

Timely Indicator of Economic Activity – The expansion likely continued in 2Q23

- Today, INEGI released its *Timely Indicator of Economic Activity* (IOAE, in Spanish) for June, as well as revised estimates for May
- May's estimate was revised up relative to the preliminary figure, to 0.4% m/m (3.6% y/y sa), considering an upside surprise in industry and a modest uptick in services
- For June they anticipate +0.2% m/m (4.0% y/y), with relatively positive signs. Services would grow 0.2 %, with industry climbing 0.1% on a considering a more challenging base effect
- With these results, 2Q23 GDP would have grown around 1.0% q/q (3.9% y/y), which would be quite strong. Domestic demand likely remained as the main driver, albeit with US resilience also contributing to the result

Activity likely kept growing in 2Q23. INEGI released its *Timely Indicator of Economic Activity* (IOAE in Spanish). Using [April's](#) known figures and today's estimates for May and June, 2Q23 GDP would have advanced around 1.0% q/q (3.9% y/y, nsa). The result is very positive as it would have matched the first quarter. Dynamism remained in domestic categories –including consumption (both of goods and services) and construction, with a significant recovery. However, external demand would have also contributed to the expansion, with US resilience and an additional normalization in the supply of key inputs (*e.g.* semiconductors for the auto industry) crucial to this. In addition, the moderation in prices –both for raw materials and final goods– also was a positive factor.

Surprising strength in May... The revised figure came in at +3.6% y/y (range: 2.4% to 4.8%), with an adjustment of +108bps vs. the previous estimate (sa). In sequential terms, this translates to +0.4% m/m (previous: +0.1%). Inside, we saw notable growth in [industry](#) (1.0% m/m), higher than anticipated due to a rebound in construction and despite a setback in manufacturing. They keep anticipating a 0.1% uptick in services despite a challenging base. Therefore, and based on our calculations, activity in the month would have grown 4.8% a/a (nsa).

...with additional progress in June. The estimate stands at +4.0% y/y (range: 2.8% to 5.2%), implying +0.2% m/m. Industry would result at 0.1% m/m, with better signs in manufacturing. Services would be more positive at 0.2%, with a rebound in ANTAD sales and [lower inflationary pressures](#). As such, we estimate +4.1% y/y in the period (nsa).

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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 2023 award for best Mexico economic forecasters, granted by *Focus Economics*



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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
April	2.5*	3.3*	0.8*	0.7*	1.7*	0.5*	3.3*	4.1*	1.0*
May	4.8	3.6	0.4	3.9*	2.8*	1.0*	5.4	4.1	0.1
June	4.1	4.0	0.2	2.8	2.8	0.1	4.6	4.3	0.2

*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, Juan Carlos Mercado Garduño, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cuautencos Mora 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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