

# Consumer confidence – February’s hike explained by downward trend in inflation

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- **Consumer confidence (February): 90.3 points; Banorte-Ixe: 88.5; consensus: 91.1 (range of estimates: 88.1 to 92.5 points); previous: 91.1**
- **Consumer confidence increased 6.8% yoy**
- **In seasonally adjusted terms, consumer confidence edged up 0.9% m/m**
- **February’s hike was explained by the downward trend in headline inflation**
- **We believe that consumer confidence will continue to recover throughout 1H15**

**Consumer confidence increased 6.8% yoy in February.** According to Banxico’s and INEGI’s report, consumer confidence expanded 6.8% yoy in February. Taking a look at the breakdown, we highlight the expansion in consumers’ perspectives regarding household’s present and future economic outlook (4.7% and 3.2% yoy, respectively). Similarly, consumers’ perspectives regarding the current economic conditions expanded 0.8%, while de country’s outlook fell 0.6% yoy. Finally, the purchasing power component increased a significant 35.1% yoy, given the recent downward trend in inflation (refer to the table below).

**Consumer confidence: February 2015**  
nsa index

	Feb-15	Feb-14	%yoy
<b>Headline index</b>	90.3	84.5	6.8
<b>Household's</b>			
Current conditions	96.7	92.3	4.7
Expectations	100.5	97.4	3.2
<b>National</b>			
Current conditions	86.1	85.4	0.8
Expectations	86.9	87.4	-0.6
<b>Household's purchasing power</b>	81.1	60.0	35.1

Source: INEGI

**In seasonally adjusted terms, consumer confidence edged up 0.9% m/m.** Taking a look at the breakdown, consumers’ expectations regarding the country’s present and future conditions decreased 1.1% and 2.5% m/m, respectively. Moreover, consumer’s perspectives regarding the current households’ economic conditions declined 0.9% m/m. Finally, the purchasing power component increased 5.2% m/m (refer to the following table).

**Consumer confidence: February 2015**

sa index

sa	Feb-15	Jan-15	%m/m
<b>Headline index</b>	92.7	91.8	0.9
<b>Household's</b>			
Current conditions	98.1	99.0	-0.9
Expectations	101.4	100.5	0.8
<b>National</b>			
Current conditions	87.4	88.4	-1.1
Expectations	89.3	91.6	-2.5
<b>Household's purchasing power</b>	84.3	80.1	5.2

Source: INEGI

**Consumer confidence will continue trending up in 1H15.** We believe that the reduction in consumer's expectations regarding the country's present and future conditions (measured in seasonally adjusted terms) was explained by the recent socio-political problems in Mexico and the significant fall of oil prices. However, the purchasing power index posted a significant hike which was mainly explained by the recent downward trend in inflation. In this regard, we believe that consumer confidence will continue to recover given: (1) The better growth prospects for the Mexican economy; (2) the downward trend in inflation that will continue during the first half of the year; and (3) the better growth dynamics of the Mexican labor market which will eventually translate into higher levels in confidence and spending.

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