

## Consumer confidence – Strong 1.9% m/m contraction in July’s consumers’ sentiment

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- **Consumer confidence (July): 92.2 points; Banorte-Ixe: 94.4; consensus: 94.8 (range of estimates: 94 to 95.6 points); previous: 94.7**
- **Consumer confidence increased a scant 1.8% yoy in July**
- **However, in seasonally adjusted terms, consumer confidence edged-down 1.9% m/m**
- **We believe that the fall in consumer sentiment was explained by the following factors:**
  - (1) **The sharp depreciation of the Mexican currency; and**
  - (2) **Political events, such as the escape of Joaquin “El Chapo” Guzman, and the results of the first tender of Round 1 of the Energy reform, given the negative and disappointing comments made by the majority of economic analysts and reporters.**
- **Despite July’s fall, we believe that consumer confidence will continue to recover throughout 2H15**

**Consumer confidence increased a scant 1.8% yoy in July.** According to Banxico’s and INEGI’s report, consumer confidence stood at 92.2 pts. in July, above our 94.4 forecast (consensus: 94.8). Taking a look at the breakdown, we highlight the expansion in consumers’ perspectives regarding household’s present and future economic outlook (4.9% and 1.5%, respectively). However, consumers’ perspectives regarding the country’s current and future economic conditions decreased 2.6% and 1.1%, respectively. Finally, the purchasing power component grew 6.9% yoy (refer to the table below).

**Consumer confidence: July 2015**

nsa index

	Jul-15	Jul-14	% yoy
<b>Headline index</b>	92.2	90.5	1.8
<b>Household’s</b>			
Current conditions	99.4	94.7	4.9
Expectations	98.7	97.3	1.5
<b>National</b>			
Current conditions	88.5	90.9	-2.6
Expectations	89.2	90.1	-1.1
<b>Household’s purchasing power</b>	85.1	79.6	6.9

Source: INEGI

**In seasonally adjusted terms, consumer confidence edged-down 1.9% m/m.**

We believe that the significant reduction in consumer confidence was explained by the following factors: (1) The sharp depreciation of the Mexican currency, which was reflected in the 4.1% m/m contraction in the purchasing power component; (2) the escape of Joaquin “*El Chapo*” Guzman, which generated a significant 5.9% m/m reduction in consumers’ expectations regarding the country’s current performance; and (3) the results of the first tender of Round 1 of the Energy reform, given the negative and disappointing comments made by the majority of economic analysts and reporters, which was reflected in the 4.2% fall in consumer’s expectations regarding the country’s future economic outlook. Moreover, consumers’ perspectives regarding the household’s present and future economic outlook fell 0.4% and 2.4% m/m, respectively, as shown in the table below.

**Consumer confidence: July 2015**

sa index

	Jul-15	Jun-15	%m/m
<b>Headline index</b>	91.2	92.9	-1.9
<b>Household's</b>			
Current conditions	98.2	98.6	-0.4
Expectations	98.3	100.7	-2.4
<b>National</b>			
Current conditions	85.7	91.0	-5.9
Expectations	88.1	92.0	-4.2
<b>Household's purchasing power</b>	82.9	86.5	-4.1

Source: INEGI

**Looking ahead, we believe that consumer confidence will show a better performance.** Despite July’s fall, we believe that consumers’ sentiment will show a much more visible recovery. In particular, we believe that consumers’ perspectives regarding the country’s present and future economic outlook will show a much more visible recovery given the better growth prospects for the Mexican economy and the labor market. Moreover, we believe that the downward trend in inflation that will continue during the second half of the year which will eventually translate into higher levels in confidence and spending.

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