

Consumer confidence – February’s contraction explained by the depreciation of the Mexican currency

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Alejandro Cervantes
Senior Economist, Mexico
alejandro.cervantes@banorte.com

- **Consumer confidence (February): 88.7 points; Banorte-Ixe: 90.1; consensus: 91.5 (range of estimates: 89.8 to 92.5 points); previous: 92.5**
- **Consumer confidence posted a 1.7% yoy contraction in February**
- **In seasonally adjusted terms, consumer confidence fell 1.2% m/m**
- **We believe that the contraction in consumer confidence was simply explained by the depreciation of the Mexican currency during the first half of February**

Consumer confidence decreased 1.7% yoy in February. According to Banxico’s and *INEGI*’s report, consumer confidence stood at 88.7 points in February, below our 90.1 points estimate (consensus: 91.5pts). Taking a look at the breakdown, we highlight the contraction in consumers’ perspectives regarding the household’s future economic outlook (-3.8% yoy), while current conditions posted a 1.1% increase.

Moreover, consumers’ perspectives regarding the country’s current and future economic outlook fell 1% and 5.4%, respectively, probably as a result of the significant depreciation of the Mexican currency. Finally the household’s purchasing power component increased a scant 0.6% yoy, as shown in the table below.

Consumer confidence: February 2016

nsa index	Feb-16	Feb-15	%yoy
Headline index	88.7	90.3	-1.7
Household’s			
Current conditions	97.7	96.7	1.1
Expectations	96.7	100.5	-3.8
National			
Current conditions	85.2	86.1	-1.0
Expectations	82.3	86.9	-5.4
Household’s purchasing power	81.6	81.1	0.6

Source: INEGI

In seasonally adjusted terms, consumer confidence fell 1.2% m/m. Taking a look at the breakdown, consumers’ perspectives regarding the household’s present and future economic conditions edged-down 0.5% and 1.3%, respectively. Moreover, consumers’ perspectives regarding the country’s current and future economic outlook fell 3.3% and 1% m/m, respectively. Finally, the purchasing power component posted a 2.2% m/m contraction (refer to the table below).

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Consumer confidence: February 2016

sa index

	Feb-16	Jan-16	%m/m
Headline index	91.6	92.7	-1.2
Household's			
Current conditions	99.3	99.8	-0.5
Expectations	97.3	98.6	-1.3
National			
Current conditions	87.5	90.5	-3.3
Expectations	84.9	85.7	-1.0
Household's purchasing power	84.5	86.3	-2.2

Source: INEGI

Consumer confidence will continue to fall in March. We believe that the contraction in consumer confidence was simply explained by the depreciation of the Mexican currency during the first half of February, given that the survey is collected during the first 20 days of each month, and the Mexican peso added a 4% depreciation within this period. In addition, we consider that consumer confidence will continue to fall in March given the MXN\$132.3 billion fiscal cut announced by the Ministry of Finance (US\$ 7.4 billion) and 50bps hike in the reference rate. However, consumer confidence could recover in the second quarter given an improvement in the perception of consumers in relation to the present situation of households thanks to the better growth prospects of the Mexican labor market.

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GRUPO FINANCIERO BANORTE S.A.B. de C.V.
Research and Strategy

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

Economic Analysis

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Alejandro Cervantes Llamas	Senior Economist, Mexico	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Katia Celina Goya Ostos	Senior Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional & Sectorial	miguel.calvo@banorte.com	(55) 1670 - 2220
Juan Carlos García Viejo	Economist, International	juan.garcia.viejo@banorte.com	(55) 1670 - 2252
Rey Saúl Torres Olivares	Analyst	saul.torres@banorte.com	(55) 1670 - 2957
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Fixed income and FX Strategy

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Juan Carlos Alderete Macal, CFA	FX Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Analyst Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Equity Research Analyst	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Senior Equity Research Analyst – Conglomerates/Financials/ Mining/ Chemistry	marissa.garza@banorte.com	(55) 1670 - 1719
Marisol Huerta Mondragón	Equity Research Analyst – Food/Beverages	marisol.huerta.mondragon@banorte.com	(55) 1670 - 1746
José Itzamna Espitia Hernández	Equity Research Analyst – Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto parts	valentin.mendoza@banorte.com	(55) 1670 - 2250
María de la Paz Orozco García	Analyst	maripaz.orozco@banorte.com	(55) 1670 - 2251

Corporate Debt

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Idalia Yanira Céspedes Jaén	Analyst, Corporate Debt	idalia.cespedes@banorte.com	(55) 1670 - 2248

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454