

## Confidence indicators – Consumer and business sentiment recovered in April

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- **Consumer confidence (April): 83.8 points; Banorte-Ixe: 81.7; consensus: 82.5 (range of estimates: 79 to 85 points); previous: 81 points**
- **Consumer confidence posted a 5.7% yoy contraction...**
- **...however, in seasonally adjusted terms, it increased 3.8% m/m**
- **We believe that April's expansion was explained by the following factors:**
  - (1) **The stable performance of the Mexican currency within the first three weeks of the month; and**
  - (2) **The static behavior of gasoline prices**
- **In addition, consumer expectations regarding the household and the country's future economic outlook increased 1.2% and 7.4% m/m, respectively**
- **Business confidence recovery continues amid more favorable conditions**
- **We believe that confidence will hover around these levels in 2Q17**

**Consumer confidence increased 3.8% m/m in April.** According to Banxico and *INEGI's* report, consumer confidence stood at 83.8 points in April, above our 81.7 forecast (consensus: 82.5). This implies a 5.7% yoy contraction. However, in seasonally adjusted terms, it posted a 3.8% m/m expansion.

Taking a look at the breakdown, consumers' expectations regarding the country's present and future economic outlook increased by 4.8% and 7.4% m/m, respectively. In addition, expectations regarding the household present and future economic outlook expanded 0.9% and 1.2%, respectively. Moreover, the purchasing power component posted a 3.1% m/m expansion (refer to the table on the next page).

We believe that the recovery in consumer sentiment was explained by the following factors: (1) The stable performance of the Mexican currency within the first three weeks of the month, given that the bulk of the consumer survey is collected within this period; and (2) the static behavior of the still regulated gasoline prices. Looking ahead, we consider that both the Mexican currency and gasoline prices will remain stable during the second quarter of the year, which will help consumer sentiment.

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### Consumer confidence: April 2017

Seasonally-adjusted index

	Apr-17	Mar-17	%m/m
<b>Headline index</b>	84.3	81.2	3.8
<b>Household's</b>			
Current conditions	95.7	94.9	0.9
Expectations	95.4	94.3	1.2
<b>National</b>			
Current conditions	76.1	72.6	4.8
Expectations	77.4	72.0	7.4
<b>Household's purchasing power</b>	76.7	74.4	3.1

Source: INEGI

**Business confidence recovery continues.** Analyzing *INEGI's* nsa figures (given that business confidence is not seasonally adjusted for most sectors), the business confidence index for the manufacturing sector in April stood at 46.9 points, above the 46.1 points seen in March. As a result, the index fell 4.7% yoy, given the contraction in the sub-index that measures the right time to invest, as well as the country's current and future economic conditions (refer to the table below).

#### Business confidence survey: Manufacturing

nsa

	Apr-17	Apr-16	% yoy
<b>Business confidence</b>	<b>46.9</b>	<b>49.2</b>	<b>-4.7</b>
<b>Firms</b>			
Current conditions	51.7	53.6	-3.5
Expectations	57.2	59.1	-3.2
<b>Country</b>			
Current conditions	42.5	45.2	-5.9
Expectations	48.4	51.5	-5.9
<b>Right time to invest</b>	<b>34.6</b>	<b>36.8</b>	<b>-6.1</b>

Source: INEGI

**Confidence rose for commerce and construction.** In the first case, the headline index climbed to 46 points, 2.7 points above March's figure. April's index implies a 3.3% yoy contraction, driven by the fall in the right time to invest sub-index, as well as the country's current economic conditions. For construction, the overall index stood at 45.5 points (previous: 42.4 points). We highlight the 27.5% yoy contraction in the right time to invest sub-index, and the 10.7% fall in the country's current economic conditions (refer to the tables on the following page).

#### Business confidence survey: Commerce

nsa

	Apr-17	Apr-16	% yoy
<b>Commerce</b>			
<b>Business confidence</b>	<b>46.0</b>	<b>47.5</b>	<b>-3.3</b>
<b>Firms</b>			
Current conditions	54.8	53.2	3.0
Expectations	62.2	65.1	-4.4
<b>Country</b>			
Current conditions	37.1	38.4	-3.2
Expectations	52.0	55.2	-5.7
<b>Right time to invest</b>	<b>23.6</b>	<b>25.8</b>	<b>-8.4</b>

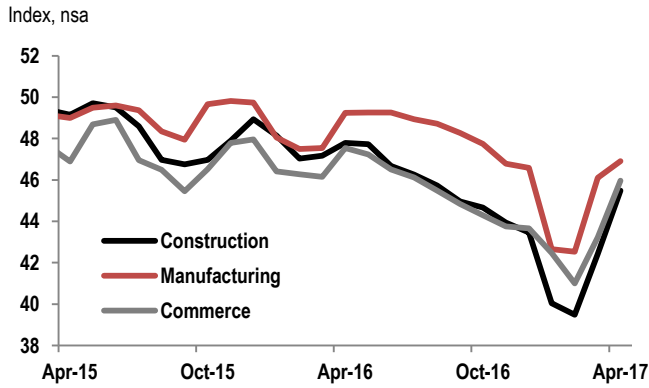
Source: Banxico's monthly survey of economic expectations

#### Business confidence survey: Construction

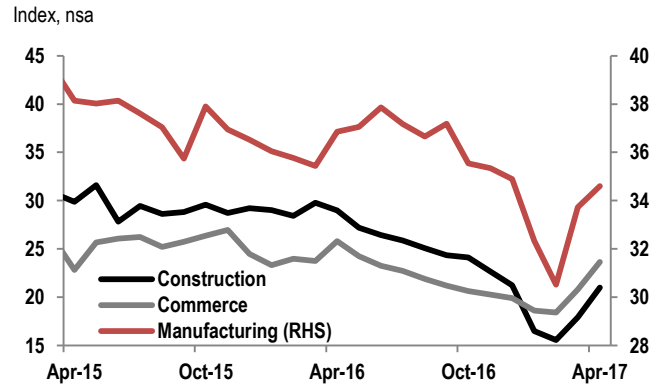
nsa

	Apr-17	Apr-16	% yoy
<b>Construction</b>			
<b>Business confidence</b>	<b>45.5</b>	<b>47.8</b>	<b>-4.8</b>
<b>Firms</b>			
Current conditions	51.0	50.8	0.5
Expectations	64.6	63.8	1.4
<b>Country</b>			
Current conditions	35.5	39.8	-10.7
Expectations	55.3	55.6	-0.7
<b>Right time to invest</b>	<b>21.0</b>	<b>29.0</b>	<b>-27.5</b>

Source: Banxico's monthly survey of economic expectations



Source: Banorte Ixe with data from INEGI



Source: Banorte-ixe with data from INEGI

**We believe that the rebound in the indices during April was due to more favorable conditions.** Beginning with the manufacturing sector, we believe that the dynamism of manufacturing exports - as a result of greater uncertainty over US trade policy - has positively impacted the index. We also consider that the appreciation of the exchange rate in the period in question contributed to this improvement in optimism. However, looking ahead we believe that confidence will remain below the 50-points optimism threshold given the uncertain environment surrounding the Mexican economy.

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