

Consumer confidence now adds two months in expansion

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- **Consumer confidence (May; nsa): 88.3 points; Banorte: 87.7; consensus: 85.5 (range of estimates: 84.7 to 87.7 points); previous: 85.8 points**
- **Consumer confidence posted a 1.7% yoy increase in May**
- **In seasonally adjusted terms, consumer sentiment posted a 0.6% m/m growth, now adding two months in expansion**
- **We believe that consumer sentiment was influenced by the strength of the labor market as well as by inflation's downward trend**
- **Looking ahead, we expect a marginal contraction in consumer confidence**

Consume confidence in May increased 0.6% m/m. According to Banxico and INEGI's report, consumer confidence stood at 88.3 points in May, above our 87.7 forecast (consensus: 85.5 points). This implies a 1.7% yoy expansion given an increase in all but one component, the one that measures purchasing power (-2.2% yoy).

In seasonally adjusted terms, consumer confidence grew 0.6% m/m, now adding two months in expansion. Taking a look at the breakdown, consumers expectations regarding the households' present and future economic conditions rose 0.6% m/m each. Similarly, expectations regarding the country's present and future economic conditions increased 0.1% and 4.1% m/m. However, the purchasing power component edged-down 2.3% m/m.

We believe that the improvement in consumer confidence during May was mainly explained by: (1) The strength of the Mexican labor market, particularly regarding formal employment; and (2) the downward trend of inflation and its impact on consumption decisions of Mexican households.

Consumer confidence: May 2018

Seasonally-adjusted index; % m/m

	May-18	Apr-18	%m/m
Headline index	87.0	86.4	0.6
Household's			
Current conditions	96.7	96.1	0.6
Expectations	96.2	95.7	0.6
National			
Current conditions	79.4	79.3	0.1
Expectations	83.8	80.5	4.1
Household's purchasing power	80.3	82.0	-2.2

Source: INEGI

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We expect a marginal contraction in consumer confidence in the following months. Looking ahead, we estimate that consumer confidence may show a slight decrease, which would be mainly explained by the volatility of the Mexican currency –stemming from the renegotiation of NAFTA as well as the electoral process–. However, this will be partially offset by the downward trajectory of inflation as well as the dynamism of the labor market.

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