

Consumer confidence – The devil is in the details

May 6, 2016

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- **Consumer confidence (April): 88.9 points; Banorte-Ixe: 90; consensus: 90 (range of estimates: 89.3 to 92.1 points); previous: 89.2**
- **Consumer confidence posted a 2.6% yoy contraction**
- **In seasonally adjusted terms, consumer confidence fell 0.1% m/m**
- **However, taking a look at the breakdown, most of the sub-indexes posted a higher growth, which suggests that consumers are discounting a more positive economic outlook**
- **Looking ahead, we believe that consumer confidence will post a higher growth**

Consumer confidence decreased 2.6% yoy in April. According to Banxico's and INEGI's report, consumer confidence stood at 88.9 points in April, below our 90 points estimate (consensus: 90pts). Moreover, in seasonally adjusted terms, consumer confidence fell 1.8% m/m.

However, taking a look at the breakdown, most of the sub-indexes posted a higher growth. In particular, consumers' expectations regarding the household and the country's future economic outlook increased 0.6% and 1.4% m/m, respectively. Moreover, the purchasing power component increased 0.1% m/m on the back the contained inflation levels observed in the past two months (refer to the table below). By contrast, consumers' perspectives regarding the household's present economic conditions edged-down 0.2%.

Consumer confidence: April 2016

Seasonally-adjusted index

	Apr-16	Mar-16	%m/m
Headline index	89.4	89.5	-0.1
Household's			
Current conditions	97.7	97.9	-0.2
Expectations	96.5	95.9	0.6
National			
Current conditions	86.2	86.2	0.0
Expectations	83.2	82.1	1.4
Household's purchasing power	85.6	85.5	0.1

Source: INEGI

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Consumer confidence will recover in 2Q16. We believe that despite April's 0.1% m/m contraction, consumer confidence will show better growth dynamics in the remaining reports of the second quarter. In particular, the better growth prospects of the Mexican labor market and the recovery of domestic demand given the significant increase of consumer credit and remittances inflows will support Mexican households' consumption dynamics. Moreover, we believe that the contained levels of inflation will translate into a higher growth of the purchasing power component.

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