

## Consumer confidence – Picks up in August, albeit still impacted by the pandemic

- **Consumer confidence (August, sa): 34.6pts; previous: 34.1pts**
- **With today’s publication, INEGI and Banxico resumed their traditional publication of consumer confidence, ending the phone survey method. However, they note that in this case, figures from the historical series are comparable, allowing for a continuous analysis of this indicator**
- **We should note that confidence still remains considerably below pre-pandemic levels. Specifically, components regarding current conditions and purchasing power were some of the hardest hit during the lockdown**
- **In the monthly dynamics, confidence increased 0.5pts. Household components picked-up relatively strongly, followed by a more moderate advance in purchasing power. On the contrary, overall conditions for the country deteriorated slightly**
- **After a massive shock to consumer confidence from the pandemic, more recent prints suggest that the worst has already passed. Considering this, as well as our outlook going forward, we expect it to recover gradually in coming months**

**Consumer confidence remains below pre-pandemic levels...** According to the report, confidence rose by 0.5pts relative to the previous month, reaching 34.6pts (sa). It should be noted that this release marked the resumption of the traditional publication by INEGI and Banxico, retaking face-to-face surveys and dropping those conducted by phone. It should be noted that, according to their calculations, data compiled between April and July is comparable to the historical series (see section at the end for further details). Considering this, and relative to March which was the last survey carried out with the usual method and which we [analyzed](#), confidence fell 9.2pts. In particular, and as seen in the chart below on the left, there was a sharp decline in April, followed by a more moderate one in May. Starting on June, the indicator started to recover, similar to what we saw in terms of economic activity, and now adding three consecutive months to the upside. By sectors, and analyzing for the same time span (August vs. March), the most impacted branches are those related to current conditions, with this index for the country declining 11.2pts, while the one for households contracting 10.4pts. In addition, and consistent with job losses and uncertainty, the purchasing power component accumulates a 9.9pts decline. Finally, expectations were also hit, albeit more moderately, with households at -4.8pts and the country at -2.8pts. On another relevant note, it is important to mention that although the index plunged below the levels observed in 2009 during the Financial Crisis –consistent with a sharper reduction in economic activity–, it managed to stay above its minimum in January 2017, just after the liberalization of energy prices.

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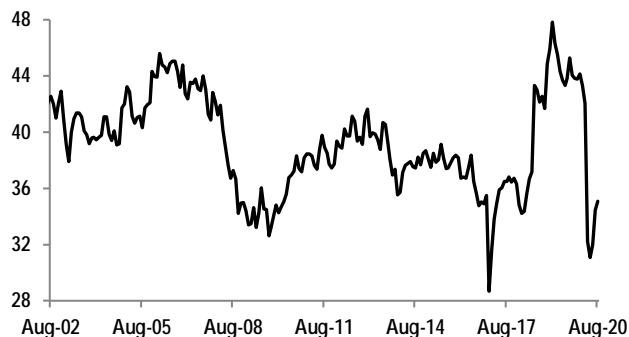
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Winners of the award for best economic forecasters for Mexico in 2019, granted by *Refinitiv*



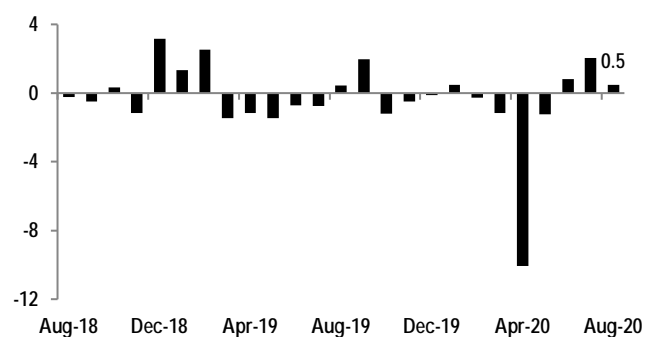
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Consumer confidence  
Indicator, sa



Source: INEGI

Consumer confidence  
Monthly change in pts, sa



Source: INEGI

**...albeit improving marginally once again in August.** As mentioned previously, the index edged-up 0.5pts in the month. This increase was driven by a strong pickup in households' components, with current conditions rising 1.8pts to 38.2pts. Meanwhile, expectations advanced 2.0pts to 50.0pts. In our opinion, this could be explained by recent employment gains, which could have extended in August according to recent comments from the President. Probably also improving due to this, the purchasing power component climbed 0.5pts to 15.7pts. However, it still is the weakest, possibly influenced by the more challenging backdrop for inflation in recent months as well as increased uncertainty. Finally, the country's components showed slight declines, with current conditions at 27.8pts (-0.7pts) and expectations at 42.2pts (-0.5pts).

Consumer confidence  
Sa

	Aug-20	Jul-20	Jun-20	May-20	Apr-20	Mar-20
Headline index	34.6	34.1	32.1	31.2	32.5	42.5
<b>Households'</b>						
Current conditions	38.2	36.5	35.5	34.8	34.5	48.6
Expectations	50.0	48.0	46.3	45.1	44.5	54.7
<b>National</b>						
Current conditions	27.8	28.5	28.2	27.9	28.9	38.9
Expectations	42.2	42.7	38.3	39.3	40.4	45.0
<b>Purchasing power</b>	15.7	15.2	13.2	10.3	14.9	25.6

Source: INEGI

**After the massive shock from the pandemic, we expect confidence to continue improving in coming months.** Specifically, today's report as well as performance in the last couple of months suggest the worse has already passed in terms of the broad impact to economic activity and employment. In this sense, the trend of private consumption has been similar to the confidence index, which suggests that the former might show a recovery as soon as June, with data for the month to be published next Monday.

However, and considering that the impact was significant, it will probably time to see a return to pre-pandemic levels. We believe its performance will be more tightly correlated to activity levels, especially as uncertainty surrounding the pandemic is still high. In this sense, we still expect a highly differentiated performance among components in the short term, with purchasing power and current conditions indexes probably remaining somewhat low relative to their historical averages until the situation going forward gains more clarity.

In addition, and taking into account that we believe the recovery in the following months might happen at a slower pace, it is likely that gains in confidence will also be slower, not ruling out some months of modest declines.

**Methodological note.** In the press release, INEGI and Banxico mentioned that with face-to-face surveys resuming, and considering that the response rate for this indicator was adequate, the phone survey was dropped all-together. We should remember that data from April to July was compiled through phone calls, albeit with the methodology unchanged in terms of the questions asked and the sample size. In this sense, they noted that they did not find any significant statistical differences between surveys, allowing them to compare data and even produce a continuous seasonally adjusted series. They also mentioned that, starting with this report, consumer confidence will be reported as it had been done previously. We congratulate efforts from both institutions to continue producing relevant data, especially in a context in which is particularly valuable.

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We, Gabriel Casillas Olivera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalia Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

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