

## Consumer confidence rose for the fourth consecutive month

June 5, 2017

www.banorte.com  
www.ixc.com.mx  
@analisis\_fundam

**Alejandro Cervantes**

Senior Economist, Mexico  
alejandro.cervantes@banorte.com

**Francisco Flores**

Economist, Mexico  
francisco.flores.serrano@banorte.com

- **Consumer confidence (May): 86.8 points; Banorte-Ixe: 84.5; consensus: 84.6 (range of estimates: 82.5 to 87.4 points); previous: 83.8 points**
- **Consumer confidence posted a 4.5% yoy contraction...**
- **...however, in seasonally adjusted terms, consumer sentiment increased for the fourth consecutive month, adding a 2.2% m/m gain**
- **We believe that May'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**
- **However, consumer expectations regarding the household and the country's future economic outlook fell 0.3% and 1.4% m/m, respectively**
- **Business confidence recovery continues amid more favorable conditions**
- **We believe that confidence will continue to recover**

**Consumer confidence rose for the fourth consecutive month.** According to Banxico and *INEGI's* report, consumer confidence stood at 86.8 points in May, above our 84.5 forecast (consensus: 84.6). This implies a 4.5% yoy contraction. However, in seasonally adjusted terms, it increased for the fourth consecutive month, adding a 2.2% m/m gain.

Taking a look at the breakdown, consumers' expectations regarding the household's present and future economic outlook fell by 0.5% and 0.3% m/m, respectively. In addition, expectations regarding the country's future economic outlook declined 1.4%. However, consumers' perspectives regarding the country's present economic outlook increased 2.3%, while the purchasing power component posted a significant 8.5% m/m expansion (refer to the table on the next page).

We believe that the recovery in consumer sentiment, particularly within the purchasing power component, 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 and third quarter of the year, which will help consumer sentiment.

Document for distribution among public

### Consumer confidence: May 2017

Seasonally-adjusted index

	May-17	Apr-17	%m/m
<b>Headline index</b>	85.8	83.9	2.2
<b>Household's</b>			
Current conditions	95.4	95.8	-0.5
Expectations	95.0	95.3	-0.3
<b>National</b>			
Current conditions	77.4	75.7	2.3
Expectations	76.3	77.4	-1.4
<b>Household's purchasing power</b>	83.7	77.2	8.5

Source: INEGI

**Business confidence recovery continues.** Analyzing *INEGI's* nsa figures (given that business confidence is not seasonally adjusted for 2 of the 3 sectors and *INEGI* has mentioned that business sentiment does not follow a seasonal behavior), the business confidence index for the manufacturing sector in May stood at 48.2 points, above the 47.1 points seen in April. As a result, the index increased 2.3% m/m, given the expansion in the sub-index that measures the right time to invest, as well as the country's current economic conditions (refer to the table below).

### Business confidence survey: Manufacturing

nsa

	May-17	Apr-17	% m/m
<b>Business confidence</b>	<b>48.2</b>	<b>47.1</b>	<b>2.3</b>
<b>Firms</b>			
Current conditions	52.4	51.8	1.2
Expectations	58.1	57.1	1.7
<b>Country</b>			
Current conditions	44.1	42.9	2.8
Expectations	49.1	48.4	1.4
<b>Right time to invest</b>	<b>37.1</b>	<b>35.2</b>	<b>5.4</b>

Source: INEGI

### Confidence rose significantly in construction and marginally for commerce.

In the first case, the headline index climbed to 46.4 points, 1 point above April's figure. May's index implies a 2.1% m/m expansion, driven by the increase in the right time to invest sub-index, as well as the country's current economic conditions. For commerce, the overall index stood at 46.2 points (previous: 46.1 points), which represents a 0.2% m/m increase, the lowest among the three sectors published by *INEGI*. We highlight the expansion in both the country's and firms' current economic conditions (refer to the tables on the following page).

### Business confidence survey: Construction

nsa	May-17	Apr-17	% m/m
<b>Business confidence</b>	<b>46.4</b>	<b>45.5</b>	<b>2.1</b>
<b>Firms</b>			
Current conditions	50.5	50.6	-0.1
Expectations	63.9	64.1	-0.3
<b>Country</b>			
Current conditions	38.1	36.1	5.7
Expectations	55.5	55.2	0.4
<b>Right time to invest</b>	<b>24.1</b>	<b>21.4</b>	<b>12.6</b>

Source: Banxico's monthly survey of economic expectations

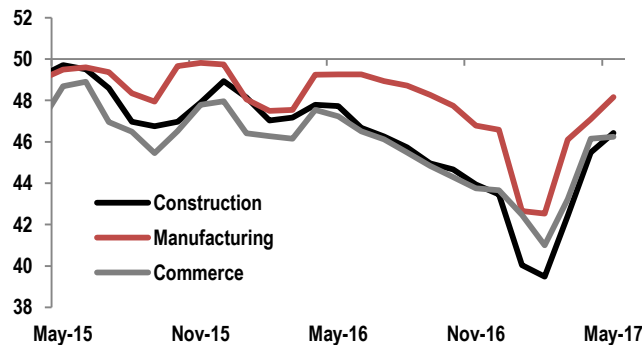
### Business confidence survey: Commerce

nsa	May-17	Apr-17	% m/m
<b>Business confidence</b>	<b>46.2</b>	<b>46.1</b>	<b>0.2</b>
<b>Firms</b>			
Current conditions	54.4	54.0	0.8
Expectations	63.2	62.7	0.7
<b>Country</b>			
Current conditions	36.9	37.8	-2.2
Expectations	53.0	52.5	1.0
<b>Right time to invest</b>	<b>23.7</b>	<b>23.8</b>	<b>-0.4</b>

Source: Banxico's monthly survey of economic expectations

### Business confidence

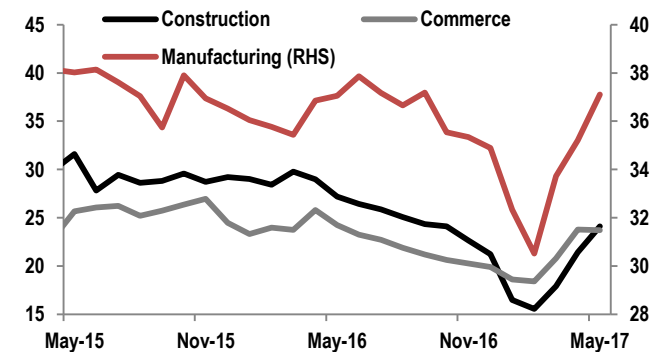
Index, nsa



Source: Banorte Ixe with data from INEGI

### Business confidence: Adequate time for investing

Index, nsa



Source: Banorte Ixe with data from INEGI

**We believe that the recovery in the indices during May 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.

### Disclaimer

The information contained in this document is illustrative and informative so it should not be considered as an advice and/or recommendation of any kind. BANORTE is not part of any party or political trend.

**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
Francisco José Flores Serrano	Economist, Mexico	francisco.flores.serrano@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
José Itzamna Espitia Hernández	Equity Research Analyst – Airlines / Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250

**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

**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
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454