

Consumer confidence now adds two months in expansion

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- **Consumer confidence (June; nsa): 89.8 points; Banorte: 88.7; consensus: 88.7 (range of estimates: 86 to 90 points); previous: 87.2 points**
- **Consumer confidence posted a 2.9% yoy increase in June**
- **In seasonally adjusted terms, consumer sentiment posted a 1.1% m/m growth, now adding three months in expansion**
- **We believe that consumer sentiment was influenced by the strength of the labor market as well as by the downward trend in inflation**
- **Looking ahead, we expect a marginal improvement in consumer confidence levels**

Consumer confidence increased in June. According to Banxico and INEGI's report, consumer confidence stood at 89.8 points in June, above our 88.7 forecast (consensus: 88.7 points). This implies a 2.9% yoy expansion given an increase in three of the five components that make up the index. In particular, we highlight the annual surge in prospects for economic conditions, up 13.9%. Nonetheless, the sub-index regarding households purchasing power looking ahead edged down marginally with respect to same period last year (as seen in the chart below).

Consumer confidence: June 2018

nsa; % yoy

	Jun-18	Jun-17	%yoy
Headline index	89.8	87.2	2.9
Household's			
Current conditions	96.4	96.8	-0.4
Expectations	97.0	96.7	0.3
National			
Current conditions	80.0	77.6	3.1
Expectations	90.4	79.4	13.9
Household's purchasing power	85.1	85.6	-0.6

Source: INEGI

In seasonally adjusted terms, consumer confidence improved 1.1% m/m, adding three consecutive months in expansion. Taking a look at the breakdown, once again, consumers' prospects on future economic conditions surged 3.4% m/m while purchasing power prospects also improved, as shown in the table below.

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Consumer confidence: June 2018

Seasonally -adjusted index; % m/m

	Jun-18	May-18	%m/m
Headline index	88.0	87.1	1.1
Household's			
Current conditions	96.1	96.6	-0.5
Expectations	96.5	96.2	0.3
National			
Current conditions	79.4	79.3	0.0
Expectations	87.1	84.3	3.4
Household's purchasing power	81.8	80.2	1.9

Source: INEGI

We expect a marginal expansion in consumer confidence in the following months. We believe that the improvement in consumer confidence during June was mainly explained by: (1) The strength of the Mexican labor market, which has been reflected in both formal employment and the overall unemployment rate; and (2) the downward trend of inflation and its impact on consumption decisions of Mexican households. Looking ahead, we estimate that consumer confidence may show a slight increase, mainly explained by the dissipation of uncertainty around the electoral process. However, this could be partially offset by the volatility of the Mexican currency, stemming from the renegotiation of NAFTA as well as other external factors.

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