

Consumer confidence – November’s fall explained by the pessimism generated over the US election results

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- **Consumer confidence (November): 84.4 points; Banorte-Ixe: 81.5; consensus: 83.5 (range of estimates: 81.5 to 87.3 points); previous: 85 points**
- **Consumer confidence posted a 8.7% yoy contraction**
- **In seasonally adjusted terms, consumer confidence fell 0.8% m/m**
- **We believe that the 0.8% m/m contraction in November’s consumer confidence was explained by the uncertainty surrounding Mexico’s economic growth given the economic policies that the Trump administration could implement**
- **Looking ahead, we expect lower levels in consumer confidence**

Consumer confidence fell 0.8% m/m in November. According to Banxico and *INEGI*’s report, consumer confidence stood at 84.4 points in November, above our 81.5 points forecast (consensus: 83.5 points). This implies a 8.7% yoy contraction. In seasonally adjusted terms, consumer confidence posted a 0.8% m/m reduction.

Taking a look at the breakdown, consumers’ perspectives regarding the household and the country’s present economic conditions increased by 0.6% and 2.5% m/m, respectively. However, expectations regarding the country and the household’s future economic outlook fell 1.1% and 1.7%. In addition, the purchasing power component posted a 3.4% m/m reduction, as shown in the table on the next page.

We believe that the 0.8% m/m contraction in consumer confidence was explained by the uncertainty surrounding Mexico’s economic growth given the economic policies that the Trump administration could implement. In addition, we consider that consumers are also discounting a higher inflation, as a result of the higher pass-through effect of the depreciation of the Mexican currency to prices.

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Consumer confidence: November 2016

Seasonally-adjusted index

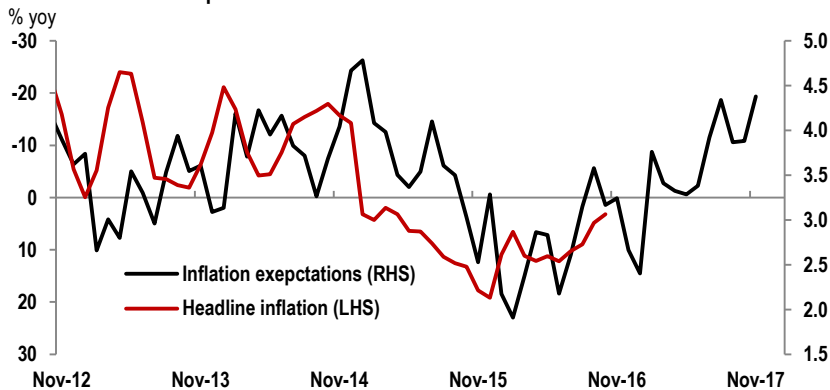
	Nov-16	Oct-16	%m/m
Headline index	84.9	85.6	-0.8
Household's			
Current conditions	95.5	94.9	0.6
Expectations	92.8	93.9	-1.1
National			
Current conditions	79.5	77.6	2.5
Expectations	74.7	76.1	-1.7
Household's purchasing power	81.6	85.3	-4.3

Source: INEGI

Higher inflation expectations. *INEGI* also published the extended series of consumer confidence complementary indexes. Although these complementary indexes are not included in the final weighting of the overall index, they provide relevant information on the consumer's perspective regarding other economic indicators.

Among the 10 new complementary indexes, we highlight the upward trend in inflation expectations. In the particular case of this index, a fall suggests that consumers are expecting a higher inflation over the next 12 months. Analyzing the historical series, -and setting forward inflation expectations twelve months so they can coincide with current inflation-, we can clearly see that consumers are discounting a higher inflation for 2017.

12-month inflation expectations vs. headline inflation



Source: Banorte-ixe using INEGI's figures

Looking ahead, we expect lower levels in consumer confidence. We expect lower levels in consumer confidence given: (1) Lower consumption and private investment, as a result of the uncertainty surrounding the impact Trump's economic policies on the Mexican economy; and (2) higher inflation stemming from the significant depreciation of the Mexican currency.

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