

Consumer confidence fell modestly in March but remains near historical highs

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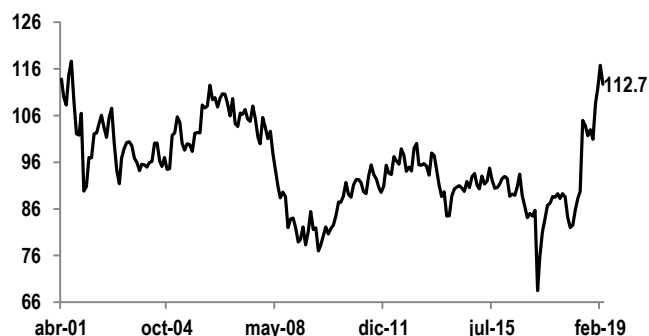
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- Consumer confidence (March; nsa): 112.7pts; Banorte: 119.2; consensus: 116.7 (range of estimates: 114.5 to 119.2) ; previous: 116.8
- In the year-over-year comparison, confidence increased 36.3%, moderating relative to the previous month but still with the second highest growth rate in the series' history
- Confidence remains quite high, supported by the country's expectations sub-index, with all components staying above the 100pts threshold
- In seasonally adjusted terms sentiment fell 3.1% m/m, down for the first time since November, mainly explained by a strong contraction in the purchasing power sub-index (-6.9%)
- Consumer confidence will stay elevated despite the apparent decrease in political optimism, as well as a more challenging growth outlook

Consumer confidence falls in March. According to Banxico and INEGI's report, consumer confidence fell for the first time after three consecutive months on the rise, standing at 112.7pts in March, below both our 119.2pts forecast and consensus at 116.7pts. This implies a 36.3% yoy expansion, moderating relative to the previous month at 42.4%, but with the second highest growth rate in the history of this indicator. In our view, the strength is still explained by sentiment in the political front. Nevertheless and in contrast to our monitoring, some opinion polls, such as the one conducted by *El Financiero*, showed a marginal decrease in the President's popularity from 86pts in February to close to 78pts in March and early April. In our view, this helps explain part of the adjustment. In addition, some controversial issues (such as funding cuts in childcare facilities) could also be behind the moderation, as evidenced by the average fall of 10.1% in both the country's current and expectations components relative to the previous month, albeit still up 54.9% and 62.8% respectively. Despite of this report's adjustment, overall levels remains strong (as shown in the table below), which leads us to believe that the index will remain high and above its long-term historical average in the coming months.

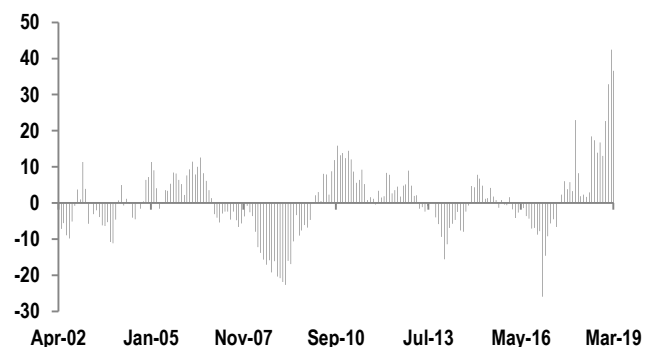
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Consumer confidence
index, nsa



Source: INEGI

Consumer confidence
% yoy, nsa



Source: INEGI

Consumer confidence: March 2019

nsa; % yoy

	Mar-19	Mar-18	%yoy
Headline index	112.7	82.5	36.6
Household's			
Current conditions	106.8	94.3	13.2
Expectations	112.7	92.9	21.3
National			
Current conditions	113.2	73.1	54.9
Expectations	125.1	76.8	62.8
Household's purchasing power	105.8	75.5	40.1

Source: INEGI

In seasonally adjusted terms, confidence fell 3.1% m/m, its first decrease since last November. It should be noted that the deceleration was generalized, highlighting the 6.9% contraction in the purchasing power component, which is correlated to the behavior of inflation. In this context, this was likely explained by the recent increase in energy prices as well as some fresh fruits and vegetables, along some more modest pressures in the core component, which stands around 3.5% yoy. Moreover, we also note the fall in the country's expectations indices, with 3.7% and 2.1% contractions for current and future conditions, respectively. This could be driven by developments in the political front, as explained in the previous section.

Consumer confidence: March 2019

seasonally-adjusted index; % m/m

	Mar-19	Feb-19	%m/m
Headline index	116.3	120.0	-3.1
Household's			
Current conditions	107.9	108.8	-0.8
Expectations	114.7	115.1	-0.3
National			
Current conditions	116.3	120.8	-3.7
Expectations	130.6	133.4	-2.1
Household's purchasing power	112.5	120.8	-6.9

Source: INEGI

Consumer confidence will stay elevated despite the apparent decrease in political optimism, as well as a more challenging growth outlook. In this respect, it should be noted that since June, right before the presidential election, confidence has observed an accumulated increase of 30.1% (seasonally-adjusted), hovering near historical highs.

Given that the president's popularity remains elevated and banning any significant negative shocks, it is our take that strength in opinion polls will keep confidence supported. On the other hand, the current conditions index may be poised to continue declining at the margin, particularly if signs of an economic deceleration keep building up. On the contrary and although the pace of job creation has moderated, this could be at least partially compensated by the recent surge in real wages. Moreover, with inflation possibly maintaining its downward trend and subsidies to gasoline prices, among other social programs of the administration, we believe that the decline in the purchasing power component observed in today's report could be relatively limited. Regarding current and future country conditions, the main immediate risk, in our view, is the extension and/or deepening of problems at the border, which so far have caused significant delays in crossings of both people and trade.

All in all, we anticipate confidence to stay elevated in coming months, maintaining its correlation with presidential approval ratings and still divergent with hard data on consumption. With respect to the latter, we maintain our view that private consumption to be the main growth driver of the Mexican economy, although much less than what would be suggested by the pickup in confidence.

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