

Consumer confidence falls for a second straight month but remains high

October 4, 2018

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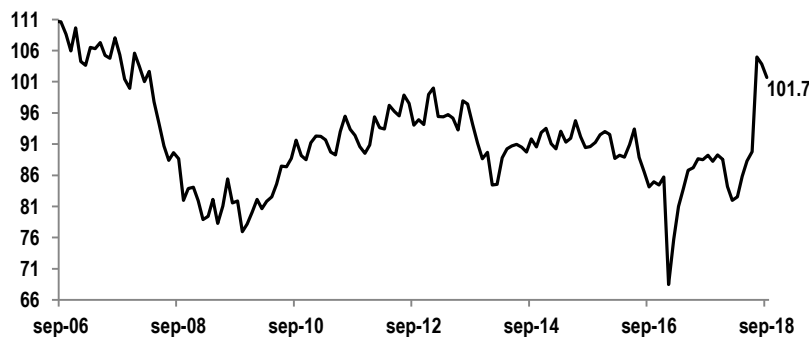
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- Consumer confidence (September; nsa): 101.7pts; Banorte: 103.0; consensus: 102.9; previous: 103.9
- In the year-over-year comparison, confidence increased 14%, a more moderated expansion in comparison with the 17.4% growth seen in August
- In seasonally adjusted terms, consumer sentiment posted a 1.8% m/m, the second decrease in as many months, where we highlight the 2.6% fall in the country's economic outlook
- We expect consumer confidence to remain high in coming months, in a context of stronger economic activity and a moderation in inflation
- Nevertheless, sentiment will be limited by the gradual decrease in optimism after the electoral process, even with the recent progress in Mexico's trade situation

Consumer confidence moderates. According to Banxico and *INEGI's* report, consumer confidence stood at 101.7pts in September, below our 103.0 forecast (consensus: 102.9 points). September's figures imply a 14% yoy expansion, derived from increases in the five components that make up the headline. In this regard, the country's expectations sub-index still posted the strongest advance at 45.8%. Moreover, the indices that refer to present and future households' expectations increased 1.8% and 9.2%, respectively. In addition, prospects about present country conditions expanded 10.5%. Finally, the capacity to purchase durable goods grew 6%, down from the 11.6% increase in August, as shown in the following table.

Consumer confidence
index, nsa



Source: INEGI

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Consumer confidence: September 2018

nsa; % yoy

	Sep-18	Sep-17	%yoy
Headline index	101.7	89.2	14.0
Household's			
Current conditions	101.5	99.4	2.1
Expectations	108.0	98.7	9.4
National			
Current conditions	89.7	80.9	10.8
Expectations	114.9	78.6	46.2
Household's purchasing power	94.4	88.6	6.6

Source: INEGI

In seasonally adjusted terms, consumer confidence fell 1.8% m/m. Taking a look at the breakdown, present and future household expectations fell 1.7% and 1.5%, respectively. Moreover, consumer's perception of the country's current conditions increased 0.1%, which in our opinion was driven at least in part by the trade agreement reached between Mexico and the US. However, the component that refers to future expectations for the country decreased 2.6%, its strongest contraction since January 2017 after both the liberalization of energy prices and Trump's inauguration (with the Mexican peso then at historical lows). Lastly, the index about the possibility of purchasing durable goods edged down 1.2% m/m (refer to the following table).

Consumer confidence: September 2018

seasonally-adjusted index; % m/m

	Sep-18	Aug-18	%m/m
Headline index	100.1	101.9	-1.8
Household's			
Current conditions	100.9	102.7	-1.7
Expectations	106.7	108.3	-1.5
National			
Current conditions	88.0	87.9	0.1
Expectations	113.1	116.2	-2.6
Household's purchasing power	92.1	93.3	-1.2

Source: INEGI

We expect consumer confidence levels to remain high in coming months, in a context of a recovery in economic activity and a moderation in inflation.

Despite the adjustment in the component that measures the country's future expectations, we believe the headline index continues to be influenced by the outcome of the electoral process of July 1st. In this respect and in line with today's report, it is highly likely that the indicator keeps reverting to its mean as optimism about the election fades away. In our preview we estimated that the trade agreement between Mexico and the US announced on August 27th, as well as the slight slowdown in inflation during the first half of September, could help confidence. This was reflected in the current conditions index, albeit not in the magnitude we expected. Looking ahead, we believe consumer confidence will remain above its long term average, given positive signals on economic growth (both in Mexico and the US) and a moderation in inflation, particularly the non-core component. Moreover, the Mexican peso has remained relatively strong amid a challenging global trade environment and instability in EMs.

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