

Consumer confidence didn't reflect the adverse sentiment shocks derived from September's earthquakes

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- **Consumer confidence (September): 89.2 points; Banorte-Ixe: 79.9; consensus: 86 (range of estimates: 79.9 to 87.4 points); previous: 88.5 points**
- **Consumer confidence posted a 6.1% yoy expansion, which implies its highest gain since February 2015**
- **In seasonally adjusted terms, consumer sentiment increased by 1% m/m**
- **While we did not expect a significant deterioration on confidence levels from the September 19 earthquake –as the consumer confidence survey is usually collected during the first 20 days of each month– we were anticipating a significant fall in consumer sentiment within the regions that were affected by the earthquake of September 7**
- **In this context, we consider that the impact of September's earthquakes will be fully reflected in October's report**
- **Business confidence recovery continues amid more favorable conditions**

Strong recovery in September's consumer confidence. According to Banxico and *INEGI's* report, consumer confidence stood at 89.2 points in September, above our 79.9 forecast (consensus: 86 points). This implies a 6.1% yoy expansion. We highlight that today's gain was the highest since February 2015.

In seasonally adjusted terms, consumer confidence posted a 1% m/m expansion. Taking a look at the breakdown, consumers' expectations regarding the country's present and future economic outlook increased by 1.4% and 0.1% m/m, respectively. In addition, expectations regarding the household's present and future economic conditions expanded 1.8% and 0.7%, respectively. Moreover, the purchasing power component posted a 2.2% m/m gain.

While we did not expect a significant deterioration on confidence levels from the September 19 earthquake –as the consumer confidence survey is usually collected during the first 20 days of each month– we were anticipating a significant fall in consumer sentiment within the regions that were affected by the earthquake of September 7 (Chiapas, Oaxaca, and Tabasco). In this context, we consider that the impact of September's earthquakes will be fully reflected in October's report.

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Consumer confidence: September 2017

Seasonally-adjusted index

	Sep-17	Aug-17	% m/m
Headline index	88.8	87.9	1.0
Household's			
Current conditions	99.7	97.9	1.8
Expectations	98.4	97.7	0.7
National			
Current conditions	80.1	78.9	1.4
Expectations	79.0	78.9	0.1
Household's purchasing power	87.4	85.5	2.2

Source: INEGI

Business confidence recovery continues in the manufacturing sector.

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 September stood at 49.9 points, above the 49.4 points seen in August. As a result, the index increased 1% m/m, given the expansion in the sub-indices that measure the firms' current and future economic conditions (refer to the table below). Moreover, there was a 3.5% increase in the year-over-year comparison.

Business confidence survey: Manufacturing

nsa

	Sep-17	Ago-17	% m/m
Business confidence	49.9	49.4	1.0
Firms			
Current conditions	53.6	52.3	2.5
Expectations	58.4	57.8	1.1
Country			
Current conditions	46.7	46.5	0.3
Expectations	50.5	50.1	0.6
Right time to invest	40.6	40.4	0.4

Source: INEGI

Confidence continued to climb in commerce, marginally declined for construction firms. In the first case, the headline index climbed to 48.4 points, 0.1 points above August's figure. September's figures imply a 4.2% m/m expansion, driven by the increase 4.2% m/m in the right time to invest sub-index. Moreover, year-over-year, this component posted a 2.5% increase

For construction, the overall index stood at 48.1 points (previous: 48.2 points), which represents a 0.2% m/m decrease. Despite the fall in the components that measures both the current and future conditions of the firm, we highlight the expansion in the right time to invest component, which rose 10.1% m/m (refer to the tables on the following page).

Business confidence survey: Commerce

nsa

	Sep-17	Ago-17	% m/m
Business confidence	48.4	48.3	0.3
Firms			
Current conditions	55.1	53.2	3.5
Expectations	63.3	65.0	-2.6
Country			
Current conditions	41.3	40.1	3.0
Expectations	53.0	54.9	-3.4
Right time to invest	29.4	28.2	4.2

Source: Banxico's monthly survey of economic expectations

Business confidence survey: Construction

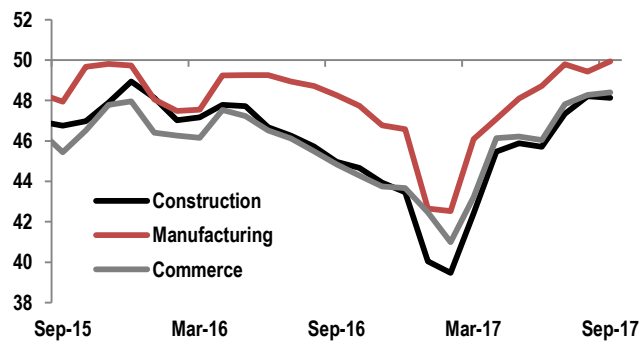
nsa

	Sep-17	Ago-17	% m/m
Business confidence	48.1	48.2	-0.2
Firms			
Current conditions	50.7	52.6	-3.5
Expectations	62.4	63.8	-2.1
Country			
Current conditions	42.0	41.8	0.5
Expectations	54.7	54.9	-0.4
Right time to invest	30.8	28.0	10.1

Source: Banxico's monthly survey of economic expectations

Business confidence

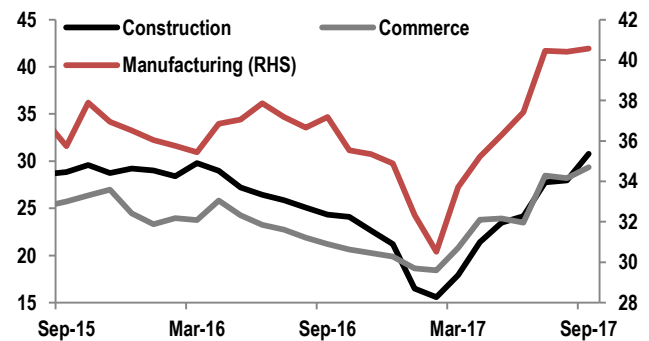
Index, nsa



Source: Banorte Ixe with data from INEGI

Business confidence: Right time to invest

Index, nsa



Source: Banorte-Ixe with data from INEGI

We believe that the recent recovery in the indices is due to more favorable conditions. Beginning with the manufacturing sector, we think that the recovery in the index reflects a lower uncertainty environment regarding the future commercial relation between Mexico and the US. Moreover, we expect the construction sentiment to improve due to the reconstruction effort that will start during the coming months. Considering this we expect business confidence to hover around the 50 point threshold.

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