

Upward trend in inflation explains the marginal contraction in consumer confidence

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- **Consumer confidence (December): 88.6 points; Banorte-Ixe: 88.7; consensus: 89 (range of estimates: 88 to 89.7 points); previous: 89.3 points**
- **Consumer confidence posted a 3.3% yoy expansion**
- **However, in seasonally adjusted terms, consumer sentiment posted a marginal 0.2% m/m reduction**
- **We believe that consumer sentiment was influenced by the upward trend in inflation**
- **Looking ahead, we expect a marginal contraction in consumer confidence**

Consumer confidence in December fell 0.2% m/m. According to Banxico and INEGI's report, consumer confidence stood at 88.6 points in December, practically in line with our 88.7 forecast (consensus: 89 points). This implies a 3.3% yoy expansion. However, in seasonally adjusted terms, consumer confidence posted a 0.2% m/m contraction.

Taking a look at the breakdown, consumers' expectations regarding the country's present and future economic conditions fell by 0.9% and 1.4% m/m. In addition, expectations regarding the household's present and future economic conditions posted a 0.1% and 0.7% m/m reduction. By contrast, the purchasing power component posted a significant 1.3% m/m growth.

We consider that the deterioration in consumer confidence in December was mainly explained by the upward trend of inflation. In this context, we highlight that the prices of fruits and vegetables increased 3.56% m/m, while low-grade gasoline increased 0.77%.

Consumer confidence: December 2017

Seasonally-adjusted index

	Dec-17	Nov-17	% m/m
Headline index	88.4	88.5	-0.2
Household's			
Current conditions	98.2	98.3	-0.1
Expectations	97.0	97.7	-0.7
National			
Current conditions	78.6	79.3	-0.9
Expectations	76.4	77.5	-1.4
Household's purchasing power	90.6	89.4	1.3

Source: INEGI

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We expect a marginal contraction in consumer confidence during 1Q18.

Consumer confidence will maintain a downward trend during the next months explained by the following factors: (1) The price increase in several goods during the first quarter of the year, such as tortillas and gasoline; and (2) the volatility of the Mexican currency derived from the uncertainty surrounding the NAFTA negotiations. Going forward, it is likely that consumer confidence will also reflect the political uncertainty surrounding the electoral process that will take place this year.

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