

Consumer confidence – Marginal recovery in October

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- **Consumer confidence (October): 85 points; Banorte-Ixe: 82.9; consensus: 83.3 (range of estimates: 82.9 to 87 points); previous: 84.1 points**
- **Consumer confidence posted a 6.9% yoy contraction**
- **However, in seasonally adjusted terms, consumer confidence increased 0.9% m/m**
- **We believe that the 0.9% growth in consumer confidence was explained by the 4.5% appreciation of the Mexican currency during the first three weeks of October**
- **Looking ahead, we expect lower levels in consumer confidence as a result of the fiscal cuts implemented by the Federal Government**

Consumer confidence increased 0.9% m/m in October. According to Banxico and *INEGI's* report, consumer confidence stood at 85 points in October, above our 82.9 points forecast (consensus: 83.3 points). This implies a 6.9% yoy contraction. However, in seasonally adjusted terms, consumer confidence increased 0.9% m/m.

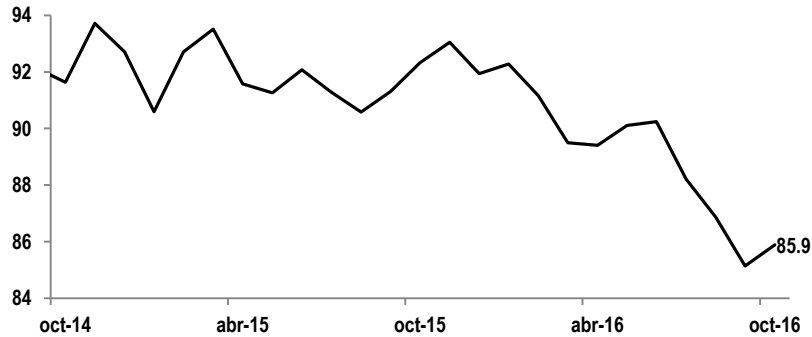
Taking a look at the breakdown, consumers' perspectives regarding the household and the country's present economic conditions fell by 0.8% and 2.1% m/m, respectively. However, expectations regarding the country and the household's future economic outlook increased 0.7% and 4%, respectively. In addition, the purchasing power component posted a 3.4% m/m expansion, as shown in the table on the next page.

We believe that 0.9% m/m growth in consumer confidence was explained by the 4.5% appreciation of the Mexican currency during the first three weeks of October. As we mentioned in our last reports, the downward trend in consumer confidence during the third quarter was explained by the higher pass-through effect of the depreciation of the Mexican currency to prices, particularly within the core index. Therefore, it is likely that the consumers discounted a more positive inflationary outlook given the 4.5% appreciation of the Mexican peso.

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Looking ahead, we expect lower levels in consumer confidence. Despite October's 0.9% m/m gain, we expect lower levels in consumer confidence as a result of the fiscal cuts implemented by the Federal Government in the fourth quarter, given that the lower public investment will translate into slower growth of the Mexican economy.

Consumer confidence
Seasonally-adjusted index



Source: INEGI

Consumer confidence: October 2016

Seasonally-adjusted index

	Oct-16	Sep-16	%m/m
Headline index	85.9	85.1	0.9
Household's			
Current conditions	94.9	95.7	-0.8
Expectations	94.1	93.4	0.7
National			
Current conditions	77.1	78.7	-2.1
Expectations	76.3	73.4	4.0
Household's purchasing power	86.4	83.5	3.4

Source: INEGI

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