

Consumer confidence – Better growth dynamics and downward trend in inflation behind March’s expansion

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- **Consumer confidence (March): 93.1 points; Banorte-Ixe: 93; consensus: 92.2 (range of estimates: 89.8 to 93 points); previous: 90.3**
- **Consumer confidence increased 4.8% yoy in March**
- **In seasonally adjusted terms, consumer confidence edged-up 0.1% m/m**
- **March’s hike was explained by better growth dynamics in the Mexican economy along with the downward trend in headline inflation**
- **We believe that consumer confidence will continue to recover throughout 1H15**

Consumer confidence increased 4.8% yoy in March. According to Banxico’s and INEGI’s report, consumer confidence expanded 4.8% yoy in March, in line with our forecast. Taking a look at the breakdown, we highlight the expansion in consumers’ perspectives regarding household’s present and future economic outlook (5.4% and 0.9% yoy, respectively). Similarly, consumers’ perspectives regarding the current economic conditions expanded 4%, while the country’s outlook fell 1% yoy. Finally, the purchasing power component increased a significant 17.5% yoy, given the recent downward trend in inflation (refer to the table below).

Consumer confidence: March 2015
nsa index

	Mar-15	Mar-14	%yoy
Headline index	93.1	88.8	4.8
Household’s			
Current conditions	99.8	94.7	5.4
Expectations	100.2	99.3	0.9
National			
Current conditions	89.8	86.4	4.0
Expectations	89.7	90.6	-1.0
Household’s purchasing power	85.8	73.0	17.5

Source: INEGI

In seasonally adjusted terms, consumer confidence edged up 0.1% m/m. Taking a look at the breakdown, consumers’ expectations regarding the country’s present and future conditions increased 2.6% and 0.2% m/m, respectively. Moreover, consumer’s perspectives regarding the current households’ economic conditions edged up 1.9% m/m, while consumer’s expectations regarding the household’s future outlook fell 1.2%. Finally, the purchasing power component increased 2.7% m/m (refer to the following table).

Consumer confidence: March 2015

sa index

sa	Mar-15	Feb-15	%m/m
Headline index	93.0	92.9	0.1
Household's			
Current conditions	100.0	98.2	1.9
Expectations	100.1	101.2	-1.2
National			
Current conditions	90.2	87.9	2.6
Expectations	89.6	89.4	0.2
Household's purchasing power	86.5	84.2	2.7

Source: INEGI

Better growth dynamics and downward trend in inflation. We believe that the growth in consumer's expectations regarding the country's present and future conditions (measured in seasonally adjusted terms) was explained by the recent pick-up in Mexico's economic activity. Moreover, the expansion in consumer's perspectives regarding the current households' economic conditions is probably reflecting the recovery in private consumption observed during the first quarter of the year. Similarly, the significant hike in the purchasing power index was mainly explained by the recent downward trend in inflation, given the strong negative correlation between the two indicators.

Consumer confidence will continue trending up in 1H15. Looking ahead, we believe that consumer confidence will continue to recover given: (1) The better growth prospects for the Mexican economy; (2) the downward trend in inflation that will continue during the first half of the year; and (3) the better growth dynamics of the Mexican labor market which will eventually translate into higher levels in confidence and spending.

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