

Consumer confidence adds four consecutive months in contraction

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- **Consumer confidence (March; nsa): 82.5 points; Banorte: 84.6; consensus: 84.6 (range of estimates: 81 to 84.9 points); previous: 82 points**
- **Consumer confidence posted a 1.9% yoy expansion in March**
- **However, in seasonally adjusted terms, consumer sentiment posted a 0.3% m/m reduction, and now adds four consecutive months in contraction**
- **We believe that consumer sentiment was influenced by the persistence of high inflation**
- **Looking ahead, we expect a marginal contraction in consumer confidence**

Consume confidence in March fell 0.3% m/m. According to Banxico and INEGI's report, consumer confidence stood at 82.5 points in March, below our 84.6 forecast (consensus: 84.6 points). This implies an 1.9% yoy expansion.

However, in seasonally adjusted terms, consumer confidence posted a 0.3% m/m reduction, adding four consecutive months in contraction. Taking a look at the breakdown, consumers' expectations regarding the households' present and future economic conditions fell by 1.2% and 0.6% m/m, respectively. Similarly, the purchasing power component posted a 0.3% m/m decline. By contrast, expectations regarding the country's present and future economic conditions increased 0.3% and 0.5% m/m.

We believe that the deterioration in consumer confidence during March was mainly explained by the above-trend levels of inflation and the impact it has had on the consumption decisions of Mexican households, mainly reflected in the average 11.6% yoy contraction posted in vehicle sales during the last 6 months.

We expect a marginal contraction in consumer confidence during 2Q 18.

Consumer confidence will maintain a downward trend during the next months explained by the following factors: (1) Inflation above 5%; 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 on the 1st of July.

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Consumer confidence: March 2018

Seasonally-adjusted index; % m/m

	Mar-18	Feb-18	% m/m
Headline index	84.5	84.7	-0.3
Household's			
Current conditions	95.2	96.4	-1.2
Expectations	94.0	94.6	-0.6
National			
Current conditions	75.0	74.7	0.3
Expectations	77.6	77.2	0.5
Household's purchasing power	79.8	80.1	-0.3

Source: INEGI

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