

Consumer confidence remains high

September 5, 2018

- **Consumer confidence (August; nsa): 103.9pts; Banorte: 98.6; consensus: 102.6; previous: 105pts**
- **In the year-over-year comparison, confidence increased 17.4%**
- **In seasonally adjusted terms, consumer sentiment posted a 0.2% m/m contraction after the strong increase in the previous month**
- **We believe consumer sentiment was still influenced by the optimism following the outcome of the electoral process**
- **We expect consumer confidence to remain relatively high in the following months**

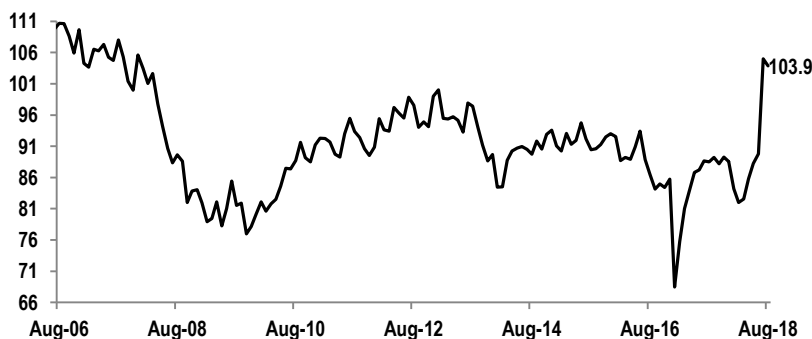
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Consumer confidence remains high. According to Banxico and *INEGI's* report, consumer confidence stood at 103.9pts in August, above our 98.6 forecast (consensus: 102.6 points). August's figures imply a 17.4% yoy expansion, derived from increases in the five components that make up the headline index.

In this regard, the country's expectations sub-index posted the highest advance, growing 51.1%. Moreover, the indices that refer to present and future households' expectations increased 5.3% and 11.6%, respectively. In addition, prospects about present conditions of the country expanded 12.5%. Finally, the capacity to purchase durable goods presented a 11.6% increase, as shown in the following table.

Consumer confidence
index, nsa



Source: INEGI

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Consumer confidence: August 2018

nsa; % yoy

	Aug-18	Aug-17	%yoy
Headline index	103.9	88.5	17.4
Household's			
Current conditions	103.6	98.4	5.3
Expectations	109.7	98.3	11.6
National			
Current conditions	89.5	79.5	12.5
Expectations	118.9	78.7	51.1
Household's purchasing power	97.6	87.5	11.6

Source: INEGI

In seasonally adjusted terms, consumer confidence fell 0.2% m/m. Taking a look at the breakdown, consumers' prospects of future economic conditions for the country declined 1.8% m/m, while current conditions decreased 2.2% m/m. On the other hand, indices for present and future household expectations grew 1.5% and 0.3% m/m, respectively. Moreover, the component about the possibility of purchasing durable goods edged-down 1.5% m/m (refer to the following table).

Consumer confidence: August 2018

seasonally-adjusted index; % m/m

	Aug-18	Jul-18	%m/m
Headline index	101.8	102.0	-0.2
Household's			
Current conditions	102.2	100.7	1.5
Expectations	108.3	108.0	0.3
National			
Current conditions	87.9	89.9	-2.2
Expectations	115.1	117.2	-1.8
Household's purchasing power	93.4	94.9	-1.5

Source: INEGI

We expect consumer confidence levels to remain high in coming months. In this context, we consider that elevated levels of consumer sentiment are still being explained by the outcome of the electoral process of July 1st. Looking ahead, we believe consumer confidence will remain above the levels observed in 1H18, as labor market conditions remain relatively tight and uncertainty about the future has decreased, particularly after the US-Mexico deal in trade negotiations after a year of initiating. Nevertheless, it is our take that consumer confidence could be limited by the temporary pickup in inflation (mostly due to pressures in the non-core component) and lower dynamism of economic activity, apart from an additional reversion to the mean as electoral optimism fades away.

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