

Consumer confidence resilient in March, but weakness probably lies ahead

- Consumer confidence (March, sa): 42.6pts; Banorte: 41.5pts. consensus: 39.9pts (range: 38.6 to 41.5pts); previous: 43.8pts
- Confidence fell 1.2pts, with most of the decline centered in the country's components, as uncertainty over the outlook has worsened significantly
- We also highlight the 1.1pts fall in the household expectations component, also impacted by the adverse shock to the scenario
- Moreover, INEGI informed that, for April and until further notice, the consumer confidence survey will be delayed given that face-to-face interactions are needed to conduct it
- We believe that consumer confidence will dip further in coming months, with the COVID-19 epidemic disrupting activity and thus, optimism

Consumer confidence falls in March, albeit less than expected. According to the report, confidence declined by 1.2pts, reaching 42.6pts (sa). This was higher than consensus (39.9pts) but closer to our forecast at 41.5pts, the highest among economists in the sample. The magnitude of the decline was lower than expected despite the worsening outlook that the COVID-19 pandemic is inducing on domestic and global conditions. However, the relative lag could be explained by the cut-off period of the survey, which is on the 20th, before more stringent measures were enacted. In this context, we highlight that all five components were lower, with most of the decline centered in those related to the country. In this respect, current conditions fell by 1.3pts while expectations plunged 2.1pts. The outlook, which is clouded by uncertainty, has impacted dynamics for the indicator, as it had been relatively resilient despite muted economic activity levels and the deceleration in formal job creation, among other factors. Moreover, the president's net approval rating fell to 21% from 27% in February, and from 42% as soon as at the end of last year, according to the poll of polls made by *Oraculus*. We should remember that this indicator has shown a relevant correlation with national expectations.

Looking at the rest of the components, households' expectations also declined significantly (-1.1pts). We believe this was influenced, at least to some extent, by the hefty depreciation of the Mexican peso, with consumers typically associating a weaker currency with worse economic conditions. The purchasing power component retraced after three consecutive months higher. This happened in a context in which wage negotiations (+5.5% in February) and inflation (3.7% y/y in 1H-Mar) were pushed higher. However, the latter may fall in the short term, particularly as gasoline has declined sharply on lower international prices.

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Consumer confidence: March 2020

seasonally-adjusted index; monthly difference

	Mar-20	Feb-20	Difference
Headline index	42.6	43.8	-1.2
Households'			
Current conditions	48.5	48.6	-0.1
Expectations	54.6	55.7	-1.1
National			
Current conditions	39.2	40.5	-1.3
Expectations	45.8	47.9	-2.1
Households' purchasing power	25.5	26.0	-0.5

Source: INEGI

Consumer confidence

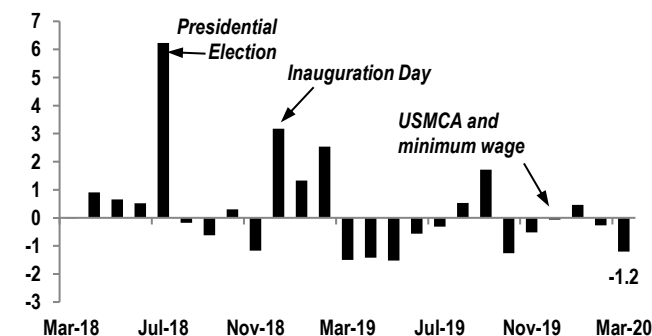
Indicator, sa



Source: INEGI

Consumer confidence

Monthly change in pts, sa



Source: INEGI

We expect a significant decline in consumer confidence in coming months.

First and foremost, we must warn that INEGI will stop carrying out face-to-face interviews, [as announced on March 31st](#) (link only available in Spanish), due to the pandemic. Among other surveys, this includes the one to gather consumer confidence data, which will be reprogrammed until further notice. As a result, figures at least for April, will be missing.

Going back to today's report, it did not show a significant deterioration, which we mainly attribute to how the survey is designed. In this context, we expect the contraction to be steeper in coming months, and to the extent that data is available again. The latter, considering that on March 30th, the Federal Government declared a 'sanitary emergency', which entailed more forceful social distancing measures. We must also consider the implications in terms of the sudden deceleration of economic activity, which we think will be the determining factor in the fall of the indicator.

In the medium term, we believe we could see a stabilization at relatively low levels, in line with the likely deterioration we will see in some fundamentals for consumption, such as employment and wages. This could be further impacted by a fall in remittances, considering worsening conditions in the US labor market. Later, the recovery could be more gradual, similar to the one observed in the aftermath of the global financial crisis.

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