

Consumer confidence plunges in April due to the impact of the pandemic

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- Consumer confidence (April, nsa): 32.2pts; previous: 42.1pts
- We should highlight that these figures were obtained through phone surveys, with INEGI stating clearly that despite not being directly comparable with the historical series, they are helpful as a reference
- Confidence reached its lowest level since February 2017, when it was impacted due to the increase in energy prices
- All subcomponents declined, highlighting strong adjustments in the households' current conditions and purchasing power components
- Going forward, we believe confidence levels will remain low and could even dip further, impacted by the effects of the pandemic on economic activity

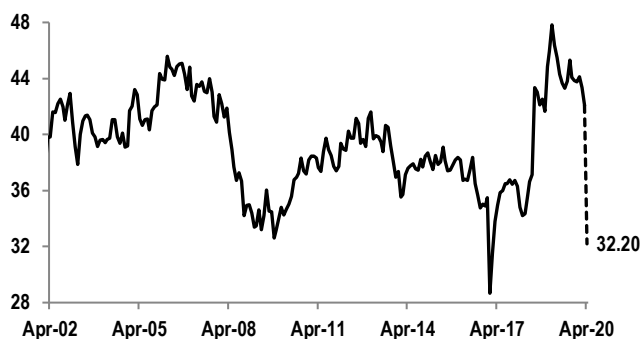
Consumer confidence falls strongly in April. According to the report, confidence stood at 32.2pts (nsa), representing a 9.9pts contraction relative to March. Nevertheless, we should mention, as stated clearly by INEGI, that this result is not strictly comparable to those of the historical series (more details in the section below). In this respect, the statistics agency has made a valuable effort to keep providing timely and useful data which are helpful as a reference. As could be expected, the COVID-19 pandemic and its effects on the economy had a strong impact on confidence, plunging to its lowest level since February 2017, in the immediate aftermath of the liberalization of energy prices (see chart below). Taking a look at the breakdown, the most impacted component was the one that measures households' current conditions, falling to 34.1pts (-14.0pts relative to the previous month), followed closely by purchasing power at 14.5pts (-10.1pts). Moreover, household expectations stood at 44.1pts (-9.9pts). This is consistent with other figures such as [formal employment in April](#) which showed a high number of jobs lost along lower income due to the economic deceleration, impacting purchasing power.

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Consumer confidence
Indicator, nsa



Source: INEGI

Consumer confidence
Monthly difference, nsa

	Apr-20	Mar-20	Difference
Headline index	32.2	42.1	-9.9
Households'			
Current conditions	34.1	48.1	-14.0
Expectations	44.1	54.0	-9.9
National			
Current conditions	28.9	38.5	-9.6
Expectations	39.5	45.1	-5.6
Households' purchasing power	14.5	24.6	-10.1

Source: INEGI

On the other hand, current country conditions also fell significantly, reaching 28.9pts (-9.6pts). On the contrary, the component about country expectations was relatively more resilient, at 39.5pts (-5.6pts). We believe the latter could be explained by the particular nature of the shock, which although is having a strong impact on activity currently, the possibility of a rebound remains if the levels of contagion wane and/or an effective treatment is found.

Phone survey and methodological differences. In the press release, INEGI warned repeatedly that this indicator has important differences relative to the traditional consumer confidence survey. The most important and as mentioned previously, is that it was conducted by phone instead of face-to-face as a result of social distancing measures due to the pandemic. Moreover, the rate of non-response was higher than usual, and the sample was modified. Another limiting factor of these changes is that seasonally-adjusted figures are not available as this is, strictly speaking, a new series, so traditional econometric models can't be applied due to the lack of enough data. Therefore, and although today's figure is not directly comparable with the historical series, we congratulate INEGI for the effort made to continue publishing a survey that attempts to measure consumer sentiment, especially in the midst of a highly unusual development such as the COVID-19 pandemic. It should also be mentioned that the agency mentioned that they would conduct a survey with these limitations, although a specific release date was not established. Therefore, both the market and us could not make any forecast. In this respect, we should highlight that labor market figures (from the ENOE survey) will be conducted in a similar fashion, so we will be on watch for their release when the time is due.

We believe confidence will remain depressed in coming months. Although data for May will also be obtained through a phone survey, we expect confidence levels to stay very low in coming months, not ruling out an additional deterioration. The latter could happen despite of: (1) The recent announcement of the government's reopening plan (with additional details to be unveiled on Friday), which has already started in some municipalities and will reach its next stage nationwide on June 1st; and (2) some measures by the Federal Government and the central bank to boost the economy. In this context, we note that the number of new COVID-19 cases remains very high and available data show that economic weakness persists. In our view, the extension of social distancing measures will keep impacting households, both in terms of their current situation and expectations, which could more than compensate for the positive drivers mentioned above.

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