

## Consumer confidence – Keeps improving in September

- **Consumer confidence (September, sa): 35.9pts; Banorte: 35.3pts; previous: 34.8pts**
- **In the monthly dynamics, confidence advanced 1.1pts relative to the previous month, its second largest increase since the reopening started. Therefore, and despite the indicator remaining low, today's print is positive**
- **By sectors, the largest increase centered on future conditions, both for households (+2.2pts) and the country (+1.1pts). This could be related to some optimism surrounding the end of the pandemic towards the following year**
- **Meanwhile, the increase was more modest for the rest of the sectors, with the country's current conditions at +0.8pts and households at +0.5pts. Finally, the main laggard was the purchasing power component at +0.4pts, probably impacted by the additional increase in prices, as well as the accumulated deterioration in fundamentals**
- **We believe that going forward confidence will keep recovering, although probably at a relatively more modest pace, highly dependent on activity improving and its outlook**

**Consumer confidence keeps improving, although still with a long way to recover.** According to the report, confidence rose by 1.1pts relative to the previous month, reaching 35.9pts (sa). This came in above our forecast of a more moderate increase, to 35.3pts. We should mention this is the second largest increase since the reopening started, only behind the +2.1pts seen in July. In this sense, although confidence remains low relative to the pre-pandemic period, we consider the rebound is positive, reflecting little by little the greater economic reopening and the improvement, albeit slow, in consumer fundamentals.

**The five subcomponents advance.** Unlike the previous month, all five categories that make up confidence improved. Specifically, categories with a better performance were those related to future conditions, both for households (+2.2pts) and the country (+1.1pts). We believe this could be associated with higher optimism surrounding the end of the pandemic, remembering that the timeframe for these questions is about the following 12 months. In this sense, these two categories have been the ones that have gotten closest to the levels seen before the pandemic, although still remaining below them. Meanwhile, current conditions improved more moderately, with those of the country at +0.8pts and households at +0.5pts. Unlike with expectations, these categories seem to be reflecting more accurately challenging current economic conditions, with more limited improvements since the reopening began. Therefore, in absolute terms, these branches remain relatively low.

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Winners of the award for best economic forecasters for Mexico in 2019, granted by *Refinitiv*



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Specifically, regarding national conditions, we do not rule out some coincidence with the recent decrease in presidential approval, which according to the site *Oraculus* stands at lows since the administration took office. However, we think that the factor behind the decrease behind both is more related to the COVID-19 pandemic, making it more difficult to read the relationship between the dynamics of these two variables.

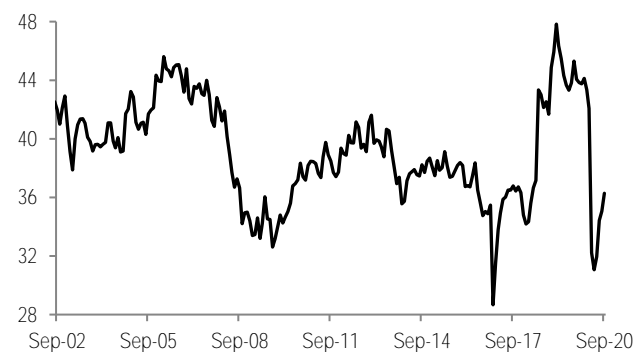
Finally, the category on the possibility of purchasing durable goods (related to purchasing power) increased only by 0.4pts. This is the most impacted component since the pandemic, which is consistent with recent shocks. The deterioration in consumer fundamentals, mainly employment, resulted in a first impact, probably exacerbated further by an increase in inflation, especially in sensible categories such as food items. Nevertheless, employment has been improving, albeit slowly, while prices seem to be giving some signs of lower pressures, although awaiting more information over the latter in the next few days.

Consumer confidence  
Sa

	Sep-20	Aug-20	Difference
Headline index	35.9	34.8	1.1
<b>Households'</b>			
Current conditions	38.3	37.9	0.5
Expectations	52.1	49.8	2.2
National			
Current conditions	28.7	27.9	0.8
Expectations	43.5	42.4	1.1
Purchasing power	16.2	15.8	0.4

Source: INEGI

Consumer confidence  
Indicator, sa



Source: INEGI

Consumer confidence  
Monthly change in pts, sa



Source: INEGI

**We still see confidence recovering in coming months, albeit likely at a more modest pace.** We believe today's figures confirm that the weakest point for confidence has already been left behind, both for employment conditions and economic activity. In this respect, it seems that the correlation with these drivers has been closer recently, with gains only until the reopening of the economy started, back in June. Considering this, we believe that confidence will continue moving higher in the short term, although still depending on the pace of reopening and of activity levels more broadly.

Nevertheless, uncertainty about the pandemic remains high, especially taking into account the upcoming fall and winter seasons –which could make it more difficult to keep improving in the epidemiological front–. Therefore, doubts are still lingering around about the pace of the economic recovery. In this backdrop, we also do not rule out retracements in some months, albeit likely modest. Moreover, the impact would be lower in case of a second wave of new cases, as authorities are very likely to have a more focalized approach in terms of lockdown measures at the local level. Regarding fundamentals, we believe these will continue playing a key role for the pace of recovery in terms of confidence, particularly those regarding employment and wage conditions.

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We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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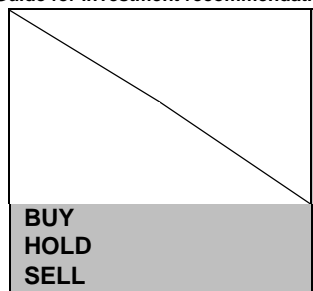
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