

Consumer confidence – Stalling as epidemiological conditions worsen

- Consumer confidence (November, sa): 36.7pts; Banorte: 39.5pts; consensus: 38.5pts; previous: 37.6pts
- Confidence decreased 1.0pt relative to October after five months to the upside. In our opinion, this may have been partly by the deterioration in epidemiological conditions, which have taken a turn for the worse since late October
- By sectors, the largest contractions centered on households' conditions, with both current and expectations down 1.5pts. Meanwhile, indicators for the country were also lower, with current conditions and expectations declining 0.3pts.
- The purchasing power component was the most resilient at -0.1pts, possibly benefited by better price dynamics in the period, including the discounts from *El Buen Fin*
- We expect confidence to resume its upward trend sometime in the short-to medium-term, albeit with uncertainty in upcoming months

Consumer confidence takes a step back in November. According to the report, confidence declined by 1.0pt relative to the previous month, standing at 36.7pts (sa). This came in below our forecast of another increase. Nevertheless, this result is somewhat consistent with what we have seen from other indicators for the month, exhibiting a slowdown or even some declines due to a couple of factors, including: (1) The deterioration of epidemiological conditions, both domestic and abroad; (2) the relative stagnation of mobility levels; and (3) more difficult base effects, considering the recovery in previous months. However, we expected confidence to be more resilient on the back of the discounts and deals from *El Buen Fin* (Mexico's Black Friday), optimism surrounding the vaccine, and the results from the US election.

Declines concentrated in households. All five categories were lower. Nevertheless, these contractions were concentrated in those regarding households. Both current conditions and expectations fell each 1.5pts. However, the latter remains as the highest indicator in absolute terms. This would be consistent with the imposition of stricter distancing measures to try to curb the virus once again, impacting businesses and therefore employment conditions. Regarding the country's conditions, the decline was more moderate, possibly reflecting more favorable news in both the geopolitical front –with Joe Biden's win in the US presidential election– and the outlook about a COVID-19 vaccine. In this context, both current conditions and expectations declined 0.3pts. On more local factors, the President's popularity regained some strength, which in our view could become relevant again as these had driven sentiment before the pandemic. On the contrary, railway blockades extended further in the month, being another factor that could have dampened dynamism.

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



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Lastly, the purchasing power component was the most resilient, declining only 0.1pts. We believe that the extension in discounts from *El Buen Fin*, on top of [favorable performance in prices](#), including those of fruits and gasoline may explain part of the strength. Nevertheless, in absolute terms it remains as the lowest component, in our opinion still reflecting the accumulated impact on jobs and wages. In addition, [consumer credit continues to trend down](#), also possibly impacting sentiment lower.

Consumer confidence
Sa

	Nov-20	Oct-20	Difference
Headline index	36.7	37.6	-1.0
Households'			
Current conditions	39.4	41.0	-1.5
Expectations	52.1	53.6	-1.5
National			
Current conditions	29.8	30.1	-0.3
Expectations	44.7	45.0	-0.3
Purchasing power	17.2	17.3	-0.1

Source: INEGI

Consumer confidence
Indicator, sa



Source: INEGI

Consumer confidence
Monthly change in pts, sa



Source: INEGI

We expect confidence to resume its upward trend sometime in the short- to medium-term, albeit with uncertainty in upcoming months. In our opinion, today's result provides further signals that activity in November in the best of cases will decelerate, if not possibly contracting in sequential terms. This could come even despite favorable signals from sales from *El Buen Fin*. In this sense, IMEF's PMI indicators [posted a mixed performance](#), while figures from the auto sector, both from production and sales were lower than in October. As stated previously, we believe that this comes as a result of worsening epidemiological conditions, with the impact being twofold, considering the shock from abroad – reducing overall demand–, and domestically, with activity declining as more precautions over the virus are being taken. Specifically, signals from the US seem to be showing a deceleration, with both ISM indices declining sequentially. We believe this is explained both by the pandemic but also the lack of additional fiscal stimulus. Locally, the announcement of the withdrawal of the railway blockades should boost activity marginally, but likely remaining limited due to enhanced restrictions. Moreover, fatigue which had seemed to increase in the last few months might dissipate given increased concerns, thus further reducing dynamism.

In the very short-term, and considering the rising trend in cases, we believe that distancing measures will have to be stricter. In this sense, President López-Obrador called on this morning for the adoption of more measures, albeit adding that there will not be another round of lockdowns or curfews enforced by the government. While the latter would still impact activity, it would probably not reach levels seen during April and May. On the contrary, and more in the medium-term, once vaccines begin to be distributed, we expect confidence and activity to regain momentum. It should be noted that Foreign Minister, Marcelo Ebrard, mentioned that the roll-out might begin as soon as this month. In addition, given that vaccines will also begin distribution in the US relatively soon, we could also see a more forceful rebound in external demand.

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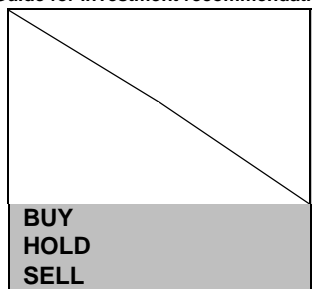
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