

Consumer confidence – Unchanged in February on a mixed set of factors

- **Consumer confidence (February, sa): 38.4pts; Banorte: 38.9pts; previous: 38.4pts**
- **Confidence was unchanged relative to the previous month, in our view with contrasting effects from an initial worsening in epidemiological conditions, albeit improving by the middle of the month. In addition, we do not rule out an additional effect from blackouts in northern states**
- **By sectors, only two managed to post an improvement, being household expectations and the purchasing power component, in our view with the former possibly aided by the start of the vaccination campaign for the elderly**
- **In contrast, household's current situation was hit the strongest, followed by both country components, probably dragged by COVID-19 dynamics at the start of the month, among other negative news**
- **We expect confidence to extend its upward trend in coming months, albeit still at a very gradual pace, possibly gathering steam once the economic recovery and vaccination efforts accelerate**

Consumer confidence unchanged in February. According to the report, confidence remained at 38.4pts (sa). While this was below our forecast, it is not entirely surprising as several factors were at play during the month. In the epidemiological front, conditions initially took a turn for the worse relative to January, with three more states in 'red', taking the total to 13. However, for the second fortnight it was announced that these would fall to only two, with most of them transitioning to 'orange', while those in the latter level improved to 'yellow'. As the survey is carried out in a continuous manner in the first 20 days of the month, we believe there might have been some offsetting effects from this factor.

Strength in household expectations and purchasing power... Only two out of the five components were higher in the month, being household expectations and purchasing power, both at +0.1pts. On the former, the main driver may have been additional progress in the vaccination front, with relevant announcements early in the month and the start of inoculations on February 15th. On the latter, we identify two main factors to the upside: (1) Lingering effects from the minimum wage increase; and (2) the announcement that direct transfers from social programs of the administration will be front-loaded to avoid interfering with the electoral calendar. Specifically, the main development agency will make pension and scholarship payments in March for the periods March-April and May-June. In our view, this announcement was enough to boost sentiment. On the contrary, [inflation has picked-up recently](#), with most pressures coming from energy prices given a sharp increase in reference prices coupled with a slight depreciation in the Mexican peso.

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...although with weakness in current conditions for households and a broad impact in country components. The main hit was in the former, down 1.2pts. This category might have been dragged by worsening epidemiological indicators among other negative factors such as a weak start for economic activity. Meanwhile, both components for the country declined, with expectations at -0.4pts and current conditions at -0.3pts. A relevant factor might have been the blackouts in northern states along an undersupply of natural gas in the middle of the month. However, and possibly limiting its impact, net presidential approval remained, steady at +33pp according to the site *Oraculus*, with upward revisions to the performance in previous months. We think this indicator remains relevant given that it is linked closely with perceptions about government performance, especially with the upcoming mid-term elections.

Consumer confidence
Index, seasonally adjusted

| | Feb-21 | Jan-21 | Difference |
|--------------------|--------|--------|------------|
| Headline index | 38.4 | 38.4 | 0.0 |
| Households' | | | |
| Current conditions | 41.2 | 42.4 | -1.2 |
| Expectations | 53.4 | 53.3 | 0.1 |
| National | | | |
| Current conditions | 31.2 | 31.6 | -0.3 |
| Expectations | 45.2 | 45.6 | -0.4 |
| Purchasing power | 19.6 | 19.5 | 0.1 |

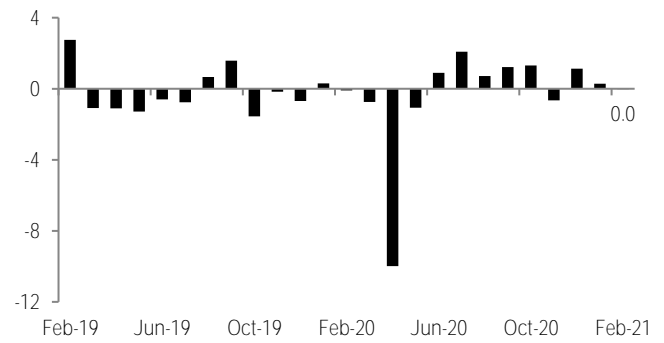
Note: Differences might not coincide due to the number of decimals allowed in the table
Source: INEGI

Consumer confidence
Indicator, sa



Source: INEGI

Consumer confidence
Monthly change in pts, sa



Source: INEGI

We expect confidence to extend its upward trend in coming months, albeit still at a very gradual pace. While we expected a marginal increase, we still consider today's result to be relatively positive, considering mixed signals throughout the period. Going forward, signs for March seem to be more favorable, with additional improvements in the epidemiological front. Specifically, at the beginning of the month (first two weeks) no states remained in 'red', with 10 in 'orange' and 20 in 'yellow'. In addition, vaccination efforts continued, with Mexico City starting its third phase for the elderly today, expanding vaccination centers to two additional counties. Mobility levels have improved further, consistent with better indicators in this front. Moreover, the impact from blackouts and the lack of natural gas should fade as normal operating conditions are restored.

In addition, the actual payments from the social programs should start to get disbursed, possibly boosting confidence, especially for people not aware yet that these will be brought forward. Nevertheless, there are other factors to the downside, mainly associated to prices. Gasoline references have extended their upward trend, which coupled with weakness in the MXN, could result in an additional impact. Moreover, seasonal declines in agricultural goods start to lose steam, not offsetting for those pushed higher.

In the external front, conditions continue to be positive, with the US Senate approving a US\$1.9 trillion stimulus package this weekend, albeit it was returned to the House of Representatives as it was voted with modifications. The proposal contains important direct payments to individuals as well as an extension of expanded unemployment benefits. In turn, this could strengthen remittances, as when the first programs were implemented last year. In addition, this should also result in higher dynamism for the US economy, with a positive spillover effect on Mexico.

All in all, we expect confidence to continue its upward trend in coming months, albeit still at a gradual pace. It is our take that as activity gains further momentum and the vaccination process moves along, we could see more tangible improvements. Finally, we do not rule out that upcoming prints may show some slight distortions ahead of the June 6th mid-term elections in our country.

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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, 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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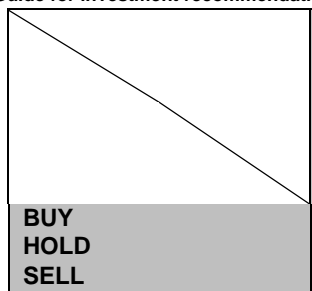
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| | |
|---|--|
|  | Reference |
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