

Consumer confidence – Very close to pre-pandemic levels in April

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- **Consumer confidence (April, sa): 42.4pts; Banorte: 40.9pts; previous: 40.8pts**
- **Confidence picked up for a fifth consecutive month, reaching a new high in one year and equal to March 2020's print, when the pandemic hit. In our view, the local and global backdrop improved further, driven by: (1) COVID-19 dynamics and the acceleration of the vaccination program; (2) a likely improvement of the economy recently; and (3) indications of a boost from US fiscal stimulus**
- **By components, all 5 were stronger, highlighting the 2.5pts gain in purchasing power. In addition, current conditions were better, especially in households. Meanwhile, expectations for the latter lagged**
- **We believe confidence levels will keep rising, underpinned by better economic and employment dynamics. Nevertheless, some lingering risks remain, including a possible new increase in COVID-19 cases and uncertainty around the electoral season, among the most relevant**

Consumer confidence keeps trending higher in April. Confidence stood at 42.4pts (sa), above our 40.9pts estimate. This was 1.6pts higher than revised figures for March (adjusted by +0.5pts), adding five consecutive months to the upside. Moreover, it equaled the print from March 2020, which had already started to show the effects from the pandemic. In our view, the local and global backdrop have been improving in the last few months after a difficult start of the year, supporting the recovery. Among the possible reasons behind this, we identify: (1) COVID-19 dynamics and the acceleration of the vaccination program; (2) a likely acceleration of the economy recently; and (3) indications of a boost from US fiscal stimulus, [particularly in remittances' flows](#).

Gains led by the purchasing power component. Specifically, it increased by 2.5pts. In our view, this was surprising as we thought that upward inflation surprises would have a relatively sizable negative impact. Apart from energy prices, [pressures have built up recently in important food items](#), such as corn tortillas and fresh fruits and vegetables. In this sense, several factors could be helping, such as strong remittances growth and the policy of increasing the minimum wage. Nevertheless, it remains as the weakest component in absolute terms at 24.1pts. It is our take that this may be related to the long way to go that still has to be completed for a full recovery of employment. Moreover, part-time workers remain elevated relative to historical averages, likely affecting income in absolute terms –particularly those that had a full-time job before the pandemic.

Current conditions lead the move higher. The four remaining subcomponents were also stronger. We highlight that the highest uptick was in current conditions, especially for households (+2.3pts). In our view, this is likely closely related to the first factor mentioned above. Gains in the overall country position in the 'traffic light' indicator was seen since the middle of February and extended throughout March and April, despite a modest reversal at the end of the period.

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Nevertheless, it reached its best levels since first implemented. Moreover, the vaccination process gathered steam, with the 7-day moving average reaching a high of 430.8 thousand daily doses on April 18th, moderating slightly afterwards but close to 300 thousand per day (against 127k in March). Also, we do not rule out that the Easter holiday benefited sentiment, with reports of increased activity in tourism and entertainment and particularly given accumulated pandemic fatigue. Along with this, important gains were also observed in country expectations (+1.6pts). In our view, this may be related to some signs of stronger services. Among them, [the non-manufacturing PMI \(IMEF\) reached a new high since mid-2017](#), with ‘production’ leading. Lastly, the increase in households’ expectations was the lowest (0.6pts).

Consumer confidence
Index, seasonally adjusted

	Apr-21	Mar-21	Difference
Headline index	42.4	40.8	1.6
Households'			
Current conditions	45.6	43.3	2.3
Expectations	56.2	55.5	0.6
National			
Current conditions	35.3	33.7	1.6
Expectations	50.5	48.9	1.6
Purchasing power	24.1	21.6	2.5

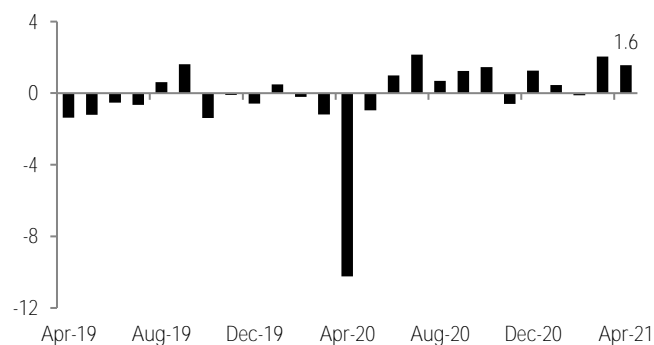
Note: Differences might not coincide due to the number of decimals allowed in the table
Source: INEGI

Consumer confidence
Indicator, sa



Source: INEGI

Consumer confidence
Monthly change in pts, sa



Source: INEGI

We expect confidence to keep climbing in coming months. We believe the indicator will keep trending upwards gradually despite maintaining a good trend since June last year, when the reopening of the economy began. Although we cannot rule out some volatility, we think that a better domestic backdrop will support the recovery. Moreover, the absolute level is still below the 43.6pts seen in February last year, just before the start of the pandemic. As we have already mentioned, the main drivers would include: (1) Better COVID-19 dynamics, without seeing so far a strong rebound in cases despite more social contact during the Holy Week holiday; (2) a faster vaccination pace in the last week, which is likely to at least remain that way given a higher availability of vaccines; (3) signals of a better performance of domestic demand, as suggested by IMEF indicators published earlier this week; (4) the potential boost from increased spending on electoral campaigns; and (5) higher growth expectations for this year and less exchange rate pressures lately.

On the contrary, among the main risks we highlight greater post-election uncertainty, not only due to the results and possible judicial challenges, but also after comments from MoF representatives stating that they will be aiming for a fiscal reform after this event. In second place, high inflation –including pressures in very important categories within the essential basket, such as tortillas–, could also dampen the recovery given their effect on real income. Moreover, we cannot rule out new difficulties given virus mutations, of which some of them are more contagious. Lastly, persistent topics of concern among the population, such as security conditions, could limit more substantial gains after pre-pandemic levels are achieved.

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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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