February 9, 2021

Latam Daily: Colombia Confidence Down; Mexico Investment & Consumption Gains

- **Colombia: January's consumer confidence eroded as regional leaders imposed new restrictions**
- **Mexico: gains in November investment and consumption data; consumer confidence still below pre-pandemic levels**

COLOMBIA: JANUARY'S CONSUMER CONFIDENCE ERODED AS REGIONAL LEADERS IMPOSED NEW RESTRICTIONS

January's Consumer Confidence Index (CCI), in a release on Monday, February 8, stood at -20.9 ppts, a deterioration of -10.4 ppts from December's level (which coincidentally was -10.4 ppts) and the weakest print since September 2020. This took the CCI well below its January 2020 reading of -1.2 ppts. January's set back in sentiment came amid new restrictions implemented by regional leaders to reduce COVID-19 contagion. In the January data, both the assessment of current conditions and the index of expectations about the future deteriorated (chart 1). Ebbs and flows in pandemic-related restrictions are obviously the key drivers of consumer confidence these days, and we expect to see a lift in households' mood as a new re-opening phase begins in February.

Looking at January's details:

- **The Current Conditions Index fell to -52.5 ppts versus December's -42.6 ppts.** This was led by a deterioration in consumers' willingness to buy durable goods; and
- **The Expectations Index fell to an almost flat figure of 0.3 ppts, a drop of -10.7 ppts from December.** This was led by a huge deterioration in the assessment of the country's future economic situation from -19.7 ppts in December to -34.8 ppts in January.

Although a roll-back of some public-health measures in February should undo some of these hits to consumer confidence, the rebound may be tentative since the recent restrictions have reminded Colombians that lockdowns are still the main tool that governments have to stem outbreaks of COVID-19.

At the regional level, consumer confidence numbers also worsened in the five cities surveyed, with Cali and Medellin leading deterioration, while Bogota and Bucaramanga saw the smallest declines. Consumers' willingness to buy houses fell by -7.9 ppts on sentiment deterioration across the five cities and all socio-economic levels. By socio-economic levels, January's indices painted a generally negative picture: low-income earners' confidence worsened by -12.4 ppts, while the indices for high-income and middle-income populations fell by -11.9 ppts and -8.2 ppts.

The index of consumers' inclination to buy vehicles and durable goods—such as furniture and home appliances—also remained at deeply negative levels following a decrease by -11.3 ppts to -59.4 ppts in January (chart 2). Households' wariness of commitments to buy durable goods is one of the

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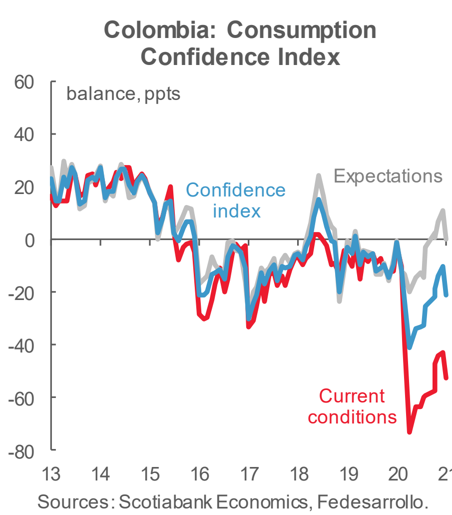
Chart 1



significant challenges for economic recovery: uncertainty and unemployment are keeping consumers away from big-ticket purchases.

Following January's downturn in consumer sentiment, we expect confidence to improve with February's re-opening, although at a slow pace in line with labour-market dynamics.

—Sergio Olarte & Jackeline Pirajan

MEXICO: GAINS IN NOVEMBER INVESTMENT AND CONSUMPTION DATA; CONSUMER CONFIDENCE STILL BELOW PRE-PANDEMIC LEVELS

I. Investment growth slowed its monthly advance

November gross fixed investment (GFI) data, released on Friday, February 5 by INEGI, showed that Mexico's recovery in capital spending gradually continued in late-2020, but it slowed to a less vigorous pace. Growth in GFI slowed from 3.0% m/m in October to 2.3% m/m in November, softened by weak investor confidence and persistent uncertainty connected to the COVID-19 resurgence in the country and around the world. Looking back over the second half of 2020, monthly gains were considerable during June–August, slowed in September, and resumed a moderate pace of recovery through October and November.

On an annual basis, November marked a sixth consecutive month in which the gap in GFI compared with a year ago narrowed, in line with the gradual normalization of economic activity. From October's -14.6% y/y, GFI's annual contraction narrowed to -12.1% y/y in November (chart 3), a little better than the consensus expectation of -12.4% y/y consensus. Still, this marked 22 consecutive months of year-on-year contractions, and the average decline of -18.8% y/y during January–November 2020 was the deepest accumulated decrease for this 11-month span in 25 years. By components, investment in machinery and equipment softened its decline in November from -16.9% y/y in October to -14.8% y/y in November while construction spending also attenuated its contraction, from -12.6% y/y to -9.9% y/y (chart 3, again).

II. Consumption improved in November

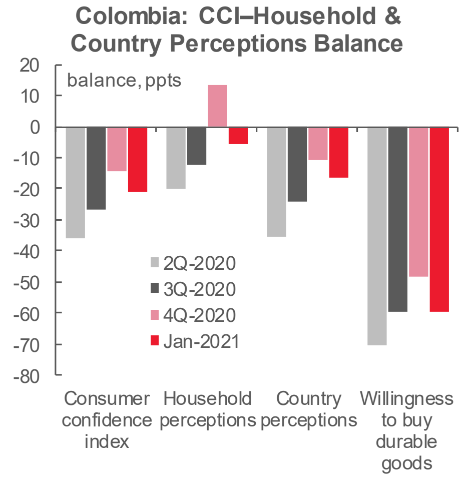
The November Private consumption numbers, published on Friday, February 5 by INEGI, recorded a 2.95% m/m increase in November, possibly benefiting from a longer promotional sales period during the "Buen Fin" event than in previous years. This represented the sixth consecutive month of sequential gains. Still, some caution is in order as advance department-store sales data imply that we could see poor results in December.

On an annual basis, private consumption pared its contraction in November, from -10.3% y/y to -7.1% y/y (chart 4). Thus, over January–November 2020, consumption averaged a drop of -11.5% y/y (versus a gain of 1.0% y/y during the same period of 2019), the largest annual decline on record for the first 11 months of the year. By components, consumption of domestic services narrowed its gap from a year ago from -14.5% y/y in October to -13.6% y/y in November, while the annual shortfall in the consumption of domestic goods widened from -1.7% y/y to -2.0% y/y (chart 4, again).

III. Consumer confidence still below pre-pandemic levels

On February 6, INEGI released the January results of the National Consumer Confidence Survey which showed a small gain in the general sentiment index

Chart 2

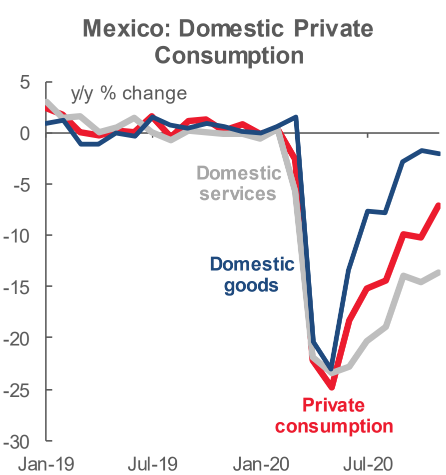


Sources: Scotiabank Economics, Fedesarrollo.

Chart 3

Sources: Scotiabank Economics, INEGI.

Chart 4



Sources: Scotiabank Economics, INEGI.

from December's 38.1 to 38.4 to start the year—still well below its pre-pandemic levels. The small monthly gain probably came from the increase in the minimum wage and optimism about the start of vaccinations, while the worsening in the COVID-19 pandemic at home and abroad likely curbed some gains in sentiment.

On an annual basis, the consumer confidence indicator was still down -4.9 ppts from a year earlier, which makes January the 14th consecutive month in which the index has been lower than in the same month a year before. The five components of the indicator were all down in year-on-year terms: the two series that evaluate households' situations, current and expected; the two that evaluate the country's condition, current and expected; and the one that evaluates households' inclination toward acquiring consumer durables.

—Paulina Villanueva