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# Latam Daily: Colombian Consumers Lose Confidence

- **Colombia: Consumer confidence fell in February, reflecting negative household sentiment**

## COLOMBIA: CONSUMER CONFIDENCE FELL IN FEBRUARY, REFLECTING NEGATIVE HOUSEHOLD SENTIMENT

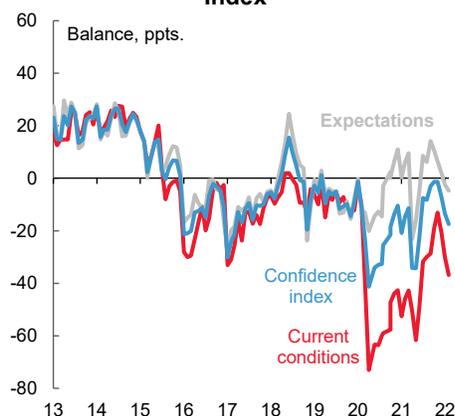
Data released on Tuesday, March 8 show the Consumer Confidence Index (CCI) at a balance of -17.5 ppts in February, below January's level of -13.5 ppts, with both the current conditions and expectations components of the index deteriorating (chart 1). The current conditions index fell sharply, revealing that households are feeling worse about economic conditions. The willingness to buy houses and vehicles fell, while the willingness to buy durable goods remained weak. The expectations component also deteriorated, as households' perception of future conditions worsened, probably owing to uncertainty regarding elections but also the expectation of higher inflation.

### Looking at February's details:

- The Current Conditions Index fell to -36.8 ppts down from January's -30 ppts, its weakest level since June 2021. Households perceive that their economic situation is worsening due, in our opinion, to higher inflation and the sluggish pace of the employment recovery. In the same vein, willingness to buy durable goods is the worst since mid-2021 (chart 2).
- The Expectations Index fell for the fourth month in a row in February, down 2.3 ppts from January's -2.4 ppts level. Expectations of future conditions worsened the most (-5.8 ppts to -24.3 ppts), while the assessment about the economy of the country weakened by 4.4 ppts. It will be relevant to monitor consumption dynamics in the forthcoming months since inflation and uncertainty regarding elections would slow down the recovery in 2022.
- Consumer confidence numbers weakened in three out of five major cities surveyed at the regional level. Medellin and Barranquilla suffered the largest contractions, -6.8 ppts, and -10.2 ppts, respectively. In the case of Barranquilla, weaker sentiment to purchase homes drove the indicator down.

Chart 1

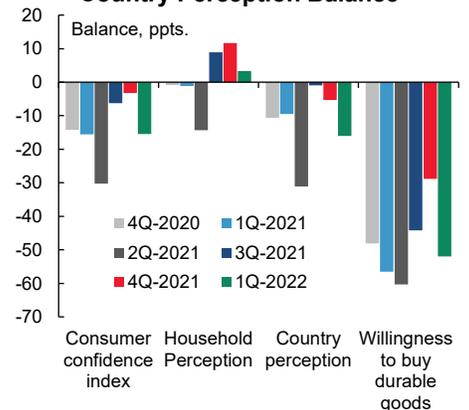
**Colombia: Consumption Confidence Index**



Sources: Scotiabank Economics, Fedesarrollo.

Chart 2

**Colombia: CCI—Household and Country Perception Balance**



Sources: Scotiabank Economics, Fedesarrollo.

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March 9, 2022

- Confidence worsened across all economic groups: Confidence fell in the high-income population by 7.6 ppts, while for middle-income and low-income households the reduction was of -2.2 ppts and -5.8 ppts respectively. In absolute terms, the low-income population had the lowest reading (-22.5 ppts), since extremely high food inflation has a higher impact on these households.

**February's consumer confidence readings paint a concerning picture.** Inflation is negatively affecting households' confidence, translating into weaker private consumption. In this regard, data from the March 11 VAT holiday will be relevant to assessing the weakness of consumption. Regardless, we expect the central bank to overweigh inflation pressures, such that the hiking cycle will continue at a pace of at least 125 bps hike in the March 31 meeting.

—Sergio Olate & Jackeline Piraján

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