



Consumer dynamism: A driver for economic growth in Central America

Consumption Index BAC
IC-BAC



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IC-BAC

Leveraging the power of the BAC network, we generate the BAC Consumption Index (IC-BAC), an indicator that monitors consumption in the region based on real-time, anonymized transaction data from credit card purchases.

Aimed at companies, executives, and managers, it seeks to fill an important gap in the timely monitoring and tracking of economic activity. Unlike public national accounts data, this indicator is published 15 days after the end of each month. It will allow companies to improve their strategy, optimizing planning and decision-making with relevant and up-to-date information.

The indicator is produced monthly, comparing the number of individuals consuming in the current month versus the same month of the previous year. It is also segmented by type of consumption: Consumer Staples and Discretionary, and by the following activities: Food, Retail, Health, Services, Transport, and Tourism & Leisure.

The index is centered at 100, so a level above 100 shows accelerating consumption, while a level below 100 results in a deceleration in consumption compared to 12 months ago.

When interpreting the IC-BAC, two concepts are established: monthly variation and year-on-year variation. The former corresponds to the most immediate trend evolution of the indicator compared to the previous month under study and allows for a short-term view of how consumption has evolved.

The year-on-year variation aims to study the medium-term trend evolution of the indicator, to monitor whether changes are lasting over time and not influenced by seasonal behaviors typical of each month.

Categories

Consumer Discretionary: restaurants, fast food, electronics, jewelry, office supplies, wholesale, hardware stores, home goods, clothing and footwear, department stores, nurseries, cinemas and entertainment, club memberships, insurance, professional services, airlines, travel agencies, hotels, and car rentals.

Consumer Staples: purchases at retail stores, pharmacies, education, public services, supermarkets, gas stations, and public transportation.

Activities: Food, Retail, Health, Services, Transport, and Tourism & Leisure.

Disclaimer

The information used for the IC-BAC corresponds to a sample of BAC's proprietary data on consumption in each country of the region. This data is anonymized and aggregated.

While this tool provides a means to track economic behavior, this document does not reflect BAC's economic outlook on the various countries, and therefore, should not be considered as a projection.

BAC is not responsible for the use of the information contained in this report, nor for any business or investment decisions made based on it. This document does not constitute any form of advice.

Furthermore, BAC reserves the right to discontinue the publication at its discretion.

Methodology

The BAC Consumption Index (IC-BAC) measures the year-on-year consumption behavior in the countries where the Bank operates. Its goal is to serve as a pulse to monitor where households are consuming more and where they are consuming less compared to the same period twelve months ago.

It allows for analyzing where consumption remains stable, is trending upwards, or downwards, using techniques that extract information about the direction of consumption for each country in the region.

The IC-BAC is a diffusion index with values assigned from 0 to 200, where values above 100 indicate that more consumers are spending more compared to the same month of the previous year. Values below 100 represent a year-on-year contraction in consumption, and values centered at 100 indicate stability in consumption behavior.

Executive Summary

In July 2024, the consumption outlook in Central America continues to grow and even shows significant acceleration in the southern bloc.

Guatemala and Honduras are characterized by stable consumption growth. Guatemala, with an IC-BAC of 102.29, and Honduras, with 103.62, show positive behavior, although with slight internal adjustments. In both, Discretionary goods such as tourism and leisure perform well. However, Honduras shows a slight acceleration in the monthly index that is not seen in Guatemala.

El Salvador and Nicaragua show more moderate performance. El Salvador, with an IC-BAC of 103.76, has seen an increase in consumption, which is moderated by food inflation and a slowdown in the trade sector. Nicaragua, with an IC-BAC of 103.63, shows a decrease compared to the previous month. In general, good performance in health and retail continues to stand out, while tourism moderates.

Costa Rica stands out with the highest IC-BAC in the region, 104.03, showing a notable increase in Consumer Staples consumption. Exchange rate appreciation and low inflation have boosted overall consumption, unlike other countries facing inflationary processes. **Panama**, with an IC-BAC of 100.73, manages to enter expansion territory after a transitional impasse due to the government change and other situations experienced in the second half of 2023. Unlike Costa Rica, Panama faces a declining Consumer Staples index.

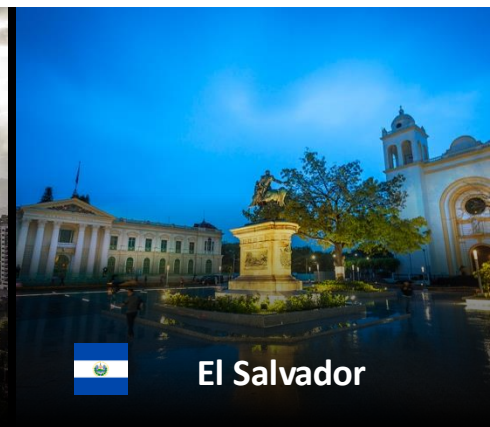
In summary, July 2024 reveals an economic consolidation that progresses at different speeds in Central America. While Costa Rica leads with a strong increase in Consumer Staples consumption, Guatemala and Honduras maintain general stability, and El Salvador and Nicaragua show moderation in specific sectors. Panama shows signs of normalization, with a focus on Discretionary goods.



Guatemala



Honduras



El Salvador



Nicaragua



Costa Rica



Panama



Panama

Economic recovery in Panama: signs of consumption normalization

Following the socio-political conflicts related to the mining situation, Panama is returning to a path of economic normalization. The indicator shows a value of 100.73, suggesting that household and individual consumption has remained at similar levels over the past 12 months.

This behavior has been mainly driven by the consumption of Consumer Discretionary goods, particularly among the middle-income population, who have experienced an average increase of 5% in the Consumption Index (IC-BAC). Contrasting an improvement in consumer confidence conditions, they allocate a higher proportion of their income to activities related to Consumer Discretionary goods and services.

This increase is reinforced by lower inflation levels, particularly in the transportation and energy sectors, which has allowed families greater disposable income. Additionally, the Consumer Staples Index continued its downward trend during July, which also contrasts the hypothesis of higher Consumer Discretionary goods consumption stimulating consumption.

Household spending is a key component of GDP, representing an average of 43.4% of the country's domestic demand. When trade and professional services activities are considered, this percentage rises to 40.5% of GDP.


97,40

General
Level

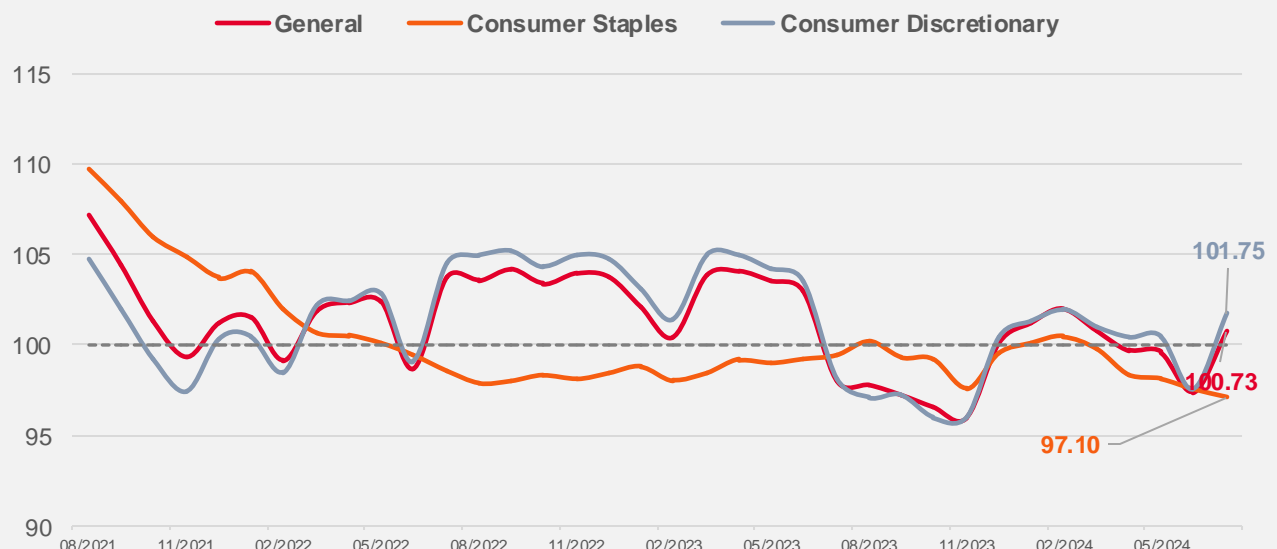
-2,20

Monthly
evolution

-0,58

Consumer
Staples

-2,91

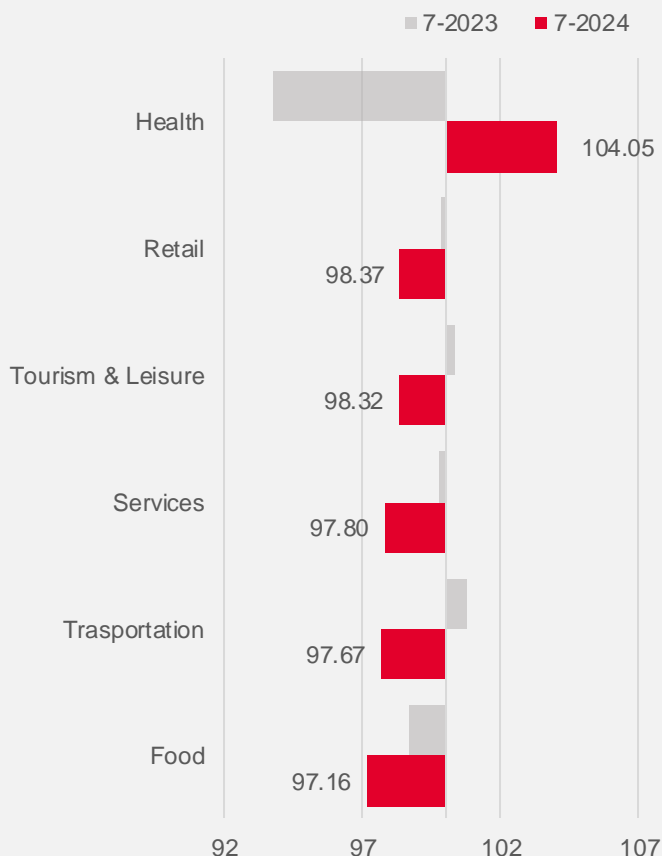
Consumer
Discretionary




Panama

Household spending is a key component of GDP, representing on average 43.4% of the country's domestic demand. When considering retail and professional services activities, this percentage rises to 40.5% of GDP.

In June 2024, there was notable growth in the health sector, with an increase of 10.29 points compared to the previous year. In contrast, sectors such as trade, tourism, and services have shown lower consumption compared to last year, although they have registered improvements in recent months. If this trend continues, a positive impact on GDP results is expected by the end of the year.



IC-BAC		Index in Data		
Date	Total	Δ Monthly	Consumer Staples	Consumer Discretionary
Feb 2024	101,99	0,76	100,45	101,98
Mar 2024	100,73	-1,26	99,81	101,04
Apr 2024	99,69	-1,05	98,36	100,43
May 2024	99,60	-0,09	98,13	100,48
Jun 2024	97,40	-2,20	97,55	97,57
Jul 2024	100,73	3,33	97,10	101,75



Panama

The country's tourism situation shows a medium-term outlook with encouraging numbers. The travel and tourism industry can be the driving force of the economies of many Latin American and Caribbean countries, although this year they will register lower growth compared to other years. In the case of Panama, which grew by 7.3% in 2023, but this year it is estimated that it will grow only between 2.4% and 2.5%.

This behavior is expected to change direction due to the perspectives of North American citizens, who during the Tech Hub Media Tour meeting held in New York, indicated that there is a great tendency to spend more on entertainment, travel and leisure, increasing during this year to levels close to 20%, which is perceived as encouraging news for the sector. The Panama Tourism Authority estimates that, on average during the year 2024, tourists have extended their days of visit to the Panamanian isthmus, from 6 to 8 and 9 days.





Costa Rica

Increase in Consumer Staples goods consumption: stable outlook

In July 2024, the IC-BAC reached 104.03, marking an increase in consumption momentum compared to the previous year. The month-on-month change of the general index was +2.9. The index of Consumer Staples goods exceeded the 100 level, reaching 104.34, marking a significant increase.

This rise is due to factors such as exchange rate appreciation, making foreign products more accessible, and low inflation with moderate expectations (2.9%) for the coming year. These elements encourage households to consume without postponing their purchasing decisions.

Contrasting the indicator with the May 2024 Consumer Confidence Index (ICC) from the University of Costa Rica shows that perceptions of buying durable goods like homes and vehicles are high. Most consumers anticipate an increase in the dollar price (73%) and fuel (50%), reinforcing the idea that they are not delaying their consumption, contributing to the strength of consumption as reflected in the IC-BAC.



101,12

General
Level



+1,12

Monthly
evolution



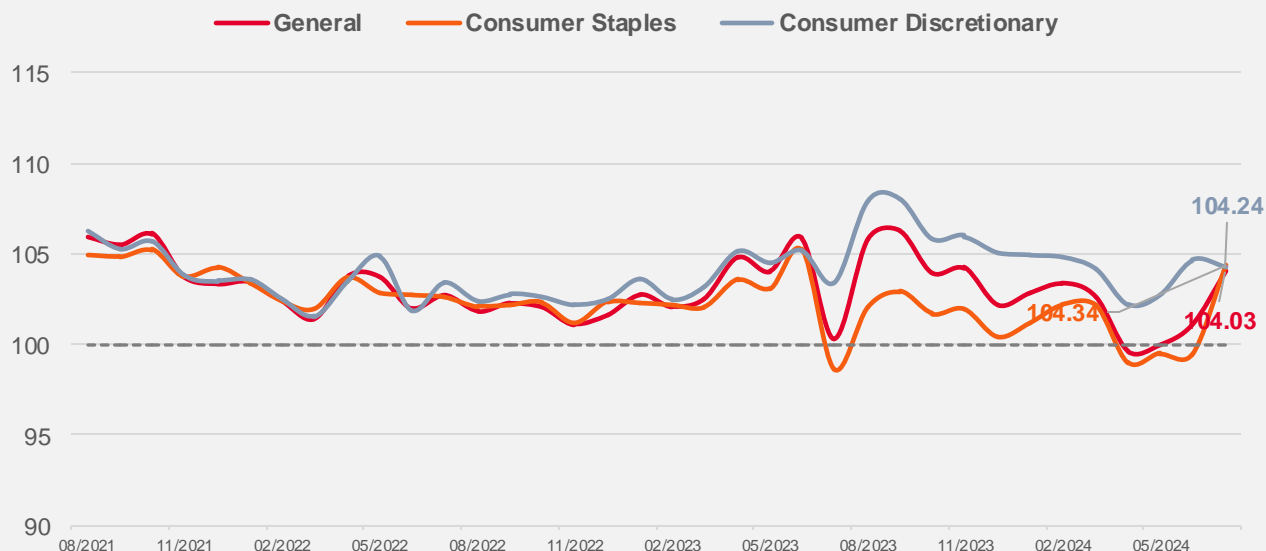
-0,02

Consumer
Staples



+1,96

Consumer
Discretionary

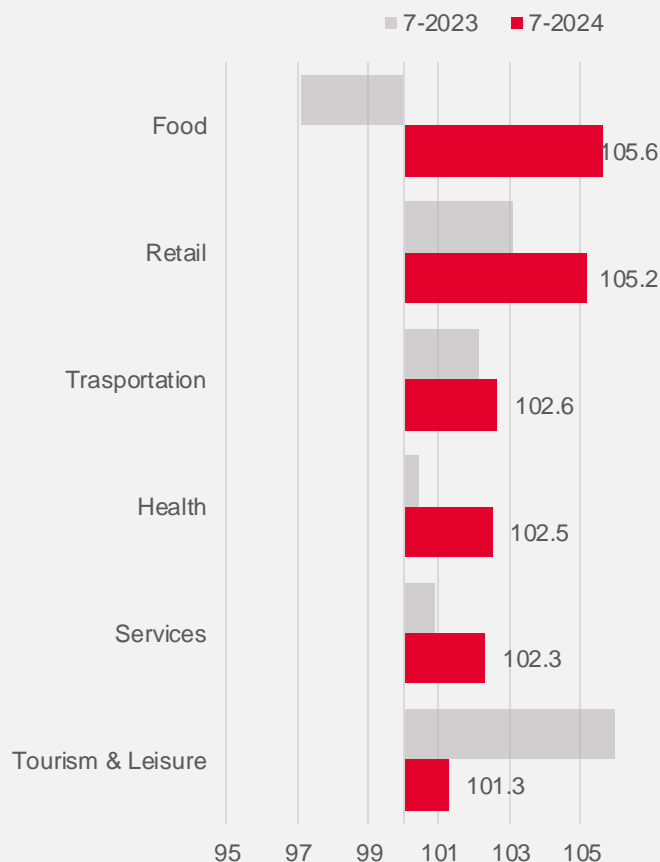




Costa Rica

Most of the country's domestic demand has been sustained by consumption, according to official BCCR figures, mainly explained by spending on services and non-durable goods, as also shown by the IC-BAC in the food (105.9) and retail (105.17) sectors, with a moderation in Tourism & Leisure (-4.7 compared to the previous year).

Overall, the IC-BAC shows an improvement compared to the previous month, which is positive for the economy. Consumption continues to be a key driver for economic growth, and the data for July suggests an upward trend that should be reflected in the GDP.



IC-BAC		Index in Data		
Date	Total	Δ Monthly	Consumer Staples	Consumer Discretionary
Feb 2024	103,38	0,51	102,17	104,80
Mar 2024	102,67	-0,71	102,13	104,17
Apr 2024	99,61	-3,06	99,02	102,21
May 2024	100,00	0,39	99,49	102,68
Jun 2024	101,12	1,12	99,46	104,64
Jul 2024	104,03	2,91	104,34	104,24



Nicaragua

Accelerating consumption driven by Health and Commerce

The IC-BAC for July was 103.63, showing a very slight decrease from the previous month. However, it remains in the acceleration zone.

Similarly, when the indicator is broken down by type of consumption, the pattern is quite similar, with a sharper contraction in the Consumer Staples sector.

Year-on-year, the indicator has dropped about 1.5 points, both overall and at the Consumer Discretionary level.

A steady but more moderate economic growth has created this situation, where it remains in expansion territory, but at a more conservative pace.

Moreover, income groups associated with the third and fourth quintiles have moderated their consumption the most in the last semester, while the first and fifth quintiles have maintained a consumption trend similar to what was shown throughout 2024, respectively.



103,69

General
Level



+0,47

Monthly
evolution



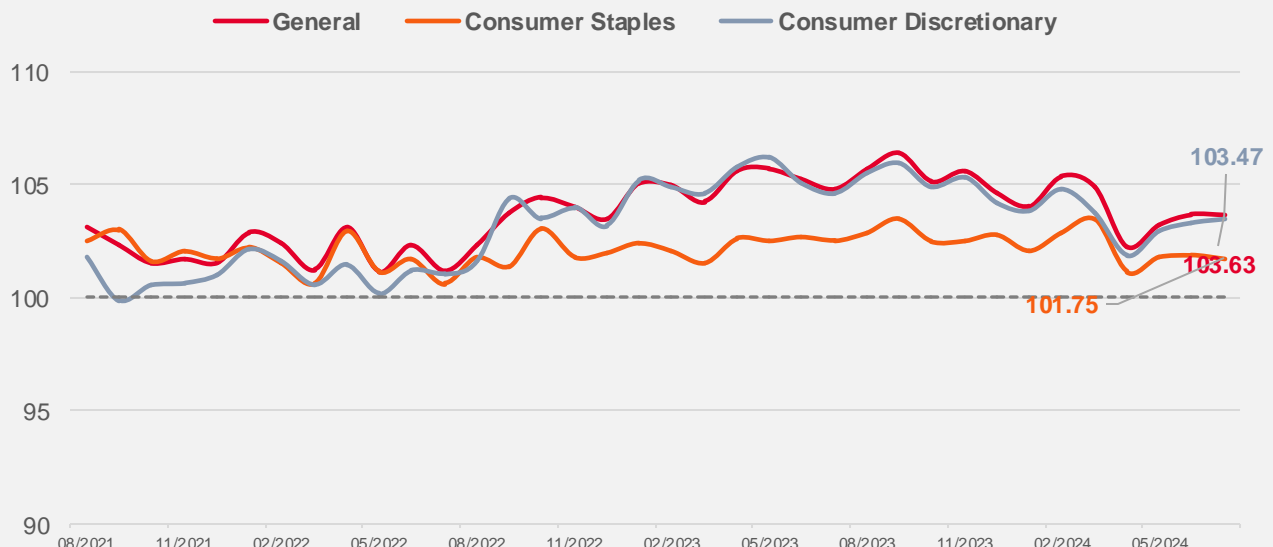
+0,10

Consumer
Staples



+0,39

Consumer
Discretionary





Nicaragua

On the other hand, the sectors that have shown better performance are Health, Retail, and Tourism & Leisure.

All sectors show lower levels compared to July 2023, making the slowdown in the dynamism of some of them more evident.

It is important to highlight how consumption dedicated to Tourism & Leisure has been one of the main drivers throughout 2024.

Moreover, activities like Services and Food have lagged in the last quarter.



IC-BAC		Index in Data		
Date	Total	Δ Monthly	Consumer Staples	Consumer Discretionary
Feb 2024	105,34	1,31	102,87	104,82
Mar 2024	104,86	-0,48	103,48	103,77
Apr 2024	102,26	-2,60	101,15	101,87
May 2024	103,22	0,96	101,79	102,92
Jun 2024	103,69	0,47	101,89	103,31
Jul 2024	103,63	-0,06	101,75	103,47



El Salvador

Moderate increase in consumption. Inflation remains low observation

In July 2024, the BAC Consumption Index stood at 103.76, showing a slight increase in consumption momentum compared to the previous year. The month-on-month change of the general index was -0.06, with the Consumer Staples goods index rising by +0.4, while the Consumer Discretionary goods index decreased by 0.06, with the changes compared to the previous month being small.

The largest year-on-year variation was observed in Consumer Discretionary goods (2.35%), highlighting their growing relevance in overall consumption. Although the overall performance is similar, there is a slight acceleration in consumption.

Inflation has been a challenge for all Central American countries, including El Salvador, which could be affecting spending. In recent months, there has been a rebound in inflation, mainly in the food sector, which directly impacts the cost of living and reduces household consumption momentum. Additionally, a slowdown in remittance flows has been identified, which is a factor to consider for the country's future consumption dynamics.



103,82

General
Level



+1,00

Monthly
evolution



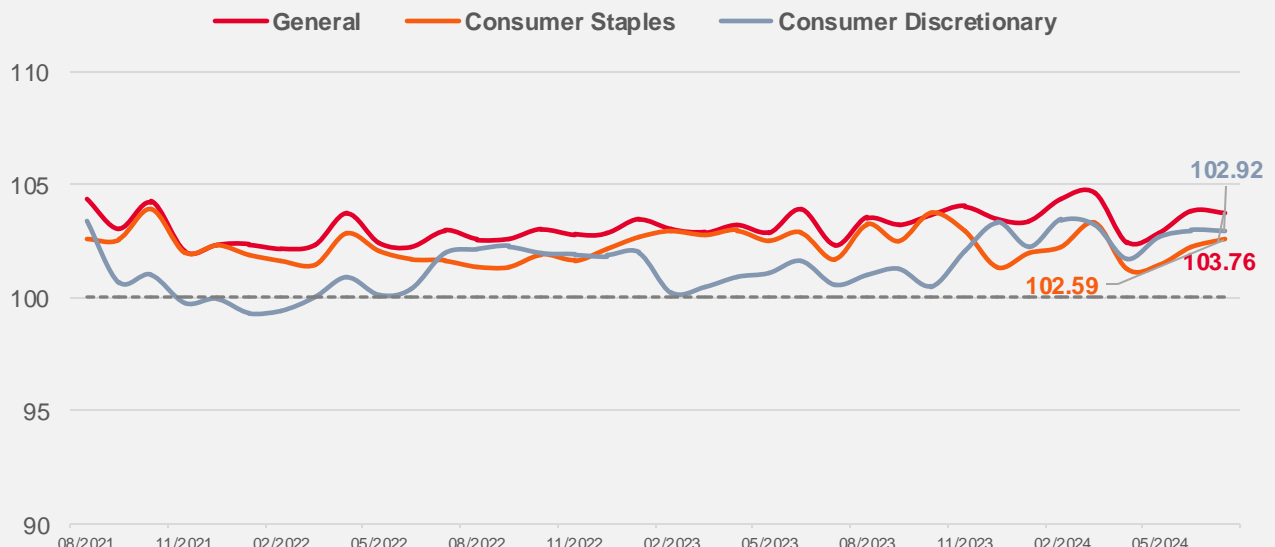
+0,79

Consumer
Staples



+0,29

Consumer
Discretionary

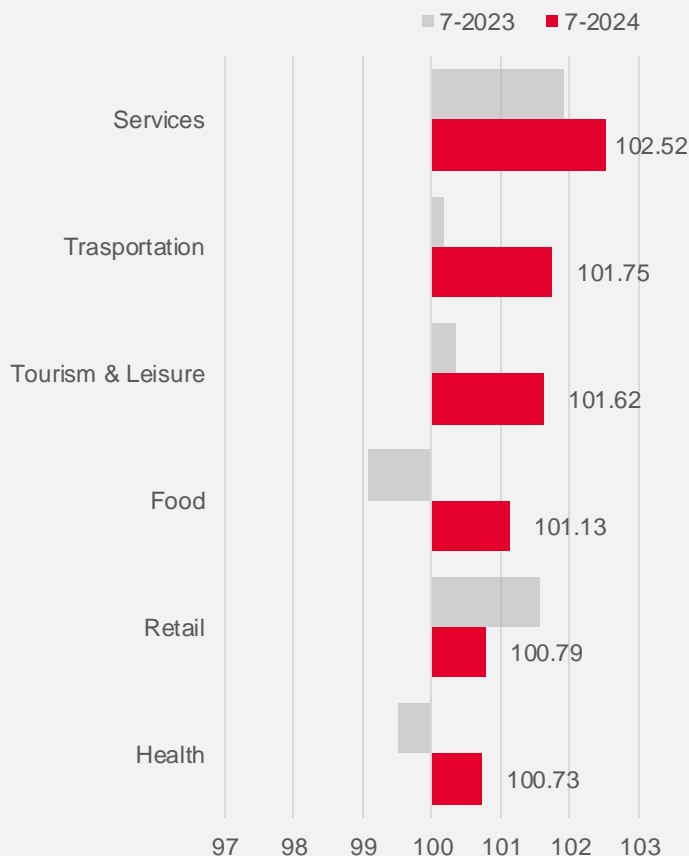




El Salvador

At the sectoral level, retail is the activity that slows down compared to the same month last year. In contrast, the Health and Food sectors, which were negative in July 2023, are now above the 100 threshold, highlighting greater dynamism in the consumption of these sectors in the country, partly driven by rising prices of food and non-alcoholic beverages. This means that Salvadorans are spending more on food than last year, possibly due to the inflationary effect in this sector.

In summary, the IC-BAC for July reflects positive consumption performance, with no activity below the 100 threshold, suggesting widespread dynamism.



IC-BAC		Index in Data		
Date	Total	Δ Monthly	Consumer Staples	Consumer Discretionary
Feb 2024	104,38	1,01	102,24	103,44
Mar 2024	104,63	0,25	103,32	103,24
Apr 2024	102,44	-2,19	101,27	101,68
May 2024	102,82	0,39	101,42	102,69
Jun 2024	103,82	1,00	102,20	102,97
Jul 2024	103,76	-0,06	102,59	102,92



Honduras

Consumption remains one of the most dynamic activities in Honduras

In July, the IC-BAC showed a level of 103.62; which is a slight acceleration compared to the previous month. This same effect is replicated in the IMAE, where as of June 2024, a 4.4% year-on-year growth was reported.

This effect was evident in the IC-BAC, providing confidence in the economic trend. Among the main activities reported by the IMAE are the Financial, Commerce, Telecommunications, and Hotels & Restaurants sectors.

Additionally, it is evident in the IC-BAC that the most dynamic sectors are Tourism & Leisure, Food, and Commerce. Thus, as stated by the BCH, it reinforces that a significant contribution to sustained growth is due to the strong performance of domestic demand and final household consumption.

Important variables for domestic consumption continue to be remittances, wages, and employment levels.

Remittances are the main driver and source of supplementary income for many families due to the current state of the labor market.



103,20

General
Level



+0,07

Monthly
evolution



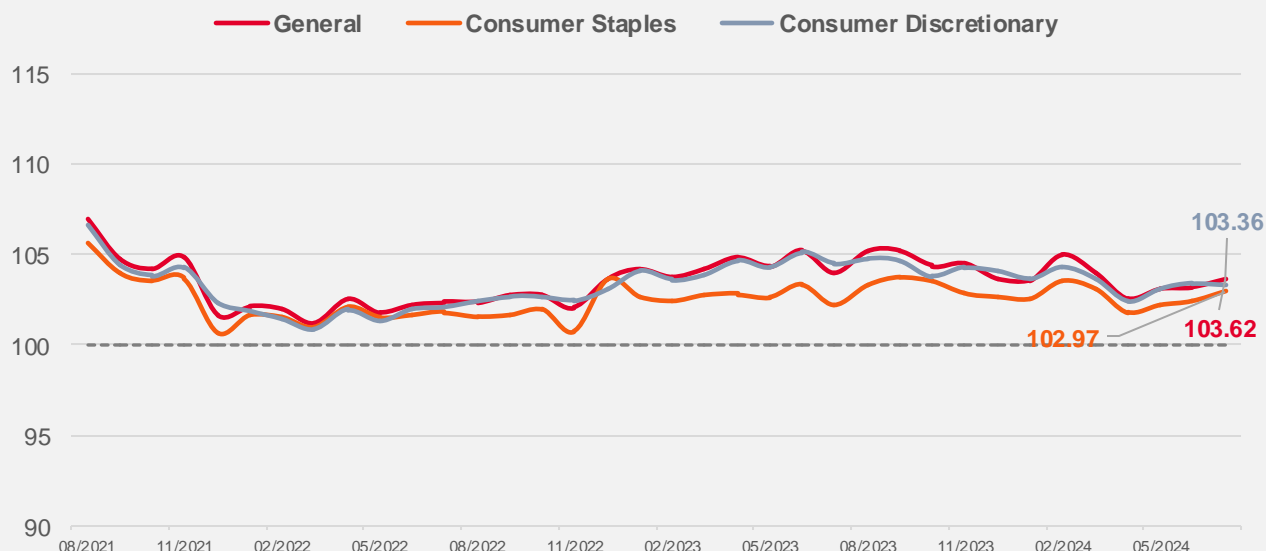
+0,20

Consumer
Staples



+0,27

Consumer
Discretionary





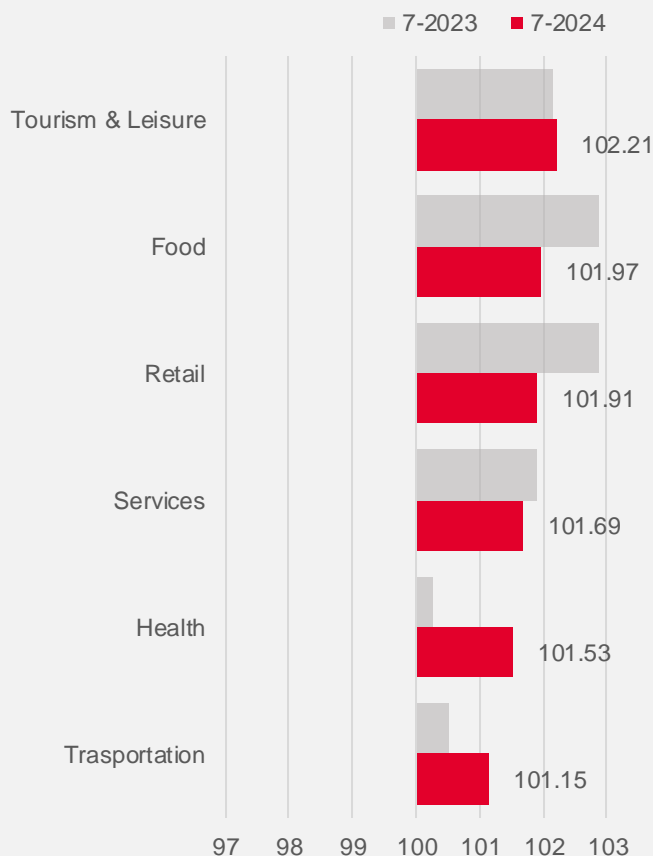
Honduras

The labor market grows by about 2% year-on-year, with employment levels barely reaching about 60% of the population.

In the country's wage structure, low wage levels predominate, where 50% of people earn a maximum of the minimum wage.

Furthermore, it is shown that 40% of people receive their income mainly from wages, and 11% of the population relies primarily on family remittances. Improvements in the labor market and people's wages are important for the country's performance.

Additionally, the different types of consumption, Consumer Staples and Discretionary, have maintained a steady acceleration trend throughout 2024, consistently showing IC-BAC levels above 100.



IC-BAC		Index in Data		
Date	Total	Δ Monthly	Consumer Staples	Consumer Discretionary
Feb 2024	104,96	1,38	103,56	104,29
Mar 2024	104,02	-0,94	103,12	103,68
Apr 2024	102,59	-1,43	101,81	102,41
May 2024	103,13	0,54	102,19	103,14
Jun 2024	103,20	0,07	102,39	103,41
Jul 2024	103,62	0,42	102,97	103,36



Guatemala

Dynamism in key sectors: Guatemala maintains momentum in consumption

In July, the IC-BAC in Guatemala registered a level of 102.29, with a slight decrease of -0.05 compared to the previous month. The country's consumption dynamic has been mainly driven by middle and high-income households and individuals, who are allocating a higher proportion of their resources to Consumer Discretionary goods (102.2), such as tourism, leisure, and professional services. To a lesser extent, there has also been an increase in the consumption of Consumer Staples products (101.8), such as public services, supermarkets, and public transportation.

This behavior is complemented by the consumer confidence sentiment in the U.S., Guatemala's main trading partner. The improvement in confidence, driven by more optimistic expectations about personal finances and inflation stabilization, has been a key catalyst for remittances sent to Guatemala, which have grown by 9% compared to the previous year.



102,29

General
Level



-0,05

Monthly
evolution



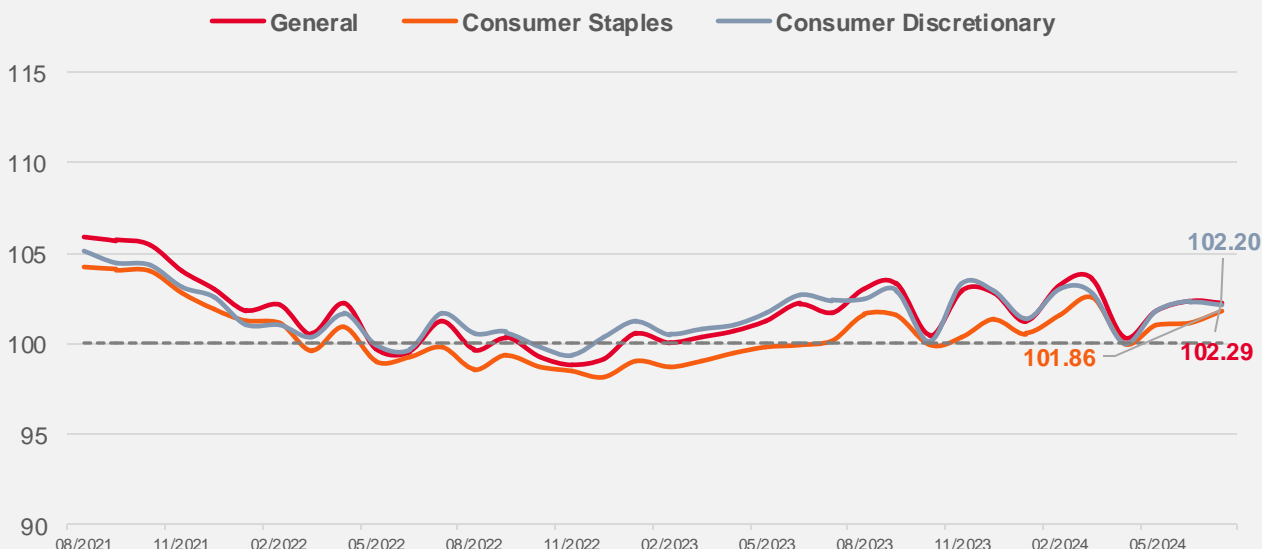
+0,68

Consumer
Staples



-0,14

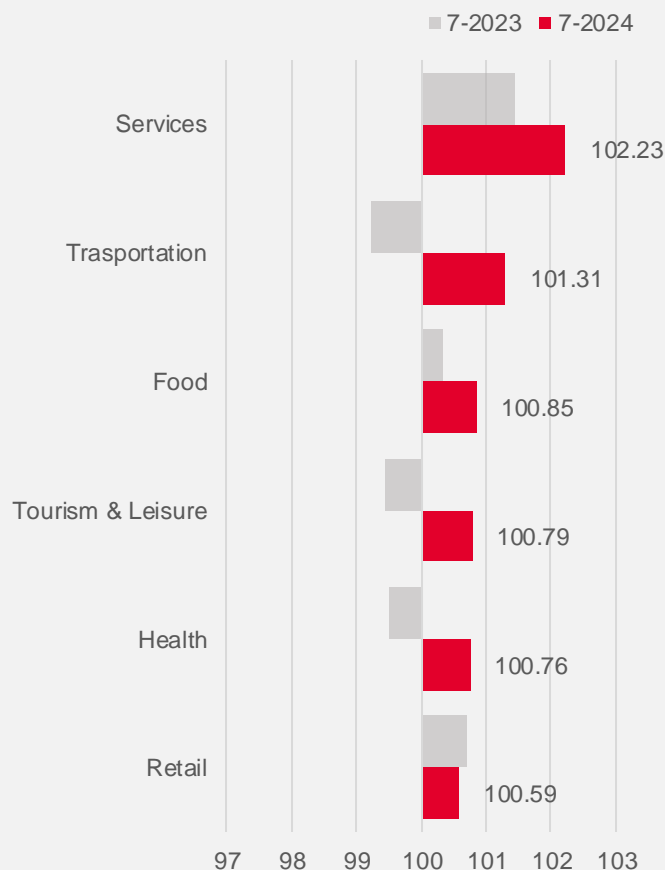
Consumer
Discretionary



Guatemala

Given that consumption represents about 90% of the country's GDP composition and 75% of domestic demand, the 5% year-on-year growth in consumption is significant. The IC-BAC has maintained levels above 100 over the last 12 months, indicating sustained growth in the country's consumption.

In July 2024, the most dynamic sectors were Services, with an increase of 0.80 points compared to 12 months ago; Transportation, with a change of 2.07 points; and the Food sector, which, despite being an Consumer Staples good, continues to show good dynamism. If this trend continues, an improvement in the consumption component is expected, and therefore favorable results for the country's economy by the end of the year.



IC-BAC		Index in Data		
Date	Total	Δ Monthly	Consumer Staples	Consumer Discretionary
Feb 2024	103,26	2,03	101,57	103,04
Mar 2024	103,61	0,34	102,56	102,83
Apr 2024	100,33	-3,28	100,03	100,05
May 2024	101,81	1,49	100,99	101,80
Jun 2024	102,34	0,53	101,17	102,34
Jul 2024	102,29	-0,05	101,86	102,20

