Central American Consumption on the Move: A Balance Between Stability and Growth

Consumption Index BAC
IC-BAC

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BAC

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

Executive Summary

The Consumer Index (IC-BAC) in Central America reflects trends driven by each market's internal dynamics, showing patterns that range from stability to expansion.

Most countries in the region exhibit positive consumption growth, influenced by a variety of factors detailed below. The most favorable result is observed in El Salvador, with an IC-BAC of 104.22. Here, consumption has accelerated due to falling inflation and fuel prices, spurring spending on both essential and non-essential goods. Honduras follows with an IC-BAC of 103.1, where households have adjusted their purchasing habits, opting for larger volume purchases but less frequently.

Guatemala and Nicaragua also show favorable indicators, though at a lower intensity. Guatemala's index reached 102.12 in September; recent interest rate cuts are expected to support consumption growth in the coming months. Nicaragua, with an IC-BAC of 102.22, benefits from lower- and middle-income groups driving growth, with sectors like commerce and tourism bolstered by a strong inflow of remittances.

On the other hand, Costa Rica reports one of the lowest levels in Central America, with an IC-BAC of 99.77, indicating stagnant consumption. A breakdown of the index shows that higher-income groups remain optimistic. Google Trends data on durable goods searches hint at a potential rebound in the short term. Meanwhile, Panama, with a stable IC-BAC of 100.51, shows consistent consumption patterns, though affected by subsidy cuts and persistent inflation. The steadiness of the index reflects a balance between essential and complementary goods spending, though growth remains limited.

Overall, consumption across Central America continues to expand, with stronger growth in the northern region. As the region continues to face inflationary pressures, medium-term adjustments in monetary policies and consumer confidence suggest that consumption could continue to improve, provided inflation trends downward.   .

102.12	103.10	104.22
Guatemala	Honduras	El Salvador
102.22	99.77	100.51
Nicaragua	Costa Rica	Panama

Panama

Consumption Assessment in Panama: Balance in a Stable Environment

In September 2024, Panama's consumption index remained close to the baseline level of 100, at 100.51, reflecting a stable trajectory like that of the previous year (with a minor -0.09 shift). This stability indicates that Panamanian consumers have largely maintained consistent spending habits, avoiding fluctuations that might put either upward or downward pressure on the market. This equilibrium suggests that consumer confidence, while not surging, is sufficient to prevent declines in overall spending.

Although there has been a slight increase in spending on complementary products, the effect on the broader consumption index has been minimal, resulting in no notable growth in the index. Lower-income households have been the most impacted, largely due to the recent removal of subsidies and rising inflation. These factors with a fragile consumer confidence have influenced household decisions around spending and investment, ultimately leading to restricted consumption.
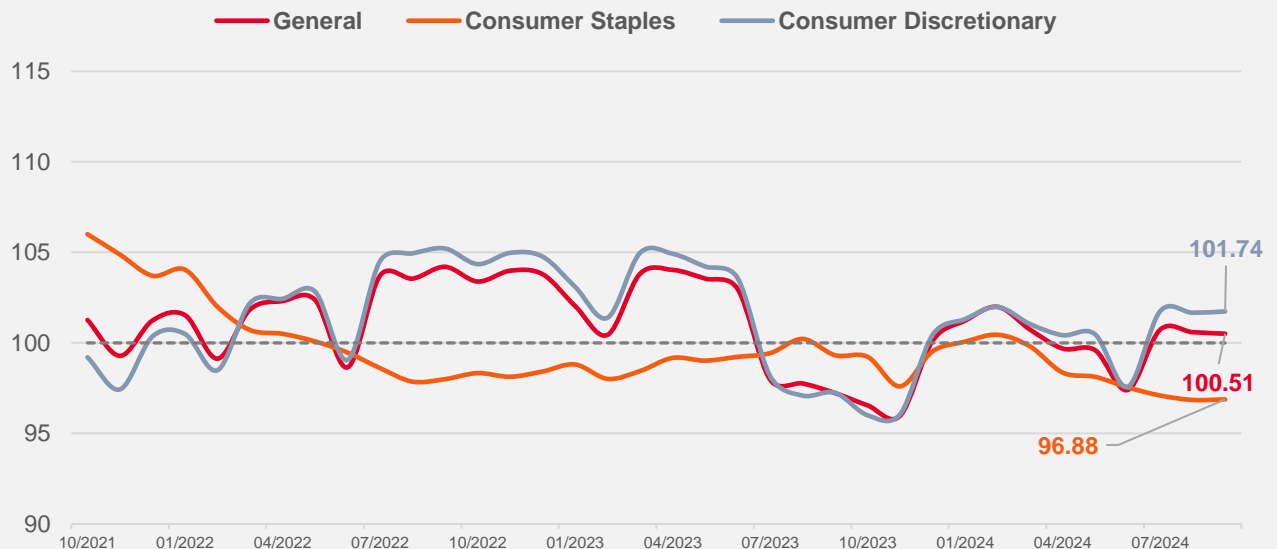
100.51
General Level

-0.09
Monthly evolution

+0.03
Consumer Staples

+0.07
Consumer Discretionary

Legend: — General — Consumer Staples — Consumer Discretionary
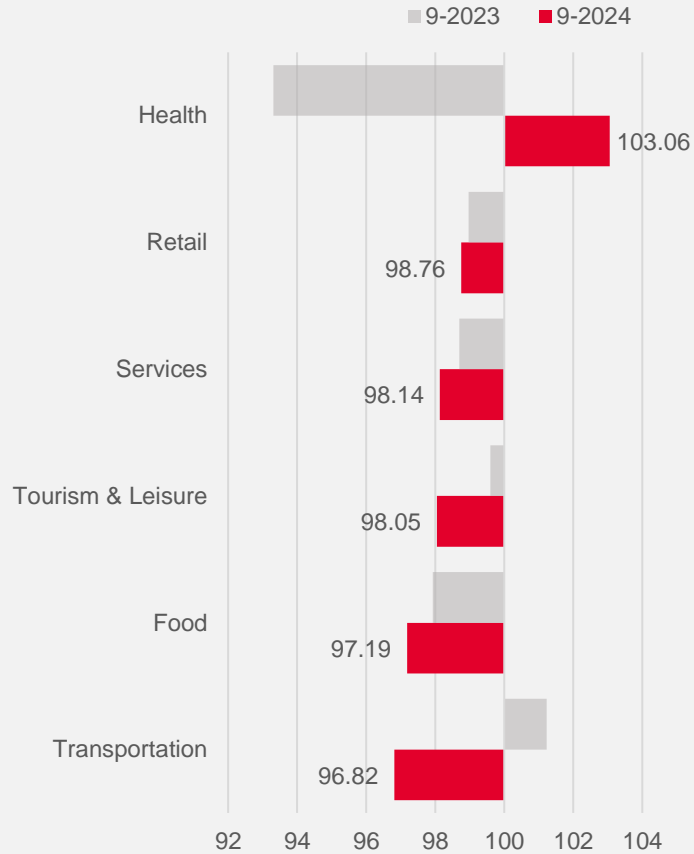
101.74
100.51
96.88

Panama

In terms of income levels, high- and low-income consumers show relatively similar spending patterns for essential goods, suggesting that household budgets in Panama remain relatively inflexible when it comes to necessary items. When looking at economic activities, most sectors report a contraction in consumption, highlighting the broader challenges facing the Panamanian economy.

Moving forward, a significant improvement in consumer confidence will be key to fostering greater economic dynamism and supporting a stronger, more sustainable recovery in national growth. This improvement would allow households to increase discretionary spending, which would benefit a range of sectors and contribute to a more robust and balanced economic environment.

	9-2023	9-2024
Health		103.06
Retail		98.76
Services		98.14
Tourism & Leisure		98.05
Food		97.19
Transportation		96.82

IC-BAC	Index in Data			
Date	Total	Δ Monthly	Consumer Staples	Consumer Discretionary
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
Aug 2024	**100.59**	-0.14	96.85	101.67
Sep 2024	**100.51**	-0.09	96.88	101.74

Costa Rica

Consumer normalization: Signs of possible rebounds

In September 2024, Costa Rica's IC-BAC indicated its second consecutive month within the contraction zone, registering a level of 99.77. This result, however, represents an improvement of 0.56 points compared to August, suggesting a slight uptick in consumer sentiment. Although September showed better performance than August, it did not reach the same level observed in September of the previous year, indicating some ambivalence in consumer confidence.

A closer analysis of consumption by income level reveals that lower-income households have experienced a modest increase in consumption compared to the prior year, with the index level for these households hovering around 103 points. This uptick suggests that certain consumer groups are feeling relatively optimistic, particularly when it comes to essential spending. In contrast, other income segments have felt the impact of real income deceleration, which has discouraged private consumption across much of the country. This moderation in real income, coupled with a stagnant job market, has weighed on consumer spending, contributing to the recent slowdown in private consumption.
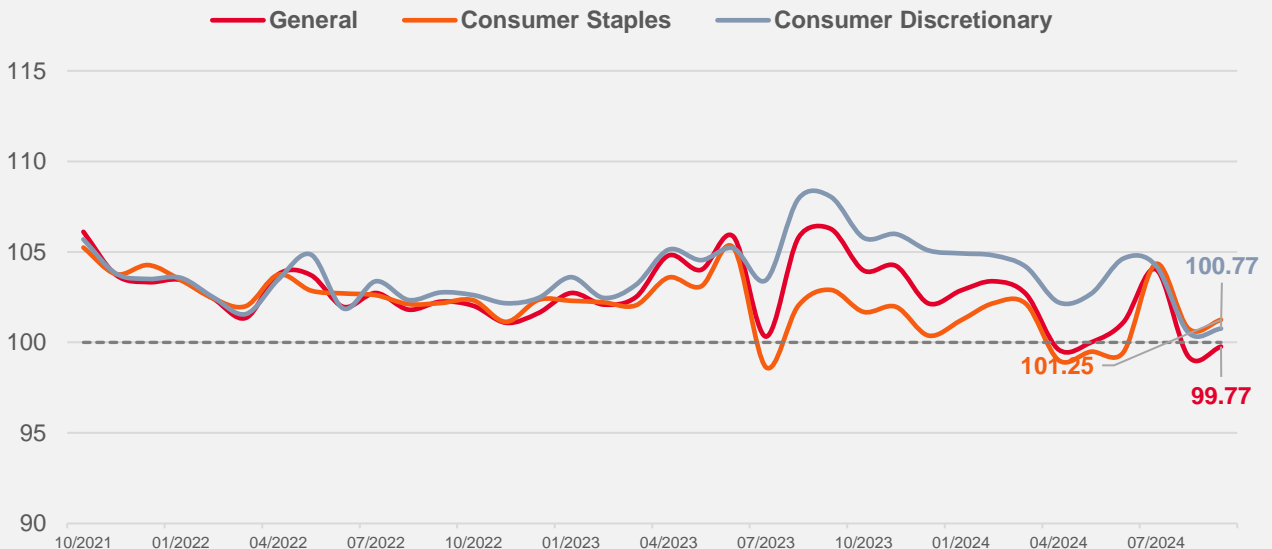
99.77
General Level

+0.56
Monthly evolution

+0.49
Consumer Staples
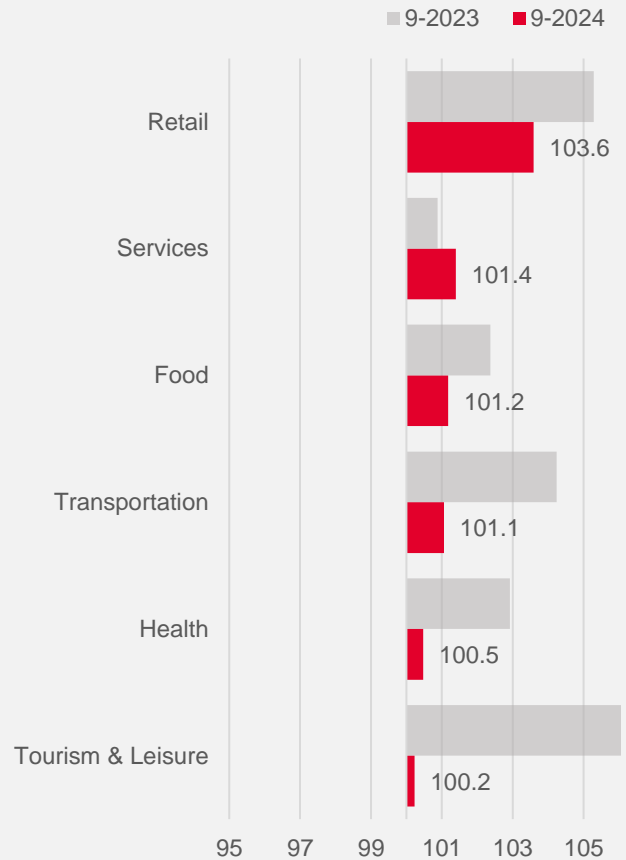
+0.23
Consumer Discretionary

Costa Rica

By sector, consumers show increased caution around major purchases, such as homes and vehicles. This contrasts with purchasing intentions reflected in Google Trends, where searches related to durable goods increased in September, suggesting consumers are exploring options that could lead to near-term spending.

Another potential factor is the anticipated increase in fuel prices, which, if realized, these higher costs may place additional pressure on already cautious consumers, potentially exacerbating the observed trend toward restrained spending.

Legend: ■ 9-2023 ■ 9-2024

Sector	9-2024
Retail	103.6
Services	101.4
Food	101.2
Transportation	101.1
Health	100.5
Tourism & Leisure	100.2

IC-BAC	Index in Data			
Date	Total	Δ Monthly	Consumer Staples	Consumer Discretionary
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
Aug 2024	**99.21**	-4.82	100.76	100.54
Sep 2024	**99.77**	0.56	101.25	100.77

Nicaragua

Consumption Accelerates with Strong Growth Figures

In September, the Consumer Index (IC-BAC) recorded a level of 102.22, positioning it in the growth zone. However, it experienced a decrease of 0.77 points compared to the previous month. This reduction is attributed to a moderation in spending on complementary goods and services, which fell by 0.73 points from the prior month and by 4.53 points since May 2023, when the index reached its highest level in the past 24 months. Nevertheless, both essential and complementary spending remain at expansionary levels.

The lower- and middle-income quintiles exhibit the most dynamic consumption, especially in essential goods and services such as groceries, pharmacies, education, and utilities. In contrast, higher-income individuals show lower levels of essential consumption compared to previous months, though with an acceleration above the central level of 100 in the index. This sustained consumption growth is viewed as a favorable indicator for GDP growth, with multilateral organizations like CEPAL and the World Bank raising their economic growth forecasts for 2025.
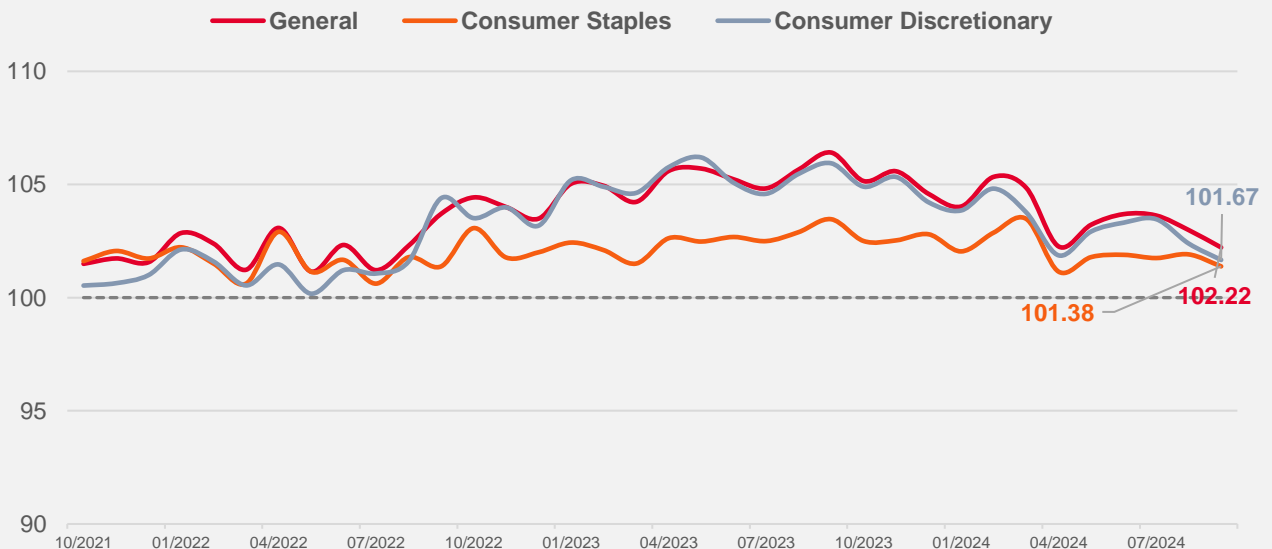
102.22
General Level

-0.77
Monthly evolution

-0.53
Consumer Staples

-0.73
Consumer Discretionary

Nicaragua

Additionally, key sectors such as Retail, Food, and Tourism & Leisure have enjoyed sustained growth over the last six months, buoyed by the country's steady influx of remittances, which have grown at a double-digit pace since 2022.

At a sectoral level, the IC-BAC for Retail, Food, Tourism & Leisure, Transportation, and Services remains in the expansionary zone, though at a lower strength than the prior year. This trend aligns with recent IMAE figures released by Nicaragua's Central Bank (BCN), further underscoring the strength in specific sectors despite the slight deceleration in consumption.

IC-BAC	Index in Data			
Date	Total	Δ Monthly	Consumer Staples	Consumer Discretionary
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
Aug 2024	**102.99**	-0.64	101.91	102.39
Sep 2024	**102.22**	-0.77	101.38	101.67

El Salvador

Decrease in Inflation and Fuel Prices Boost Consumption in El Salvador

El Salvador's consumption index (IC-BAC) stood at 104.22 in September, reflecting an increase of 1.36 points compared to August, signaling that the economy is entering a more pronounced acceleration phase. This growth was accompanied by improvements in both the consumption indexes for essential and complementary goods and services.

The rebound in the IC-BAC is largely driven by a significant decline in inflation, with the Consumer Price Index (CPI) halving from 1.17% last month. A key beneficiary of this decline was food and non-alcoholic beverages, where the inflation rate dropped from 3.12% in August to 1.21% in September, easing the pressure on consumers' purchasing power.

In addition, the Directorate of Energy, Hydrocarbons, and Mines (DGEHM) reported a notable drop in fuel prices for the first half of September. The reduction in transportation and petroleum-derived product costs is another factor fueling economic dynamism.
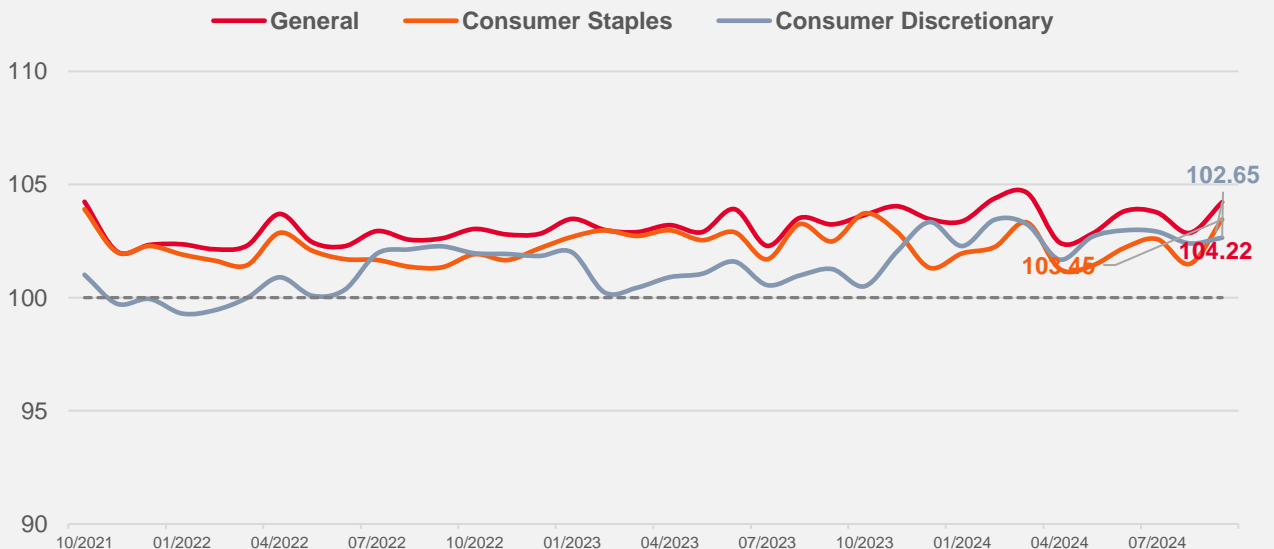
104.22
General Level

+1.36
Monthly evolution

+1.96
Consumer Staples
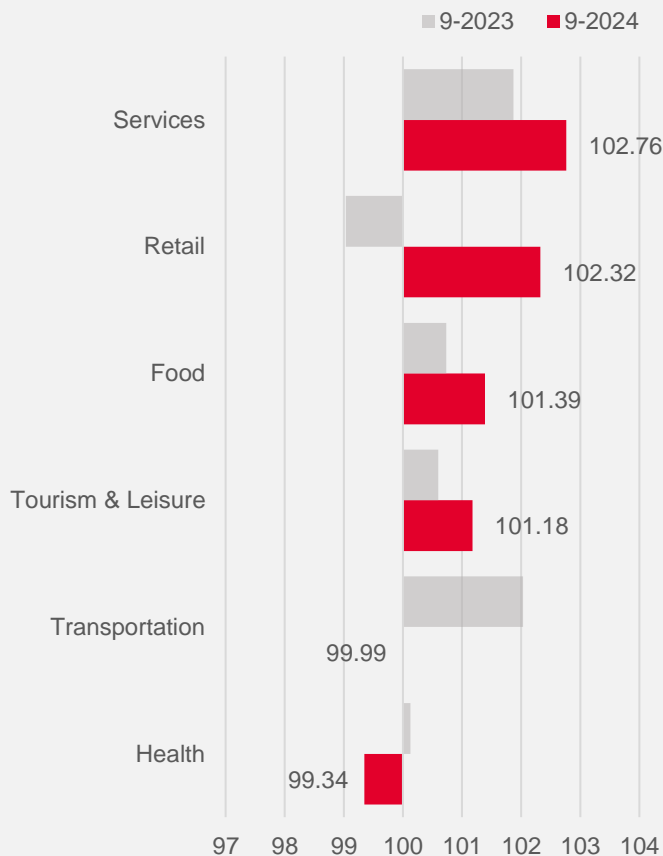
+0.25
Consumer Discretionary

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🇸🇻 El Salvador

The Emerging Bond Indicator (EMBI) stood at 5.04 points, a significant milestone as it reflects a recovery in country risk to pre-pandemic levels and indicates greater investor confidence in the government's ability to meet its financial obligations.

Together with improvements in perceptions of social security, these factors are stimulating economic activity by fostering a safer environment for investment and consumption.

For these reasons, the consumption outlook remains stable for the Salvadoran population, despite the World Bank's downward revision of its growth forecast (from 3.2% to 2.9%).

Chart legend: ■ 9-2023 ■ 9-2024

Category	9-2024 value
Services	102.76
Retail	102.32
Food	101.39
Tourism & Leisure	101.18
Transportation	99.99
Health	99.34

IC-BAC	Index in Data			
Date	Total	Δ Monthly	Consumer Staples	Consumer Discretionary
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
Aug 2024	**102.86**	-0.90	101.49	102.40
Sep 2024	**104.22**	1.36	103.45	102.65

Honduras

Consumption continues its robust trend observed since the beginning of 2024, despite price increase in basic goods and services

In September, Honduras' Consumption Index (IC-BAC) reached 103.1, consolidating the strong consumption trend observed since the start of the year, particularly in spending on complementary goods.

Despite this growth, consumption behavior has shifted, with Central American households adjusting their purchase frequency. According to Kantar's Consumer Insights, families have reduced the number of visits to retail points but are purchasing in larger volumes per transaction, in response to rising prices. This suggests that consumers are seeking to optimize their budgets in an environment of high costs for primary goods.

In the last quarter of the year, consumption patterns will be tested considering recent increases in both passive and active interest rates.
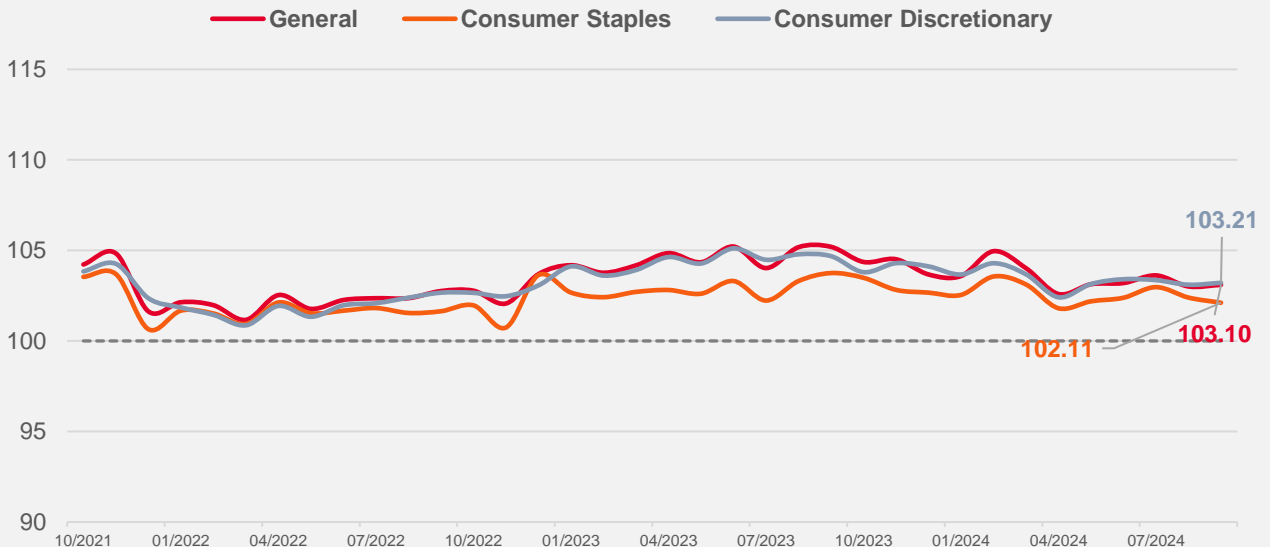
103.10
General Level

+0.09
Monthly evolution

-0.29
Consumer Staples

+0.11
Consumer Discretionary

Legend: General — Consumer Staples — Consumer Discretionary

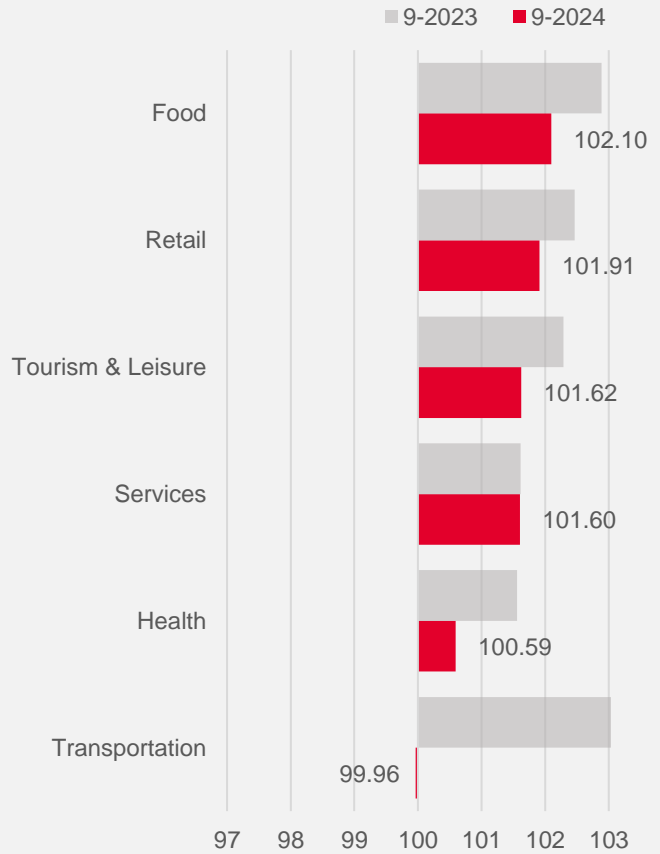Chart values labeled: 103.21, 103.10, 102.11

Honduras

The IC-BAC continues to reflect strong overall performance, showing dynamism in sectors such as Trade and Food, which have exhibited the most favorable trends, especially in the marketing of vehicles, machinery, and food products. This growth is closely linked to intermediate and final household consumption, underscoring the role of household spending in the country's economic stability.

A key factor to consider is the ongoing rise in the cost of the basic goods and services basket, which puts pressure on the income of Honduran families. It is estimated that to meet the basic needs of a household of five, approximately 2.9 minimum wages are required. This presents challenges for purchasing power and highlights the need for wage adjustments in the context of inflation.

Chart legend: 9-2023, 9-2024

Category	9-2024
Food	102.10
Retail	101.91
Tourism & Leisure	101.62
Services	101.60
Health	100.59
Transportation	99.96

IC-BAC	Index in Data			
Date	Total	Δ Monthly	Consumer Staples	Consumer Discretionary
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
Aug 2024	**103.01**	-0.61	102.40	103.11
Sep 2024	**103.10**	0.09	102.11	103.21

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🔻 Guatemala

Economic confidence and interest rate reductions point to a favorable environment for Guatemalans

For September, the IC-BAC stood at 102.12, representing a slight decrease of 0.45 points compared to the previous month. Despite this reduction, the index remains at a level of economic acceleration, a trend that has persisted in recent months. The essential and complementary indexes also showed decreases of 0.15 and 0.52 points, respectively, suggesting that this movement is widespread across various industries.

Similarly, the Economic Activity Confidence Index from the Panel of Private Analysts of the Central Bank of Guatemala showed a more optimistic outlook for September, reflecting a 10.05% increase compared to August and a 42.36% increase compared to September 2023. This rise in confidence suggests that, despite setbacks in some consumption indices, analysts maintain a positive outlook for the Guatemalan economy in the short and medium term. The Panel also projects a growth of 3.4% for Guatemala's Real Gross Domestic Product (GDP) in 2024 and 3.6% in 2025.
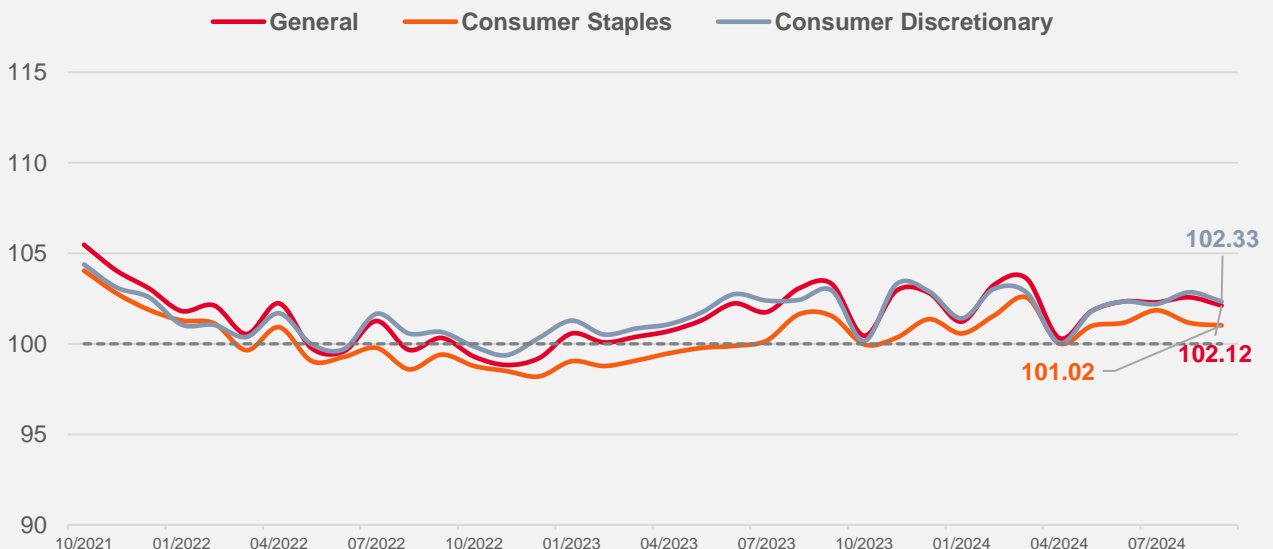
102.12
General Level

-0.45
Monthly evolution

-0.15
Consumer Staples

-0.52
Consumer Discretionary

Chart legend: General, Consumer Staples, Consumer Discretionary. Data points labeled: 102.33, 101.02, 102.12. X-axis from 10/2021 to 07/2024. Y-axis from 90 to 115.
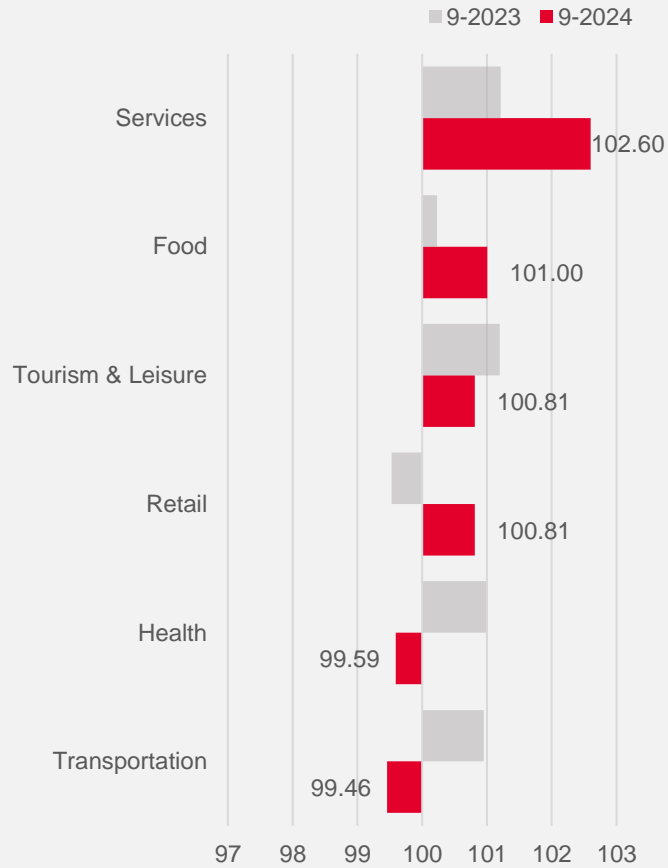
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⬇ Guatemala

In this context, it is important to highlight the recent decision of the Monetary Board (JM) to reduce the Monetary Policy Rate by 25 basis points, bringing it down to 4.75%. This measure follows 16 consecutive months of maintaining the rate at 5%, since April 2023. The decision is clearly aimed at facilitating credit access for the population and stimulating the economy.

In summary, although the IC-BAC showed a slight decline, other indicators—such as the Economic Activity Confidence Index, GDP growth projections, the decrease in inflation, and the recent interest rate reduction—suggest an environment conducive to a potential rebound in consumption.

■ 9-2023 ■ 9-2024

Category	9-2024 value
Services	102.60
Food	101.00
Tourism & Leisure	100.81
Retail	100.81
Health	99.59
Transportation	99.46

IC-BAC	Index in Data			
Date	Total	Δ Monthly	Consumer Staples	Consumer Discretionary
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
Aug 2024	**102.57**	0.28	101.17	102.85
Sep 2024	**102.12**	-0.45	101.02	102.33

⤷ BAC

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.