



BOX 1.3:

Evolution of business and household confidence

Domestic demand slowed significantly in the second quarter, coinciding with a deterioration in some of its fundamentals, including a decline in business and consumer confidence (Figure I.27). This Box summarizes the analysis by [Muñoz et al. \(2026\)](#) regarding the evolution of these perceptions based on various sources, such as the Business Perceptions Report (IPN) and the Price Determinants and Expectations Survey (EDEP)^{1/}.

Possible reasons for the lower confidence

Various sources indicate that businesses and households perceived a deterioration in the economic environment during the second quarter. Evidence suggests that this adjustment of expectations stems from multiple factors, with effects occurring simultaneously and interacting with one another. These factors include the conflict between the United States and Iran, primarily through its impact on oil and fuel prices and heightened global uncertainty; domestic activity and unemployment figures; and a rise in indicators associated with economic policy uncertainty.

For firms, the conflict in the Middle East heightened concerns regarding the costs of transport, logistics, energy, and inputs, against a backdrop of persistent global trade tensions. The EDEP shows a deterioration in the perception of costs, alongside a poorer assessment of sales and, in particular, profit margins (Figure I.28). Furthermore, within firms, this perception was accompanied by the postponement of investments and projects scheduled for the first half of the year.

From consumers' perspective, their assessment of labor market conditions deteriorated significantly starting in March, as measured by the degree of perceived security regarding job stability, job loss, and the likelihood of future unemployment—both for themselves and for those in their immediate circle. A similar pattern was observed in perceptions of the economic conditions for making household purchases, reflecting greater caution in consumption spending (Figure I.29).

Impact of lower confidence on business decisions

July IPN data indicate that, in the face of lower perceived demand, firms have implemented limited price adjustments, absorbing cost increases either fully or partially. To mitigate the erosion of their profit margins, they have cut costs by renegotiating with suppliers or switching to new ones, eliminating non-essential expenses, and staggering input purchases over time. Current concerns have also led firms to postpone investments, pending clarity on public and regulatory policies.

Likewise, around half of the firms have postponed or canceled hiring plans. While the share of firms reporting that they had sought to recruit workers over the past six months declined relative to the beginning of the year, the share of those reporting layoffs increased (Figure I.30). In some of the hardest-hit sectors, such as construction and automotive retail, firms reported a scaling back of operations, although these decisions are part of a longer-term process.

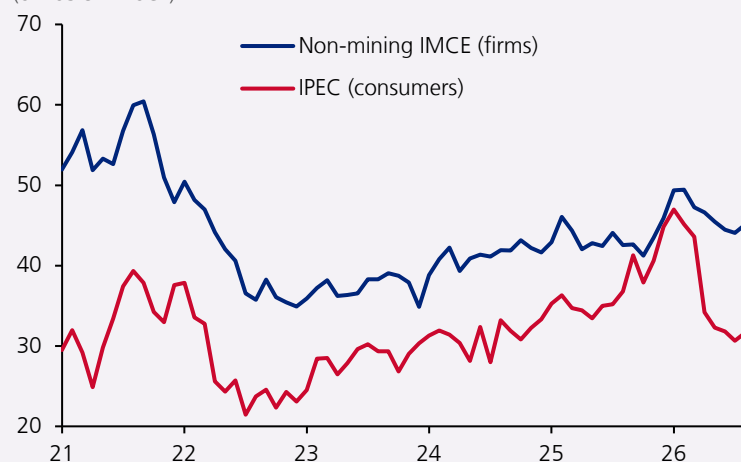
^{1/}The analysis was conducted using a mixed-methods research approach, combining quantitative and qualitative data collection techniques. Further details are available in [Muñoz et al. \(2026\)](#).



Conclusions

Economic expectations among businesses and households have deteriorated compared to the end of last year, particularly from the second quarter of 2026 onwards. This reflects a combination of external and internal factors that appear to have increased caution regarding consumption, investment, and hiring decisions. Looking ahead, expectations are somewhat more favorable, conditional on an improvement in economic activity and a reduction in uncertainty, both domestically and internationally. In this regard, firms report that the implementation of the measures envisaged under the Reconstruction Act could contribute to this. In line with this, recent indicators—such as the IMCE and IPEC for August—show a slight improvement in perceptions.

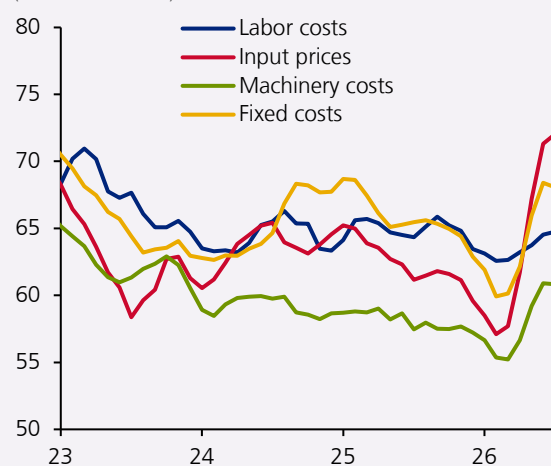
FIGURE I.27 ECONOMIC PERCEPTIONS OF BUSINESSES AND HOUSEHOLDS
(diffusion index)



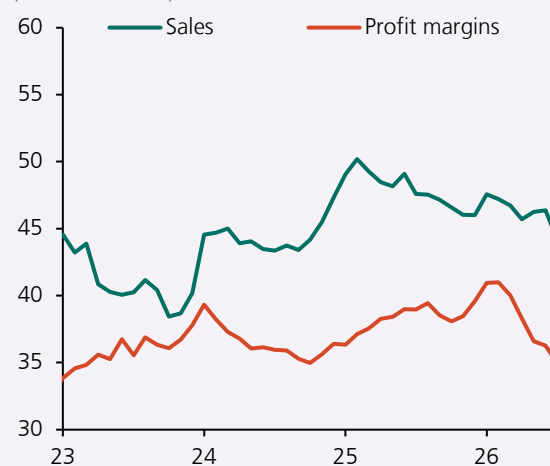
Sources: NielsenIQ and Icare.

FIGURE I.28 EVOLUTION OF FIRMS' COSTS AND PERFORMANCE OVER THE PAST THREE MONTHS

(a) Costs
(diffusion index)



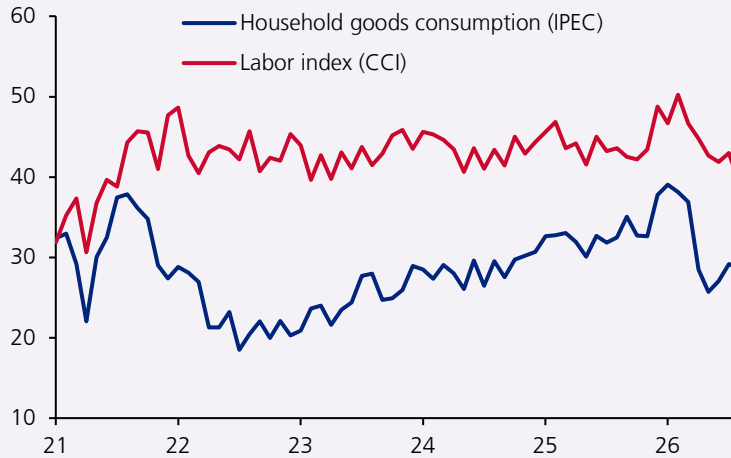
(b) Sales and profit margins
(diffusion index)



Source: [Price Determinants and Expectations Survey \(EDEP\)](#).



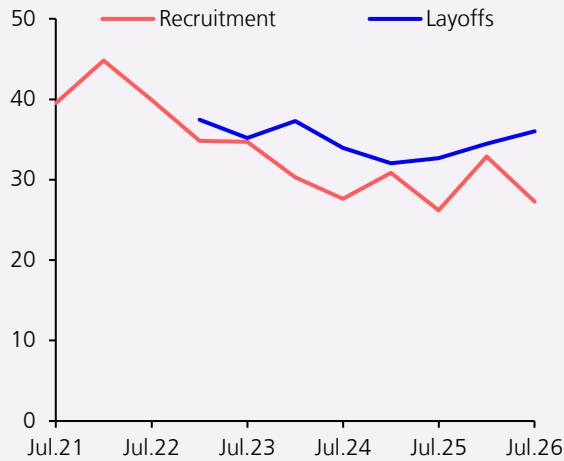
FIGURE I.29 HOUSEHOLDS' ECONOMIC PERCEPTIONS
(diffusion index)



Sources: NielsenIQ and Ipsos.

FIGURE I.30 FIRMS' DECISIONS

(a) Recruitment and workforce reductions over the past six months
(percent)



Source: [Business Perceptions Survey \(EPN\)](#).

(b) Changes in hiring and investment in response to firms' concerns
(percentage of firms reporting at least one concern)

■ They were cancelled ■ It will delay them
■ It will not modify them ■ It will bring them forward

