

Retail sales post a modest recovery in November

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- **INEGI just published its retail sales report for November**
- **Retail sales (November): 3.4% yoy; Banorte: 3.1%; consensus: 3.4% (range of estimates: 3.0% to 6.5%); previous: 3.0%**
- **In seasonally adjusted terms, retail sales posted a 0.4% m/m expansion after the considerable 1.0% fall seen in the previous month**
- **These numbers imply a 1.3% 3m/3m saar growth for Sep-Nov, marginally higher than the 1.1% seen in the previous month but lower than the 3.8% seen in 3Q18**
- **Retail sales data so far in 4Q18 increases our conviction of lower dynamism relative to the previous quarter**
- **For 2019, we maintain our view that consumption will continue to be the main growth driver supported by a higher minimum wage, more government transfers, and the possibility of less inflation pressures**
- **Sinaloa showed the highest growth in retail sales during the month (4.5% m/m sa)**

Retail sales in line with consensus. The income generated by retail sales increased 3.4% yoy nsa in November, in line with consensus and slightly higher than our 3.1% estimate. In seasonally adjusted terms, retail sales increased 0.4% m/m, recovering some of the 1.0% decline in the previous month. In our view, the figure is in line with other data that suggests that retail sales will keep growing, albeit at a slower pace than in 3Q18.

In terms of its main components, 5 out of 9 expanded. We highlight departmental stores (2.5% m/m), likely due to stronger-than-expected sales during the *Good Weekend*. Office supplies (1.0%) and health care (0.9%) were also among the most dynamic sectors. Nevertheless, we believe that their relatively low advance suggests some deceleration. On the contrary, internet sales fell 1.9% but only after strong growth of 9.0% in the previous month. Moreover, food, which is the third biggest (according to INEGI's 2017 annual commerce survey), fell 1.5%.

Retail sales: November 2018

% m/m sa; % 3m/3m saar

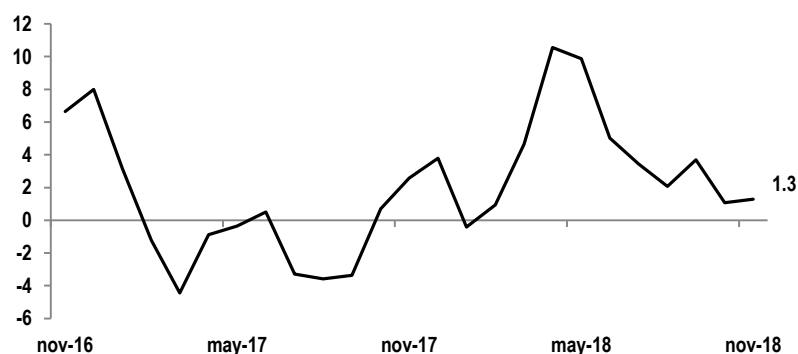
	% m/m			% 3m/3m saar
	Nov-18	Oct-18	Sep-18	Nov-Sep '18
Retail sales	0.4	-1.0	0.9	1.3
Food, beverages, and tobacco	-1.5	-0.1	-0.8	-5.0
Supermarket, convenience, and departmental stores	2.5	-0.8	-0.8	-5.7
Clothing and shoes	0.1	-1.3	5.3	21.0
Health care products	0.9	-0.8	0.8	2.0
Office, leisure, and other personal use goods	1.0	-1.0	-1.1	-3.2
Appliances, computers, and interior decoration	-1.3	6.2	-0.5	23.7
Glass and hardware shop	-1.8	-2.9	1.9	4.5
Motor Vehicles, auto parts, fuel and lube oil	0.4	-2.7	2.5	3.1
Internet sales	-1.9	9.0	-12.1	13.3

Source: INEGI

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The 3m/3m saar rate stood at 1.3%, marginally higher than the 1.1% of the previous month. Nevertheless, last month's decline is likely to leave relatively little room for a steep improvement in the short term, so we believe it is highly likely that consumption in 4Q18 will stand below the previous quarter. Moreover, the increase was at least partially driven by a favorable base effect. On the contrary, we should note that this advance was registered during a period of higher local and external uncertainty and a weaker exchange rate, associated with by consumer with a deteriorated economic outlook. In this respect, today's report was positive on the margin, which is consistent with still relatively strong fundamentals for domestic demand.

Retail sales
% 3m/3m saar



Source: INEGI

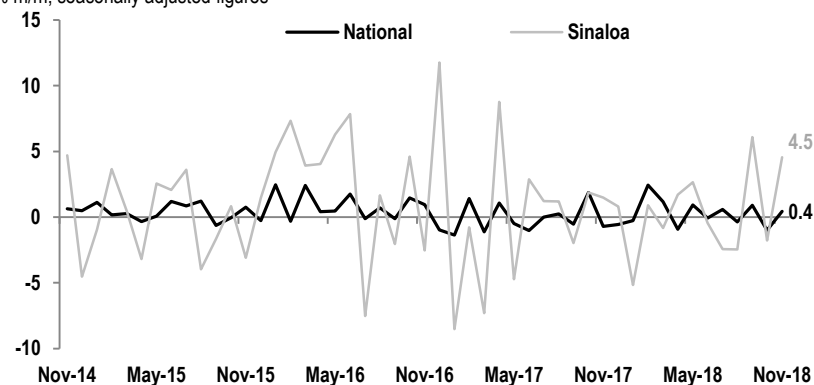
Retail sales data so far in 4Q18 increases our conviction of lower dynamism relative to the previous quarter. Retail sales have indeed moderated, with an average growth of 3.2% yoy in October-November against 4.1% in 3Q18. To match this latter figure, retail sales would need to grow at least 5.8%, which we see as unlikely. In this respect, we believe that the deceleration will continue in December, particularly given the lower expansion rate in formal job creation coupled with the recent increase in the unemployment rate. Nevertheless, fundamentals for consumption remain healthy. These include new cyclical highs for confidence in December and the continuing growth in credit. Therefore, we still expect private consumption to stay as the main growth driver, with at least three additional support factors: (1) The minimum wage increase; (2) the start of several Federal government transfers to vulnerable groups; and (3) fiscal stimulus in the Northern Border. In addition, lower inflationary pressures at the start of the year, explained in good measure by the fall in energy prices –even with delays in fuel distribution in some states- could provide support for retail sales. Broadly speaking, these factors could help in an environment which is likely to be more challenging going forward, especially on the external front as US growth (which could impact remittances) and global trade decelerates.

At the state level

Sinaloa showed the highest growth in retail sales during the month (4.5% m/m sa). This happened after the 1.8% fall of the previous month. As shown in the following chart, retail sales rebounded, likely benefitted at least in part in the aftermath of intense rains caused by Hurricane Willa at the end of October. Year-to-date, retail sales in the entity advanced 1.2% yoy, far below the 5.4% expansion in the same period of 2017.

Retail sales in Sinaloa

% m/m; seasonally adjusted figures

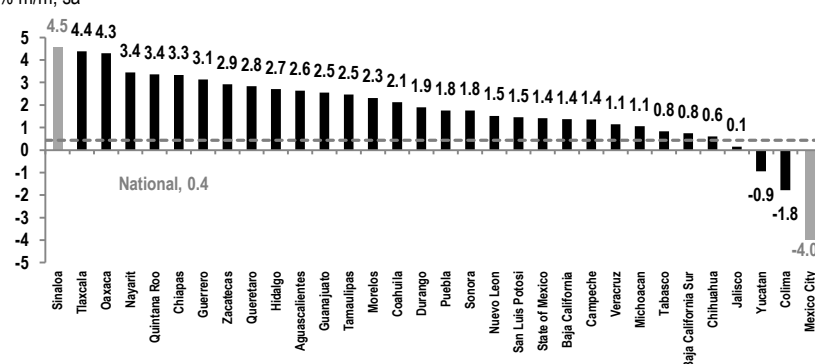


Fuente: Banorte; INEGI

Retail sales in 28 states including Sinaloa outperformed the national average. In this regard, we highlight the expansion in Tlaxcala (4.4% m/m), Oaxaca (4.3%), Nayarit and Quintana Roo (3.4%). By contrast, retail sales in Mexico City fell 4% m/m, as shown in the table below, the worst contraction since December 2016.

Retail sales by state: November 2018

% m/m; sa



Source: Banorte; INEGI

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