

## March's retail sales gain steam on better local conditions

- **Retail sales (March): 2.5% y/y; Banorte: 1.8%; consensus: -0.1% (range: -2.0% to 3.6%); previous: -6.3%**
- **We should mention that annual figures are distorted by several factors, including: (1) The timing of the *Easter* holiday relative to the previous year; (2) an additional working day; and more importantly, (3) the start of the pandemic in 2020**
- **In monthly terms, sales grew 3.6%, adding two months with a strong recovery and nearing pre-pandemic levels. We believe this is explained by an additional improvement in virus' dynamics, allowing for a wider reopening and supporting a relevant rebound in consumer confidence**
- **We highlight that, while all categories grew, non-essential sectors outperformed. In this sense we highlight appliances, computers and interior decoration (12.6%), departmental stores (8.0%) and vehicles and fuel (6.1%). Among the weakest were healthcare (0.6%) and internet sales (0.7%)**
- **We think the economy will continue improving in the short-term, with some signs of a better-than-expected performance in domestic demand**

**Retail sales increase 2.5% y/y in March.** This was above consensus (-0.1%) but closer to our estimate (1.8%). We should mention there were several factors impacting annual figures, including some calendar effects –an additional working day and the timing of *Easter* relative to last year–, along the first distortions from the pandemic in 2020, remembering that some activities started to shut down at the middle of the month. This triggered preventive purchases of essential goods but a plunge in non-essential categories. Correcting for the former with using seasonally adjusted figures, activity picked up 1.8% y/y, better than the -3.2% of the previous month. We think the main driver behind this was the additional improvement on virus conditions, with the ‘traffic-light indicator’ showing a more favorable outlook. This had a positive effect through two channels: (1) More activities could reopen due to lower restrictions; and (2) an increase in confidence among people to go out and increase consumption.

**Monthly performance with a relevant uptick.** Total sales rose 3.6% m/m, adding two months with strong increases and its largest expansion since November 2020. On top of the abovementioned factors, we could be seeing an additional boost before the *Easter* holiday, with higher purchases related to this period. In addition, we could keep seeing higher dynamism given [strong remittances](#), with previous savings disbursed due to lower uncertainty, supported by [job gains](#) and pent-up demand from previous months. We highlight that, while all categories were higher, non-essential sectors outperformed. In this sense we highlight appliances, computers and interior decoration (12.6%), departmental stores (8.0%) and vehicles and fuel (6.1%). Among the weakest were healthcare (0.6%) and internet sales (0.7%), consistent with the overall improvement in virus conditions.

May 21, 2021

[www.banorte.com](http://www.banorte.com)  
@analisis\_fundam

Juan Carlos Alderete, CFA  
Director of Economic Research  
[juan.alderete.macal@banorte.com](mailto:juan.alderete.macal@banorte.com)

Francisco Flores  
Senior Economist, Mexico  
[francisco.flores.serrano@banorte.com](mailto:francisco.flores.serrano@banorte.com)

Document for distribution among the general public

## Retail sales

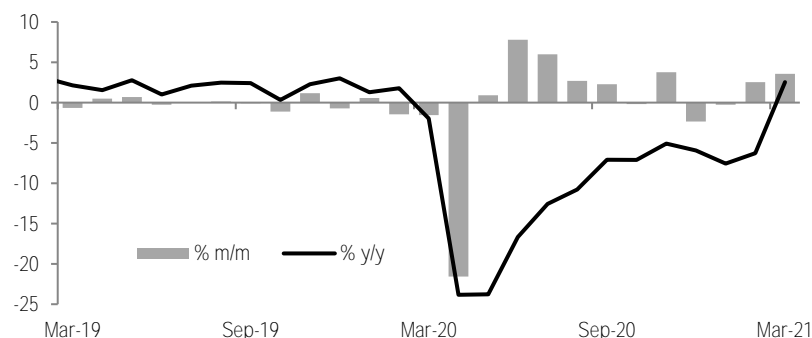
% m/m sa: % 3m/3m sa

	% m/m			% 3m/3m
	Mar-21	Feb-21	Jan-21	Jan-Mar'21
Retail sales	3.6	2.5	-0.3	2.3
Food, beverages, and tobacco	5.9	3.2	0.6	5.4
Supermarket, convenience, and departmental stores	0.5	4.3	-3.4	-1.4
Clothing and shoes	5.1	7.3	-6.4	-3.8
Healthcare products	0.6	-3.6	4.9	3.5
Office, leisure, and other personal use goods	2.6	6.4	-3.1	2.5
Appliances, computers, and interior decoration	12.6	1.7	-1.8	4.9
Glass and hardware shop	4.5	0.5	-0.9	1.7
Motor Vehicles, auto parts, fuel and lube oil	6.1	0.8	0.6	3.9
Internet sales	0.7	0.3	1.7	5.3

Source: INEGI

## Retail sales

% y/y (nsa), % m/m (sa)



Source: INEGI, Banorte

**Signals of optimism persist in the short-term, albeit also with a favorable outlook ahead.** Considering today's report, we think the correlation between economic activity and the level of the 'traffic-light indicator' remains very relevant. In this backdrop, conditions kept improving for a better part of April, only showing a slight deterioration in the last week of the month. However, the latest release confirmed this was quite temporary. In particular, the latest update (corresponding to May 10<sup>th</sup> to the 23<sup>rd</sup>) shows zero states in 'red', 3 in 'orange', 15 in 'yellow', and 14 in 'green'. Moreover, timelier figures suggest higher dynamism, including auto and ANTAD sales for April. Specifically, the latter showed a 40.9% y/y expansion in real terms (using total stores). In the breakdown, departmental (+234.2%) were very strong, remembering the lockdown last year. On the contrary, supermarkets declined (-6.8%), with an opposite effect. To add some context to the latter and using April 2019 as the benchmark, total sales are up 10.5% in real terms relative to that period, with supermarkets stronger by 1.6% and departmental still 8.7% lower, suggesting some margin for improvement within the latter.

Another potential catalyst could be the *Hot Sale* discount period, taking place from May 23<sup>rd</sup> to 30<sup>th</sup>. Unlike previous occasions, it seems that discounts will be extended to physical stores, considering that, before the pandemic, these were focused on online sales. Although we believe it should not have the same effect as *El Buen Fin* (Mexico's Black Friday, which takes place in November), it could be a relevant driver, considering the relatively better position of the economy.

In the medium term, we consider the outlook is still favorable, albeit noting that some risks that are gaining ground. On the positive side, we believe remittances and the spillover from external demand will continue to be a very positive factor, with chances of additional stimulus packages in the US. Locally, domestic demand seems to be gaining strength, in our opinion driven by relevant job gains and lower uncertainty. On the latter, we think it is key that a dynamic pace of vaccinations continues, considering that, so far, around 11.1 million people have already been fully inoculated. On risks, cost pressures are representing a more complex backdrop for businesses, with the tradeoff between transferring higher costs to consumers or reducing margins and market share. This comes on top of the scarcity of raw materials, which could impact the availability and price of some goods. In turn, this could have a more sizable impact on real wages. Nevertheless, we think positive factors will have greater weight, resulting in important growth for consumption in 2021.

## Analyst Certification

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

## Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

## Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

## Last-twelve-month activities of the business areas.

**Grupo Financiero Banorte S.A.B. de C.V.**, through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

## Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

## Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

## Guide for investment recommendations.

	<b>Reference</b>
<b>BUY</b>	When the share expected performance is greater than the MEXBOL estimated performance.
<b>HOLD</b>	When the share expected performance is similar to the MEXBOL estimated performance.
<b>SELL</b>	When the share expected performance is lower than the MEXBOL estimated performance.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

## Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V. since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.

GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Gabriel Casillas Olvera	IRO and Chief Economist	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
Economic Research and Financial Market Strategy			
Alejandro Padilla Santana	Executive Director of Economic Research and Financial Markets Strategy	alejandro.padilla@banorte.com	(55) 1103 - 4043
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Economic Research			
Juan Carlos Alderete Macal, CFA	Director of Economic Research	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Senior Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Senior Economist, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalia Orozco Vélez	Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Senior Strategist, Equity	valentin.mendoza@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Eridani Ruibal Ortega	Analyst	eridani.ruibal.ortega@banorte.com	(55) 1103 - 4000 x 2755
Juan Barbier Arizmendi, CFA	Analyst	juan.barbier@banorte.com	(55) 1670 - 1746
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Economic Studies			
Delia María Paredes Mier	Executive Director of Economic Studies	delia.paredes@banorte.com	(55) 5268 - 1694
Miguel Alejandro Calvo Domínguez	Senior Analyst, Economic Studies	miguel.calvo@banorte.com	(55) 1670 - 2220
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(81) 8319 - 6895
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebaldos@banorte.com	(55) 5268 - 9996
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldán Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454