

Retail sales gather pace in January despite the virus and higher prices

- **Retail sales (January): 6.7% y/y; Banorte: 5.8%; consensus: 6.1% (range: 4.8% to 8.3%); previous: 4.9%**
- **In monthly terms, sales increased 0.6%. We consider this as positive, albeit in some cases still limited. While this was helped by a favorable base effect, we note distortions from ‘Omicron’ and further price pressures. Moreover, fundamentals showed diverging trends**
- **By sectors, signals are mixed, albeit mostly up. We highlight growth in healthcare products (7.1%), in line with the increase of ‘Omicron’ cases. On the contrary, internet sales fell by -14.0%**
- **Trends for February are better, benefiting from better virus conditions and stronger fundamentals. However, we maintain caution about potential adverse effects due to prices pressures**

Retail sales up 6.7% y/y in January. This was higher than consensus (6.1%), and our estimate (5.8%). We believe overall performance was positive, especially considering relevant headwinds. Specifically, fundamentals posted diverging results in the period. On the positive side, [remittances](#) maintained healthy growth while [consumer credit](#) managed to return to growth. On the contrary, [wages and employment](#) deteriorated slightly, impacted by the latest wave of the virus. In addition, [inflation](#) pressures remained despite moderating in annual terms, especially at the core component.

Sequential increase in a challenging backdrop. Retail sales rose by 0.6% m/m after stalling in the previous month (0.0%). We think part of the expansion was aided by a favorable base effect. However, we believe the overall impact of the virus was modest than in previous COVID-19 waves, despite indeed taking a toll on dynamism. In our view, the breakdown reflects both the latter as well as the context provided by fundamentals (described above). In this sense, sectors to the upside include healthcare products at +7.1%, likely boosted by higher cases. However, we also note the positive performance in glass and hardware shops (1.9%), and office, leisure, and other personal use goods (1.0%). To the downside, we highlight internet sales at -14.0%, but only after spiking 19.1% in December. Meanwhile, clothing and shoes (-1.3%) and food, beverages, and tobacco (-1.0%) were the two remaining sectors lower. Lastly, autos and gasoline rose 1.0%, with fuel sales decelerating at the margin –in line with a modest decline in mobility– but with vehicle sales gathering pace, consistent with timely figures from AMIA. In our view, these results were positive, albeit we remain somewhat cautious about the possible pace of the recovery of domestic demand.

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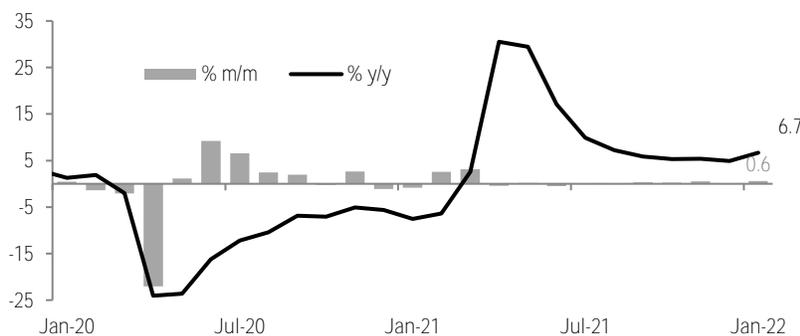
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Retail sales
% m/m sa; % 3m/3m sa

	Jan-22	Dec-21	Nov-21	% 3m/3m Nov'21-Jan'22
Retail sales	0.6	0.0	0.5	1.0
Food, beverages, and tobacco	-1.0	0.1	-0.1	-2.2
Supermarket, convenience, and departmental stores	0.2	-2.6	3.2	2.0
Clothing and shoes	-1.3	-0.3	0.8	6.2
Healthcare products	7.1	-2.1	0.1	0.4
Office, leisure, and other personal use goods	1.0	2.6	1.9	6.4
Appliances, computers, and interior decoration	0.6	-4.8	5.0	1.0
Glass and hardware shop	1.9	-1.6	1.4	0.7
Motor Vehicles, auto parts, fuel and lube oil	1.0	1.0	-1.3	-0.5
Internet sales	-14.0	19.1	9.5	10.7

Source: INEGI

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



Source: INEGI, Banorte

Better signals in the short-term, although risks remain in the horizon.

Considering a sharp improvement in virus conditions –with all states in ‘green’ according to the latest ‘traffic light’ indicator– we believe broad economic activity, but especially consumption, might maintain a positive trend. This is already reflected in some timely data. In particular, ANTAD sales were once again positive, with all-stores up 6.2% y/y in real terms and same-stores at 4.1%. While this is more modest than in January, the base effect is considerably more challenging. In addition, vehicles sales totaled 79.6 thousand units, up 5.9% m/m (in-house seasonal adjustment model), stringing three months in positive territory. However, fundamentals are more mixed. Consumer confidence was unchanged vs. the previous month, albeit with timely data from employment (e.g. [IMEF’s PMIs](#) and the IMSS jobs report) suggesting a partial recovery. In addition, some boost may come from social program payments that are being brought forward due to the beginning of the electoral ban, with most of the resources handed out in February and March. While the effect might be small –as people plan for spending ahead– we do not rule out some short-term boost.

In contrast, risks prevail. Supply chains may take another hit as new lockdowns have taken place in industrial hubs in China due to new virus outbreaks. This comes on top of concerns of further price pressures –[now anticipating a more challenging inflation backdrop](#)–, likely dampening purchasing power even more. As such, we continue expecting consumption to remain as the main driver within domestic demand, albeit with the pace of growth possibly affected for the remainder of the year.

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, José Luis García Casales, Yazmín Selene Pérez Enríquez, José Itzamna Espitia Hernández, Carlos Hernández García, David Alejandro Arenas Sánchez, Paola Soto Leal, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Daniela Olea Suárez, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo and Isaias Rodríguez Sobrino, 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.

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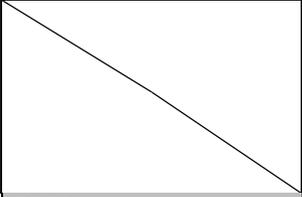
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