

## Retail sales maintain an upward trend in February

- **Retail sales (February): 6.4% y/y; Banorte: 6.0%; consensus: 5.7% (range: 4.5% to 7.0%); previous: 6.7%**
- **Sales increased 0.8% sequentially, positive considering growth of the same magnitude in the previous month. We believe this is consistent with other signs of a recovery in domestic demand, supported by stronger fundamentals**
- **Sector dynamics were mixed, although with an upward bias as 6 of the 9 sectors were in positive territory. We highlight expansions in clothing and shoes (3.4%) and vehicles and fuels (2.8%), in line with greater mobility. On the contrary, healthcare (-8.3%) and office & leisure (-2.2%) fell, which may be a consequence of less contagions and price pressures**
- **Considering that the current trend seems to be supported by better fundamentals and epidemiological conditions, we believe the favorable performance extended to the remainder of 1Q22**

**Increase of 6.4% y/y in February's retail sales.** This was better than consensus (5.7%) and our estimate (6.0%). With seasonally adjusted figures, sales grew 6.3% y/y. It seems that distortions in annual growth rates of various sectors are diminishing, although it will probably take some time for them to be completely erased. We believe current performance is a reflection of the recovery in domestic demand –which had been somewhat weak–, supported in part by stronger fundamentals. These include an [higher employment and wages](#), as well as greater dynamism in [consumer credit](#). However, we also think that challenges arising from scarcity of some goods and [rising price pressures](#) are limiting the recovery.

**Sequential growth continues.** Retail sales rose by 0.8% m/m adding to the pickup of the same magnitude in the previous month. We think this was driven by lower contagions (allowing for greater mobility and a resumption of more activities) and payments related to social programs that were brought-forward due to the electoral ban. In this sense, six out of the nine subsectors were better, highlighting clothing and shoes at +3.4% –with people possibly gearing up for the return of in-person activities–, motor vehicles and gasoline up 2.8% –boosted by the latter as mobility rose–, and appliances and household items at 2.0%. On the contrary, those to the downside included healthcare products (-8.3%) –consistent with falling cases–, office and leisure (-2.2%), and glass and hardware (-0.2%). Supermarket and departmental stores increased 1.5%, with strength centered in the latter following losses in the two previous months. In our view, this was also supported by better virus conditions and expectations of a further normalization ahead.

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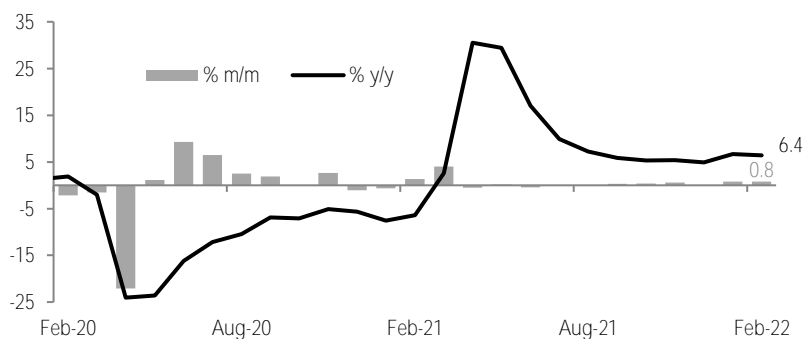
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Retail sales  
% m/m sa; % 3m/3m sa

	% m/m			% 3m/3m
	Feb-22	Jan-22	Dec-21	Dec'21-Feb'22
Retail sales	0.8	0.8	0.0	1.4
Food, beverages, and tobacco	0.7	-1.0	0.1	-1.1
Supermarket, convenience, and departmental stores	1.5	0.1	-1.8	0.5
Clothing and shoes	3.4	0.0	0.0	3.3
Healthcare products	-8.3	9.5	-2.0	0.8
Office, leisure, and other personal use goods	-2.2	1.1	2.1	3.0
Appliances, computers, and interior decoration	2.0	0.6	-5.9	-1.0
Glass and hardware shop	-0.2	1.9	-1.7	-0.1
Motor Vehicles, auto parts, fuel and lube oil	2.8	1.7	1.2	2.7
Internet sales	1.6	-15.4	19.8	11.0

Source: INEGI

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



Source: INEGI, Banorte

**Positive signs for the rest of the quarter, although with significant risks ahead.** We believe the sector likely remained relatively strong for the rest of the quarter, driven by better epidemiological conditions, another round of payments from social programs before they were suspended from April to June, and improvements in other fundamentals. Some of this has already been reflected in sentiment indicators, such as consumer confidence (+0.4pts) and [IMEF's non-manufacturing PMI](#) (+1.7pts; 52.8pts in the period). On hard data, vehicles sales reached 95.2 thousand units, which translates into a sequential advance of 5.1% m/m, stringing four months of strong increases. Regarding ANTAD sales, these have shown some weakness, impacted both by a less favorable base effect and [higher inflation](#). Thus, in real terms, the annual variation for total sales decreased to +3.2%, with same-store sales at +1.3%, which suggest that risks persist. On fundamentals, we will be waiting for the employment report (on Thursday) and banking credit (on Friday) for the period.

In the medium-term, we believe the recovery will continue, although with the pace probably being more modest. At the margin, supply chain issues stemming from China's lockdowns may lead to further shortages of both inputs and some final goods. In addition, higher prices in energy and some food items will probably result in people having to spend a greater share of their income to these categories, limiting their purchases in other sectors.

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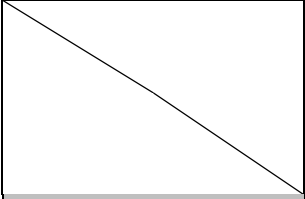
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