

Retail sales posted a 1.1% m/m contraction in April

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- *INEGI* just published its retail sales report for April
- Retail sales (April): 3.3% yoy; Banorte: 2.8%; consensus: 3.1%; (range of estimates: -0.8% to 5.8%); previous: 1.2%
- In seasonally adjusted terms, retail sales posted a 1.1% m/m contraction
- Looking ahead, we believe that both private consumption and retail sales will show a more dynamic growth
- Retail sales in Chihuahua posted the highest growth during the month, being the greatest increase in the history of the state (9.7% m/m seasonally adjusted figures)

Retail sales fell 1.1% m/m in April. According to *INEGI*'s report published today, the income generated by retail sales increased 3.1% yoy nsa, marginally above our 2.8% yoy forecast (consensus: 3.1%). However, in seasonally adjusted terms, retail sales decreased 1.1% m/m.

Taking a look at the breakdown, and analyzing the seasonally adjusted figures, the headline index contracted as a result of a decline in 5 out of 9 sub-indices. Durable-goods sales showed negative results given the 2.8% m/m reduction in household appliances, computers, and interior decoration sales. Moreover, vehicle sales decreased 0.2% m/m (as shown in the following table).

In addition, non-durable goods sales also posted a slightly negative performance. Supermarket, convenience, and departmental stores sales declined 4.2% m/m, while clothing and shoes sales contracted 2.2% m/m. By contrast internet sales edged-up 1.1% m/m, while office, leisure, and other personal use goods income increased 1.3% m/m.

Looking ahead, we expect that both private consumption and retail sales will show a more dynamic growth. Despite the slowdown in April, we believe that inflation's convergence towards Banxico's target will imply higher real wages. That in turn, will contribute to a faster growth of private consumption. In addition, the recovery retail sales will also be supported by the better growth prospects of formal employment and private banking credit. However, this could be partially offset by uncertainty stemming from both the renegotiation of NAFTA and the electoral process, which could negatively impact consumer spending.

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Retail sales: April 2018

% m/m, sa

	Apr-18	Mar-18
Retail sales	-1.1	1.2
Food, beverages, and tobacco	0.1	-0.3
Supermarket, convenience, and departmental stores	-4.2	5.0
Clothing and shoes	-2.2	2.0
Health care products	1.5	-0.6
Office, leisure, and other personal use goods	1.3	-8.2
Appliances, computers, and interior decoration	-2.8	4.4
Glass and hardware shop	-1.7	1.2
Motor Vehicles, auto parts, fuel and lube oil	-0.2	-1.0
Internet sales	1.1	1.0

Source: INEGI

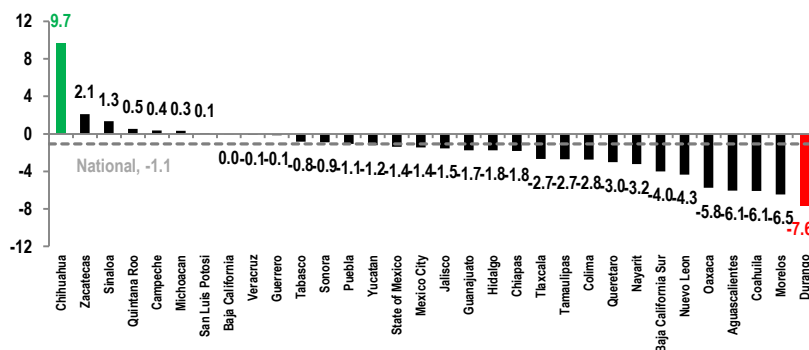
At a regional level

Retail sales in Chihuahua posted the highest growth during the month, being the greatest increase in the history of the state (9.7% m/m seasonally adjusted figures). Retail sales in Chihuahua posted a 9.7% m/m expansion, which stands as the highest growth in its history on a monthly basis. Year-to-date, retail sales in the state have shown a 2.7% yoy advance, standing below the 4.5% yoy expansion observed in the same period of 2017.

As we can see in the following chart, retail sales growth in 12 states, including Chihuahua, outperformed the national average. In this regard, we highlight April's expansion in Zacatecas (2.1 m/m), Sinaloa (1.3% m/m), Quintana Roo (0.5% m/m), and Campeche (0.4% m/m). By contrast, retail sales revenues in Durango, fell 7.6% m/m, as shown in the table below.

Retail sales by state: April 2018

% m/m; sa



Source: Banorte; INEGI

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