

Retail sales – Durable goods explained the 6.4% expansion in March

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Saúl Torres
Analyst, Mexico
saul.torres@banorte.com

- **Retail sales (March): 6.4% yoy (Banorte-Ixe: 4.6%; consensus: 4.8% range of estimates: 3% to 6.4%; previous: 9.6%)**
- **The 6.4% growth in retail sales was explained by the 18.6% yoy increase in sales of “household appliances, computers, and interior decoration” products, and the 14.3% in “clothing and shoes”**
- **In seasonally adjusted terms, retail sales expanded 3% m/m**
- **We believe that retail sales will continue to show better growth dynamics in 2Q16**
- **Retail sales in Hidalgo outperformed the national average in the 1Q16**

Regional Analysis

Miguel Calvo
Regional and Sectorial Economist
miguel.calvo@banorte.com

Retail sales increased 6.4 yoy in March, above expectations. According to INEGI's report published today, the income generated by retail sales grew 6.4% yoy, above our 4.6% yoy forecast (consensus: 4.8% yoy). Taking a look at the breakdown, we highlight the 18.6% increase in sales of “appliances, computers, and interior decoration” products, and the 14.3% in “clothing and shoes”. Similarly, other items showed a favorable performance. In particular, the sales in “food, beverages, and tobacco” expanded 7.8%, while “supermarket, convenience, and departmental stores” increased 5.3%. Moreover, the sales in motor vehicles, auto parts, fuel and lube oil edged-up 5.1% yoy, as shown in the table below. With these figures, retail sales posted a 7% yoy increase in 1Q16, compared with the 5.3% observed in the same period last year.

Retail sales: March

%yoy, nsa	Mar-16	Mar-15	Jan-Mar, '16	Jan-Mar, '15
Retail sales	6.4	5.5	7.0	5.3
Food, beverages, and tobacco	7.8	4.7	2.4	7.3
Supermarket, convenience, and departmental stores	5.3	5.9	6.1	6.2
Clothing and shoes	14.3	12.2	14.1	10.3
Health care products	5.6	6.3	10.4	5.4
Office, leisure, and other personal use goods	2.7	10.7	6.5	6.3
Appliances, computers, and interior decoration	18.6	-7.8	5.7	-2.6
Glass and hardware shop	4.5	11.0	10.3	6.3
Motor Vehicles, auto parts, fuel and lube oil	5.1	6.5	7.5	4.1
Internet sales	2.0	114.1	10.1	108.3

Source: INEGI

In seasonally adjusted terms, retail sales expanded 3%. The increase in the headline index was explained by the expansion of 5 of its 9 sub-indices. Taking a look at the breakdown, durable goods sales posted a favorable performance. In particular, household appliances, computers, and interior decoration sales grew 9.7% m/m, while vehicle and auto parts sales edged-up 3.8% m/m (refer to the following table). Moreover, supermarket, convenience, and departmental stores sales increased 1.1% m/m. By contrast, health care products, clothing and shoes, and office, leisure, and other personal use goods posted a reduction of 4.8%, 3.7% and 2%, respectively.

Retail sales: March

%m/m sa	Mar-16	Feb-16
Retail sales	3.0	0.3
Food, beverages, and tobacco	3.7	1.6
Supermarket, convenience, and departmental stores	1.1	2.1
Clothing and shoes	-3.7	9.1
Health care products	-4.8	1.9
Office, leisure, and other personal use goods	-2.0	2.2
Appliances, computers, and interior decoration	9.7	17.4
Glass and hardware shop	3.7	-10.7
Motor Vehicles, auto parts, fuel and lube oil	3.8	-4.6
Internet sales	-4.7	-1.5

Source: INEGI

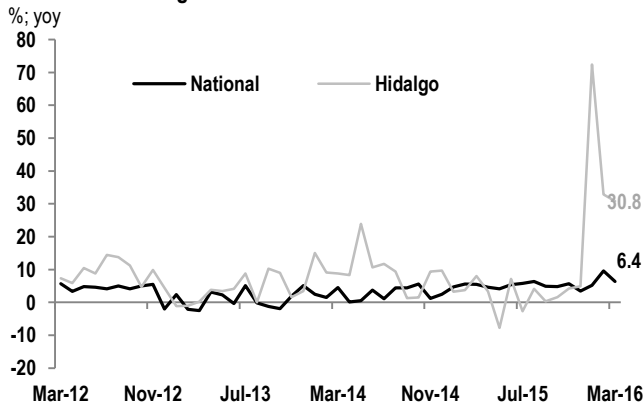
We believe that retail sales will continue to show better growth dynamics in 2Q16. Looking ahead, we believe that retail sales will continue to show a favorable performance derived from: (1) An improvement in private banking credit; (2) the contained levels of inflation; and (3) the stronger growth dynamics in the Mexican labor market.

From our regional economist

Retail sales in Hidalgo outperformed the national average in 1Q16. The income generated from retail sales in Hidalgo increased 21% yoy in 1Q16, above the national average (+7%) and the 31 federal entities in Mexico. Also, we highlight that the entity showed a 15pp advance compared with the one obtained in 1Q15 (+6.5%).

In March, Hidalgo showed a 30.8% expansion, figure well above the national average and maintaining the first place of the 31 federal entities. Also with significant growth and outperforming the national average, we also highlight the expansion in Durango (29.4%), Baja California Sur (27%), Chiapas (26.1%), and Queretaro (24.8%), as shown in the table below.

Retail sales: Hidalgo



Source: Banorte-Ixe; INEGI

States with the greatest and lowest increase in retail sales

% yoy	Mar-16	Mar-15	Jan-Mar, '16
National	6.4	5.5	7.0
Hidalgo	30.8	8.0	45.8
Durango	29.4	7.5	42.0
Baja California Sur	27.0	9.6	12.5
Chiapas	26.1	2.4	40.6
Queretaro	24.8	16.1	26.6
Tabasco	-10.2	4.1	5.8
Morelos	-4.0	5.6	1.4
Colima	1.6	8.7	8.9
Coahuila	7.4	6.2	8.8
Oaxaca	8.8	3.5	9.6

Source: Banorte-Ixe; INEGI

By contrast, retail sales revenues in Tabasco fell 10.2% yoy, the worst fall observed since November 2009. In seasonally adjusted terms, retail sales in Baja California Sur also outperformed the national average, showing a 14.1% m/m increase, taking the first place of the 31 entities remain in the third month of the year.

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GRUPO FINANCIERO BANORTE S.A.B. de C.V.
Research and Strategy

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

Economic Analysis

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Alejandro Cervantes Llamas	Senior Economist, Mexico	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Katia Celina Goya Ostos	Senior Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional & Sectorial	miguel.calvo@banorte.com	(55) 1670 - 2220
Juan Carlos García Viejo	Economist, International	juan.garcia.viejo@banorte.com	(55) 1670 - 2252
Rey Saúl Torres Olivares	Analyst	saul.torres@banorte.com	(55) 1670 - 2957
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Fixed income and FX Strategy

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Juan Carlos Alderete Macal, CFA	FX Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Analyst Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Equity Research Analyst	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Senior Equity Research Analyst – Conglomerates/Financials/ Mining/ Chemistry	marissa.garza@banorte.com	(55) 1670 - 1719
Marisol Huerta Mondragón	Equity Research Analyst – Food/Beverages	marisol.huerta.mondragon@banorte.com	(55) 1670 - 1746
José Itzamna Espitia Hernández	Equity Research Analyst – Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto parts	valentin.mendoza@banorte.com	(55) 1670 - 2250

Corporate Debt

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Idalia Yanira Céspedes Jaén	Analyst, Corporate Debt	idalia.cespedes@banorte.com	(55) 1670 - 2248

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
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
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454