

## Retail sales rebounded modestly in January after its strong fall in the previous month

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

**Juan Carlos Alderete, CFA**  
Senior Economist, Mexico  
[juan.alderete.macal@banorte.com](mailto:juan.alderete.macal@banorte.com)

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

**Miguel Calvo**  
Regional Analyst  
[miguel.calvo@banorte.com](mailto:miguel.calvo@banorte.com)

- **INEGI just published its retail sales report for January**
- **Retail sales (January): 0.9% yoy; Banorte: 1.5%; consensus: 1.1% (range of estimates: -1.6% to 2.2%); previous: -1.3%**
- **In seasonally adjusted terms, retail sales rebounded 1.9% after plunging -3.2% m/m in December**
- **In our view, the report suggests that retail sales were affected by recent temporary shocks, although more data is necessary to judge the overall trend**
- **We maintain our expectation that consumption will keep growing, although today's report increases our conviction at the margin that it is likely moderating when compared to the previous year**
- **Baja California Sur showed the highest growth in retail sales during the month (6.9% m/m)**

**Retail sales rebounded modestly in January.** The income generated by retail sales increased 0.9% yoy nsa in January, below both consensus at 1.1% and our estimate of 1.5%. In seasonally adjusted terms, retail sales grew 1.9% m/m, not enough to compensate for the -3.2% m/m decline of the previous month. In this respect, today's report suggests that consumer activity had just a brief plunge at the end of last year but recovered its positive performance. Nevertheless, it is also consistent with our view that consumption is likely to moderate at the margin on a slower pace of formal job creation and a higher unemployment rate, among other factors. By component, only two contracted in their monthly comparison. These include food, beverages and tobacco at -0.3% m/m, and health care, which declined 0.4%. On the contrary, internet sales surged 32.4%, more than compensating for the decline of 21.6% in the previous month and its second highest increase in historical terms. Moreover, the category including motor vehicles grew 2.6%, in which gasoline sales edged up 3.6%. Although not conclusive, this dynamic might have been influenced by lower incentives to go out and higher demand of gasoline due to distribution delays, inducing some "panic" purchases. If this is the case, some normalization is coming due. Despite of the latter, we believe that overall results are consistent with our expectation that retail sales are likely to moderate going forward, despite maintaining positive annual growth rates.

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### Retail sales: January 2019

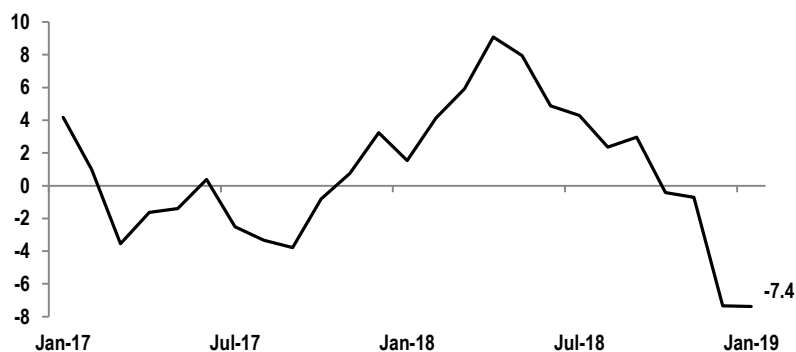
% m/m sa; % 3m/3m saar

	% m/m		% 3m/3m saar	
	Jan-19	Dec-18	Nov-18	Nov '18-Jan '19
<b>Retail sales</b>	<b>1.9</b>	<b>-3.2</b>	<b>0.3</b>	<b>-7.4</b>
Food, beverages, and tobacco	-0.3	-0.6	-1.6	-9.5
Supermarket, convenience, and departmental stores	3.5	-4.1	2.5	0.7
Clothing and shoes	0.5	-3.1	-0.8	-8.9
Health care products	-0.4	-0.6	0.9	-0.1
Office, leisure, and other personal use goods	2.5	-2.5	0.9	-4.0
Appliances, computers, and interior decoration	8.2	-10.9	-2.1	-12.1
Glass and hardware shop	1.6	0.2	-1.9	-10.7
Motor Vehicles, auto parts, fuel and lube oil	2.6	-3.8	-0.2	-11.6
Internet sales	32.4	-21.6	-2.9	-27.7

Source: INEGI

**The 3m/3m saar rate stood at -7.4%, marginally lower than the already weak previous print of -7.3%.** In this respect, the lower than expected monthly performance, coupled with very weak December figures, should limit upside to short-term dynamics in coming months. It is also worth saying that the current rate stands at its lowest since February 2013. In this respect and considering that the 3m/3m saar rate was already significant low, the fact that it remains in deep negative territory supports our relative skepticism about the possibility of retail sales maintaining a strong performance this year. We believe that today's report is neutral to slightly negative, although it is important to mention that additional data is necessary to judge more clearly the overall consumption trend, particularly given that it is not possible to discard a temporary and negative impact from recent supply shocks, as already mentioned above.

**Retail sales**  
% 3m/3m saar



Source: INEGI

**The report is consistent with our expectation of a deceleration in retail sales in 2019.** We maintain our conviction that retail sales will moderate in 1Q19 when compared to its performance in the previous year on a slower pace of job creation, higher unemployment and local uncertainty. Moreover, today's report seems to suggest an additional impact from transitory shocks. Despite of the latter, we expect consumption to maintain positive growth this year, still supported by relatively strong fundamentals such as real wage gains (aided by the recent decline in inflation pressures), healthy dynamism in remittances, and above-GDP growth in credit with low levels of non-performing loans, among others.

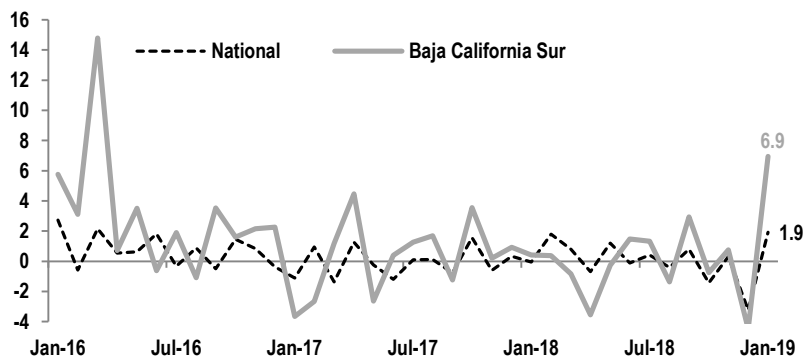
Going forward, we reiterate our view that at least three additional factors could be supportive for consumption, including: (1) The increase in the minimum wage; (2) the start of several Federal government transfers to vulnerable groups, despite delays in its implementation; and (3) the fiscal stimulus at the Northern Border. In general, these could help in a more challenging environment, especially on the external front as the US decelerates, which could also impact remittances' growth and more broadly, of local economic activity.

*At the state level*

**Baja California Sur showed the highest growth in retail sales during the month (6.9% m/m sa).** This happened after the 4.5% fall in the previous month. As shown in the following chart, retail sales rebounded, displaying a level not seen in the state since March 2016. As we can see in the following chart, retail sales in the state have recovered in the first month of the year. It's important to highlight that in 2018, retail sales in Baja California Sur registered a 3.4% growth. Only in this month, the entity stood 3.5pp above that level.

**Retail sales in Baja California Sur**

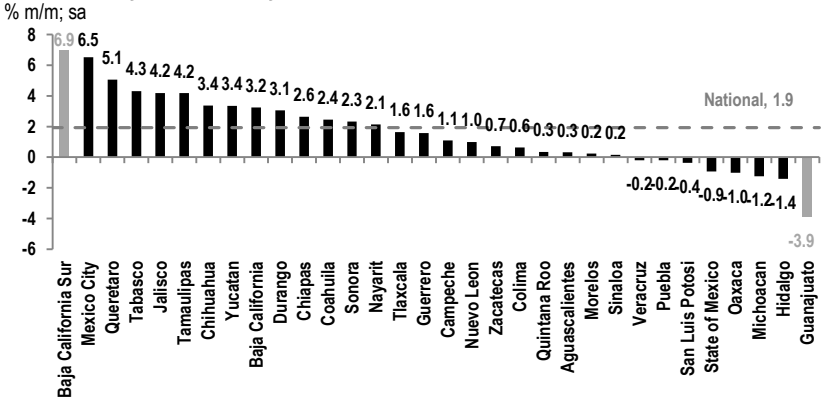
% m/m; seasonally adjusted figures



Fuente: Banorte; INEGI

Moreover, retail sales growth in 14 states including Baja California Sur outperformed the national average. In this regard, we highlight the expansion in Mexico City (6.5% m/m), Queretaro (5.1% m/m), Tabasco (4.3% m/m) and Jalisco (4.2% m/m). By contrast, retail sales revenues in Guanajuato fell 3.9% m/m, as shown in the table below, the worst contraction in the state since June 2017.

**Retail sales by state: January 2019**



Source: Banorte; INEGI

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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
Katia Celina Goya Ostos	Senior, Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Juan Carlos Alderete Macal, CFA	Senior Economist, Mexico	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Miguel Alejandro Calvo Domínguez	Economist, Regional	miguel.calvo@banorte.com	(55) 1670 - 2220
Francisco José Flores Serrano	Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Francisco Duarte Alcocer	Analyst, Global Economist	francisco.duarte.alcocer@banorte.com	(55) 1103 - 4000 x 2707
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
Santiago Leal Singer	FX Senior Strategist	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalía Orozco Vélez	Fixed Income and FX Strategist	leslie.orozco.velez@banorte.com	(55) 5268 - 1698

**Equity Strategy**

Manuel Jiménez Zaldivar	Director Equity Research – Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Technical Analysis	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Equity Research – Conglomerates / Financials / Mining / Petrochemicals	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research – Airlines / Airports / Cement / Infrastructure / REITs	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research – Auto Parts / Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Jorge Antonio Izquierdo Lobato	Analyst	jorge.izquierdo.lobato@banorte.com	(55) 1670 - 1746
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

**Corporate Debt**

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Manager, Corporate Debt	gerardo.valle.trujillo@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