

## Retail sales bounced back in April

- **INEGI just published its retail sales report for April**
- **Retail sales (April): 1.6% yoy; Banorte: 0.6%; consensus: 1.8% (range of estimates: -0.6% to 2.5%); previous: 1.6%**
- **In seasonally adjusted terms, retail sales were up 2.2% yoy. In the monthly comparison they expanded 0.7%, reversing the mild 0.2% decline observed in March**
- **In this respect, retail sales have held up relatively better in a context of more modest economic activity, as portrayed by yesterday's IGAE for the same month, in which services contracted for a second month in a row**
- **In our view, risks of a slowdown remain present as the pace of formal job creation keeps moderating. Nevertheless, other fundamentals for consumption such as real wages, remittances and banking credit have stayed strong**
- **We continue believing that retail sales will grow around 2% this year, above the 1.5% observed in 2018**
- **Tabasco showed the highest growth of the last three months (5% m/m)**

**Retail sales bounced back in April.** Income generated by retailers grew 1.6% yoy nsa in the month, an inch below consensus at 1.8% but stronger than our estimate of 0.6%. As a result, average performance during the last two months stood at 1.5%. This is important given that, in a similar fashion to the previous month, the monthly figure is distorted by a calendar effect associated with the Easter Holiday. Adjusting for this latter effect, sales increased 2.2% yoy sa in the month.

Retail sales picked-up 0.7% m/m, more than compensating for the 0.2% contraction observed in March. Taking a look at the breakdown, only one out of nine sectors contracted, corresponding to clothing and shoes (-0.3%). On the other hand, internet sales bounced strongly as they grew 6.0%, followed by glass and hardware (2.9%) and food, beverages and tobacco (2.7%).

We consider this performance to be very positive, taking into account that other indicators, such as yesterday's IGAE, showed a moderation in services, suggesting a slowdown in domestic demand. Moreover, this result came in the midst of an environment with a high degree of uncertainty affecting the local economy. Despite of the latter, consumer confidence levels have held up at relatively high levels, although in our view more heavily influenced by sentiment on the political front as opposed to economic conditions.

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### Retail sales: April 2019

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

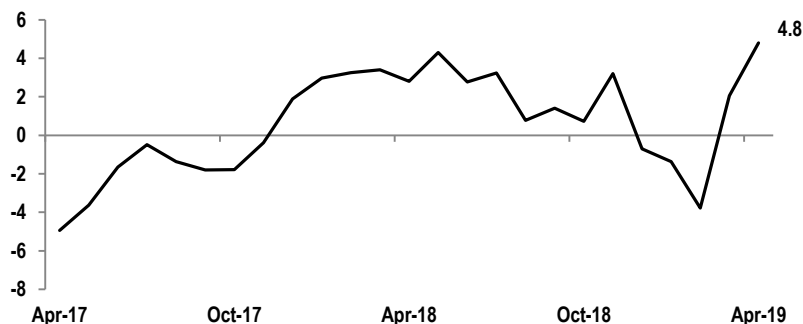
	% m/m		% 3m/3m saar	
	Apr-19	Mar-19	Feb-19	Feb - Apr '19
<b>Retail sales</b>	<b>0.7</b>	<b>-0.2</b>	<b>1.1</b>	<b>4.8</b>
Food, beverages, and tobacco	2.7	-0.5	3.3	4.2
Supermarket, convenience, and departmental stores	0.2	0.4	1.8	11.9
Clothing and shoes	-0.3	-0.2	6.6	6.0
Health care products	2.3	-0.8	0.1	-1.3
Office, leisure, and other personal use goods	2.3	0.3	-0.9	-3.2
Appliances, computers, and interior decoration	1.1	2.6	-4.8	-16.3
Glass and hardware shop	2.9	-2.3	0.4	0.3
Motor Vehicles, auto parts, fuel and lube oil	1.7	-0.8	2.2	10.7
Internet sales	6.0	-1.0	1.2	27.5

Source: INEGI

**The 3m/3m saar rate reached 4.2%, significantly above the +2.1% of the previous month.** This meant a second consecutive month in positive territory, albeit at least partially benefitted by a base-effect given the weak performance observed in December last year. Therefore, we are cautious not to overstate the significance of this acceleration, as it will likely drop by the end of the quarter. Nevertheless, overall results are better than expected, suggesting that the sector remains relatively resilient despite the moderation in economic activity, particularly during the last two months.

#### Retail sales

% 3m/3m saar



Source: INEGI

#### Retail sales showing high stability despite an economic slowdown.

Yesterday's *Global Economic Activity Indicator* showed this sector at 1.7% yoy in April using non-seasonally adjusted figures, virtually in line with today's report. This has resulted in a year-to-date average performance of 2.5% yoy which is below the 3.8% of the same period in 2018. Nevertheless, this report shows a different dynamic, with the same metric standing this year at 1.6% vs. 0.7% in the previous year. Although the report was better-than-expected, the tertiary sector actually fell on a sequential basis for a second consecutive month in April. In our view, this signals the possibility of a moderation in domestic demand which would be an additional headwind to our 1.5% yoy full-year GDP forecast. In particular, the most relevant detail is that this slowdown has been accompanied by the persistent downtrend in the pace of job creation, which in May stood at 2.4% yoy. Despite of the latter, other fundamentals for consumption, such as real wages, remittances and banking credit, continue growing at a relatively healthy pace.

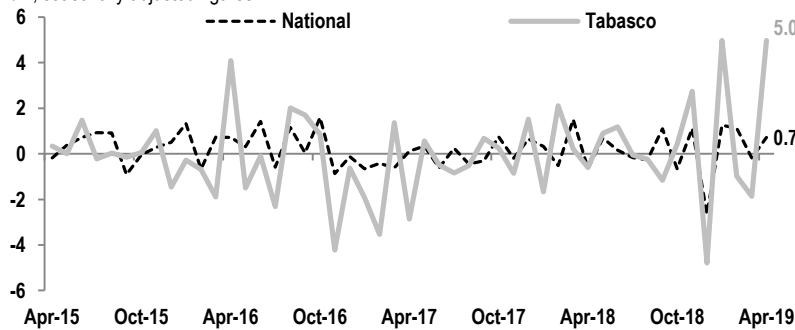
On balance, we maintain our view that private consumption will keep growing and could exhibit a more positive performance in the second half of the year as government programs are fully implemented. Nevertheless, one increased risk is that austerity measures by the Federal Government outweigh for the latter. In particular, data so far is still consistent with our take that retail sales will grow close to 2% yoy in 2019, higher than the 1.5% of 2018.

*At the state level*

**Tabasco showed the highest growth of the last three months (5% m/m).** This happened after 2 months of consecutive declines, posting a considerably higher dynamism vs. the national average, representing the highest since January. It is important to highlight that on a year-to-date basis, retail sales in Tabasco accumulate 3.5% growth, 5.7pp above the one observed in the same period last year.

**Retail sales in Tabasco**

% m/m; seasonally adjusted figures

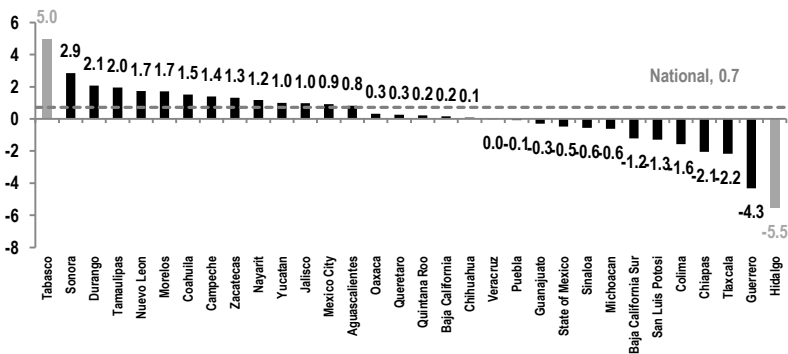


Fuente: Banorte; INEGI

Retail sales in 9 states outperformed the national average. Apart from Tabasco, we highlight Sonora (2.9% m/m), Durango (2.1%), Tamaulipas (2%), and Nuevo Leon (1.7%). By contrast, retail sales revenues in Hidalgo fell 5.5%, as shown in the table below, the worst contraction since December 2018.

**Retail sales by state: April 2019**

% m/m; sa



Source: Banorte; INEGI

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