

Retail sales – 5.6% yoy growth in February suggests better growth prospects for domestic demand

April 24, 2015

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- **Retail sales (February): 5.6% yoy; Banorte-Ixe: 4.5%; consensus: 4.5% (range of estimates: 4% to 5.5%); previous: 4.7%**
- **In seasonally adjusted terms, retail sales posted a 0.5% m/m expansion**
- **Taking a look at the breakdown, most of the sub-indices posted a significant recovery; however, we highlight the 6.8% m/m expansion in appliances, computers, and interior decoration sales**
- **Looking ahead, we believe that retail sales will continue to show better growth dynamics**

Retail sales increased 5.6% yoy in February. According to *INEGI's* report published today, the income generated by retail sales grew 5.6% yoy, above our 4.5% yoy forecast (consensus: 4.5% yoy). Taking a look at the breakdown, we highlight the significant recovery in all of the sub-indices. In particular, supermarket, convenience, and departmental stores sales expanded 5.8% yoy, while appliances, computers, and interior decoration sales edged-up 19.9% yoy. Similarly, clothing and shoes sales grew 11.1%, while motor vehicles, auto parts, fuel and lube oil increased 3.2% yoy, as shown in the table below.

Retail sales: February 2015

| %yoy, nsa | Feb-15 | Feb-14 | Jan-Feb, '15 | Jan-Feb, '14 |
|---|------------|------------|--------------|--------------|
| Retail sales | 5.6 | 1.5 | 5.1 | 2.0 |
| Food, beverages, and tobacco | 3.4 | 16.1 | 8.6 | 14.7 |
| Supermarket, convenience, and departmental stores | 5.8 | -0.9 | 6.4 | -0.7 |
| Clothing and shoes | 11.1 | 0.4 | 9.4 | -2.6 |
| Health care products | 7.1 | 0.8 | 5.0 | 1.5 |
| Office, leisure, and other personal use goods | 5.4 | 3.4 | 4.2 | 4.4 |
| Appliances, computers, and interior decoration | 19.9 | 2.9 | 0.2 | 17.4 |
| Glass and hardware shop | 1.1 | -4.9 | 3.9 | -5.4 |
| Motor Vehicles, auto parts, fuel and lube oil | 3.2 | -1.7 | 2.8 | -2.2 |
| Internet sales | 126.1 | -5.9 | 105.2 | 2.2 |

Source: INEGI

In seasonally adjusted terms, retail sales posted a 0.5% m/m expansion. Taking a look at the breakdown, durable goods sales also showed positive results. Vehicle and auto parts sales increased 0.6% m/m, while sales of household appliances, computers, and interior decoration expanded 6.8% m/m. (refer to the following table). With these numbers, retail sales posted a 5.6% 3m/3m saar expansion, above the 0.1% observed in 4Q14.

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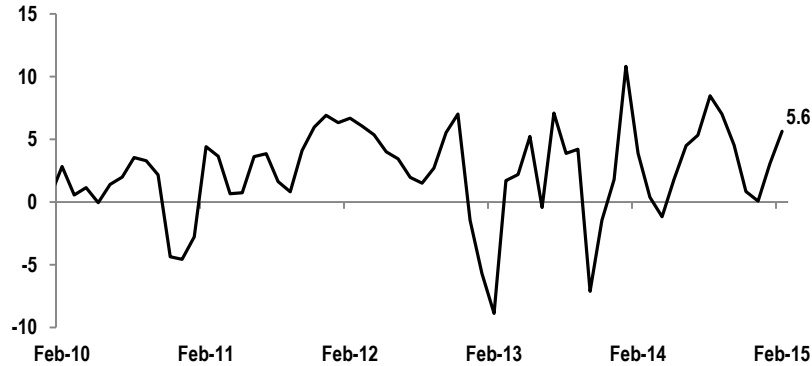
Retail sales: February 2015

| %m/m sa | Feb-15 | Jan-15 | Difference |
|---|------------|------------|-------------|
| Retail sales | 0.5 | 2.1 | -1.6 |
| Food, beverages, and tobacco | -6.5 | 5.5 | -12.0 |
| Supermarket, convenience, and departmental stores | 0.0 | 1.7 | -1.7 |
| Clothing and shoes | 2.5 | 10.3 | -7.8 |
| Health care products | 2.4 | -0.1 | 2.5 |
| Office, leisure, and other personal use goods | 1.4 | 4.9 | -3.5 |
| Appliances, computers, and interior decoration | 6.8 | 3.1 | 3.7 |
| Glass and hardware shop | -0.5 | -1.2 | 0.7 |
| Motor Vehicles, auto parts, fuel and lube oil | 0.6 | 1.9 | -1.3 |
| Internet sales | 10.3 | -3.3 | 13.6 |

Source: INEGI

Retail sales

% 3m/3m saar



Source: Banorte-Ixe, INEGI

We believe that retail sales will continue to show better growth dynamics.

With today's report, retail sales posted a 5.1% yoy growth during the first two months of the year, suggesting a marked recovery in the growth dynamics of domestic demand. We continue to expect that both retail sales and private consumption will show a more visible recovery driven by the following factors: (i) The recovery in consumer confidence; (ii) the recent downward trend in inflation; (iii) the better growth dynamics observed in the Mexican labor market; and (iv) better growth prospects for the Mexican economy explained by the improvement of the manufacturing sector.

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