

Retail sales growth supported by the downward trend in inflation

April 25, 2018

www.banorte.com
@analisis_fundam**Alejandro Cervantes**
Senior Economist, Mexico
alejandro.cervantes@banorte.com**Miguel Calvo**
Regional and Sectorial Analyst
miguel.calvo@banorte.com

- **INEGI just published its retail sales report for February**
- **Retail sales (February): 1.2% yoy; Banorte: -0.8%; consensus: 0.4%; (range of estimates: -2% to 1.5%); previous: 0.5%**
- **In seasonally adjusted terms, retail sales posted a 1.6% m/m contraction**
- **Looking ahead, we believe that both private consumption and retail sales will show a more dynamic growth**
- **Guanajuato showed the highest growth in retail sales during February (4.6% m/m seasonally adjusted figures)**

Retail sales expanded 1.6% m/m in February. According to *INEGI's* report published today, the income generated by retail sales increased 1.2% yoy nsa, above our -0.8% yoy forecast (consensus: 0.4%). In seasonally adjusted terms, retail sales increased 1.6% m/m. It is likely that inflation's recent downward trend coupled with the higher-than-expected growth in domestic demand has supported the recent recovery in retail sales.

Taking a look at the breakdown, and analyzing the seasonally adjusted figures, the headline index increased as a result of an expansion in 6 out of 9 sub-indices. Durable-goods sales showed mixed results given the 6.2% m/m expansion in household appliances, computers, and interior decoration sales. By contrast, vehicle sales decreased 0.1% m/m (as shown in the table on the following page).

In addition, non-durable goods sales also posted a mixed performance. Supermarket, convenience, and departmental stores sales increased 0.1% m/m, while clothing and shoes sales expanded 1.8% m/m. Similarly office, leisure, and other personal use goods income edged-up 6.2% m/m. By contrast, internet sales declined 1.2% m/m.

Looking ahead, we believe that both private consumption and retail sales will show a more dynamic growth. We believe that inflation's accelerated rate of convergence towards its 3% target would imply higher real wages that would contribute to a faster growth of private consumption. In addition, private consumption and retail sales recovery will also be supported by the better growth prospects of formal employment and private banking credit.

Document for distribution among public

Retail sales: February 2018

% m/m, sa

	Feb-18	Jan-18	Difference
Retail sales	1.6	0.5	1.1
Food, beverages, and tobacco	0.6	1.0	-0.4
Supermarket, convenience, and departmental stores	0.1	2.4	-2.2
Clothing and shoes	1.8	-0.6	2.4
Health care products	-0.8	0.2	-1.0
Office, leisure, and other personal use goods	9.9	-1.1	10.9
Appliances, computers, and interior decoration	6.2	0.8	5.4
Glass and hardware shop	1.8	-0.9	2.6
Motor Vehicles, auto parts, fuel and lube oil	-0.1	0.8	-0.9
Internet sales	-1.2	6.5	-7.7

Source: INEGI

At a regional level

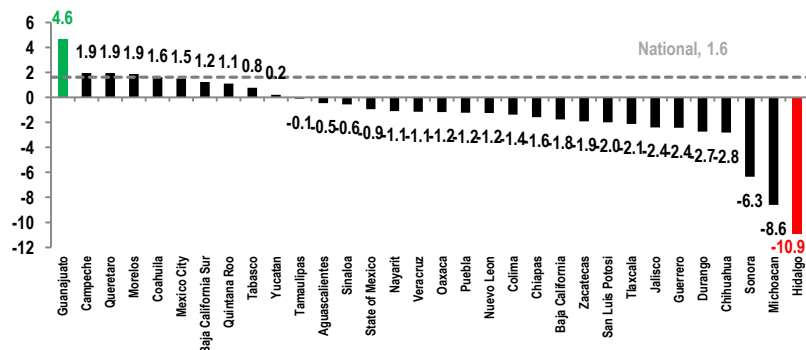
Guanajuato showed the highest growth in retail sales during February.

Retail sales in Guanajuato posted a 4.6% m/m expansion, which stands as the highest growth in the country. Moreover, we highlight that this was the maximum increase observed in the state since February 2016. Year-to-date, retail sales in the state showed a 2.8% yoy advance, far below the 12% yoy expansion observed in the same period of 2016.

As we can see in the following chart, retail sales growth in only 5 states including Guanajuato outperformed the national average. In this regard, we highlight February's expansion in Campeche, Queretaro, and Morelos (1.9% m/m respectively). Also, we highlight Coahuila's 1.6% m/m growth. By contrast, retail sales revenues in Hidalgo fell 10.9% m/m, as shown in the table below.

Retail sales by state: February 2018

% m/m; sa



Source: Banorte; INEGI

Disclaimer

The information contained in this document is illustrative and informative so it should not be considered as an advice and/or recommendation of any kind. BANORTE is not part of any party or political trend.

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
Francisco José Flores Serrano	Economist, Mexico	francisco.flores.serrano@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 Senior Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Strategist 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	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
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	Analyst, 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