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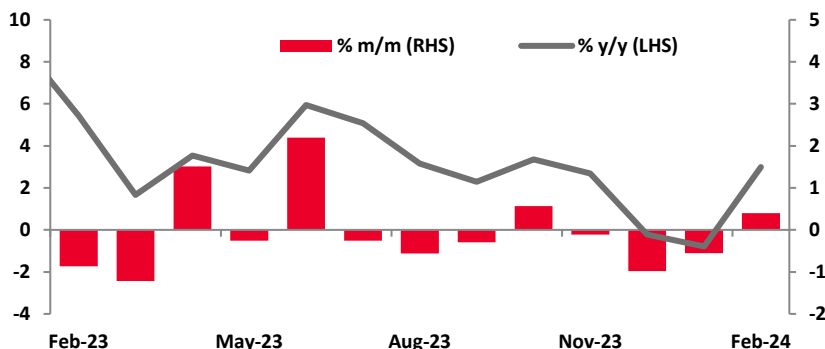
Retail sales – Modest sequential uptick, with positive factors in play

- Retail sales (February): 3.0% y/y; Banorte: 4.2%; consensus: 1.8% (range: 0.1% to 5.0%); previous: -0.8%
- Sales climbed 0.4% m/m, breaking with three months of declines. We believe the result is supported by several factors, including some circumstantial ones, along resilient fundamentals
- Inside, seven of the nine sectors grew. We highlight expansions in internet sales (7.7%) –with a favorable base effect–, and glass and hardware (2.5%). On the contrary, there were relevant declines in office & leisure (-0.7%) and in supermarket and departmental stores (-0.2%)
- We believe the positive trend could extend to coming months, with several factors in play during the month persisting. After this, we believe sequential increases could continue, albeit at more modest rates and not ruling out some setbacks along the way

Retail sales returned to positive territory in the annual comparison. The figure came in at 3.0% y/y, above consensus (1.8%) but below our estimate (4.2%). We believe that the acceleration is partly explained by two positive arithmetic effects, most notably: (1) The contribution of an additional day due to the leap year; and (2) a more favorable base of comparison relative to the previous year. Thus, with seasonally adjusted figures, the advance was more modest at 0.4%. The latter is consistent with our positive view for the sector, with other favorable factors present during the period. These include further progress in the labor market –with the resumption of job creation, a decline in the unemployment rate and an acceleration in wage growth. In other areas, remittances remained relatively subdued, although consumer credit maintained a stable rate of expansion. Improvements were also notable on the price front, helped by the non-core. Another point that we believe was key in driving the result was the early payment of social program transfers, something on which we provide more details in the following section.

Retail sales

% y/y (nsa), % m/m (sa)



Source: INEGI, Banorte

Progress in sequential terms. Sales grew 0.4% m/m, breaking with three months of declines. As we have mentioned in other publications, a key driver for the period was the fact that government transfers were brought forward to comply with electoral restrictions. Thus, between January and February, some recipient households received the equivalent of 6 months of resources in a reduced time span. Consistent with this, timely figures had a positive bias. ANTAD same-store sales accelerated significantly to 4.6% y/y in real terms (previous: -1.3%). Similarly, both gasoline sales (0.7% m/m) and non-oil consumer goods imports (2.1% m/m) improved sequentially.



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In detail, seven of the nine categories improved relative to the previous month, with some base effects at play. Strength was centered in internet sales at 7.7% and glass & hardware with a 2.5% expansion. To the downside, the only laggards were office & leisure at -0.7% and supermarket & department stores at -0.2%. Regarding 'autos and fuel', these came in at +1.5%, with fuel at +0.7% and auto at 0.0% –contrasting with the increase reported by AMIA. For further details, see the table below.

Retail sales

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

	% m/m			% 3m/3m
	Feb-24	Jan-24	Dec-23	Dec'23-Feb'24
Retail sales	0.4	-0.6	-1.0	-1.1
Food, beverages, and tobacco	1.6	-1.2	-2.3	-3.2
Supermarket, convenience, and departmental stores	-0.2	0.8	-2.8	-2.4
Clothing and shoes	0.6	-3.3	-0.3	-2.1
Healthcare products	1.4	4.1	-2.0	1.3
Office, leisure, and other personal use goods	-0.7	-13.7	8.4	-0.3
Appliances, computers, and interior decoration	0.9	0.7	0.4	1.9
Glass and hardware shop	2.5	-0.5	0.7	-1.2
Motor vehicles, auto parts, fuel, and lube oil	1.5	2.1	-1.4	0.4
Internet sales	7.7	-5.8	5.7	5.5

Source: INEGI

We anticipate strength in consumption in the short-term, expecting some of the points that prevailed in the period to persist. While the end of 2023 and the start of the year for retail sales was weak, we believe that today's result, as well as some more immediate factors, result in a relatively more positive outlook for the coming months. Broadly speaking, we believe that these can be grouped into two large themes: (1) Those related to advances regarding disposable income; and (2) those related to supply conditions.

Regarding the former, as we have already mentioned, it is important to highlight the effect of the ban closure that resulted in early payments of social program transfers. We believe that part of this has already been reflected in today's results, but considering the amounts delivered and the multiple holidays in March, the effect could extend into the following month. This can already be seen in ANTAD's figures for that period, with a 3.3% y/y expansion in real terms for same-stores. In addition, we believe that strength in consumer fundamentals will continue, especially in the labor market –anticipating historical lows in March's unemployment rate and that the lighthouse effect will continue to permeate on the wage curve. Regarding the second point, discount campaigns in coming months could also be a driver of retail sales (especially in online sales). The 2024 *Hot Sale* plans to be the main online sales campaign of the semester, with nine days –from May 15th to the 23rd– of discounts focused on clothing, footwear, home appliances, mobile phones, and computer equipment. In addition, imports of consumer goods remain high, still favored by the strength of the Mexican peso, a situation that should improve the supply of goods in the country.

After this, we believe that consumption could maintain a mostly positive trajectory for the remainder of the year, although we do expect more moderate growth or even slight sequential contractions in some months. In this regard, and taking into account our expectation of a decline in 3Q23 GDP –mainly impacted by investment and government spending– we will be very attentive to the effect that may prevail in consumption.

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