Retail sales rebounded in November

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Juan Carlos Alderete, CFA
Director of Economic Research
juan.alderete.macal@banorte.com

Francisco Flores
Senior Economist, Mexico
francisco.flores.serrano@banorte.com

Miguel Calvo
Senior Economic, Studies
miguel.calvo@banorte.com

- **Retail sales (November): 2.1% y/y; Banorte: 1.9%; consensus: 0.4% (range: -0.5% to 2.5%); previous: 0.4%**
- **In seasonally adjusted terms, retail sales increased 1.7% m/m, not enough to reverse the 2.3% decline observed in October. However, it did surpass market expectations, with a relatively strong performance in durable-goods related categories**
- **For 2020, we continue expecting private consumption to grow 1.2% y/y improving relative to the 0.8% for 2019. This would be supported by the minimum wage increase as well as social spending programs from the Federal Government, among other factors**
- **However, we believe there are some downside risks, mainly associated with a potential cooldown of the labor market**
- **Hidalgo showed its highest growth since December 2017, at 15.4% m/m**

Retail sales accelerate to 2.1% y/y in November. This figure was significantly above consensus (0.4%) but closer to our forecast (1.9%). We believe that most of the upside surprise came after the weak print in this sector within November's IGAE, which pointed to a much more muted performance. In the first eleven months of 2019 retail sales have grew 1.8% y/y, matching 2018's pace.

A positive monthly pick-up of 1.7%. While this also surprised to the upside, it was not enough to reverse October's 2.3% decline. Nevertheless, we take as positive the performance of durable-goods related sectors, which were some of the outperformers during the month. We believe the latter was mainly driven by *El Buen Fin* (Mexico's Black Friday), which through discounts and payment plans, may have boosted the consumption of this type of goods. In this sense, we highlight the 5.3% rise in internet sales, +3.9% in motor vehicles and fuel –with autos up 6.4%–, and +2.7% in appliances and other home goods. Moreover, supermarkets (which mostly also take part in the discounts) increased 1.4%, while on the contrary, food and beverage stores fell 0.1%. All in all, only three out of the nine subsectors were negative.

Although the recovery in durable goods sales seems to be positive for consumption going forward, we should be careful about reading too far today's figures, since they might be skewed by the discount season. In this context, we will be looking for additional information to gage the health of this type of sales, which so far have disappointed throughout 2019. Looking into next month's figures, preliminary data from retailers such as ANTAD ad Walmart point to a more muted performance, with sales at only +0.8% and -0.2% y/y in real terms, respectively. In addition, auto sales continue showing weakness. Considering the latter, we expect sales in December could show a slight retracement, particularly as today's print was very positive.

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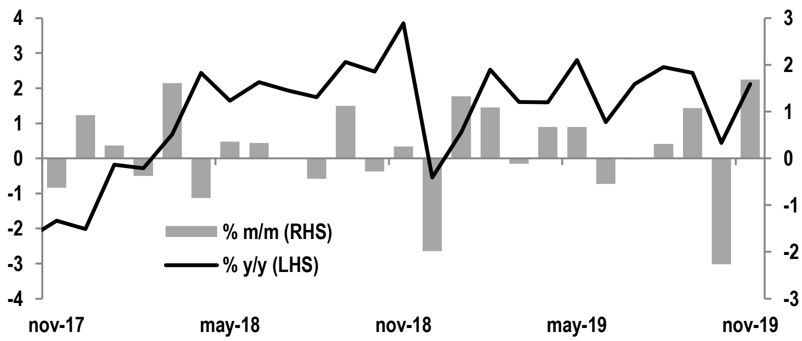
Retail Sales: November 2019
% m/m sa; % 3m/3m sa

	% m/m			% 3m/3m
	Nov-19	Oct-19	Sep-19	Sep-Nov '19
Retail sales	**1.7**	**-2.3**	**1.1**	**0.3**
Food, beverages, and tobacco	-0.1	-0.7	-0.1	-0.3
Supermarket, convenience, and departmental stores	1.4	-0.9	0.6	1.3
Clothing and shoes	0.7	-0.9	1.5	1.5
Health care products	0.3	-0.1	-0.5	-0.6
Office, leisure, and other personal use goods	-0.1	0.4	0.5	1.1
Appliances, computers, and interior decoration	2.7	-5.1	4.3	1.9
Glass and hardware shop	-1.0	-1.8	-0.8	-1.4
Motor Vehicles, auto parts, fuel and lube oil	3.9	-3.5	1.2	-0.2
Internet sales	5.3	0.0	5.8	7.4

Source: INEGI

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



Source: INEGI, Banorte

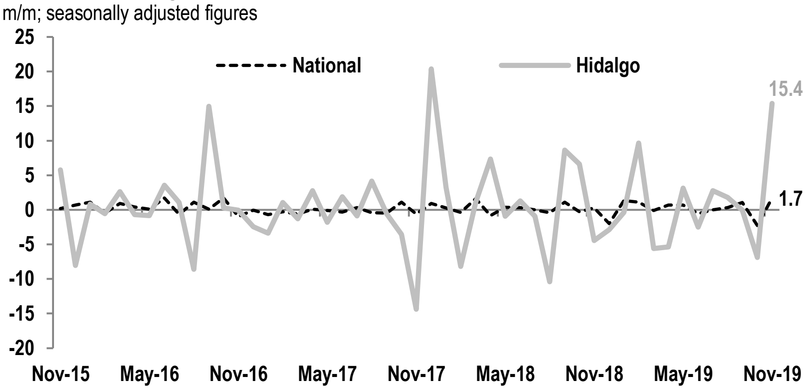
Despite today's pickup, caution on consumption remains. Remembering that IGAE's print –which is the actual data point used to build-up GDP– was already known, today's report lost some relevance. Nevertheless, it was useful to measure if *El Buen Fin* had any sizeable impact, which in our opinion it did, mainly on durable goods. However, we believe a sizable recovery in this sector is still needed to argue for a stronger view on consumption, at least in coming months.

There seems to be positive signals on the outlook for 2020, with several factors that could help. Among these, we highlight: (1) The 20% minimum wage increase, which coupled with moderate inflation, should bolster household's income; (2) a stronger social shift in social spending by the Federal Government, as seen in the 2020 Budget; (3) a relatively robust US economy, which in turn, should foster remittances flows into our country; and (4) the continuation of Banxico's easing cycle, which could result in lower incentives to save and in turn, boost consumption. On the contrary, we believe there are some downside risks associated with labor market dynamics, with some deceleration expected in 2020, particularly in terms of formal job creation and the unemployment rate. In addition, consumer confidence, which despite remaining high has failed to result in higher dynamism in sales and within services, still lead us to believe that it will continue to be tied to political sentiment in the short term. All in all, we maintain our view of a slight acceleration in consumption in 2020 of 1.2% y/y, higher relative to our forecast of 0.8% for full-year 2019.

At the state level

Hidalgo showed its highest growth in retail sales since December 2017, at 15.4 m/m. This occurs after declining in the last two months, with a considerably higher dynamism vs. the national average. It is explained, among other things, by the increase in purchasing power of state workers (1.5% yoy). Nevertheless, retail sales in the state accumulate a 0.04% advance, 4.2pp lower than in the same period last year.

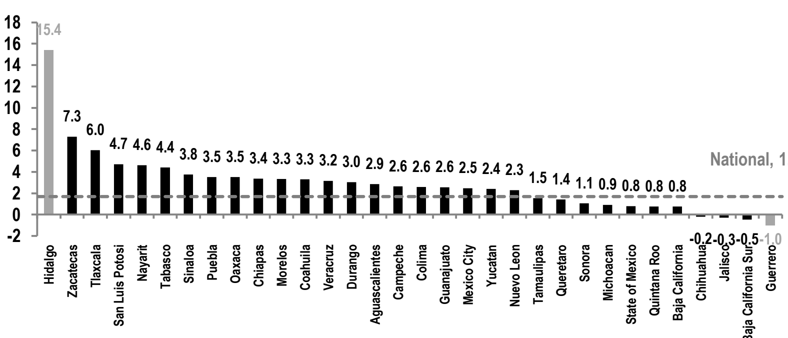
Retail sales in Hidalgo
% m/m; seasonally adjusted figures



Source: Banorte; INEGI

Twenty-one states outperformed the national average. In this regard, it is important to mention that only 4 states showed negative figures. Apart from Hidalgo, we highlight Zacatecas (7.3% m/m), Tlaxcala (6.0%), San Luis Potosí (4.7%), and Nayarit (4.6%). By contrast, sales in Guerrero fell 1% adding 2 consecutive months in contraction, as shown in the following graph.

Retail sales by state: November 2019
% m/m; sa



Source: Banorte; INEGI

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GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Gabriel Casillas Olvera	IRO and Chief Economist	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godinez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
Economic Research and Financial Market Strategy			
Alejandro Padilla Santana	Executive Director of Economic Research and Financial Markets Strategy	alejandro.padilla@banorte.com	(55) 1103 - 4043
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Economic Research			
Juan Carlos Alderete Macal, CFA	Director of Economic Research	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Senior Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Senior Economist, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalía Orozco Vélez	Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Senior Strategist, Equity	valentin.mendoza@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Jorge Antonio Izquierdo Lobato	Analyst	jorge.izquierdo.lobato@banorte.com	(55) 1670 - 1746
Eridani Ruibal Ortega	Analyst	eridani.ruibal.ortega@banorte.com	(55) 1103 - 4000 x 2755
Corporate Debt			
Tania Abdul Massih Jacobo	Director of Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugoa.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Economic Studies			
Delia María Paredes Mier	Executive Director of Economic Studies	delia.paredes@banorte.com	(55) 5268 - 1694
Miguel Alejandro Calvo Domínguez	Senior Analyst, Economic Studies	miguel.calvo@banorte.com	(55) 1670 - 2220
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(81) 8319 - 6895
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.ceballos@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 Corporate Banking	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.roldan.ferrer@banorte.com	(55) 5004 - 1454