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Latam Daily: Another Quiet One, MXN on the Backfoot; Mexico Retail Sales Recap

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- **Mexico: Retail sales growth slowed in November**

Overnight markets had a mostly as expected BoJ decision that was followed by a less dovish Gov Ueda press conference that weighed on global rates markets that have little else to focus on until tomorrow's global PMIs. Asian bourses were in a good mood on news that China is at a set of measures to support the stock market, but this had no notable impact on European indices or US futures that are lower on the day. China support news helped iron ore and copper that are on pace for 2.5% and 0.5% gains on the day, respectively, in contrast to a 0.5% correction in crude oil prices.

Up until the early-European session, markets had a dollar-negative mood but that has since eased to leave the USD on firmer footing but still mostly down. The MXN is bearing the brunt of the rise in US yields and Ueda's presser to fall 0.5% on the day, making it the worst performing major currency on the day while other high-beta peers like the AUD or NZD manage to record small gains. The Citibanamex survey results published yesterday still showed the median economist expecting Banxico rate cuts to begin in March (25 of 33, versus 4 that expect a February start and 4 for a May start). The median respondent also held their end-2024 and end-2025 Banxico rate projections at 9.25% and 7.50%, respectively.

Yesterday. Chile's lower house Finance Committee okayed the government's pension reform bill that will now move to the debate and vote stage in the house as soon as today; our team in Chile summarized the highlights of the proposal in the ***Latam Weekly***. We'll monitor the bill's progress through the Chamber of Deputies as the government faces an uphill climb to obtain the approval of Congress, especially in the Senate.

The Latam and G10 calendars are bare of major releases or events today. In Latam, Colombian industrial and retail confidence data may be worth a look but are unlikely to move local markets that have a long wait until BanRep's decision on the 31st. Outside of the region, we have only have a couple of second tier releases in the US, the Richmond Fed Manufacturing index and the Philly Fed's Non-Manufacturing, as well as a US 2yr auction at 13am. New Hampshire's primary is also on tap today with Trump enjoying a solid double-digit lead over Haley in polls. Rising odds that Trump will run in November is likely to weigh on Mexican assets.

—Juan Manuel Herrera

MEXICO: RETAIL SALES GROWTH SLOWED IN NOVEMBER

November retail sales moderated their pace to 2.7% y/y from 3.4% previously. By components, the deepest drop was in hardware at -7.5% (-3.4% previously) and health care -2.6% (1.3% previously). Retail trade of groceries, beverages, ice and tobacco had a modest increase of 1.6% (5.9% previously), textile products rose 7.3% (-2.5% previously), and self-service and department stores 11.8% (12.0% previously). In its monthly comparison, sales cooled to 0.1% m/m from 0.7% previously, with six of its nine components on negative territory.

Wholesale trade increased 2.7% y/y from 1.6% on an annual basis, the largest increase was in intermediation 49.7% y/y (32.4% previously), vehicles and auto parts decelerated to 9.7% (23.4%), while the deepest drop was in textiles at -9.0% (-37.4% previously). On a monthly basis, wholesale sales increased 0.7% m/m from -5.7% previously.

Chart 1

Sources: Scotiabank Economics, INEGI.

Table 1 shows YTD increases in retail sales in 7 of its 9 components, in line with the strength of private consumption, which has been on the rise above expectations during 2023. On the other hand, wholesale sales have decreased during the year in 3 of its 7 components, although auto parts and intermediation have significant increases in the cumulative basis.

Table 1: Mexico—Retail and Wholesale Sales

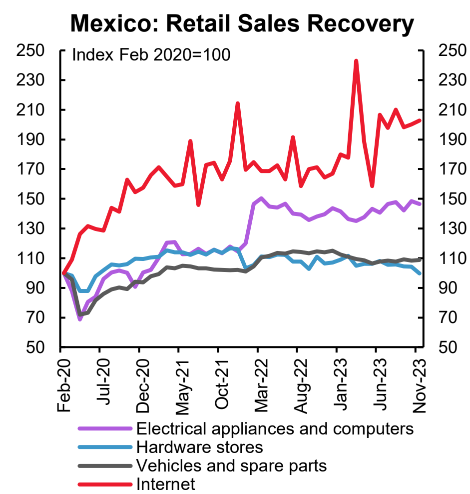
Sector/ Subsector	% real annual				% monthly s.a.	
	Nov		Jan-Nov			
	2022	2023	2022	2023	Oct	Nov
1. **Retail**	**6.0**	**2.7**	**7.2**	**4.0**	**0.7**	**0.1**
2. Groceries, food and drinks	14.9	1.6	9.9	4.4	1.9	-1.4
3. Self-service and department stores	-0.3	11.8	2.1	10.6	1.4	-0.3
4. Textile, clothing and footwear products	-2.6	7.3	10.3	12.7	-6.0	5.4
5. Healthcare	9.1	-2.6	5.1	1.9	0.7	-1.4
6. Stationery and entertainment items	22.7	-1.2	25.4	3.4	11.0	-2.3
7. Household goods and computers	17.6	4.2	23.0	1.4	4.4	-1.4
8. Hardware items	-9.1	-7.5	-4.8	-2.1	-0.1	-4.5
9. Motor vehicles, spare parts and fuels	10.9	-4.7	8.7	-2.2	-0.7	0.3
10. Internet commerce and catalogs	-9.9	20.8	1.4	15.7	1.0	1.2
11. **Wholesale**	-1.2	2.7	8.9	-0.5	-5.7	0.7
12. Groceries, food and drinks	7.2	-2.8	4.8	-1.9	1.9	-0.2
13. Textile, clothing and footwear products	25.8	-9.0	50.7	-5.7	-25.3	8.8
14. Pharmaceutical products, perfumery, leisure it	13.6	3.5	10.6	8.9	-4.5	0.8
15. Agricultural and forestry raw materials	-10.6	4.5	7.0	-4.0	-9.7	1.0
16. Machinery, equipment and furniture	15.4	4.6	18.8	9.4	0.0	-3.5
17. Trucks and new car parts	16.2	9.7	11.1	21.4	-1.4	-8.6
18. Intermediation	12.4	49.7	6.8	21.5	-5.9	7.7

Sources: Scotiabank Economics, INEGI.

We expect both retail and wholesale sectors to maintain positive prints as economic activity is expected to be strong in the first half of 2024, ahead of the presidential elections. We believe that retail sales will have greater dynamism than wholesale sales, however, both will benefit next year from the strength of household consumption and an significant increase in public spending.

—Brian Pérez & Miguel Saldaña

Chart 2



Sources: Scotiabank Economics, INEGI.