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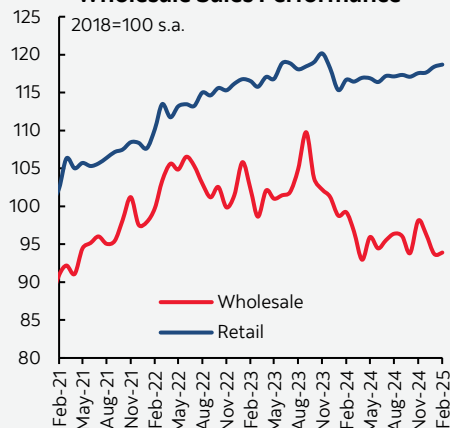
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Chart 1

Mexico: Retail & Wholesale Sales Performance



Sources: Scotiabank Economics, INEGI.

Latam Daily: Mexico Retail Sales Fall, Economists Project More Banxico Easing

- **Mexico: Retail sales fall in February; Economists expect 50bps cut at May Banxico meeting towards a 7.75% rate at year-end**

MEXICO: RETAIL SALES FALL IN FEBRUARY

In February, retail sales showed an annual decline of -1.1% y/y that followed the solid 2.7% gain in January. Across the key components, online sales showed the best performance for the month though slowing from January (at 13.2% vs 19.1% in January), while groceries/tobacco sales decelerated (4.5% vs 6.8%). Clothing/textile sales sharply corrected their January gain of 15.3% to record a 0.7% decline in February, and supermarkets and department stores also had a weak month (-3.3% vs 0.3%). Sales of cars, trucks and parts contracted 1.8% with the losses led by the parts category as vehicle sales remained in marginally positive growth territory.

In month-on-month seasonally adjusted terms, retail sales expanded by 0.2%, slowing from the 0.7% gain in January that was the sector's best month since July 2024 (chart 1). Note that year-on-year sales did manage a 1.6% gain in February (vs 2.7% in January) if figures are adjusted for the number of working days, taking into account that 2024 was a leap year. From that standpoint, the January and February y/y gains would mark the first back-to-back increases (in working-day adjusted terms) since February/March 2024.

Wholesale trade suffered an annual decline of -7.0%, down from -5.1% previously, with six of its seven components in the red. The largest drop was observed in the broad machinery, equipment, furniture, and autos sector, coming in at -11.9% (-9.7% previously). Within this, the narrower machinery and equipment subsector has suffered steep losses at the start of the year that followed a surge in December that may be associated with tariffs front-running. A large decline in January in trucks and parts (after a strong December) was corrected in February (5.6% vs -5.8% y/y). Wholesale sales rose by 0.2% m/m in SA terms (chart 1 again) after the very weak start to the year when receipts fell by 2.7% m/m.

Despite the February y/y declines, we are expecting a rebound in March, in line with the sales shown by the National Association of Self-Service and Department Stores (ANTAD). However, we anticipate that weakness in the consumer sector will continue due to persistent uncertainty in the economic environment.

ECONOMISTS EXPECT 50BPS CUT AT MAY BANXICO MEETING TOWARDS A 7.75% RATE AT YEAR-END

In the Citi Economic Expectations' Survey, the median response anticipates that inflation for the first half of April will be 3.86% y/y (0.03% bi-weekly), and core inflation is expected to be 3.79% y/y (0.23% biweekly). By the end of the year, the consensus for headline inflation remained at 3.78%, while core inflation slightly increased to 3.80% (vs. 3.76% previously).

Regarding the monetary policy rate, most respondents expect Banxico to repeat a -50 basis points cut to 8.50% during May's meeting. By the end of the year, the median reference rate is expected to decrease to 7.75% from the previous 8.0%. The median GDP growth forecast decreased to 0.2% for 2025 (from 0.3% previously) and it remained at 1.5% for 2026. The exchange rate is expected to close the year at \$20.93 and \$21.20 next year.

—Rodolfo Mitchell, Brian Pérez & Miguel Saldaña

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