

## Retail sales – 4.7% yoy growth in January suggests better growth prospects

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- Retail sales (January): 4.7% yoy; Banorte-Ixe: 4.5%; consensus: 3% (range of estimates: 1.6% to 5.5%); previous: 2.4%
- In seasonally adjusted terms, retail sales posted a 2.1% m/m expansion
- Taking a look at the breakdown most of the sub-indices posted a significant recovery; however, we highlight the 6.8% yoy expansion in supermarket, convenience, and departmental stores sales
- Revenues from vehicles, auto-parts, fuel and lubricants sales increased a scant 2.5% yoy given the significant fall in international oil prices
- Moreover, the 12.5% yoy fall in the revenues from household appliances, computers, and interior decoration sales was explained by increased promotions and discounts among retailers in order to gain a bigger market share
- Looking ahead, we believe that retail sales will show better growth dynamics

Retail sales increased 4.7% yoy in January in line with our 4.5% yoy estimate (consensus: 3%). According to INEGI's report published today, the income generated by retail sales grew 4.7% yoy. Taking a look at the breakdown, we highlight the significant recovery in most of the sub-indices. In particular, food, beverages and tobacco sales increased 13.8% yoy, while Supermarket, convenience, and departmental stores sales expanded 6.8% yoy, as shown in the table below. Moreover, in seasonally adjusted terms, retail sales edged up 2.1% m/m.

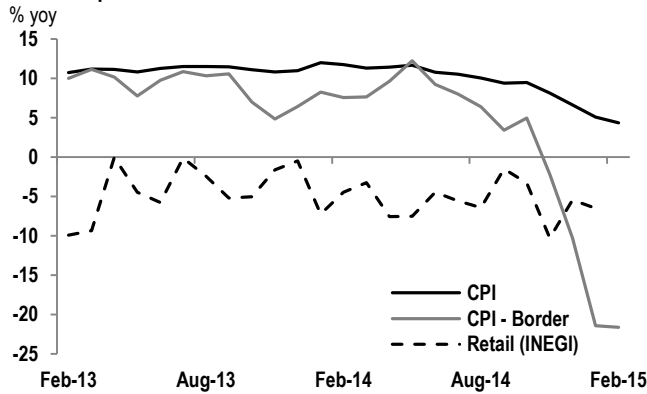
### Retail sales: January 2015

%yoy, nsa	Jan-15	Jan-14	2014	2013
<b>Retail sales</b>	<b>4.7</b>	<b>2.5</b>	<b>2.7</b>	<b>1.1</b>
Food, beverages, and tobacco	13.8	13.3	13.3	4.8
Supermarket, convenience, and departmental stores	6.8	-0.6	0.6	0.0
Clothing and shoes	8.0	-5.1	-2.3	2.4
Health care products	3.0	2.1	1.7	-2.7
Office, leisure, and other personal use goods	3.1	5.4	6.5	-3.7
Appliances, computers, and interior decoration	-12.5	29.1	7.1	7.6
Glass and hardware shop	6.8	-5.9	-3.9	-4.3
Motor Vehicles, auto parts, fuel and lube oil	2.5	-2.6	0.6	1.4
Internet sales	85.9	11.0	48.2	10.1

Source: INEGI

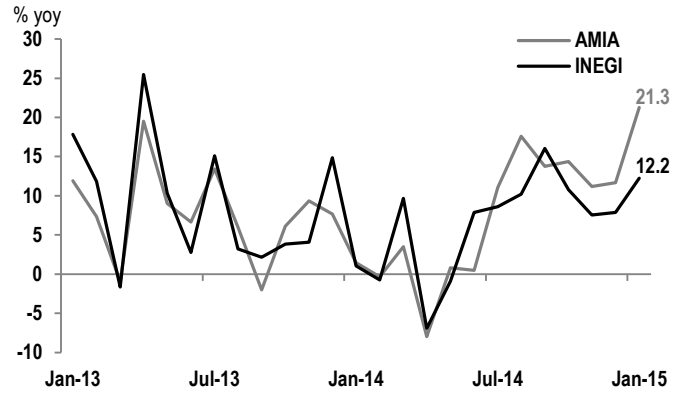
**Revenues from vehicles, auto-parts, fuel and lubricants sales increased a scant 2.5% yoy given the significant fall in international oil prices.** In the particular case of this sub-index, the 2.5% yoy increase was pushed down by the sharp reduction in the income generated from the sales of fuels (-6.5% yoy). In this regard, we believe that these revenues were affected by the falling international prices of oil, which could have affected the income generated by fuel stations in the border (refer to the chart on the left). By contrast, according to *INEGI*, vehicle sales increased 12.2% yoy, which is basically in line with *AMIA*'s figures for January, in which the number of units sold rose by 21.3% (refer to the chart on the right).

**Gasoline prices and sales**



Source: Banorte-Ixe, INEGI

**Vehicle sales**



Source: Banorte-Ixe, INEGI, and AMIA

**The 12.5% yoy fall in the revenues from household appliances, computers, and interior decoration sales was explained by an increased competition among retailers.** In the particular case of this component, we believe that the income generated by the sales of these items fell 12.5% given the stronger promotions and discounts implemented by retailers in the past three months. It is likely that the stores surveyed by the *INEGI*, increased their promotions in order to gain a bigger market share, since *INEGI*'s January's numbers contrast with the anecdotal reports made by most of the establishments.

**We believe that retail sales will show better growth dynamics.** We continue to expect that both retail sales and private consumption will show a more visible recovery driven by the following factors: (i) The recovery in consumer confidence; (ii) the recent downward trend in inflation; (iii) the better growth dynamics observed in the Mexican labor market; and (iv) better growth prospects for the Mexican economy explained by the improvement of the manufacturing sector.

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