

## Retail sales – December’s contraction confirms the strong deceleration in domestic demand

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- **INEGI just published its retail sales report for December**
- **Retail sales (December): -2% yoy; Banorte: -0.9%; consensus: -0.4%; (range of estimates: -2.5% to 1.8%); previous: -1.5%**
- **In seasonally adjusted terms, retail sales posted a 0.5% m/m contraction**
- **Durable goods sales maintained a downward trend, where we highlight the 2.3% m/m fall in household appliances**
- **Looking ahead, we believe that both private consumption and retail sales will marginally decelerate, as a result of inflation**
- **Oaxaca showed the highest growth in retail sales during December (4.6% m/m seasonally adjusted figures)**

**Retail sales declined 0.5% m/m in December.** According to *INEGI's* report published today, the income generated by retail sales decreased 2% yoy nsa, below our -0.9% yoy forecast (consensus: -0.4%). Year-to-date, retail sales posted a scant 1.3% yoy expansion.

In seasonal adjusted terms, retail sales decreased 0.5% m/m. Taking a look at the breakdown, and analyzing the seasonally adjusted figures, the headline index fell as a result of a decline in 5 out of 9 sub-indices. However, durable-goods sales underperformed the headline index. In particular, household appliances, computers, and interior decoration sales edged-down 2.3% m/m, while internet sales decreased 10.5% m/m. By contrast, vehicle sales increased 0.5% m/m after the 1.1% decline observed in November (refer to the table on the next page).

In addition, non-durable goods sales posted a mixed performance. Supermarket, convenience, and departmental stores sales posted a 2.3% m/m contraction, while clothing and shoes sales increased 2.6% m/m.

**Retail sales will marginally decelerate as a result of inflation.** We believe that the deceleration of retail sales was mainly explained by the upward trend in inflation during 2017, which discouraged the consumption of durable goods. Despite that inflation has fallen dramatically in January and February, it continues at significantly high levels. As a result, we believe that inflation will continue to explain the deceleration in both private consumption and retail sales during the first half of 2018.

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### Retail sales: December 2017

% m/m, sa

| %m/m sa   | Dec-17      | Nov-17      | Difference  |
|---|-------------|-------------|-------------|
| <b>Retail sales</b>                               | <b>-0.5</b> | <b>-0.2</b> | <b>-0.3</b> |
| Food, beverages, and tobacco                      | -0.7        | 0.4         | -1.1        |
| Supermarket, convenience, and departmental stores | -2.3        | 0.0         | -2.3        |
| Clothing and shoes                                | 2.6         | -1.0        | 3.6         |
| Health care products                              | 1.1         | -0.6        | 1.7         |
| Office, leisure, and other personal use goods     | 2.7         | -0.2        | 2.9         |
| Appliances, computers, and interior decoration    | -2.3        | -7.5        | 5.1         |
| Glass and hardware shop                           | -0.2        | 1.2         | -1.5        |
| Motor Vehicles, auto parts, fuel and lube oil     | 0.5         | -1.1        | 1.6         |
| Internet sales                                    | -10.8       | 5.0         | -15.8       |

Source: INEGI

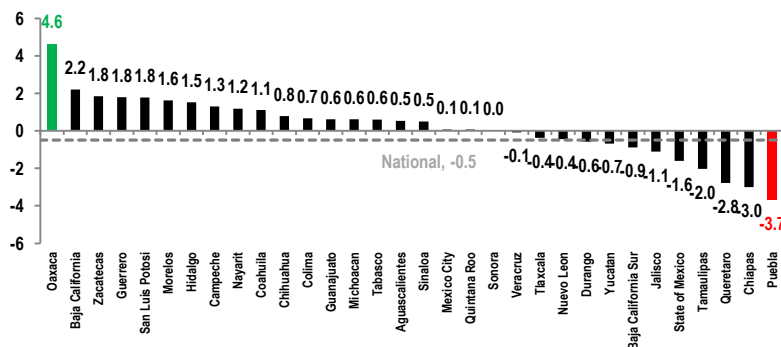
### Regional Analysis

**Oaxaca showed the highest growth in retail sales during December 2017 (4.6% m/m seasonally adjusted figures).** Retail sales in Oaxaca posted a 4.6% m/m expansion, which stands as the highest growth in the country. Moreover, we highlight that this was the maximum increase observed in the state since June 2017. In 2017, retail sales in the state showed a 0.1% yoy advance, far below the 1.3% yoy expansion observed in 2016.

As we can see in the following chart, retail sales growth in 23 states including Oaxaca outperformed the national average. In this regard, we highlight December's expansion in Baja California (2.2%), Zacatecas, Guerrero, and San Luis Potosi 1.8% respectively. By contrast, retail sales revenues in Puebla, fell 3.7% m/m, as shown in the table below.

### Retail sales by state: December 2017

% m/m; sa



Source: Banorte; INEGI

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