

Retail sales – January’s fall support our view of a 1.1% GDP growth in 2017

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- **INEGI just published its retail sales report for January**
- **Retail sales (January): 4.9% yoy; Banorte-Ixe: 4.6%; consensus: 5.5%; (range of estimates: 1.8% to 8%); previous: 9%**
- **In seasonally adjusted terms, retail sales posted a 1.1% m/m reduction, after the 1.5% fall in December**
- **Today’s report supports our view that the Mexican economy will grow around 1.1% in 2017**
- **Retail sales in Baja California Sur outperformed the national average in January 2017**

Retail sales increased 4.9% yoy in January. According to *INEGI’s* report published today, the income generated by retail sales grew 4.9% yoy, above our 4.6% forecast (consensus: 5.5% yoy). We highlight that *INEGI’s* retail sales report only measures the total value of retail sales in the formal economy, which differs from the retail and wholesale measurements in the GDP which incorporates the added value within the formal and the informal economy.

Taking a look at the breakdown, durable goods sales decelerated significantly from December’s figures. Household appliances, computers, and interior decoration products sales grew 4.6% yoy from 11.6% in December. Moreover, motor vehicles, auto parts, and gasoline sales increased 5.5% from 14.2% in December. In addition, “supermarket, convenience, and departmental stores” sales increased a scant 2.6% yoy after the 5.2% expansion in December, as shown in the table below.

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Retail sales: December 2016
% yoy nsa

| | Jan-17 | Dec-16 | 2016 | 2015 |
|--|--------|--------|------|------|
| Retail sales | 4.9 | 9.0 | 8.7 | 5.1 |
| Food, beverages, and tobacco | 11.7 | 9.4 | 7.3 | 4.2 |
| Supermarket, convenience, and departmental stores | 2.6 | 5.2 | 6.4 | 5.6 |
| Clothing and shoes | 8.2 | 11.0 | 14.4 | 9.9 |
| Health care products | 5.2 | 9.0 | 8.5 | 12.6 |
| Office, leisure, and other personal use goods | 9.4 | 15.1 | 10.1 | 2.5 |
| Household appliances, computers, and interior decoration | 4.6 | 11.6 | 14.7 | -5.2 |
| Glass and hardware shop | 3.9 | 12.4 | 9.2 | 9.8 |
| Motor Vehicles, auto parts, gasoline and lube oil | 5.5 | 14.2 | 10.6 | 4.8 |
| Internet sales | 4.5 | -0.3 | 7.4 | 40.6 |

Source: INEGI

In seasonally adjusted terms, retail sales fell 1.1% m/m after the 1.5% reduction in December. January’s contraction was explained by the fall in 5 of its 9 sub-indices. Taking a look at the breakdown, durable goods sales also posted a poor performance, given that “household appliances, computers, and interior decoration” sales decreased 1.7% m/m, after the 8.3% contraction in December. In addition, “motor vehicle and auto-parts” sales fell 0.3%, as shown in the table below.

Retail sales: January 2017

% m/m, sa

| | Jan-17 | Dec-16 | Difference |
|--|-------------|-------------|------------|
| Retail sales | -1.1 | -1.5 | 0.3 |
| Food, beverages, and tobacco | 1.8 | 1.2 | 0.6 |
| Supermarket, convenience, and departmental stores | 0.8 | -1.3 | 2.0 |
| Clothing and shoes | -0.1 | -4.7 | 4.6 |
| Health care products | -1.5 | 0.6 | -2.1 |
| Office, leisure, and other personal use goods | -0.8 | 0.9 | -1.7 |
| Household appliances, computers, and interior decoration | -1.7 | -8.3 | 6.5 |
| Glass and hardware shop | 1.5 | -1.4 | 2.9 |
| Motor Vehicles, auto parts, fuel and lube oil | -0.3 | -0.3 | 0.0 |
| Internet sales | 3.8 | -12.2 | 16.0 |

Source: INEGI

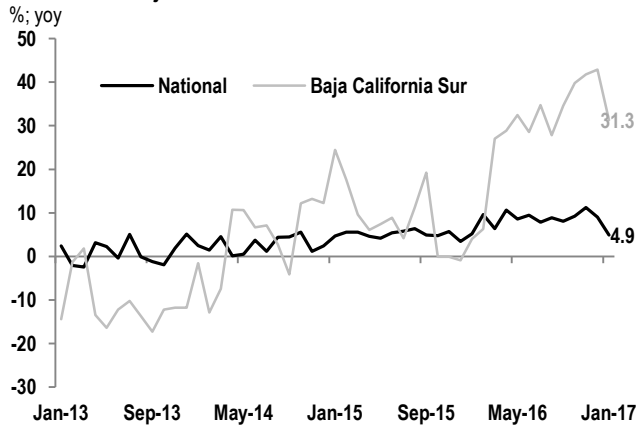
Lower growth as soon as 1Q17. We believe that both private consumption and retail sales will moderate their growth as soon as the first quarter of the year given to the following factors: (1) The lower economic growth in our country, caused by the uncertainty surrounding the economic policies that will be implemented by the Trump administration; (2) the upward trend of inflation –generated by the higher pass-through effect of the depreciation of the Mexican currency to prices and the new adjustment in gasoline prices– will discourage the consumption of durable goods; and (3) the Federal Government’s fiscal consolidation will translate into lower public investment projects, which will affect the general growth dynamics of the Mexican labor market and consequently the recovery of Mexican household consumption. All in all, today’s report supports our view that the Mexican economy will grow around 1.1% throughout the year.

From our regional economist

Retail sales in Baja California Sur outperformed the national average in January 2017. In the first month of 2017, retail sales in Baja California Sur showed a 31.3% growth, above the 4.9% national average. However, we highlight that this advance was the lowest observed in the entity in the last 6 months. As we can see in the following chart, retail sales trend in the state shows a continuous increase that displays the better growth dynamics of private consumption within the federal entity.

Also, with significant growth, and outperforming the national average, we also highlight January's expansion in Sinaloa (24.6%), Chiapas (22.4%), Quintana Roo (21.8), and San Luis Potosí (21.4%). By contrast, retail sales revenues in Campeche fell 12% yoy, as shown in the table below.

Retail sales: Baja California Sur



Source: Banorte-Ixe; INEGI

States with the greatest and lowest increase in retail sales

| % yoy | Jan-16 | Jan-15 | Jan-Dec'16 |
|-------------------------|------------|------------|------------|
| Baja California Sur | 31.3 | 4.0 | 29.4 |
| Sinaloa | 24.6 | 7.4 | 26.9 |
| Chiapas | 22.4 | 36.1 | 46.8 |
| Quintana Roo | 21.8 | 9.4 | 21.3 |
| San Luis Potosi | 21.4 | 18.3 | 29.0 |
| National average | 4.9 | 5.2 | 8.7 |
| Yucatan | -0.3 | 8.0 | 13.6 |
| Veracruz | -3.2 | 10.0 | 12.7 |
| Tabasco | -7.6 | 28.2 | -1.9 |
| Guerrero | -11.4 | 55.8 | 7.8 |
| Campeche | -12.0 | 18.5 | -0.3 |

Source: Banorte-Ixe; INEGI

With seasonally adjusted figures, we highlight Tabasco's retail sales growth (15.7%), after the 0.9% fall observed in December 2016. Moreover, we highlight that this growth rate is above the -1.1% national average. On the other hand, the state of Morelos showed the highest contraction of the 32 entities (-12.3%).

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