

Retail sales – January’s 2.5% yoy growth above expectations

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- **Retail sales (January): 5.2% yoy (Banorte-Ixe: 2.9%; consensus: 3.8% range of estimates: 2.3% to 4.9%; previous: 3.4%)**
- **The 5.2% growth in retail sales was explained by the 17.7% yoy increase in sales in “hardware stores”, and the 12.7% in “health care products”**
- **In seasonally adjusted terms, retail sales expanded 2.7% m/m**
- **We believe that retail sales will show better growth dynamics in 1Q16**
- **Retail sales in Hidalgo outperformed the national average in the first month of 2016**

Regional Analysis

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Retail sales increased 5.2 yoy in January, above expectations. According to INEGI’s report published today, the income generated by retail sales grew 5.2% yoy, above our 2.9% yoy forecast (consensus: 3.8% yoy). Taking a look at the breakdown, we highlight the 17.7% increase in sales in “hardware stores”, and the 12.7% in “health care products”. Similarly, other items showed a favorable performance. In particular, the sales in clothing and shoes expanded 9.6% yoy, while supermarket, convenience, and department stores sales increased 4.4% yoy. Moreover, the sales in motor vehicles, auto parts, fuel and lube oil edged-up 8.3% yoy. By contrast, we highlight the 8.3% and 4.7% reduction in sales of “appliances, computers, and interior decoration” and “food, beverages, and tobacco” respectively, as shown in the table below.

Retail sales: January

%yoy, nsa	Jan-16	Jan-15	2015	2014
Retail sales	5.2	4.7	5.1	2.7
Food, beverages, and tobacco	-4.7	13.8	4.2	13.3
Supermarket, convenience, and department stores	4.4	6.8	5.6	0.6
Clothing and shoes	9.6	8.0	9.9	-2.3
Health care products	12.7	3.0	12.6	1.7
Office, leisure, and other personal use goods	7.6	3.1	2.5	6.5
Appliances, computers, and interior decoration	-8.3	-12.5	-5.2	7.1
Glass and hardware shop	17.7	6.8	9.8	-3.9
Motor Vehicles, auto parts, fuel and lube oil	8.3	2.5	4.8	0.6
Internet sales	21.9	85.9	40.6	48.2

Source: INEGI

In seasonally adjusted terms, retail sales expanded 2.7%. The increase in the headline index was explained by the expansion of 7 of its 9 sub-indices. Taking a look at the breakdown, durable goods sales posted a favorable performance. In particular, vehicle and auto parts sales edged-up 4.4% m/m, while household appliances, computers, and interior decoration sales grew 3.6% m/m. (refer to the following table). Moreover, “supermarket, convenience, and departmental stores” sales decreased 0.6% m/m (refer to the table below).

Retail sales: January

%m/m sa	Jan-16	Dec-15
Retail sales	2.7	-1.3
Food, beverages, and tobacco	-0.4	-1.6
Supermarket, convenience, and department stores	-0.6	-0.5
Clothing and shoes	3.7	0.3
Health care products	0.8	3.2
Office, leisure, and other personal use goods	5.9	-3.2
Appliances, computers, and interior decoration	3.6	-5.0
Glass and hardware shop	5.3	2.0
Motor Vehicles, auto parts, fuel and lube oil	4.4	-1.7
Internet sales	1.4	5.8

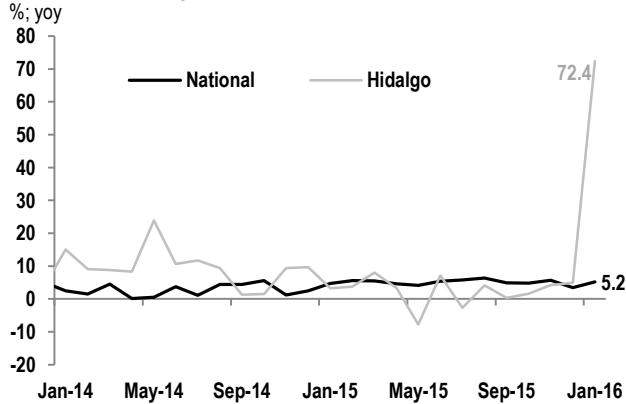
Source: INEGI

We believe that retail sales will continue to show better growth dynamics. Looking ahead, we believe that retail sales will continue to show a favorable performance in 1Q16, derived from: (1) An improvement in banking credit to the private sector; (2) inflation levels below 3%; and (3) the stronger growth dynamics in the Mexican labor market.

From our regional economy team

Retail sales in Hidalgo outperformed the national average in the first month of 2016. The income generated from retail sales in Hidalgo increased 72.4% yoy in January, the highest growth rate obtained since 2008 and also above the 31 federal entities in Mexico vs. the 2.4% expansion observed in 2015. Also with significant growth and outperforming the national average, we also highlight the expansion in Durango (62.5%), Guerrero (55.8%), Michoacán (47.2%) and Chiapas (36.1%), as shown in the table below.

Retail sales: Hidalgo



Source: Banorte-Ixe; INEGI

States with the greatest and lowest increase in retail sales

States	Jan-16	Jan-15	2015
National	5.2	4.7	5.1
Hidalgo	72.4	3.3	2.4
Durango	62.5	-1.4	10.4
Guerrero	55.8	-7.5	14.2
Michoacán	47.2	13.2	0.2
Chiapas	36.1	-19.3	-9.6
Sonora	-3.3	-2.2	-1.8
Baja California Sur	4.0	24.5	8.1
Morelos	6.0	5.4	4.9
Sinaloa	7.4	-11.7	5.5
Yucatán	8.0	-4.8	-0.5

Source: Banorte-Ixe; INEGI

By contrast, retail sales revenues in Sonora fell 3.3% yoy vs. the contraction of 1.8% observed last year. Moreover, in seasonally adjusted terms, retail sales in Hidalgo also outperformed the national average, showing a 48.6% m/m increase, taking the first place in the first month of the year.

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