

Internet sales boost retail sales in November

January 25, 2017

- **INEGI just published its retail sales report for November**
- **Retail sales (November): 11.2% yoy; Banorte-Ixe: 8.6%; consensus: 7.9%; (range of estimates: 6.5% to 9.5%); previous: 9.3%**
- **Year-to-date retail sales increased 8.7% yoy**
- **In seasonally adjusted terms, retail sales expanded 1%/m/m**
- **Looking ahead, we believe that retail sales will decelerate in 2017**
- **Retail sales in Chiapas outperformed the national average (+44.8% yoy) for seventh occasion**

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Retail sales increased 11.2% yoy in November. According to *INEGI's* report published today, the income generated by retail sales grew 11.2% yoy, above our 8.6% forecast (consensus: 7.9% yoy). Taking a look at the breakdown, we highlight the surge in internet sales, up 22.5%; apparel and shoe sales (+22.1%), sales of durable goods and appliances (21.1%), as well as a 16.1% growth in sales of “motor vehicles and auto parts”. Moreover, sales at supermarket, convenience, and departmental stores increased 5.6% yoy. Finally, wholesale revenues –a leading indicator of Mexico’s retail sales–, increased 15.9% yoy.

Wholesale and Retail sales: November 2016

% yoy nsa

	Nov-16	Nov-15	Jan-Nov, '16	Jan-Nov, '15
Retail sales	11.2	5.7	8.7	5.2
Food, beverages, and tobacco	8.7	0.8	7.0	4.7
Supermarket, convenience, and departmental stores	5.6	5.9	6.6	5.8
Clothing and shoes	22.1	7.8	14.9	10.0
Health care products	11.4	9.6	8.4	12.7
Office, leisure, and other personal use goods	14.3	6.1	9.6	2.6
Appliances, computers, and interior decoration	21.1	0.5	15.0	-4.6
Glass and hardware shop	20.7	6.9	8.9	11.1
Motor Vehicles, auto parts, fuel and lube oil	16.1	8.3	10.2	4.7
Internet sales	22.5	13.4	8.1	43.6
Wholesales	15.9	4.4	8.1	5.6

Source: INEGI

With figures adjusted for seasonality, sales increased 1% m/m. This figure was explained by a whopping 14.7% increase in internet sales, along with increases of 4.6% in clothes and shoes sales (4.6%); products for leisure sales up 3.9% and sales of motor vehicles (2%). These data imply of 7.2% q/q saar, similar to the 7.4% observed in 3Q16, as shown in the following table.

Retail sales: November 2016

% sa

	Nov-16 %m/m	Oct-16 %m/m	Nov-16 %q/q saar	Sep-16 %q/q saar
Retail sales	1.0	1.7	7.2	7.4
Food, beverages, and tobacco	0.4	3.6	-11.1	11.5
Supermarket, convenience, and departmental stores	0.9	0.9	6.8	3.9
Clothing and shoes	4.6	-1.0	9.9	17.9
Health care products	-0.2	1.2	14.1	12.4
Office, leisure, and other personal use goods	3.9	-0.2	-7.1	19.5
Appliances, computers, and interior decoration	1.1	0.7	-0.4	13.4
Glass and hardware shop	1.6	3.7	18.0	16.2
Motor Vehicles, auto parts, fuel and lube oil	2.0	1.0	6.7	10.7
Internet sales	14.7	-1.1	14.7	38.6

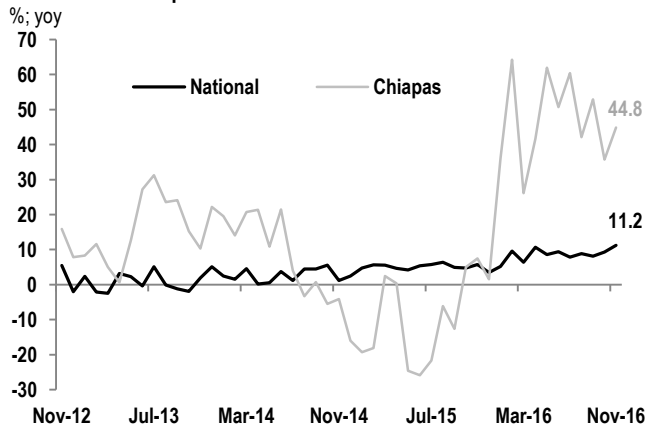
Source: INEGI

Retail sales to moderate in 2017. The positive figures observed in November incorporate both a small calendar effect –excluding this effect, sales expanded 10.7%y/y-, as well as the fact that during the eleventh month of the year the event called *El Buen Fin* (Mexico’s *Black Friday*) took place, which could explain the surge of internet sales. Nonetheless, we believe that both private consumption and retail sales will moderate growth rates in 2017 on the back of: (1) Lower economic growth due to the uncertainty surrounding the economic policies that will be implemented by the Trump administration; (2) the upward trend of inflation generated by the higher gasoline prices as well as a larger pass-through effect from FX depreciation to prices, that 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.

From our regional economist

Retail sales in Chiapas outperformed the national average for seventh occasion. Despite the social, the political and the economic situation of the state, retail sales growth rate in Chiapas was up 44.8%y/y in November. This is the seventh consecutive month in which this state outperforms the other 31 entities. Such expansion is explained probably by promotions during the "El Buen Fin", along with the fact that the 19th Expo of Non-Traditional Products took place in Chiapas with the participation of other 25 states. Year-to-date sales in this state show a rate of expansion of 46.1%, above the national average. Moreover, we also highlight other outperformers in November: Guanajuato (43.5%), Baja California Sur (41.8%), Colima (39.15), and San Luis Potosí (37.9%). By contrast, retail sales revenues in Guerrero edged down 8.8% yoy, as shown in the table below.

Retail sales: Chiapas



Source: Banorte-lxe; INEGI

States with the greatest and lowest increase in retail sales

% yoy	Nov-16	Nov-15	Jan-Nov'16
Chiapas	44.8	7.5	46.1
Guanajuato	43.5	8.0	31.3
Baja California Sur	41.8	-0.1	27.8
Colima	39.1	4.7	23.2
San Luis Potosi	37.9	2.4	28.3
National average	11.2	5.7	8.7
Oaxaca	13.2	10.7	9.5
Veracruz	0.4	10.9	13.8
Campeche	-5.5	7.7	0.3
Tabasco	-6.5	9.0	-1.3
Guerrero	-8.8	56.9	8.1

Source: Banorte-lxe; INEGI

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