

Retail sales – December’s 3.4% yoy growth below expectations

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Regional Analysis

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- **Retail sales (December): 3.4% yoy; Banorte-Ixe: 6.5%; consensus: 6.1% (range of estimates: 5.5% to 7.4%); previous: 5.7%**
- **The 3.4% growth in retail sales was explained by the 10.5% yoy reduction in sales of appliances, computers, and interior decoration items**
- **In seasonally adjusted terms, retail sales fell 1.6% m/m**
- **Despite December’s deceleration, we believe that retail sales will show better growth dynamics in 1Q16**
- **Guerrero’s 17.5% yoy growth in retail sales outperformed the national average**

Retail sales increased 3.4 yoy in December, below expectations. According to INEGI’s report published today, the income generated by retail sales grew 3.4% yoy, below our 6.5% yoy forecast (consensus: 6.1% yoy). Taking a look at the breakdown, we highlight the significant 10.5% fall in sales of appliances, computers, and interior decoration items. However, other sub-indices posted a much more favorable performance. In particular, the income generated by clothing and shoes expanded 9.7% yoy, while supermarket, convenience, and departmental stores sales increased 4.4% yoy. Similarly, the income generated health care products sales grew 11.8% yoy, while motor vehicles, auto parts, fuel and lube oil sales edged-up 6.7% yoy, as shown in the table below.

Retail sales: December 2015

%yoy, nsa	Dec-15	Dec-14	Jan-Dec, '15	Jan-Dec, '14
Retail sales	3.4	2.4	5.1	2.7
Food, beverages, and tobacco	-0.1	9.7	4.2	13.3
Supermarket, convenience, and departmental stores	4.4	3.2	5.6	0.6
Clothing and shoes	9.7	-6.7	9.9	-2.3
Health care products	11.8	5.6	12.6	1.7
Office, leisure, and other personal use goods	1.9	1.5	2.5	6.5
Appliances, computers, and interior decoration	-10.5	-8.3	-5.2	7.1
Glass and hardware shop	-2.0	5.5	9.8	-3.9
Motor Vehicles, auto parts, fuel and lube oil	6.7	2.2	4.8	0.6
Internet sales	15.6	103.7	40.6	48.2

Source: INEGI

In seasonally adjusted terms, retail sales fell 1.6%. The reduction in the headline index was explained by the decline of 6 of its 9 sub-indices. Taking a look at the breakdown, durable goods sales posted a disappointing performance. In particular, vehicle and auto parts sales edged-down 1.6% m/m, while household appliances, computers, and interior decoration sales fell 5% m/m. (refer to the following table). Moreover, supermarket, convenience, and departmental stores sales decreased 0.5% m/m (refer to the chart below).

Retail sales: December 2015

%m/m sa	Dec-15	Nov-15	Difference
Retail sales	-1.6	0.3	-1.9
Food, beverages, and tobacco	-1.6	-1.0	-0.5
Supermarket, convenience, and departmental stores	-0.5	1.5	-1.9
Clothing and shoes	-1.5	-2.8	1.3
Health care products	2.9	-1.7	4.6
Office, leisure, and other personal use goods	-2.6	-1.3	-1.4
Appliances, computers, and interior decoration	-5.0	3.9	-8.9
Glass and hardware shop	0.8	-4.9	5.7
Motor Vehicles, auto parts, fuel and lube oil	-1.6	1.3	-2.9
Internet sales	5.7	3.2	2.4

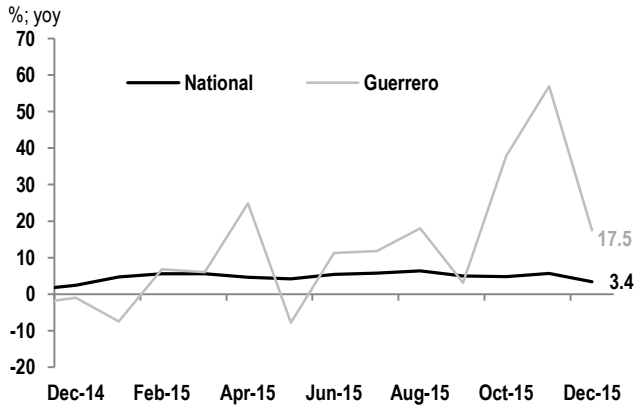
Source: INEGI

Despite December’s deceleration, we believe that retail sales will continue to show better growth dynamics. With today's report, retail sales posted a 5.1% yoy growth in 2015, above the 2.7% observed in 2014. We continue to expect that both retail sales and private consumption will show a more visible recovery in 1Q16 driven by the following factors: (1) The recovery in households’ income derived from significant gains in real wages; (2) the subdued levels of inflation; and (3) the better growth dynamics observed in the Mexican labor market.

From our regional economy team

Retail sales in Guerrero outperforms the national average. The income generated from retail sales in Guerrero increased 17.5% yoy in December, the highest growth rate obtained for the 32 federal entities in the country for the third consecutive month. Moreover, year-to-date, Guerrero’s retail sales have increased 14.2% yoy. Also with significant growth and outperforming the national average, we highlight the higher growth in the states of Durango (17%) Campeche (13.8%), Coahuila (13.6%), and Baja California (13%), (refer to the following charts).

Retail sales: Guerrero – December 2015



Source: Banorte-Ixe; INEGI

States with the greatest and lowest increase in retail sales

% yoy	Dec-15	Dec-14	Jan-Dec, '15
National	3.4	2.4	5.1
Guerrero	17.5	-1.0	14.2
Durango	17.0	4.7	10.4
Campeche	13.8	0.9	8.7
Coahuila	13.6	3.4	9.1
Baja California	13.0	7.5	13.8
Veracruz	-8.4	29.6	5.5
Sonora	-4.5	-6.9	-1.8
Baja California Sur	-0.9	12.3	8.1
Tlaxcala	1.1	8.5	0.8
Sinaloa	1.1	1.3	5.5

Source: Banorte-Ixe; INEGI

On the other hand, revenues from retail sales in Veracruz fell 8.4% yoy, which stands out as the entity with the highest contraction reported by *INEGI*; followed by Sonora (-4.5%) and Baja California Sur (-0.9%) respectively.

In seasonally adjusted terms, retail sales in San Luis Potosí outperformed the national average with a 16.9% m/m hike, marginally below the 19.9% observed in November. Moreover, this federal entity maintains the first position for the fifth consecutive month.

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