

## Retail sales – Seasonally adjusted figures suggest a more negative outlook

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- **INEGI just published its retail sales report for December**
- **Retail sales (December): 9% yoy; Banorte-Ixe: 8.6%; consensus: 9.4%; (range of estimates: 6% to 11%); previous: 11.2%**
- **Retail sales increased 8.7% yoy in 2016**
- **However, in seasonally adjusted terms, retail sales edged down 1.4% m/m, its stongest contraction since January 2014**
- **Looking ahead, we believe that retail sales will decelerate in the first quarter of 2017**
- **Retail sales in Chiapas outperformed the national average in December 2016**

**Retail sales increased 9% yoy in December.** According to *INEGI's* report published today, the income generated by retail sales grew 9% yoy, above our 8.6% forecast (consensus: 9.4% yoy). With today's figures, retail sales increased 8.7% in 2016, above the 5.15 observed in 2015

Taking a look at the breakdown, we highlight the 11.6% yoy increase in sales of “appliances, computers, and interior decoration” products, as well as the 14.2% growth in sales of “motor vehicles and auto parts”. In addition, “clothing and shoes” sales climbed to 11% while “supermarket, convenience, and departmental stores” sales increased 5.2% yoy , as shown in the table on the next page.

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### Retail sales: December 2016

% yoy nsa

	Dec-16	Dec-15	2016	2015
<b>Retail sales</b>	<b>9.0</b>	<b>3.4</b>	<b>8.7</b>	<b>5.1</b>
Food, beverages, and tobacco	9.4	-0.1	7.3	4.2
Supermarket, convenience, and departmental stores	5.2	4.4	6.4	5.6
Clothing and shoes	11.0	9.7	14.4	9.9
Health care products	9.0	11.8	8.5	12.6
Office, leisure, and other personal use goods	15.1	1.9	10.1	2.5
Appliances, computers, and interior decoration	11.6	-10.5	14.7	-5.2
Glass and hardware shop	12.4	-2.0	9.2	9.8
Motor Vehicles, auto parts, fuel and lube oil	14.2	6.7	10.6	4.8
Internet sales	-0.3	15.6	7.4	40.6

Source: INEGI

**In seasonally adjusted terms, retail sales fell 1.4% m/m.** The reduction in the headline index was explained by the fall in 5 of its 9 sub-indices. Taking a look at the breakdown, durable goods sales posted a poor performance, given that “household appliances, computers, and interior decoration” sales decreased 8.3% m/m, despite the 1.4% growth in “motor vehicle and auto-parts” sales, as shown in the table below.

**Retail sales: December 2016**

% m/m, sa

	Dec-16	Nov-16	Difference
<b>Retail sales</b>	<b>-1.4</b>	<b>0.9</b>	<b>-2.3</b>
Food, beverages, and tobacco	0.7	0.5	0.2
Supermarket, convenience, and departmental stores	-1.7	0.8	-2.5
Clothing and shoes	-4.1	3.9	-8.0
Health care products	0.6	-0.6	1.2
Office, leisure, and other personal use goods	0.4	3.9	-3.6
Appliances, computers, and interior decoration	-8.3	1.1	-9.4
Glass and hardware shop	-1.5	1.5	-3.0
Motor Vehicles, auto parts, fuel and lube oil	1.4	2.5	-1.1
Internet sales	-12.2	15.4	-27.5

Source: INEGI

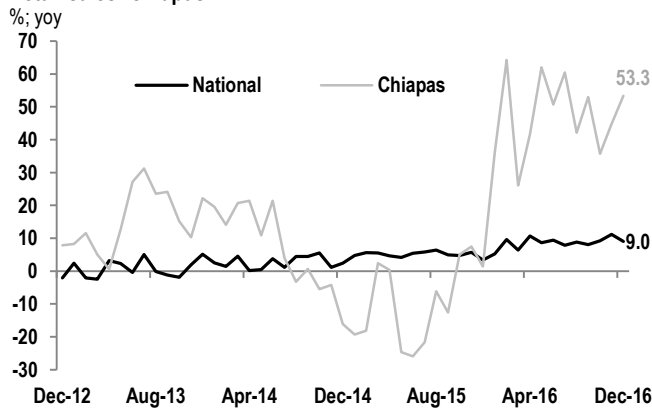
**Lower growth as soon as 1Q17.** We believe that both private consumption and retail sales will moderate their growth as soon as the first quarter of the year given to the following factors: (1) The lower economic growth in our country, caused by the uncertainty surrounding the economic policies that 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.

*From our regional economist*

**Retail sales in Chiapas outperformed the national average in December 2016.**

In December 2016, retail sales in Chiapas showed a 53.3% growth, posting the highest growth for eight consecutive months among the 32 entities. The actions taken by the Federal Government in order to eradicate the informal trade, in addition to the increase of security in the state have been the main cause of the continuous growth of retail sales, which fostered consumption and confidence. At the close of 2016, retail sales in Chiapas added a 46.8% increase in 2016, displaying the better growth dynamics of private consumption within the entity. Also, with significant growth, and outperforming the national average, we highlight December's expansion in Sinaloa (45.8%), Baja California Sur (42.9%), Guanajuato (39.6), and Michoacán (36.3%). By contrast, retail sales revenues in Tabasco fell 6.6% yoy, as shown in the table below.

**Retail sales: Chiapas**



Source: Banorte-Ixe; INEGI

**States with the greatest and lowest increase in retail sales**

	Dec-16	Dec-15	2016
Chiapas	53.3	1.5	46.8
Sinaloa	45.8	1.1	26.9
Baja California Sur	42.9	-0.9	29.4
Guanajuato	39.6	11.6	32.2
Michoacán	36.3	2.7	23.5
<b>National average</b>	<b>9.0</b>	<b>3.4</b>	<b>8.7</b>
Tamaulipas	6.8	2.1	10.4
Guerrero	5.1	17.5	7.8
Veracruz	4.3	-8.4	12.7
Campeche	-4.7	13.8	-0.3
Tabasco	-6.6	3.5	-1.9

Source: Banorte-Ixe; INEGI

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