

## Retail sales grew 2% in 2019, with a positive performance at the end of the year

- Retail sales (December): 3.2% y/y; Banorte: 2.4%; consensus: 2.4% (range: 1.1% to 5.5%); previous: 2.1%
- As a result, retail sales advanced 2.0% in full-year 2019, stronger than the 1.5% observed in the previous year
- In seasonally adjusted terms, retail sales declined 0.4% m/m, although only after advancing 1.7% in the previous month. We see the performance as positive despite some retracement in categories related to the purchases of durable goods
- We maintain our view that consumption will likely stay resilient this year, with strong fundamentals such as wage increases, a low unemployment rate, controlled inflation and higher social spending by the Federal Government
- We believe the report is positive, supporting other signals that suggest a gradual recovery of activity at the end of last year
- The State of México showed the highest growth since February 2019 at 3.7% m/m

**Retail sales advance 3.2% y/y in December.** This figure was higher than consensus expectations, which coincided with our forecast of 2.4%. The report is consistent in terms of direction with the signal provided by December's IGAE, released yesterday, albeit more muted. As a result, sales accelerated to 2.0% in full-year 2019 from 1.5% in the previous year.

**A modest retracement in monthly terms.** Retail sales declined 0.4% m/m, in line with our expectations but above consensus. We believe this result is favorable considering the strong +1.7% observed in the previous month. In our view, the latter was driven by the consolidation of *El Buen Fin* (Mexico's Black Friday), which through discounts and payment plans, may have boosted the consumption of durable goods. In this respect, motor vehicles and fuel declined 3.4%, wiping out most of the +3.9% observed in November, while appliances and other home goods moderated to +0.5%. Other relevant categories that saw some payback included clothing and shoes (-0.5%) and supermarket and departmental (-0.6%), both contracting, albeit not enough to reverse gains in the previous month. On a more positive note, internet sales kept very strong, up +6.1% on top of the +8.2% observed in November. Meanwhile, food grew 0.3%, breaking with three consecutive prints of modest declines.

As warned last month, today's report seems to confirm that durable-goods sales were skewed by the discount season, justifying our cautiousness in this sense. Nevertheless, overall results were positive, providing a more supportive backdrop into 2020. Retailers' data also point in this direction, with ANTAD sales in January up in annual terms (although with a less challenging base effect). Vehicle sales remain under pressure, although reversing gradually the protracted weakness observed virtually all last year.

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### Retail Sales: December 2019

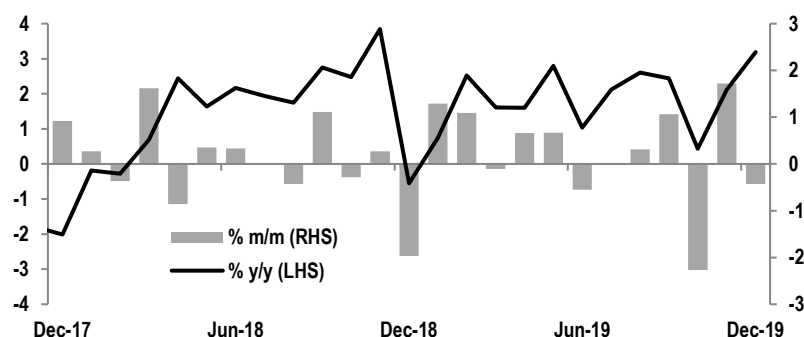
% m/m sa; % 3m/3m sa

	% m/m			% 3m/3m
	Dec-19	Nov-19	Oct-19	Oct-Dec '19
<b>Retail sales</b>	<b>-0.4</b>	<b>1.7</b>	<b>-2.3</b>	<b>-0.5</b>
Food, beverages, and tobacco	0.3	-0.1	-0.7	-0.4
Supermarket, convenience, and departmental stores	-0.6	1.4	-0.9	0.6
Clothing and shoes	-0.5	0.8	-0.9	0.9
Health care products	0.7	0.3	-0.1	0.0
Office, leisure, and other personal use goods	1.0	-0.1	0.7	1.2
Appliances, computers, and interior decoration	0.5	2.1	-4.9	-0.8
Glass and hardware shop	-0.3	-1.0	-1.8	-2.6
Motor Vehicles, auto parts, fuel and lube oil	-3.4	3.9	-3.2	-1.5
Internet sales	6.1	8.2	0.5	8.8

Source: INEGI

### Retail sales

% y/y (nsa), % m/m (sa)



Source: INEGI, Banorte

**Consumption may be showing signs of improvement.** In our view, today's report shows more positive signals for the outlook into this year, a situation that we had already pointed out in the previous month. Thus, we see short-term momentum as more favorable. The latter, also helped by other positive fundamentals for consumption, including: (1) The 20% minimum wage increase; (2) still moderate inflation; (2) higher spending in social programs by the Federal Government; (3) remittances growth; and (4) the continuation of Banxico's easing cycle. Nevertheless, we will wait for additional confirmation, as data may be distorted to some extent by shifting consumption patterns due to *El Buen Fin*. Even when not taking this into account, it is also our take that lower uncertainty, both domestic and globally, is required for consumers to increase their willingness to spend.

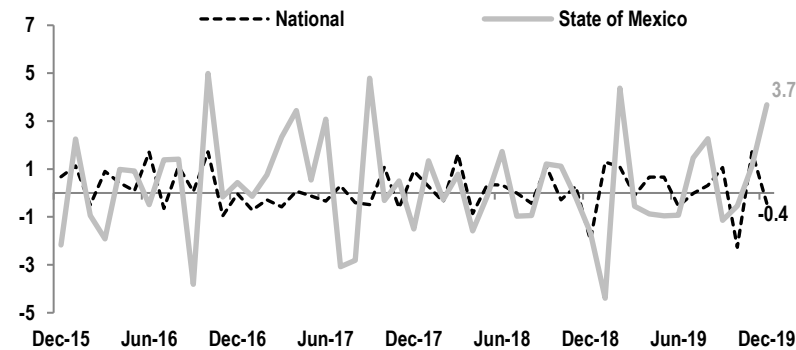
We will also be focused on labor market dynamics, as a lower formal job creation has been coupled with a decline in the unemployment rate, providing mixed signals. Nevertheless, we keep seeing this as a key downside risk. In turn, consumer confidence has held up higher than we had anticipated, which despite not following actual performance closely and has been tied to political sentiment, is also positive at the margin.

*At the state level*

**The State of Mexico showed the highest growth in retail sales since February 2019, at 3.7 m/m.** With this, the entity added two consecutive months in positive territory and with a considerable outperformance relative to the national average. It is explained, among other things, by the increase in purchasing power of state workers, with average real wage increase of 0.8% y/y. Nevertheless, retail sales in the State of Mexico accumulated a 1.9% decline in 2019, 4.4pp lower than in the previous year.

**Retail sales in the State of Mexico**

% m/m; seasonally adjusted figures

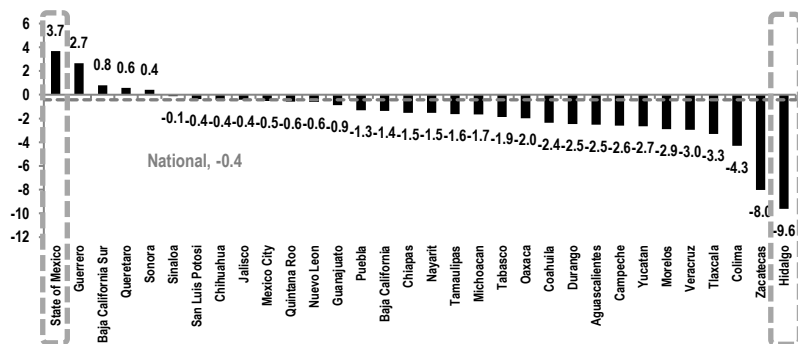


Source: Banorte; INEGI

Just six states outperformed the national average. In this regard, it is important to mention that retail sales in only 5 showed positive figures. Apart from the State of Mexico, we highlight Guerrero (2.7% m/m), Baja California Sur (0.8%), Queretaro (0.6%), and Sonora (0.4%). By contrast, sales in Hidalgo fell 9.6%, as shown in the following graph. This occurs after registering the highest growth of the country in the previous month.

**Retail sales by state: December 2019**

% m/m; sa



Source: Banorte; INEGI

## Analyst Certification

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Jorge Antonio Izquierdo Lobato and Eridani Ruibal Ortega, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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