

## Retail sales fall in December on a more challenging base effect after *El Buen Fin*

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- Retail sales (December): 4.9% y/y; Banorte: 6.3%; consensus: 6.0% (range: 1.3% to 10.7%); previous: 5.4%
- With this, retail sales grew 7.7% in 2021, failing to compensate for the 9.2% loss of 2020
- In monthly terms, sales fell -0.4%, likely impacted by a challenging base effect from *El Buen Fin* (Mexico's Black Friday). Despite of the decline, we believe the result is not as bad as the headline suggests
- We highlight declines in appliances, computers, and interior decoration (-4.8% m/m), supermarket and departmental (-2.6%), and glass and hardware (-1.6%), in our view consistent with payback after last month's gains. To the upside, we noted internet sales (16.8%) and office and leisure goods (2.5%)
- Signals for January are rather mixed, with some timely data suggesting strength, albeit amid a more complex environment due to the rise in COVID-19 cases and persistent price pressures

**Retail sales up 4.9% y/y in December.** This was lower than consensus (6.0%), and our estimate (6.3%). The period is skewed by a calendar effect, with one more working day in the annual comparison. As such, using seasonally adjusted figures, sales rose 5.2% y/y (previous: 4.1%). Consumption fundamentals kept improving in December, although not fully reflected in sales. In particular, [remittances increased](#), [consumer credit](#) was better and the [labor market](#) showed mixed results. Negatively, [price pressures](#) extended –mainly at the core component–, impacting real incomes. With this, sales grew 7.7% in 2021 retail, highlighting progress on categories such as internet sales (25.9%) and office and leisure (23.0%), while others like supermarkets and departmental (4.2%) and food and beverages (6.8%) were more modest, in part on a more complicated base in 2020. However, progress was not enough to compensate for the 9.2% loss of the previous year.

**Sequential decline after recent gains.** Retail sales fell 0.4% m/m, breaking with four consecutive months to the upside which had resulted in a total gain of 1.7%. We think part of the decline is due to a base effect because of *El Buen Fin* (Mexico's Black Friday) sales, as some consumers may have brought forward their purchases due to the discounts. Despite of this, better virus dynamics and higher mobility could have partly offset for the latter. This seems more evident in the details by sector, with declines in appliances, computers, and interior decoration (-4.8% m/m), supermarket and departmental (-2.6%), and glass and hardware (-1.6%), in our view consistent with payback after last month's gains. To the upside, we highlight internet sales (16.8%) and office and leisure goods (2.5%), in our view more related to last chance holiday purchases. Meanwhile, autos and gasoline rose 0.9%, consistent with higher mobility, while healthcare fell 2.0%, in line with better virus conditions.

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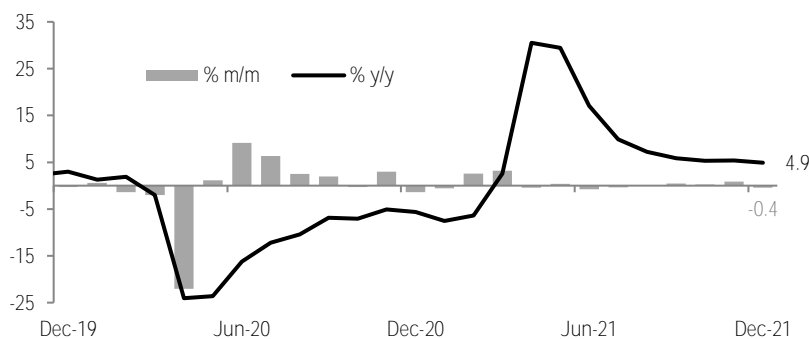
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Retail sales  
% m/m sa; % 3m/3m sa

	% m/m		% 3m/3m	
	Dec-21	Nov-21	Oct-21	Oct-Dec'21
Retail sales	-0.4	0.9	0.2	1.0
Food, beverages, and tobacco	0.8	0.1	-2.3	-2.5
Supermarket, convenience, and departmental stores	-2.6	3.3	0.2	2.6
Clothing and shoes	-0.1	1.0	3.9	8.8
Healthcare products	-2.0	-0.1	-1.4	-1.3
Office, leisure, and other personal use goods	2.5	1.8	0.1	6.1
Appliances, computers, and interior decoration	-4.8	5.0	-0.6	-1.0
Glass and hardware shop	-1.6	1.0	-1.5	-0.3
Motor Vehicles, auto parts, fuel and lube oil	0.9	-1.3	0.6	-1.4
Internet sales	16.8	10.8	-8.9	6.9

Source: INEGI

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



Source: INEGI, Banorte

**Challenging backdrop in January, but better expectations ahead.** We believe the backdrop at the start of the year has been more complicated, mainly due to ‘Omicron’ that may have impacted fundamentals, specifically local employment. In addition, [inflation remained high](#), still with sizable pressures at the core. Related to this, consumer confidence moderated to 43.4pts, with downward moves in all its components. This is particularly relevant as [the 22% increase to the minimum wage](#) came into effect, which we thought could have supported the indicator. Despite of this, timely data is positive at the margin. ANTAD sales had a significant rise, with all-stores up 15.0% y/y in real terms and same-stores at 12.6%, both at their highest since July. In addition, vehicle sales totaled 78.6 thousand units, which implies a 2.5% m/m increase (in-house seasonal adjustment model). As such, it is still unclear to us the final impact on sales in the period.

After this, the outlook seems more favorable. In February, cases began showing a downward trend and mobility recovered, already consolidating above pre-pandemic levels. In addition, scholarship payments to students and for participants in *Jóvenes Construyendo el Futuro* (a National Employment Program) corresponding to March and April were brought forward to this month due to the beginning of the electoral ban, which could boost dynamism. In the medium-term, we continue believing that economic activity will gather pace, which should support fundamentals and therefore boost domestic demand. However, risks persist, including the possibility that inflationary pressures will broaden –especially given higher oil and gas prices due to the Russian invasion of Ukraine–, as well as potential new virus waves that clog production chains.

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, José Luis García Casales, Yazmín Selene Pérez Enriquez, José Itzamna Espitia Hernández, Carlos Hernández García, Paola Soto Leal, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Daniela Olea Suárez, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalia Orozco Vélez and Gerardo Daniel Valle Trujillo, 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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