

Economic Flash

Mexico

Negative surprise in retail sales in December (-2.6% mom)

- The drop in retail sales in December does not seem justified only as a result of the advancement of purchases derived from "El Buen Fin" in November. Both durable goods and non-durables fell in December.
- With the contraction in December, the average of the last two months of the year is almost equal to the previous two months.
- The slowdown in retail sales and service activity in line with the moderation of the labor mass, proxy of household disposable income, suggesting a possible slower growth in private consumption.

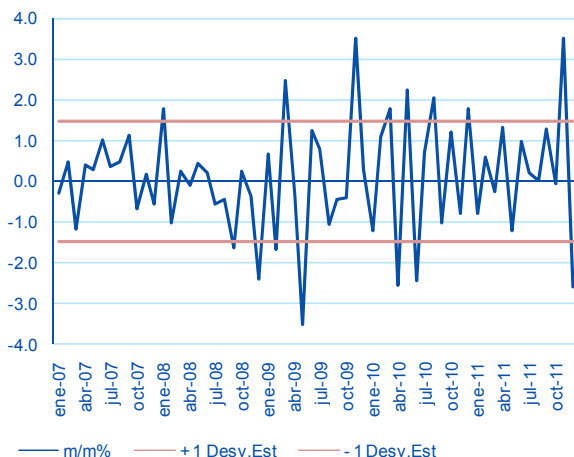
Significantly lower than expected (0.5% mom) retail sales fell (-)2.6% in December. This result contrasts with the strong growth in November and linked to business strategy "El Buen Fin", when the monthly change was (+) 3.5%. It was expected that this initiative had transitory effects when passing year-end shopping, not a permanent effect. It is worth to say that the average of last two months of the year is almost equal to the previous two months.

The components with greatest drop of the survey were those related to non-durable goods, particularly significant was the contraction in supermarkets (-)5.8% mom, which despite the expansion of the previous month, average variation of the last two months of last year was lower than the previous two months. Meanwhile, durable goods, such as sales in establishments related to household goods, computers, furnishings and motor vehicles had a lower contraction: (-)2.7% of household goods group, (-)0.2% Motor vehicles (vs (+)7.4% and (+)2.1% mom last month, respectively).

Thus, the dynamic trend of retail sales and services, is moderation in accordance with the proxy indicator of disposable income, the labor mass data from ENOE (National Survey of Occupation and Employment) According to the last quarter of 2011, real labor income was (-) 1.9% lower than the same period of 2010. This lack of sustained growth in labor income component of real disposable income limits the dynamism of the demand indicators, supported only by the increase in employment.

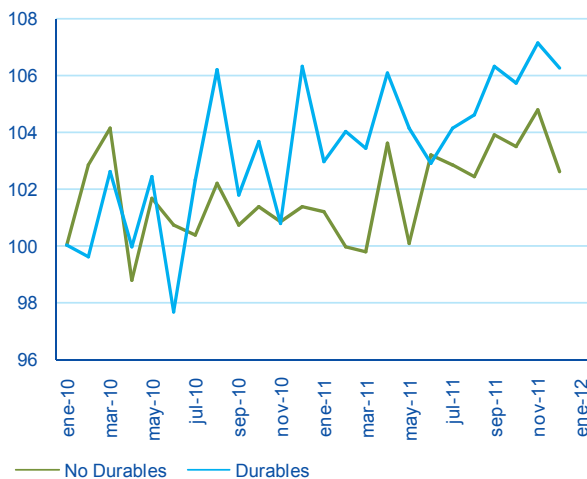
In this situation, it is likely that private consumption has grown slightly below the record of 3Q11, at around 0.8% qoq, (1.2 pp less). This would have contributed to the known slowdown of GDP.

Gráfica 1
Retail Sales (mom%)



Fuente: BBVA Research con datos de INEGI

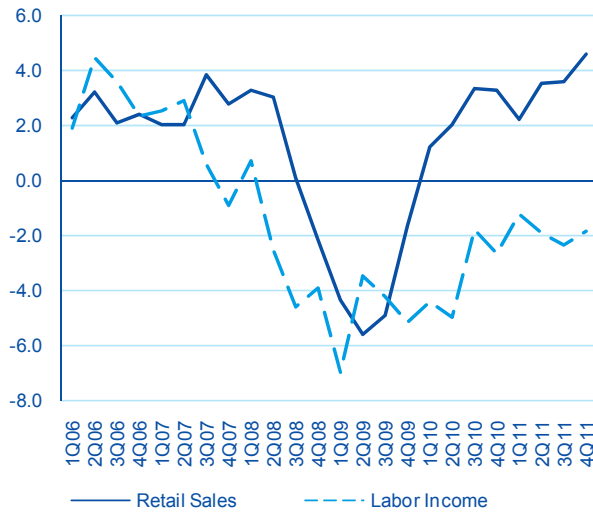
Gráfica 2
Retail Sales: Index (Jan10=100) mom%



Fuente: BBVA Research con datos de INEGI

Chart 1

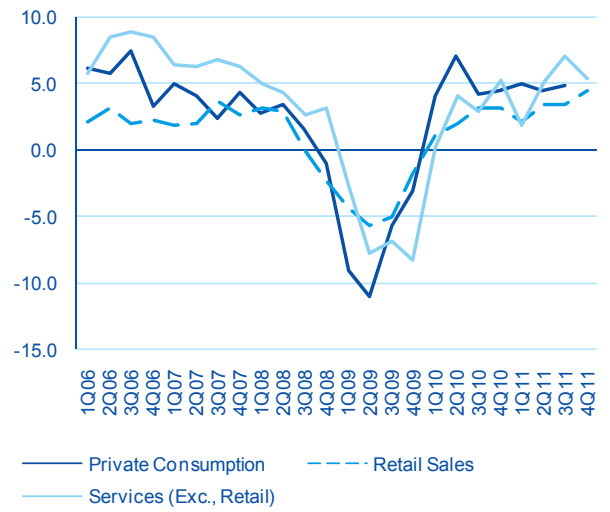
Retail Sales & Labor Income in Real Terms (yoy%)



Source: BBVA Research with INEGI data

Chart 2

Retail Sales, Services and Private Consumption (yoy%)



Source: BBVA Research with INEGI data

Julián Cubero
juan.cubero@bbva.bancomer.com

Cecilia Posadas
c.posadas@bbva.bancomer.com

Av. Universidad 1200, Col. Xoco, México 03339 D.F. | researchmexico@bbva.bancomer.com | www.bbva.com | [Follow us by Twitter](https://twitter.com/bbvaresearch)

Disclaimer

This document was prepared by Banco Bilbao Vizcaya Argentaria's (BBVA) BBVA Research and BBVA Bancomer S. A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer on behalf of itself and is provided for information purposes only. The information, opinions, estimates and forecasts contained herein refer to the specific date and are subject to changes without notice due to market fluctuations. The information, opinions, estimates and forecasts contained in this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA Bancomer, and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. This document is not an offer to sell or a solicitation to acquire or dispose of an interest in securities.