

## September's Retail sales – Below expectations, but still with an upward trend

November 23, 2015

- **Retail sales (September): 4.9% yoy; Banorte-Ixe: 6.9%; consensus: 7% (range of estimates: 5.8% to 7.8%); previous: 6.4%**
- **The lower-than-expected growth in retail sales was explained by the 0.5% yoy contraction in food, beverages, and tobacco**
- **However, the decline in food, beverages, and tobacco sales was offset by a 9% yoy increase in restaurant services (according to IGAE's figures released on Friday), which implies that households' consumption remained strong during September**
- **In seasonally adjusted terms, retail sales posted a 1.1% m/m reduction**
- **However, durable good sales posted a significant recovery**
- **Looking ahead, we believe that retail sales will continue to show better growth dynamics**
- **Durango's 23.4% yoy growth in retail sales outperforms the national average**

www.banorte.com  
www.ixe.com.mx  
@analisis\_fundam

**Alejandro Cervantes**  
Senior Economist, Mexico  
alejandrocervantes@banorte.com

**Miguel Calvo**  
Regional and Sectorial Economist  
miguelcalvo@banorte.com

**Retail sales increased 4.9% yoy in September.** According to *INEGI's* report published today, the income generated by retail sales grew 4.9% yoy, lower than our 6.9% yoy forecast (consensus: 7% yoy). The lower-than-expected growth in retail sales was explained by the 0.5% yoy contraction in food, beverages, and tobacco. However, the decline in this component was offset by a 9% yoy increase in restaurant services (according to IGAE's figures released on Friday), which implies that households' consumption remained strong during September.

Taking a look at the breakdown, we highlight the significant recovery in 6 of its 9 of the sub-indices. In particular, the income generated by clothing and shoes expanded 9% yoy, while supermarket, convenience, and departmental stores sales increased 7.4% yoy. Similarly, the income generated health care products sales grew 15.6% yoy, while motor vehicles, auto parts, fuel and lube oil sales edged-up 4.1% yoy, as shown in the table below.

### Retail sales: September 2015

%yoy, nsa	Sep-15	Sep-14	Jan-Sep, '15	Jan-Sep, '14
<b>Retail sales</b>	<b>4.9</b>	<b>4.5</b>	<b>5.2</b>	<b>2.5</b>
Food, beverages, and tobacco	-0.5	14.9	5.4	13.6
Supermarket, convenience, and departmental stores	7.4	-2.2	5.8	-0.1
Clothing and shoes	9.0	4.7	9.9	-1.9
Health care products	15.6	1.6	12.9	1.3
Office, leisure, and other personal use goods	-2.2	15.7	2.4	6.6
Appliances, computers, and interior decoration	-4.7	9.5	-4.4	12.0
Glass and hardware shop	16.6	-5.6	11.1	-5.4
Motor Vehicles, auto parts, fuel and lube oil	4.1	7.1	4.2	0.1
Internet sales	0.4	124.5	54.8	32.9

Source: INEGI

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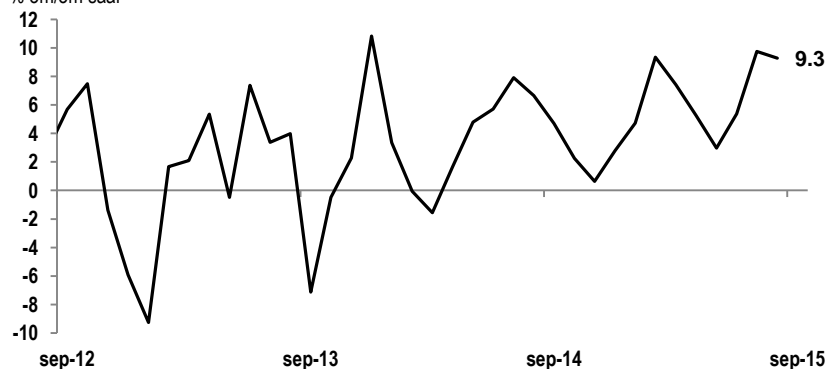
**In seasonally adjusted terms, retail sales decreased 1.1%.** The fall in the headline index was explained by the fall in 4 of the 9 sub-indices. However, taking a look at the breakdown, durable goods sales posted a favorable performance. In particular, vehicle and auto parts sales increased 0.2% m/m, while household appliances, computers, and interior decoration sales edged-up 6% m/m. (refer to the following table). With these numbers, retail sales posted a 9.3% 3m/3m saar expansion (refer to the chart below).

**Retail sales: September 2015**

%m/m sa	Sep-15	Aug-15	Difference
<b>Retail sales</b>	<b>-1.1</b>	<b>1.5</b>	<b>-2.7</b>
Food, beverages, and tobacco	-9.7	-2.6	-7.2
Supermarket, convenience, and departmental stores	0.2	1.1	-0.9
Clothing and shoes	-1.8	2.5	-4.3
Health care products	-1.2	0.5	-1.7
Office, leisure, and other personal use goods	4.0	-2.2	6.2
Appliances, computers, and interior decoration	6.0	-0.7	6.7
Glass and hardware shop	-6.8	10.6	-17.4
Motor Vehicles, auto parts, fuel and lube oil	0.2	0.8	-0.7
Internet sales	2.1	-9.2	11.3

Source: INEGI

**Retail sales**  
% 3m/3m saar



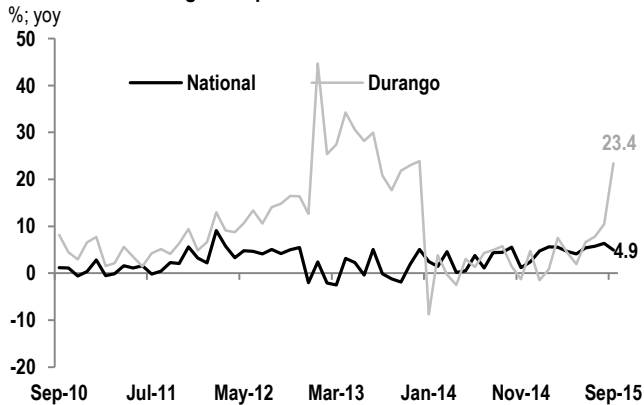
Source: Banorte-ixe; INEGI

**We believe that retail sales will continue to show better growth dynamics.** With today's report, retail sales posted a 5.2% yoy growth during the first nine months of the year, suggesting a marked recovery in the growth dynamics of domestic demand. We continue to expect that both retail sales and private consumption will show a more visible recovery driven by the following factors: (i) The recovery in households' income derived from significant gains in real wages; (ii) the better growth prospects for the Mexican economy; (iii) the recent downward trend in inflation; and (iv) the better growth dynamics observed in the Mexican labor market.

From our regional economy team

**Retail sales in Durango outperforms the national average.** The income generated from retail sales in Durango increased 23.4% yoy in September, the highest growth rate obtained for the 32 federal entities in the country. Moreover, year-to-date, Durango's retail sales have increased 6.8% yoy. Also with significant growth and outperforming the national average, we highlight the higher growth in retail sales of the states of Campeche (21%) Baja California Sur (19.2%), Baja California (15.8%) and Coahuila (15.2%), (refer to the following charts).

**Retail sales: Durango – September 2015**



Source: Banorte-Ixe; INEGI

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

% yoy	Sep-15	Sep-14	Jan-Sep, '15
<b>Nacional</b>	<b>4.9</b>	<b>4.5</b>	<b>5.2</b>
Durango	23.4	5.8	6.8
Campeche	21.0	-2.5	6.9
Baja California Sur	19.2	-4.1	11.7
Baja California	15.8	-14.0	13.7
Coahuila	15.2	1.1	7.3
Chiapas	-12.6	0.7	-14.3
Distrito Federal	-4.6	3.5	-0.6
Morelos	-1.4	8.7	4.2
Sonora	-0.1	-8.1	-0.9
Hidalgo	0.3	1.3	1.9

Source: Banorte-Ixe; INEGI

On the other hand, and for the fifth consecutive month, revenues from retail sales in Chiapas fell 12.6% yoy, which stands out as the entity with the highest contraction reported by *INEGI*; followed by Mexico City (-4.6%), Morelos (-1.4%), Sonora (-0.1%) and Hidalgo (0.3%) respectively. So far this year, retail sales in Chiapas now add a 14.3% contraction.

In seasonally adjusted terms, retail sales in San Luis Potosí increased 13pp passing from 10.4% in August to 23.4% m/m in September maintaining the first position for the second consecutive month.

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**GRUPO FINANCIERO BANORTE S.A.B. de C.V.**
**Research and Strategy**

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

**Economic Analysis**

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Alejandro Cervantes Llamas	Senior Economist, Mexico	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Katia Celina Goya Ostos	Senior Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional & Sectorial	miguel.calvo@banorte.com	(55) 1670 - 2220
Juan Carlos García Viejo	Economist, International	juan.garcia.viejo@banorte.com	(55) 1670 - 2252
Rey Saúl Torres Olivares	Analyst	saul.torres@banorte.com	(55) 1670 - 2957
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

**Fixed income and FX Strategy**

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Juan Carlos Alderete Macal, CFA	FX Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Analyst Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

**Equity Strategy**

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Equity Research Analyst	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Senior Equity Research Analyst – Conglomerates/Financials/ Mining/ Chemistry	marissa.garza@banorte.com	(55) 1670 - 1719
Marisol Huerta Mondragón	Equity Research Analyst – Food/Beverages	marisol.huerta.mondragon@banorte.com	(55) 1670 - 1746
José Itzamna Espitia Hernández	Equity Research Analyst – Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto parts	valentin.mendoza@banorte.com	(55) 1670 - 2250
María de la Paz Orozco García	Analyst	maripaz.orozco@banorte.com	(55) 1670 - 2251

**Corporate Debt**

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Idalia Yanira Céspedes Jaén	Analyst, Corporate Debt	idalia.cespedes@banorte.com	(55) 1670 - 2248

**Wholesale Banking**

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	ricardo.velazquez@banorte.com	(55) 5268 - 9879
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454