

***El Buen Fin* – Marginal, but positive effect on private consumption**

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- Mexico’s *Black Friday* known as “*El Buen Fin*” –introduced by the Federal Government back in 2011 aiming to foster private consumption- will take place during this weekend
- In our view, promotions and discounts during *El Buen Fin* have a marginal, but positive effect on real disposable income and on private consumption
- Moreover, we believe that the program seems to have achieved its objective by marginally changing retail sales seasonality in November, without a significant impact on Christmas shopping season
- Nevertheless, we do not expect a significant change in production and employment levels derived from the fifth edition of this program

El Buen Fin, Mexico’s *Black Friday* will begin this Friday. This program -which includes special credit promotions and discounts from retailers-, was introduced by the Federal Government back in 2011 aiming to foster private consumption. It usually happens on the day the country celebrates its 1910 revolution. Mexico’s *Black Friday* is actually a whole weekend (Friday through Monday) and has been referred to as “*the cheapest weekend of the year*”.

Past editions of “*El Buen Fin*”

Year	Date	Number of establishments
2011	18-21 Nov	~40,000
2012	16-19 Nov	~46,500
2013	15-18 Nov	~49,000
2014	14-17 Nov	~51,514
2015	13-16 Nov	-

Source: Banorte-Ixe

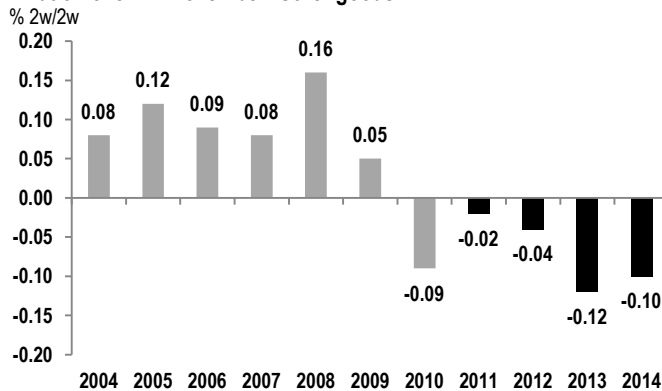
In our view, promotions and discounts during *El Buen Fin* have a marginal, but positive effect on disposable income and on private consumption. The most immediate impact of *El Buen Fin* on consumers is a rise in real disposable income derived from: (1) Lower prices of merchandises and some services –e.g. airfares, mobile phone services, etc.-; and (2) a larger flow of consumer credit. Mexico’s *El Buen Fin* brings lower prices that generate an increase in consumption. In fact, discounts and promotion during *El Buen Fin* derive in reductions in some of the CPI components during the fortnight in which it takes place (usually in the 2nd half of November), during a season when consumers are more interested in lower prices.

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In 2011 there was a 0.02% deflation in the “merchandise ex-food” sub-index during the second half of November, while in 2012 deflation was equivalent 0.04%. However, within the last two years of the program, prices have fallen significantly given that more firms have participated in this program (refer to the chart below).

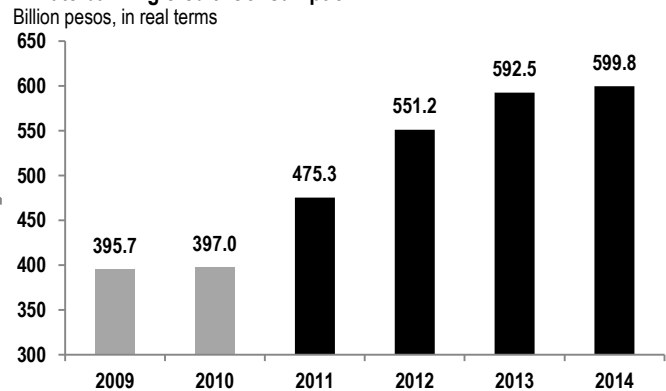
In the case of consumer credit, Mexican banks support the program by offering promotions with credit cards. This incentive has led to a rapid growth in consumer credit flows during November (refer to the chart on the right). If we assume that a large amount of *El Buen Fin* sales are financed with credit cards, the promotions given by the banking sector will also has a positive effect on consumers’ disposable income.

Inflation over 2H-November: Other goods



Source: Banorte-Ixe with data from INEGI

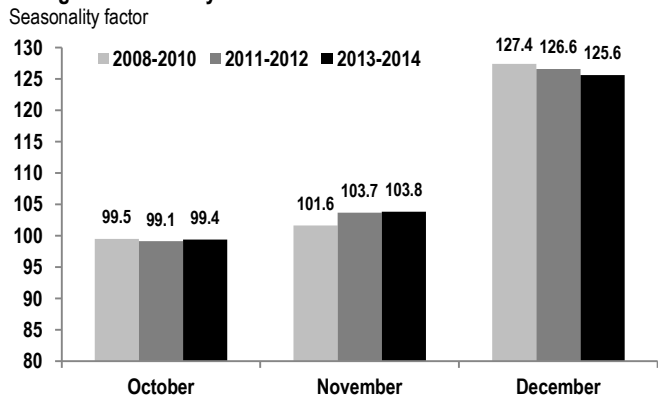
Private banking credit: Consumption



Source: Banorte-Ixe with data from Banxico

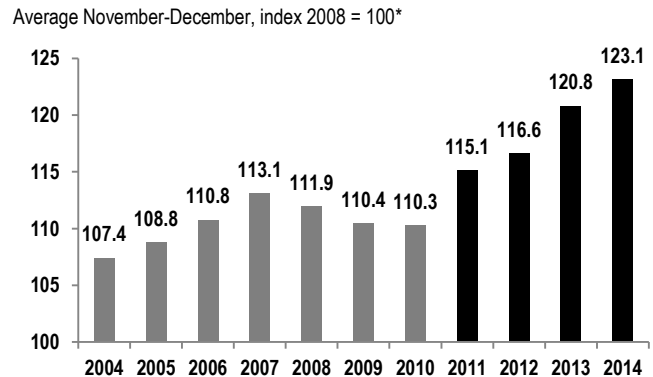
The seasonality in sales has marginally changed as a result of *El Buen Fin* and without a significant impact on Christmas shopping season. Seasonality in sales marginally changed since the implementation of “*El Buen Fin*” (refer to the chart on the left). However, the sales volume in November-December within the past four years has been much higher given the discounts offered by retailers during this weekend (refer to the graph below on the right).

Change in seasonality in retail sales 2011



Source: Banorte-Ixe with data from INEGI

Retail sales



Source: Banorte-Ixe with data from INEGI

* For 2004-2007 the

We do not expect a significant change in production and employment levels derived from the fifth edition of this program. While the program is designed to increase private consumption, we consider the effects on production will be negligible. Inventories of commercial establishments have been growing for the last three quarters. Thus, it is likely that the fifth edition of this program will only encourage an increase in retail sales and will not have a direct impact on production levels.

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