

Retail sales – Higher-than-expected growth in August

October 25, 2016

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- **INEGI just published its retail sales report for August**
- **Retail sales (August): 8.9% yoy; Banorte-Ixe: 6.3%; consensus: 5.8%; (range of estimates: 2% to 7.7%); previous: 7.9%**
- **Year-to-date retail sales increased 8.3% yoy**
- **In seasonally adjusted terms, retail sales edged up 0.6% m/m, as a result of the favorable performance of durable goods sales**
- **Looking ahead, we believe that retail sales will continue to show better growth dynamics**
- **Retail sales in Colima outperformed the national average in August**

Retail sales increased 8.9% yoy in August, above expectations. According to *INEGI's* report published today, the income generated by retail sales grew 8.9% yoy, above our 6.3% forecast (consensus: 5.8% yoy). Taking a look at the breakdown, we highlight the 24% yoy increase in sales of “appliances, computers, and interior decoration” products, as well as the 14.1% growth in sales of “motor vehicles and auto parts”. In addition, “clothing and shoes” sales edged-up to 15.5%, as shown in the table on the next page.

Within the report, “supermarket, convenience, and departmental stores” sales increased a scant 3.4% as a result of an adverse calendar effect, which subtracted weekend days. (August 2016 had only 8 weekend days vs. 10 days in August 2015). We highlight that department stores sales have a strong seasonal behavior, where they tend to be significantly higher during the weekends. Correcting for this calendar effect, “supermarket, convenience, and departmental stores” sales increased 6.2% yoy. In addition, wholesale revenues –a leading indicator of Mexico’s retail sales–, increased 9.1% yoy.

In seasonally adjusted terms, retail sales increased 0.6% m/m. The growth in the headline index was explained by the expansion of 8 of its 9 sub-indices. Taking a look at the breakdown, durable goods sales posted a favorable performance, given that “household appliances, computers, and interior decoration” sales increased 5.8% m/m, while “motor vehicle and auto-parts” sales edged up 2.8% m/m, as shown in the table below.

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We believe that retail sales will continue to show better growth dynamics.

Looking ahead, we believe that retail sales and private consumption will continue to show a favorable performance derived from: (1) An improvement in private banking credit; (2) the contained levels of inflation; (3) the stronger growth dynamics in the Mexican labor market; and (4) the higher growth in remittances inflows.

Wholesale and Retail sales: August 2016

% yoy nsa

	Aug-16	Aug-15	Jan-Aug, '16	Jan-Aug, '15
Retail sales	8.9	6.4	8.3	5.3
Food, beverages, and tobacco	11.5	10.0	6.6	6.1
Supermarket, convenience, and departmental stores	3.4	6.1	6.5	5.6
Clothing and shoes	15.5	12.5	14.2	10.0
Health care products	7.8	21.4	7.7	12.5
Office, leisure, and other personal use goods	10.8	-8.7	8.7	3.0
Appliances, computers, and interior decoration	24.0	-9.4	12.8	-4.3
Glass and hardware shop	3.3	23.2	8.2	10.4
Motor Vehicles, auto parts, fuel and lube oil	14.1	4.6	9.8	4.3
Internet sales	9.4	2.9	6.6	66.2
Wholesales	9.1	5.7	7.1	5.7

Source: INEGI

Retail sales: August 2016

% m/m, sa

	Aug-16	Jul-16	Difference
Retail sales	0.6	0.4	0.2
Food, beverages, and tobacco	1.9	3.6	-1.7
Supermarket, convenience, and departmental stores	0.2	0.2	0.0
Clothing and shoes	3.0	-1.3	4.3
Health care products	2.7	0.6	2.2
Office, leisure, and other personal use goods	0.2	-1.9	2.1
Appliances, computers, and interior decoration	5.8	-4.2	10.1
Glass and hardware shop	-0.4	2.2	-2.6
Motor Vehicles, auto parts, fuel and lube oil	2.8	-2.4	5.3
Internet sales	3.3	0.6	2.8
Wholesales	-0.5	-0.8	0.3

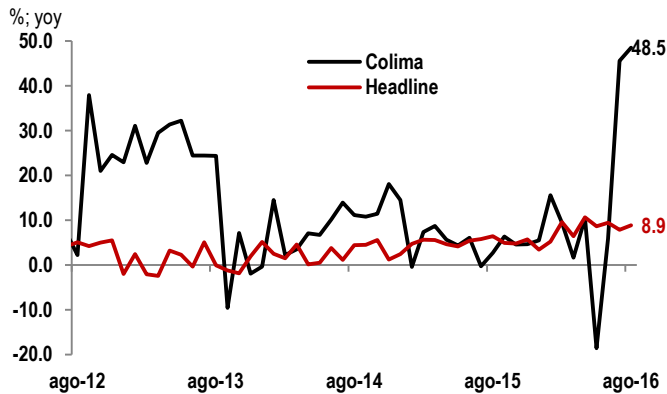
Source: INEGI

From our regional economist

Retail sales in Colima outperformed the national average in August. With the highest growth since 2009 and above the national average (+8.9%), Colima leads retail sales growth in August with a 48.5% yoy expansion. Moreover, the entity now adds a 15% expansion year-to-date, displaying the better growth dynamics of private consumption within the federal entity.

With significant growth, and outperforming the national average, we also highlight August's expansion in Chiapas (42.2%), Queretaro (34.9%), Guanajuato (33.4%), and Durango (33%). By contrast, retail sales revenues in Campeche fell 9.2% yoy, as shown in the table below.

Retail sales: Colima



Source: Banorte-Ixe; INEGI

States with the greatest and lowest increase in retail sales

% yoy	Aug-16	Aug-15	Jan-Aug'16
Colima	48.5	2.7	15.0
Chiapas	42.2	-6.2	47.0
Queretaro	34.9	13.7	29.1
Guanajuato	33.4	9.1	29.3
Durango	33.0	10.5	38.5
National average	8.9	6.4	8.3
Guerrero	5.4	18.0	13.5
Morelos	-0.5	5.3	4.9
Tabasco	-9.0	3.6	0.7
Campeche	-9.2	21.8	4.8

Source: Banorte-Ixe; INEGI

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