

## Retail sales maintain a downward trend in July

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- **INEGI just published its retail sales report for July**
- **Retail sales (July): 0.4% yoy; Banorte: -0.5%; consensus: 1%; (range of estimates: -1% to 5.3%); previous: 0.4%**
- **In seasonally adjusted terms, retail sales increased 0.3% m/m**
- **However, durable goods sales posted a significant contraction, where we highlight the 1.4% m/m reduction in vehicle sales and auto-parts and the 0.3% decline in household appliances, computers, and interior decoration sales**
- **Looking ahead, we believe that both private consumption and retail sales will marginally decelerate, as a result of the upward trend in inflation**
- **However, September's retail sales report will probably show a significant growth, given the spike in food and medicine sales as a result of the two severe earthquakes in the past weeks**
- **Retail sales in Colima outperformed the national average**

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**Retail sales maintained a downward trend in July.** According to *INEGI's* report published today, the income generated by retail sales grew 0.4% yoy nsa, above our -0.5% yoy forecast (consensus: 1%). Year-to-date, retail sales now add a 3% yoy expansion.

In seasonal adjusted terms, retail sales increased a moderate 0.3% m/m. Taking a look at the breakdown, and analyzing the seasonal adjusted figures, the headline index increased as a result of the expansion in 5 out of 9 sub-indexes. In particular, non-durable goods sales outperformed the headline index, where we highlight the 2.3% m/m increase in both clothing and shoes sales, and the 1.8% growth in office, leisure, and other personal use goods sales.

However, durable-goods sales posted significant contraction. In particular, vehicle and autoparts sales fell 1.4% m/m, while household appliances, computers, and interior decoration sales declined 0.3% m/m (refer to the table on the next page).

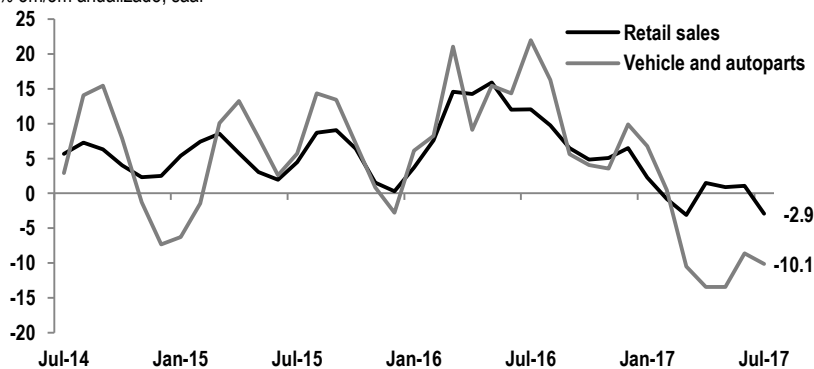
As a result, retail sales fell by 2.9% 3m/3m saar, while vehicle and auto-parts sales decreased by 10.1% (refer to the chart on the next page). We believe that the deceleration of retail sales is mainly due to the upward trend in inflation, which has discouraged the consumption of durable goods.

**Retail sales will post a significant recovery in September.** Looking ahead, we continue to believe that both private consumption and retail sales will marginally decelerate as a result of the upward trend of inflation, given that it will continue to discourage the consumption of durable goods.

However, we believe that September's retail sales are likely to post strong recovery following the recent earthquakes. The solidarity of Mexicans to help the victims of the earthquake has generated a strong growth in sales in formal businesses, particularly of food and beverages, health supplies, and hardware equipment. In the aggregate, although this will not have a significant impact on Mexico's GDP for 2017, it will be reflected in September's retail sales figures (for a more detailed analysis of the economic impact of September's earthquakes, refer to our following research note: *Sad, but limited economic impact of the recent earthquakes in Mexico* <[here](#)>).

**Retail sales: Headline and vehicle and auto-parts**

% 3m/3m anualizado; saar



Source: Banorte

**Retail sales: July 2017**

% m/m, sa

	Jul-17	Jun-17	Difference
<b>Retail sales</b>	<b>0.3</b>	<b>-1.1</b>	<b>1.5</b>
Food, beverages, and tobacco	0.2	-1.3	1.5
Supermarket, convenience, and departmental stores	-0.1	-0.7	0.6
Clothing and shoes	2.3	-2.7	5.0
Health care products	1.7	-0.4	2.2
Office, leisure, and other personal use goods	1.8	-2.3	4.0
Appliances, computers, and interior decoration	-0.3	0.7	-1.0
Glass and hardware shop	0.5	4.8	-4.3
Motor Vehicles, auto parts, fuel and lube oil	-1.4	-0.9	-0.5
Internet sales	-1.9	2.2	-4.1
<b>Wholesales</b>	<b>-0.1</b>	<b>-0.6</b>	<b>0.5</b>

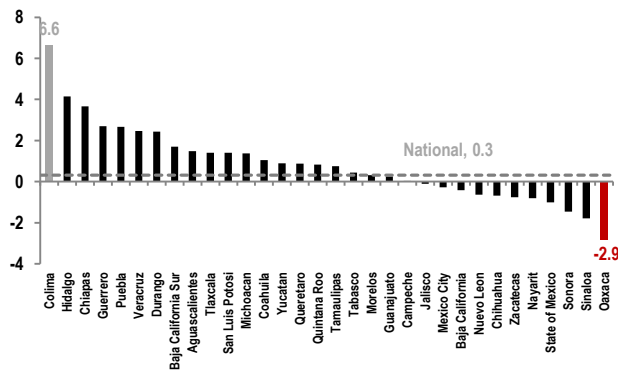
Source: INEGI

### Regional Analysis

**Retail sales in Colima outperformed the national average (seasonally adjusted figures).** Retail sales in Colima posted a 6.6% m/m expansion, which stands as the highest growth in the country. Moreover, we highlight that this was the highest increase observed in the entity since July 2016.

As we can see in the following chart, retail sales growth in 18 states including Colima outperformed the national average. In this regard, we highlight July’s expansion in Hidalgo (4.1%), Chiapas (3.7%), Guerrero and Puebla (2.7%). By contrast, retail sales revenues in Oaxaca fell 2.9% m/m, being the strongest contraction since April 2017, as shown in the table below.

**Retail sales: July 2017**  
% m/m; sa



Source: Banorte-lxe; INEGI

**States with the greatest and lowest increase in retail sales**  
% m/m; sa

	Jul-17	Jun-17
Colima	6.6	1.0
Hidalgo	4.1	-1.4
Chiapas	3.7	-0.4
Guerrero	2.7	-3.8
Puebla	2.7	-1.3
<b>National Average</b>	<b>0.3</b>	<b>-1.1</b>
Nayarit	-0.8	2.1
Estado de México	-1.0	-1.7
Sonora	-1.5	-3.2
Sinaloa	-1.8	3.0
Oaxaca	-2.9	9.8

Source: Banorte-lxe; INEGI

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