

Retail sales – Higher growth in September will be followed by a deceleration in 4Q16

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@analisis_fundam

Alejandro Cervantes
Senior Economist, Mexico
saul.torres@banorte.com

Miguel Calvo
Regional and Sectorial Economist
miguel.calvo@banorte.com

- **INEGI just published its retail sales report for September**
- **Retail sales (September): 8.1% yoy; Banorte-Ixe: 7.7%; consensus: 8.1%; (range of estimates: 6.5% to 8.7%); previous: 8.9%**
- **Year-to-date retail sales increased 8.3% yoy**
- **In seasonally adjusted terms, retail sales edged down 0.2% m/m, as a result of the 7.8% contraction in food, beverages, and tobacco sales**
- **Looking ahead, we believe that retail sales will decelerate**
- **Retail sales in Chiapas outperformed the national average in 3Q16 (+51.4% yoy)**

Retail sales increased 8.1% yoy in September. According to *INEGI's* report published today, the income generated by retail sales grew 8.1% yoy, above our 7.7% forecast (consensus: 8.1% yoy). Taking a look at the breakdown, we highlight the 16.2% yoy increase in sales of “appliances, computers, and interior decoration” products, as well as the 10.2% growth in sales of “motor vehicles and auto parts”. In addition, “clothing and shoes” sales climbed to 15.7%, as shown in the table on the next page.

Within the report, “supermarket, convenience, and departmental stores” sales increased 4.9% yoy. In addition, wholesale revenues –a leading indicator of Mexico’s retail sales–, increased 9.6% yoy.

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Wholesale and Retail sales: September 2016
% yoy nsa

	Sep-16	Sep-15	Jan-Sep, '16	Jan-Sep, '15
Retail sales	8.1	4.9	8.3	5.2
Food, beverages, and tobacco	7.9	-0.5	6.8	5.4
Supermarket, convenience, and departmental stores	4.9	7.4	6.4	5.8
Clothing and shoes	15.7	9.0	14.3	9.9
Health care products	8.9	15.6	7.8	12.9
Office, leisure, and other personal use goods	12.6	-2.2	9.2	2.4
Appliances, computers, and interior decoration	16.2	-4.7	13.2	-4.4
Glass and hardware shop	5.6	16.6	7.9	11.1
Motor Vehicles, auto parts, fuel and lube oil	10.2	4.1	9.8	4.2
Internet sales	10.5	0.4	7.0	54.8

Source: INEGI

In seasonally adjusted terms, retail sales fell 0.2% m/m. The contraction in the headline index was explained by the reduction of 3 of its 9 sub-indices. Taking a look at the breakdown, durable goods sales posted a mixed performance, given that “household appliances, computers, and interior decoration” sales decreased 0.1% m/m, while “motor vehicle and auto-parts” sales edged up 0.2% m/m, as shown in the table below.

Retail sales: September 2016

% m/m, sa

	Sep-16	Aug-16	Difference
Retail sales	-0.2	0.4	-0.6
Food, beverages, and tobacco	-7.8	1.8	-9.6
Supermarket, convenience, and departmental stores	0.3	0.2	0.1
Clothing and shoes	-0.2	3.1	-3.3
Health care products	0.6	2.6	-2.0
Office, leisure, and other personal use goods	2.7	0.8	1.8
Appliances, computers, and interior decoration	-0.1	5.9	-6.0
Glass and hardware shop	0.2	-0.2	0.5
Motor Vehicles, auto parts, fuel and lube oil	0.2	2.5	-2.4
Internet sales	1.2	3.4	-2.2

Source: INEGI

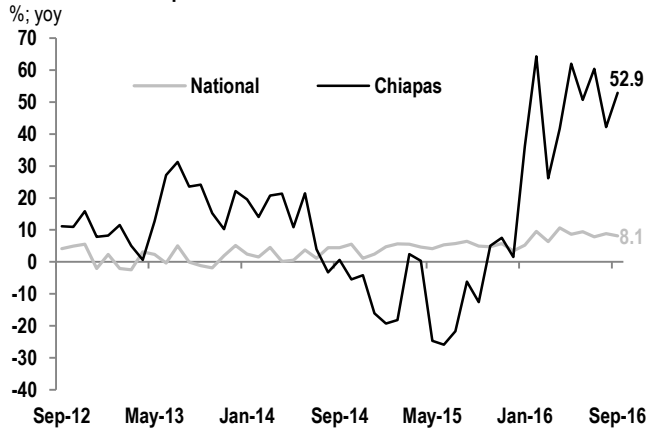
Lower growth as soon as 4Q16. We believe that both private consumption and retail sales will moderate their growth as soon as the fourth quarter of the year given to the following factors: (1) The lower economic growth in our country, caused by the uncertainty surrounding the economic policies that will be implemented by the Trump administration; (2) the upward trend of inflation generated by the higher pass-through effect of the depreciation of the Mexican currency to prices will discourage the consumption of durable goods; and (3) the Federal Government’s fiscal consolidation will translate into lower public investment projects, which will affect the general growth dynamics of the Mexican labor market and consequently the recovery of Mexican household consumption.

From our regional economist

Retail sales in Chiapas outperformed the national average in 3Q16. Despite the blockades and protests made by the *National Coordinator of Education Workers* (CNTE) that directly affected the commerce and tourism of the state, retail sales in Chiapas showed a 51.4% growth in 3Q16. This increase was explained by higher revenues obtained by retailers in July (60.4%) and September (52.9%).

Furthermore, Chiapas leads retail sales growth in September with a 52.9% yoy expansion. In this regard, September’s growth was strongly supported by sales made in pet products (17%), fuels (10.5%), personal, and household care products by 9.4% and 7.1%, respectively. Moreover, in the wine and spirits sector, the state sales also advanced 15%. With this figures, the entity now adds a 47.6% increase year-to-date, displaying the better growth dynamics of private consumption within the federal entity. Also, with significant growth, and outperforming the national average, we also highlight September’s expansion in Colima (48.9%), Hidalgo (38.5%), San Luis Potosí (35.8%), and Veracruz (35%). By contrast, retail sales revenues in Campeche fell 12.3% yoy, as shown in the table below.

Retail sales: Chiapas



Source: Banorte-lxe; INEGI

States with the greatest and lowest increase in retail sales

	Sep-16	Sep-15	Jan-Sep'16
Chiapas	52.9	-12.6	47.6
Colima	48.9	6.3	18.6
Hidalgo	38.5	0.3	33.7
San Luis Potosi	35.8	5.5	26.0
Veracruz	35.0	8.6	15.9
National average	8.1	4.9	8.3
Yucatan	10.8	5.7	14.5
Michoacan	9.3	1.9	22.3
Tabasco	-5.4	6.6	0.1
Guerrero	-8.8	3.1	11.0
Campeche	-12.3	21.0	2.7

Source: Banorte-lxe; INEGI

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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
Francisco José Flores Serrano	Economist, National	francisco.flores.serrano@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 / Specialized Commerce	marisol.huerta.mondragon@banorte.com	(55) 1670 - 1746
José Itzamna Espitia Hernández	Equity Research Analyst – Airlines / Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250

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	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454