

August's Retail sales – 6.4% yoy growth suggests a stronger domestic expenditure

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- **Retail sales (August): 6.4% yoy; Banorte-Ixe: 4.9%; consensus: 4.8% (range of estimates: 3.5% to 5.5%); previous: 5.4%**
- **In seasonally adjusted terms, retail sales posted a 1.5% m/m expansion**
- **Looking ahead, we believe that retail sales will continue to show better growth dynamics**
- **Campeche's 21.8% yoy growth in retail sales outperforms the national average**

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Retail sales increased 6.4% yoy in August. According to *INEGI's* report published today, the income generated by retail sales grew 6.8% yoy, above our 4.9% yoy forecast (consensus: 4.8% yoy). Taking a look at the breakdown, we highlight the significant recovery in 7 of its 9 of the sub-indices. In particular, the income generated by clothing and shoes expanded 12.5% yoy, while food, beverages, and tobacco sales increased 10% yoy. Similarly, the income generated by supermarket, convenience, and departmental stores sales grew 6.1% yoy, while motor vehicles, auto parts, fuel and lube oil sales increased 4.6% yoy, as shown in the table below.

Retail sales: August 2015

%yoy, nsa	Aug-15	Aug-14	Jan-Aug, '15	Jan-Aug, '14
Retail sales	6.4	4.4	5.3	2.3
Food, beverages, and tobacco	10.0	18.6	6.1	13.4
Supermarket, convenience, and departmental stores	6.1	2.5	5.6	0.1
Clothing and shoes	12.5	4.7	10.0	-2.7
Health care products	21.4	-0.7	12.5	1.3
Office, leisure, and other personal use goods	-8.7	12.7	3.0	5.4
Appliances, computers, and interior decoration	-9.4	4.5	-4.3	12.3
Glass and hardware shop	23.2	-7.7	10.4	-5.4
Motor Vehicles, auto parts, fuel and lube oil	4.6	1.3	4.3	-0.7
Internet sales	2.9	87.2	66.2	22.5

Source: INEGI

In seasonally adjusted terms, retail sales increased 1.5% (Banorte-Ixe: 0.8% m/m). The expansion in the headline index was explained despite the fall in 4 of the 9 sub-indices. Taking a look at the breakdown, durable goods sales posted a mixed performance. In particular, vehicle and auto parts sales increased 0.9% m/m, while household appliances, computers, and interior decoration sales edged-down 0.7% m/m. (refer to the following table). However, supermarket, convenience, and departmental stores increased 1.1% m/m, while clothing and shoes sales expanded 2.6% m/m. With these numbers, retail sales posted a 9.8% 3m/3m saar expansion (refer to the chart below).

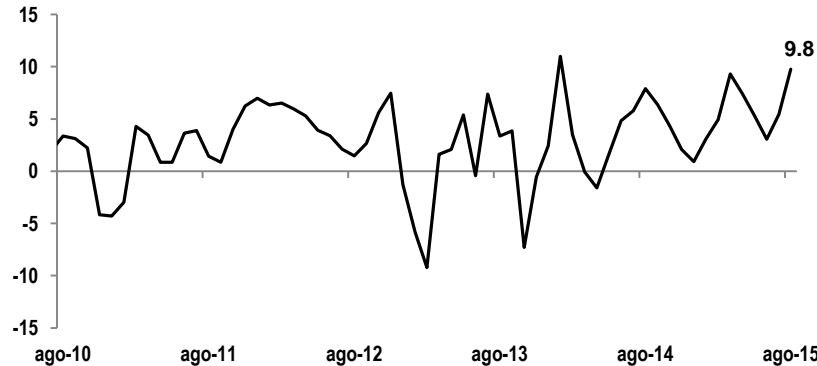
Retail sales: August 2015

%m/m sa	Aug-15	Jul-15	Difference
Retail sales	1.5	0.6	0.8
Food, beverages, and tobacco	-2.9	10.0	-12.9
Supermarket, convenience, and departmental stores	1.1	-0.5	1.5
Clothing and shoes	2.6	1.8	0.8
Health care products	1.0	0.8	0.3
Office, leisure, and other personal use goods	-2.2	-5.9	3.7
Appliances, computers, and interior decoration	-0.7	-4.9	4.2
Glass and hardware shop	8.2	4.1	4.1
Motor Vehicles, auto parts, fuel and lube oil	0.9	0.0	0.9
Internet sales	-9.1	-10.7	1.5

Source: INEGI

Retail sales

% 3m/3m saar



Source: Banorte-ixe; INEGI

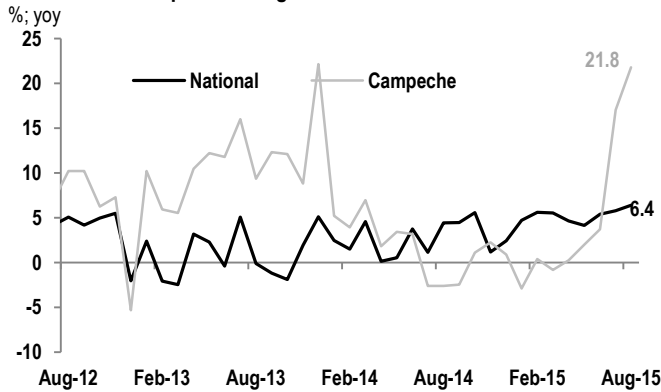
We believe that retail sales will continue to show better growth dynamics.

With today's report, retail sales posted a 5.3% yoy growth during the first eight months of the year, suggesting a marked recovery in the growth dynamics of consumer spending. 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 Campeche outperforms the national average. The income generated from retail sales in Campeche increased 21.8% yoy in August, the highest growth rate obtained for the 32 federal entities in the country. Moreover, year-to-date, Campeche’s retail sales have increased 5.2% yoy. Also with significant growth, and outperforming the national average, we highlight the higher growth in retail sales of the states of Guerrero (18%) Michoacán (17.2%), Baja California (15.2%) and Querétaro (13.7%), (refer to the following graphic).

Retail sales: Campeche – August 2015



Source: Banorte-Ixe; INEGI

States with the greatest increase in retail sales

% yoy	Aug-15	Aug-14	Jan-Aug, '15
National	6.4	4.4	5.3
Campeche	21.8	-2.6	5.2
Guerrero	18.0	16.0	7.6
Michoacán	17.2	0.2	-2.9
Baja California	15.2	-2.3	13.4
Querétaro	13.7	-2.7	13.0

Source: Banorte-Ixe; INEGI

On the other hand, and for the fourth consecutive month, revenues from retail sales in Chiapas fell 6.2% yoy, which stands out as the entity with the highest contraction reported by *INEGI*; followed by Tlaxcala, Estado de México, Puebla and Sonora with -1.9%, 0% 0.9% and 1.5% growth rates respectively. So far this year, retail sales in Chiapas now add a 14.5% contraction.

In seasonally adjusted terms, retail sales in San Luis Potosí increased 2.8pp their sales passing from 7.7% in July to 10.5% in August, taking the lead and leaving behind last month leader (Zacatecas) in position number 4 as a result of the 9.1% increase showed by the latter in August.

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