

July's Retail sales – 5.8% yoy growth suggests a stronger domestic demand

September 23, 2015

- **Retail sales (July): 5.8% yoy; Banorte-Ixe: 4.9%; consensus: 4.7% (range of estimates: 3.3% to 6%); previous: 5.4%**
- **In seasonally adjusted terms, retail sales posted a 0.5% m/m expansion**
- **Looking ahead, we believe that retail sales will continue to show better growth dynamics**
- **Sinaloa's 18.3% yoy growth in retail sales outperforms the national average**

www.banorte.com
www.ixe.com.mx
@ analisis_fundam

Alejandro Cervantes
Senior Economist, Mexico
alejandro.cervantes@banorte.com

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

Retail sales increased 5.8% yoy in July. According to *INEGI's* report published today, the income generated by retail sales grew 5.8% yoy, above our 4.9% yoy forecast (consensus: 4.7% 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 10.1% yoy, while food, beverages, and tobacco sales increased 13.5% yoy. Similarly, the income generated by supermarket, convenience, and departmental stores sales grew 4.9% yoy, while motor vehicles, auto parts, fuel and lube oil sales increased 3% yoy, as shown in the table below.

Retail sales: July 2015

%yoy, nsa	Jul-15	Jul-14	Jan-Jul, '15	Jan-Jul, '14
Retail sales	5.8	1.2	5.1	2.0
Food, beverages, and tobacco	13.5	5.8	5.5	12.7
Supermarket, convenience, and departmental stores	4.9	-0.6	5.5	-0.2
Clothing and shoes	10.1	1.3	9.6	-3.8
Health care products	17.9	3.5	11.3	1.5
Office, leisure, and other personal use goods	-4.3	7.2	5.2	4.1
Appliances, computers, and interior decoration	-9.7	6.4	-3.6	13.4
Glass and hardware shop	17.2	-13.7	8.6	-5.1
Motor Vehicles, auto parts, fuel and lube oil	3.0	1.5	4.2	-1.0
Internet sales	2.1	108.4	82.0	12.7

Source: INEGI

In seasonally adjusted terms, retail sales increased 0.5% (Banorte-Ixe: 0.8% m/m). The expansion in the headline index was explained despite the fall in 5 of the 9 sub-indices. Taking a look at the breakdown, durable goods sales posted a disappointing performance. In particular, vehicle and auto parts sales decreased 0.2% m/m, while household appliances, computers, and interior decoration sales edged-down 4.9% m/m. (refer to the following table). However, food, beverages, and tobacco sales increased 10.2% m/m, while clothing and shoes sales expanded 1.7% m/m. With these numbers, retail sales posted a 4.7% 3m/3m saar expansion (refer to the chart below).

Document for distribution among public

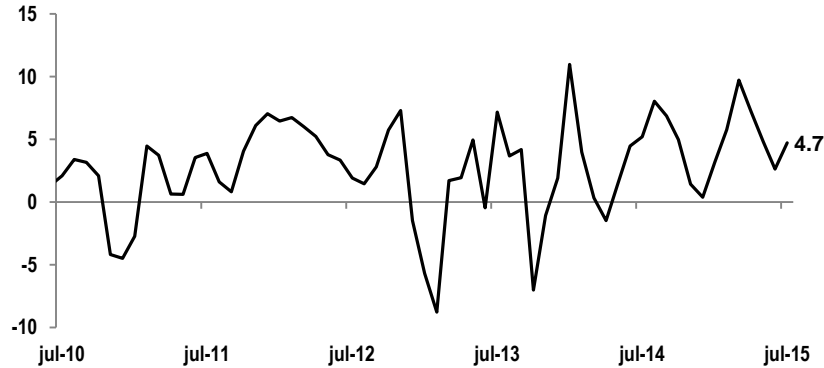
Retail sales: July 2015

%m/m sa	Jul-15	Jun-15	Difference
Retail sales	0.5	1.2	-0.7
Food, beverages, and tobacco	10.2	2.9	7.3
Supermarket, convenience, and departmental stores	-0.5	-0.1	-0.4
Clothing and shoes	1.7	1.1	0.6
Health care products	0.3	3.6	-3.3
Office, leisure, and other personal use goods	-5.9	0.3	-6.2
Appliances, computers, and interior decoration	-4.9	2.1	-7.0
Glass and hardware shop	2.9	-0.1	2.9
Motor Vehicles, auto parts, fuel and lube oil	-0.2	2.0	-2.2
Internet sales	-10.3	21.9	-32.2

Source: INEGI

Retail sales

% 3m/3m saar



Source: Banorte-Ixe; INEGI

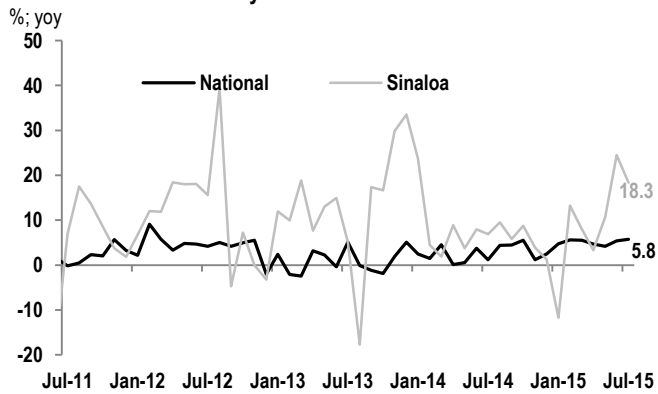
We believe that retail sales will continue to show better growth dynamics.

With today's report, retail sales posted a 5.1% yoy growth during the first seven months of the year, suggesting a marked recovery in the growth dynamics of domestic demand. 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

Sinaloa’s 18.3% yoy growth in retail sales outperforms the national average. The income generated from retail sales in Sinaloa increased 18.3% yoy in July, the highest growth rate obtained for the 32 federal entities in the country. Despite the possible changes that could significantly influence the behavior of retail sales in the state -like consumer confidence and inflation-, Sinaloa’s growth rate was significantly higher than the national average, as a result of the economic stability that prevails in this federal entity. On the other hand, retail sales declined 21.7% yoy in Chiapas, which stands as the federal entity with the highest contraction of the 32 states in Mexico. In seasonally adjusted terms, Zacatecas stands out as the state with the highest growth in the income generated by retail sales (9.7% m/m).

Retail sales: Sinaloa – July 2015



Source: Banorte-Ixe; INEGI

States with the greatest increase in retail sales

	Jul-15	Jul-14	Jan-Jul, '15
National	5.8	1.2	5.1
Sinaloa	18.3	6.9	9.4
Campeche	17.0	-2.6	2.8
Baja California	15.4	-2.1	13.1
Querétaro	14.1	-4.2	12.9
Guerrero	11.8	-1.8	6.2

Source: Banorte-Ixe; INEGI

Disclaimer

The information contained in this document is illustrative and informative so it should not be considered as an advice and/or recommendation of any kind. BANORTE is not part of any party or political trend.

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
Rey Saúl Torres Olivares	Analyst	saul.torres@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	marisol.huerta.mondragon@banorte.com	(55) 1670 - 1746
José Itzamna Espitia Hernández	Equity Research Analyst – Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto parts	valentin.mendoza@banorte.com	(55) 1670 - 2250
María de la Paz Orozco García	Analyst	maripaz.orozco@banorte.com	(55) 1670 - 2251

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	ricardo.velazquez@banorte.com	(55) 5268 - 9879
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454