

## Retail sales maintain a downward trend in September

November 23, 2017

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- **INEGI just published its retail sales report for September**
- **Retail sales (September): -0.3% yoy; Banorte: 0.9%; consensus: 0.8%; (range of estimates: -1% to 2%); previous: -0.2%**
- **In seasonally adjusted terms, retail sales posted a 0.3% m/m contraction**
- **Durable goods sales posted a strong contraction, where we highlight the 0.6% m/m reduction in vehicle sales and auto-parts**
- **Looking ahead, we believe that both private consumption and retail sales will decelerate, as a result of the upward trend in inflation**
- **Veracruz showed an historical growth in retail sales in September (seasonally adjusted figures)**

**Retail sales maintained a downward trend in September.** According to *INEGI's* report published today, the income generated by retail sales decreased 0.3% yoy nsa, below our 0.9% yoy forecast (consensus: 0.8%). Year-to-date, retail sales now add a 2.2% yoy expansion.

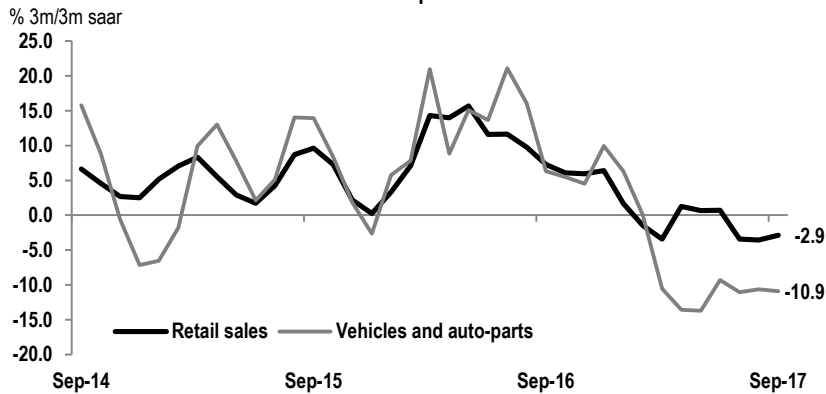
In seasonal adjusted terms, retail sales posted a 0.3% m/m contraction. Taking a look at the breakdown, and analyzing the seasonally adjusted figures, the headline index fell as a result of a reduction in 6 out of 9 sub-indexes. However, non-durable goods sales outperformed the headline index, following the recent earthquakes that affected Mexico City and other federal entities. As we expected, sales of health care products (0.6% m/m), clothing and shoes (1% m/m), and sales in supermarket, convenience, and departmental stores (0.4% m/m) posted a strong recovery.

However, durable-goods sales maintained a downward trend. In particular, vehicle and autoparts sales edged-down -0.6% m/m, while household appliances, computers, and interior decoration sales fell 1% m/m (refer to the table on the next page).

**Retail sales will marginally decelerate, as a result of the upward trend in inflation.** With today's figures retail sales fell by 2.9% 3m/3m saar, while vehicle and auto-parts sales decreased by 10.9% (refer to the chart on the next page). We believe that the deceleration of retail sales is mainly explained by the upward trend in inflation, which has discouraged the consumption of durable goods. Given that inflation has remained above 6% in recent months, we continue to believe that both private consumption and retail sales will decelerate in the fourth quarter.

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



### Retail sales: September 2017

% m/m, sa

	Sep-17	Aug-17	Difference
<b>Retail sales</b>	<b>-0.3</b>	<b>0.1</b>	<b>-0.4</b>
Food, beverages, and tobacco	-0.8	-0.4	-0.4
Supermarket, convenience, and departmental stores	0.4	0.6	-0.3
Clothing and shoes	1.0	-1.3	2.3
Health care products	0.6	0.6	0.0
Office, leisure, and other personal use goods	-3.1	0.2	-3.3
Appliances, computers, and interior decoration	-1.6	0.1	-1.7
Glass and hardware shop	-1.0	-1.6	0.6
Motor Vehicles, auto parts, fuel and lube oil	-0.6	0.0	-0.7
Internet sales	-2.1	0.0	-2.1

Source: INEGI

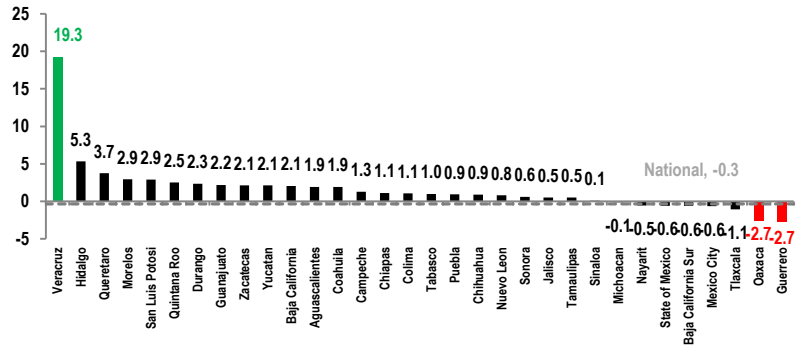
### Regional Analysis

Veracruz showed a historical growth in retail sales during September (seasonally adjusted figures). Retail sales in Veracruz posted a 19.3% m/m expansion, which stands as the highest growth in the country. Moreover, we highlight that this was the highest increase observed in the history of the state. We consider that this advance could have been explained by the festivities of Independence Day. However, year-to-date, the state has showed a 5% fall, far below the 15.7% expansion observed in the same period last year.

As we can see in next the page chart, retail sales growth in 24 states including Veracruz outperformed the national average. In this regard, we highlight the expansion in Hidalgo (5.3%), Queretaro (3.7%), Morelos and San Luis Potosi 2.9% respectively. By contrast, retail sales revenues in Oaxaca and Guerrero (two of the states affected by 9/7 earthquake), fell 2.7% m/m respectively, as shown in the table below.

### Retail sales by state: September 2017

% m/m; sa



Source: Banorte; INEGI

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