

Retail sales maintain a downward trend in August

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- **INEGI just published its retail sales report for August**
- **Retail sales (August): -0.2% yoy; Banorte: 0.2%; consensus: 0.5%; (range of estimates: -3.1% to 1.6%); previous: 0.4%**
- **In seasonally adjusted terms, retail sales increased 0.2% m/m**
- **Durable goods sales posted a marginal expansion, where we highlight the 0.1% m/m increase in vehicle sales and auto-parts**
- **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**
- **Retail sales in Guanajuato outperformed the national average**

Retail sales maintained a downward trend in August. According to *INEGI's* report published today, the income generated by retail sales decreased 0.2% yoy nsa, below our 0.2% yoy forecast (consensus: 0.5%). Year-to-date, retail sales now add a 2.6% yoy expansion.

In seasonal adjusted terms, retail sales increased a moderate 0.2% m/m. Taking a look at the breakdown, and analyzing the seasonally adjusted figures, the headline index expanded as a result of an expansion in 6 out of 9 sub-indexes. However, non-durable goods sales underperformed the headline index, where we highlight the 1.3% m/m reduction in clothing and shoes sales, and the 0.5% decline in office, food, beverages, and tobacco sales.

In addition, durable-goods sales posted a marginal expansion. In particular, vehicle and autoparts sales increased 0.1% m/m, while household appliances, computers, and interior decoration sales also expanded 0.1% m/m (refer to the table on the next page).

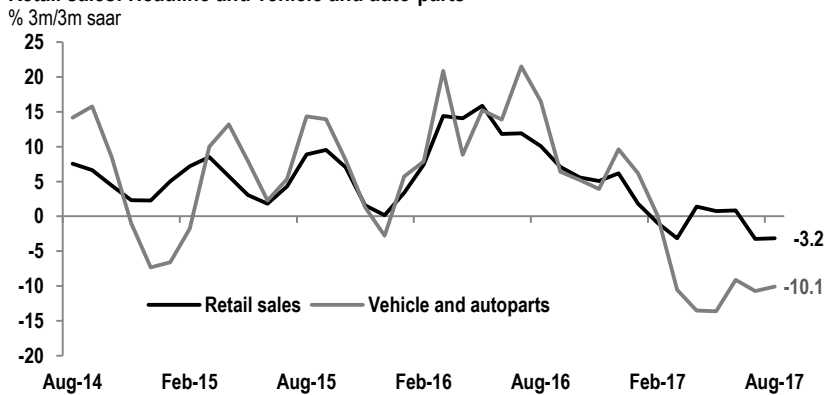
As a result, retail sales fell by 3.2% 3m/3m saar, while vehicle and auto-parts sales decreased by 10.1% (refer to the chart on the next page). We believe that the deceleration of retail sales is mainly due to the upward trend in inflation, which has discouraged the consumption of durable goods.

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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.

Retail sales: Headline and vehicle and auto-parts



Source: Banorte

Retail sales: August 2017

% m/m, sa

	Aug-17	Jul-17	Difference
Retail sales	0.2	0.2	0.0
Food, beverages, and tobacco	-0.5	-0.2	-0.3
Supermarket, convenience, and departmental stores	0.6	-0.1	0.7
Clothing and shoes	-1.3	2.3	-3.6
Health care products	0.6	1.9	-1.2
Office, leisure, and other personal use goods	0.6	1.6	-1.0
Appliances, computers, and interior decoration	0.1	-0.3	0.4
Glass and hardware shop	-1.9	0.0	-1.9
Motor Vehicles, auto parts, fuel and lube oil	0.1	-1.4	1.5
Internet sales	0.0	-1.8	1.9

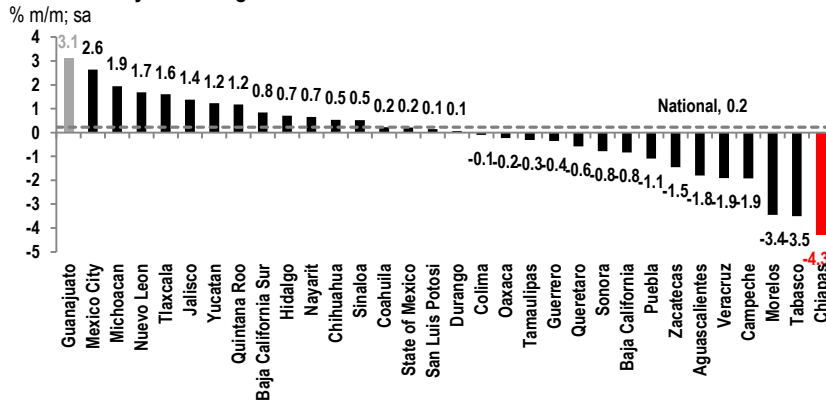
Source: INEGI

Regional Analysis

Retail sales in Guanajuato outperformed the national average (seasonally adjusted figures). Retail sales in Guanajuato posted a 3.1% 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 within the last 4 months. Year-to-date, the state has showed a 5.7% growth, below the 29.5% observed in the same period last year.

As we can see in the following chart, retail sales growth in 15 states including Guanajuato outperformed the national average. In this regard, we highlight August expansion in Mexico City (2.6%), Michoacan (1.9%), Nuevo Leon (1.7%), and Tlaxcala (1.6%). By contrast, retail sales revenues in Chiapas fell 4.3% m/m, as shown in the table below.

Retail sales by state: August 2017



Source: Banorte; INEGI

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