

Retail sales recovered in October led by a significant expansion in durable goods sales

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- **INEGI just published its retail sales report for October**
- **Retail sales (October): -0.1% yoy; Banorte: -1.5%; consensus: -1%; (range of estimates: -2.4% to 0.7%); previous: -0.3%**
- **In seasonally adjusted terms, retail sales posted a 1% m/m expansion**
- **Durable goods sales posted a strong recovery, where we highlight the 2.3% m/m increase in vehicle sales and auto-parts**
- **Despite October's significant recovery, looking ahead, we believe that both private consumption and retail sales will decelerate, as a result of the upward trend in inflation**
- **Guerrero showed the highest growth in retail sales in October (5% m/m seasonally adjusted figures)**

Retail sales posted a significant recovery in October. According to *INEGI's* report published today, the income generated by retail sales decreased 0.1% yoy nsa, above our -1.5% yoy forecast (consensus: -1%). Year-to-date, retail sales now add a 2% yoy expansion.

In seasonal adjusted terms, retail sales posted a 1% m/m expansion. Taking a look at the breakdown, and analyzing the seasonally adjusted figures, the headline index expanded as a result of an increase in 8 out of 9 sub-indexes. However, durable-goods sales outperformed the headline index. In particular, vehicle and autoparts sales edged-up 2.3% m/m, while household appliances, computers, and interior decoration sales increased 5% m/m (refer to the table on the next page).

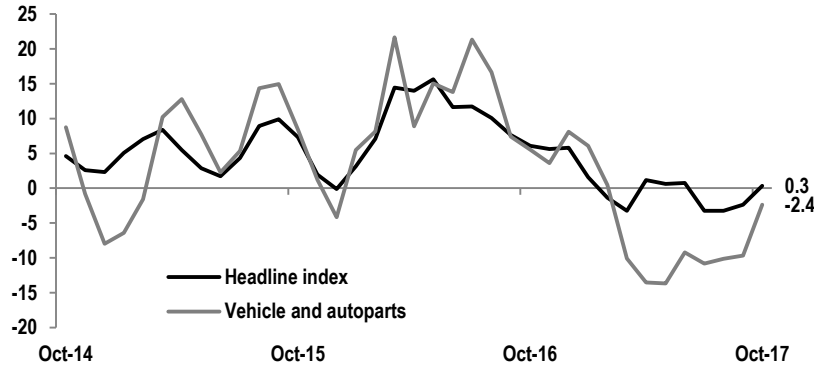
In addition, non-durable goods sales also recovered. Sales of food, beverages, and tobacco increased 0.3%, while internet sales of goods increased 1.7% m/m. Similarly, supermarket, convenience, and departmental stores sales increased 0.4% m/m.

Retail sales will marginally decelerate as a result of the upward trend in inflation. Despite October's 1% gain, retail sales increased a scant 0.3% 3m/3m saar, while vehicle and auto-parts sales decreased by 2.4% (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 coming months.

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Retail sales: Headline and vehicle and auto-parts

% 3m/3m saar



Source: Banorte

Retail sales: October 2017

% m/m, sa

| | Oct-17 | Sep-17 | Difference |
|---|------------|-------------|------------|
| Retail sales | 1.0 | -0.3 | 1.3 |
| Food, beverages, and tobacco | 0.3 | -0.8 | 1.1 |
| Supermarket, convenience, and departmental stores | 0.3 | 0.4 | -0.1 |
| Clothing and shoes | -1.3 | 1.1 | -2.4 |
| Health care products | 1.3 | 0.7 | 0.6 |
| Office, leisure, and other personal use goods | 2.4 | -3.4 | 5.8 |
| Appliances, computers, and interior decoration | 5.0 | -1.6 | 6.5 |
| Glass and hardware shop | 2.0 | -0.5 | 2.6 |
| Motor Vehicles, auto parts, fuel and lube oil | 2.3 | -0.5 | 2.8 |
| Internet sales | 1.7 | -2.2 | 3.9 |

Source: INEGI

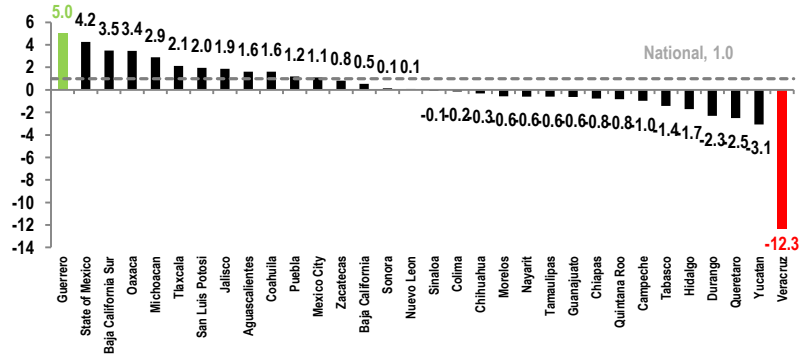
Regional Analysis

Guerrero showed the highest growth in retail sales in October (5% m/m seasonally adjusted figures). Retail sales in Guerrero posted a 5% m/m expansion, which stands as the highest growth in the country. Moreover, we highlight that this was the highest increase observed in the state since October 2016. We consider that this advance could have been given in part by the restart of operations after 9/19 earthquake, since 27.3% of commercial establishments in the entity suspended activities. Year-to-date, the state has showed a 2.6% fall, far below the 9.6% expansion observed in the same period of 2016.

As we can see in the following chart, retail sales growth in 12 states including Guerrero outperformed the national average. In this regard, we highlight October's expansion in the State of Mexico (4.2%), Baja California Sur (3.5%), Oaxaca (3.4%), and Michoacan 2.9%. By contrast, retail sales revenues in Veracruz, fell drastically (12.3% m/m), as shown in the table below.

Retail sales by state: October 2017

% m/m; sa



Source: Banorte; INEGI

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