

## Retail sales – Strong discrepancy between GDP figures and today’s report

August 23, 2016

www.banorte.com  
www.ixe.com.mx  
@analisis\_fundam

**Alejandro Cervantes**  
Senior Economist, Mexico  
saúl.torres@banorte.com

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

- **INEGI just published its retail sales report for June**
- **Retail sales (June): 9.4% yoy; Banorte-Ixe: 6.9%; consensus: 7%; (range of estimates: 3.9% to 9.2%); previous: 8.6%**
- **With today’s figures retail sales increased 9.5% yoy during the second quarter of the year, while wholesale revenues edged-up to 8.1% yoy**
- **If we take into account that the “Trade” subsector within the GDP report incorporates the sum of wholesale and retail sales, there is a strong discrepancy between today’s figures and the 2.3% yoy reported for Mexico’s Trade growth in yesterday’s GDP report**
- **In seasonally adjusted terms, retail sales increased 1% m/m**
- **Looking ahead, we believe that retail sales will continue to show better growth dynamics**
- **Retail sales in Chiapas outperformed the national average in 2Q16 (+50.6% yoy)**

**Retail sales increased 9.4% yoy in June, above expectations.** According to INEGI’s report published today, the income generated by retail sales grew 9.4% yoy, above our 6.9% forecast (consensus: 7% yoy). Taking a look at the breakdown, durable goods sales posted a favorable performance where we highlight the 15.1% yoy increase in sales of “*appliances, computers, and interior decoration*” products, as well as the 11.3% growth in sales of “*motor vehicles and auto parts*”. Moreover, “*supermarket, convenience, and departmental stores*” sales increased 8.1%, while “*clothing and shoes*” sales edged-up to 17.7%, as shown in the table on the next page. Moreover, wholesale revenues, a leading indicator of Mexico’s retail sales, increased 6.9% yoy.

**Strong discrepancy between GDP and today’s figures.** With today’s figures retail sales increased 9.5% yoy during the second quarter of the year, while wholesale revenues edged-up to 8.1% yoy. If we take into account that the “Trade” subsector within the GDP report incorporates the sum of wholesale and retail sales, there is a strong discrepancy between today’s figures and the 2.3% yoy reported for Mexico’s Trade growth in yesterday’s GDP report.

Document for distribution among public

**Wholesale and Retail sales: June 2016**

%yoy, nsa	Jun-16	Jun-15	Jan-Jun, '16	Jan-Jun, '15
<b>Retail sales</b>	<b>9.4</b>	<b>5.4</b>	<b>8.3</b>	<b>5.0</b>
Food, beverages, and tobacco	8.1	3.3	5.6	4.1
Supermarket, convenience, and departmental stores	8.1	2.4	6.5	5.6
Clothing and shoes	17.7	10.3	14.1	9.5
Health care products	4.0	18.7	8.3	10.2
Office, leisure, and other personal use goods	7.7	5.5	8.6	7.0
Appliances, computers, and interior decoration	15.1	-8.0	11.1	-2.6
Glass and hardware shop	6.5	13.9	9.7	7.1
Motor Vehicles, auto parts, fuel and lube oil	11.3	9.1	10.1	4.4
Internet sales	-7.6	137.1	6.8	110.3
<b>Wholesales</b>	<b>7.7</b>	<b>11.8</b>	<b>7.5</b>	<b>5.5</b>
Food, beverages, and tobacco	6.9	6.0	5.7	4.4
Clothing and shoes	15.9	21.9	9.3	1.5
Health care products, appliances, computers, and interior decoration	9.9	8.7	10.5	1.0
Commodities	5.2	15.6	6.2	6.0
Machinery and equipment	9.3	9.4	8.2	9.1
Trucks	50.6	22.1	44.6	9.6
Intermediation	184.7	31.7	151.0	27.8

Source: INEGI

**In seasonally adjusted terms, retail sales increased 1% m/m.** The growth in the headline index was explained by the expansion of 7 of its 9 sub-indices. Taking a look at the breakdown, durable goods sales also posted a favorable performance, given that “*household appliances, computers, and interior decoration*” sales increased 2% m/m, while “*motor vehicle and auto-parts*” sales grew 1.6% m/m, as shown in the table below.

**Retail sales: June 2016**

%m/m sa	Jun-16	May-16	Difference
<b>Retail sales</b>	<b>1.0</b>	<b>1.2</b>	<b>-0.2</b>
Food, beverages, and tobacco	1.5	0.9	0.6
Supermarket, convenience, and departmental stores	0.4	0.2	0.2
Clothing and shoes	4.7	0.2	4.5
Health care products	0.4	-0.3	0.7
Office, leisure, and other personal use goods	-1.9	0.7	-2.6
Appliances, computers, and interior decoration	2.0	-3.3	5.3
Glass and hardware shop	1.6	1.9	-0.2
Motor Vehicles, auto parts, fuel and lube oil	1.6	3.4	-1.8
Internet sales	-0.1	-2.2	2.1

Source: INEGI

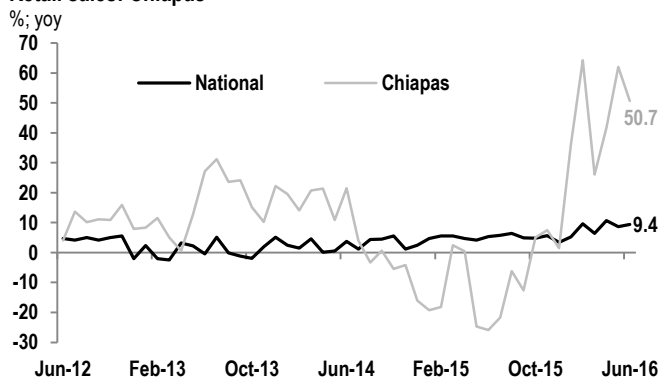
**We believe that retail sales will continue to show better growth dynamics.** Looking ahead, we believe that retail sales and private consumption will continue to show a favorable performance derived from: (1) An improvement in private banking credit; (2) the contained levels of inflation; (3) the stronger growth dynamics in the Mexican labor market; and (4) the higher growth in remittances inflows.

*From our regional economist*

**Retail sales in Chiapas outperformed the national average in 2Q16.** The income generated from retail sales in Chiapas increased 50.6% yoy in 2Q16. Moreover, for the third consecutive month and above the national average (+9.4%), the entity leads retail sales growth in June with a 50.7% yoy expansion. Moreover, Chiapas now adds a 45.6% expansion year-to-date, displaying the better growth dynamics of private consumption within the federal entity.

With significant growth, and outperforming the national average, we also highlight June's expansion in Durango (40.8%), Sinaloa (38.9%), Guanajuato (30.6%), and San Luis Potosi (29.6%). By contrast, retail sales revenues in Tabasco fell 1.4% yoy as a result of the commercial blocks made by the *CNTE* (National Coordinators of Education Workers), as shown in the table below.

**Retail sales: Chiapas**



Source: Banorte-Ixe; INEGI

**States with the greatest and lowest increase in retail sales**  
% yoy

	Jun-16	Jun-15	Jan-Jun, '16
<b>National</b>	<b>9.4</b>	<b>5.4</b>	<b>8.3</b>
Chiapas	50.7	-25.9	45.6
Durango	40.8	6.7	39.9
Sinaloa	38.9	24.5	21.8
Guanajuato	30.6	11.8	28.7
San Luis Potosi	29.6	7.8	22.6
Tabasco	-1.4	6.3	2.7
Campeche	0.3	3.7	9.9
Guerrero	4.1	11.3	15.3
Colima	5.8	6.0	3.9
Michoacan	8.6	-10.3	26.5

Source: Banorte-Ixe; INEGI

In seasonally adjusted terms, retail sales in Colima outperformed the national average in June, showing a 29.6% m/m increase, taking the first place of the 32 federal entities.

**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
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 / Specialized Commerce	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/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Eugenia Ivonne Arias Medina	Analyst	eugenia.arias.medina@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	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454