

Retail sales – Higher-than-expected growth in retail sales

July 25, 2016

- **Retail sales (May): 8.6% yoy; Banorte-Ixe: 5.7%; consensus: 6%; (range of estimates: 2.5% to 9.9%); previous: 10.6%**
- **In seasonally adjusted terms, retail sales increased 1.2% m/m**
- **We believe that retail sales will continue to show better growth dynamics**
- **Retail sales in Chiapas outperformed the national average in May**

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Retail sales increased 8.6% yoy in May, above expectations. According to INEGI's report published today, the income generated by retail sales grew 8.6% yoy, 5.7% yoy forecast (consensus: 6% yoy).

Taking a look at the breakdown, we highlight the 14.9% yoy increase in sales of “*appliances, computers, and interior decoration*” products, and the 11.3% in “*clothing and shoes*”. Similarly, other items showed a favorable performance. In particular, the sales in “*office, leisure, and other personal use goods*” expanded 11.5%, while sales of “*motor vehicles and auto parts*” increased 14.7%, as shown in the table below.

Retail sales: May 2016

%yoy, nsa	May-16	May-15	Jan-May, '16	Jan-May, '15
Retail sales	8.6	4.1	8.0	4.9
Food, beverages, and tobacco	8.5	1.1	5.1	4.3
Supermarket, convenience, and departmental stores	4.1	8.3	6.2	6.2
Clothing and shoes	11.3	9.7	13.3	9.3
Health care products	6.6	12.9	9.2	8.5
Office, leisure, and other personal use goods	11.5	7.1	8.8	7.4
Appliances, computers, and interior decoration	14.9	-6.9	10.3	-1.6
Glass and hardware shop	11.5	0.6	10.4	5.7
Motor Vehicles, auto parts, fuel and lube oil	14.7	1.7	9.8	3.5
Internet sales	13.0	94.3	10.2	104.8

Source: INEGI

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In seasonally adjusted terms, retail sales increased 1.2% m/m. The growth in the headline index was explained by the expansion of 6 of its 9 sub-indices. Taking a look at the breakdown, household appliances, computers, and interior decoration sales decreased 3.2% m/m. However, motor vehicle and auto-parts sales increased 2.3% /mm, while office, leisure, and other personal use goods sales edged-up 0.7%, as shown in the table below.

Retail sales: May 2016

%m/m sa	May-16	Apr-16	Difference
Retail sales	1.2	-0.7	1.9
Food, beverages, and tobacco	0.9	0.0	0.9
Supermarket, convenience, and departmental stores	0.2	0.3	-0.2
Clothing and shoes	0.0	-1.4	1.4
Health care products	-0.3	6.1	-6.4
Office, leisure, and other personal use goods	0.7	3.2	-2.5
Appliances, computers, and interior decoration	-3.2	-9.2	6.0
Glass and hardware shop	1.4	-2.2	3.7
Motor Vehicles, auto parts, fuel and lube oil	2.3	-0.1	2.5
Internet sales	-2.0	3.5	-5.6

Source: INEGI

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

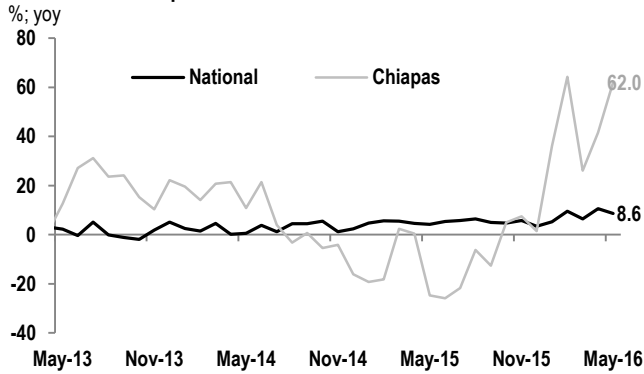
Looking ahead, we believe that retail sales and private consumption will continue to show a favorable performance derived from: (1) An improvement in private banking credit; (2) the contained levels of inflation; (3) the stronger growth dynamics in the Mexican labor market; and (4) the higher growth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

From our regional economist

Retail sales in Chiapas outperformed the national average for the second consecutive month. The income generated from retail sales in Chiapas increased 62% yoy in May, well-above the national average (+8.6%), and leading the federal entities for the second consecutive month. Moreover, retail sales in Chiapas showed a 44.6% expansion year-to-date, displaying the favorable performance of private consumption.

With significant growth, and outperforming the national average, we also highlight the expansion in Queretaro (38.1%), Durango (35.0%), Guanajuato (34.6%), and San Luis Potosi (33.3%). By contrast, retail sales revenues in Colima fell 18.6% yoy, the worst fall observed since January 2009, as shown in the table below.

Retail sales: Chiapas



Source: Banorte-Ixe; INEGI

States with the greatest and lowest increase in retail sales

	May-16	May-15	Jan-May, '16
Nacional	8.6	4.1	8.0
Chiapas	62.0	-24.7	44.6
Querétaro	38.1	8.2	30.2
Durango	35.0	2.0	39.6
Guanajuato	34.6	8.6	28.3
San Luis Potosí	33.3	1.9	21.1
Colima	-18.6	4.4	3.6
Tabasco	-0.1	7.3	3.5
Veracruz	4.1	-3.7	15.1
Chihuahua	4.8	3.2	15.6
Tamaulipas	6.9	3.3	8.9

Source: Banorte-Ixe; INEGI

In seasonally adjusted terms, retail sales in Guerrero outperformed the national average, showing a 10.2% m/m increase, taking the first place of the 31 entities remain in the fifth month of the year.

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