

Retail sales – Lower durable goods sales in July

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- **INEGI just published its retail sales report for July**
- **Retail sales (July): 7.9% yoy; Banorte-Ixe: 8.9%; consensus: 7.8%; (range of estimates: 6% to 8.9%); previous: 9.4%**
- **Year-to-date retail sales increased 8.2% yoy**
- **In seasonally adjusted terms, retail sales increased 0.4% m/m...**
- **...however, durable goods sales posted an unfavorable performance, where we highlight the 2.1% m/m contraction in motor vehicle and auto-parts sales**
- **Looking ahead, we believe that retail sales will continue to show better growth dynamics**
- **Retail sales in Chiapas again outperformed the national average in July (+60.4% yoy)**

Retail sales increased 7.9% yoy in July, above expectations. According to *INEGI's* report published today, the income generated by retail sales grew 7.9% yoy, below our 8.9% forecast (consensus: 7.8% yoy). Taking a look at the breakdown, we highlight the 13.9% yoy increase in sales of “appliances, computers, and interior decoration” products, as well as the 3.9% growth in sales of “motor vehicles and auto parts”. Moreover, “supermarket, convenience, and departmental stores” sales increased 9.9%, while “clothing and shoes” sales edged-up to 13.1%, as shown in the table on the next page. However, wholesale revenues, a leading indicator of Mexico’s retail sales, increased a scant 2.5% yoy.

In seasonally adjusted terms, retail sales increased 0.4% m/m. The growth in the headline index was explained by the expansion of 5 of its 9 sub-indices. However, taking a look at the breakdown, durable goods sales posted an unfavorable performance, given that “household appliances, computers, and interior decoration” sales fell 4.2% m/m, while “motor vehicle and auto-parts” sales decreased 2.1% m/m, as shown in the table below.

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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.

Wholesale and Retail sales: July 2016

%yoy, nsa	Jul-16	Jul-15	Jan-Jul, '16	Jan-Jul, '15
Retail sales	7.9	5.8	8.2	5.1
Food, beverages, and tobacco	7.2	13.5	5.9	5.5
Supermarket, convenience, and departmental stores	9.9	4.9	7.0	5.5
Clothing and shoes	13.1	10.1	13.9	9.6
Health care products	3.9	17.9	7.6	11.3
Office, leisure, and other personal use goods	7.3	-4.3	8.4	5.2
Appliances, computers, and interior decoration	13.9	-9.7	11.4	-3.6
Glass and hardware shop	5.0	17.2	9.0	8.6
Motor Vehicles, auto parts, fuel and lube oil	3.9	3.0	9.1	4.2
Internet sales	2.7	2.1	6.2	82.0
Wholesales	2.5	6.8	6.8	5.7
Food, beverages, and tobacco	3.6	7.1	5.4	4.8
Clothing and shoes	19.9	4.6	11.0	2.0
Health care products, appliances, computers, and interior decoration	10.7	-5.9	10.5	-0.1
Commodities	0.5	6.2	5.3	6.1
Machinery and equipment	-3.3	15.7	6.3	10.1
Trucks	14.3	20.0	39.6	11.1
Intermediation	139.3	36.8	149.0	29.2

Source: INEGI

Retail sales: July 2016

%m/m sa	Jul-16	Jun-16	Difference
Retail sales	0.4	1.0	-0.6
Food, beverages, and tobacco	3.5	1.5	2.1
Supermarket, convenience, and departmental stores	0.2	0.4	-0.2
Clothing and shoes	-1.4	4.8	-6.2
Health care products	0.4	0.5	-0.1
Office, leisure, and other personal use goods	-1.9	-2.5	0.6
Appliances, computers, and interior decoration	-4.2	2.0	-6.1
Glass and hardware shop	2.2	2.0	0.2
Motor Vehicles, auto parts, fuel and lube oil	-2.1	1.9	-4.0
Internet sales	0.5	0.0	0.5

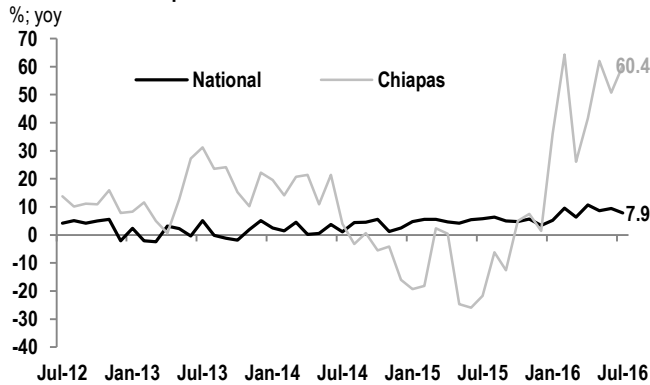
Source: INEGI

From our regional economist

Retail sales in Chiapas again outperformed the national average in July. For the fourth consecutive month, and above the national average (+7.9%), the entity leads retail sales growth in July with a 60.4% yoy expansion. Moreover, Chiapas now adds a 47.8% 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 July's expansion in Colima (45.5%), Durango (37.0%), Baja California Sur (34.7%), and San Luis Potosi (29.6%). By contrast, retail sales revenues in Campeche fell 7.1% 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

	Jul-16	Jul-15	Jan-Jul, '16
Nacional	7.9	5.8	8.2
Chiapas	60.4	-21.7	47.8
Colima	45.5	-0.3	10.0
Durango	37.0	7.8	39.4
Baja California Sur	34.7	4.2	23.2
San Luis Potosí	29.9	4.6	23.7
Campeche	-7.1	17.0	7.1
Tabasco	-0.6	5.6	2.2
Michoacán	7.6	4.5	23.7
Oaxaca	7.8	9.8	7.9
Morelos	7.9	4.4	5.7

Source: Banorte-Ixe; INEGI

In seasonally adjusted terms, retail sales in Colima also outperformed the national average in July, showing a 28.1% m/m increase, the highest growth of the 32 federal entities for the second consecutive month.

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