

Retail sales fell 1.1% m/m in June

August 23, 2017

- **INEGI just published its retail sales report for June**
- **Retail sales (June): 0.4% yoy; Banorte: 1.3%; consensus: 2.8%; (range of estimates: 1.3% to 5%); previous: 4.1%**
- **In seasonally adjusted terms, retail sales fell 1.1% m/m (Banorte: -1%; consensus: 0.2%)**
- **Taking a look at the breakdown, non-durable goods sales underperformed the headline index...**
- **...however, durable goods sales posted a mixed performance, where we highlight the 0.8% m/m contraction in vehicle sales and the 0.7% increase in household appliances, computers, and interior decoration sales**
- **Looking ahead, we believe that both private consumption and retail sales will marginally decelerate, as a result of the upward trend in inflation**
- **Retail sales in Oaxaca outperformed the national average in Jun'17 (seasonally adjusted figures)**

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Retail sales fell 1.1% m/m in June. According to *INEGI's* report published today, the income generated by retail sales grew 0.4% yoy nsa, below our 1.3% yoy forecast (consensus: 2.8%). Year-to-date, retail sales now add a 3.4% yoy expansion. We highlight that today's figure differs substantially from June's IGAE figure, which showed a 4% yoy gain in retail and wholesale services.

In seasonal adjusted terms, retail sales fell 1.1% m/m (Banorte: -1%; consensus: 0.2%). We highlight that today's report is consistent with the 0.9% yoy decline in *ANTAD's* same store sales (real terms), and with *AMIA's* 5.3% yoy contraction in vehicle sales.

Taking a look at the breakdown, and analyzing the seasonal adjusted figures, the headline figure fell as a result of the contraction in 6 out of 9 sub-indexes. In particular, non-durable goods sales underperformed the headline index, where we highlight the 2.7% m/m reduction in both clothing and shoes sales, and the 1.2% fall in food, beverages, and tobacco sales.

However, durable-goods sales posted a mix performance. In particular, vehicle and autoparts sales fell 0.8% m/m, while household appliances, computers, and interior decoration sales increased 0.7% m/m (refer to the table on the next page).

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Retail sales will decelerate in the third quarter. Looking ahead, we continue to believe that both private consumption and retail sales will marginally decelerate due to the following factors: (1) The upward trend of inflation will discourage the consumption of durable goods; and (2) the Federal Government’s fiscal consolidation policy will translate into lower public investment projects, which will affect the general growth dynamics of the labor market, and consequently the recovery of private consumption. However, we continue to believe that despite the marginal deceleration of private spending, domestic demand will continue to be one of Mexico’s main growth driver.

Retail sales: June 2017

% m/m, sa

	Jun-17	May-17	Difference
Retail sales	-1.1	-0.3	-0.9
Food, beverages, and tobacco	-1.2	0.4	-1.6
Supermarket, convenience, and departmental stores	-0.6	0.3	-0.8
Clothing and shoes	-2.7	2.1	-4.8
Health care products	-0.6	1.5	-2.1
Office, leisure, and other personal use goods	-2.3	1.9	-4.2
Appliances, computers, and interior decoration	0.7	1.2	-0.5
Glass and hardware shop	4.9	-2.3	7.2
Motor Vehicles, auto parts, fuel and lube oil	-0.8	-1.5	0.6
Internet sales	2.2	4.7	-2.5

Source: INEGI

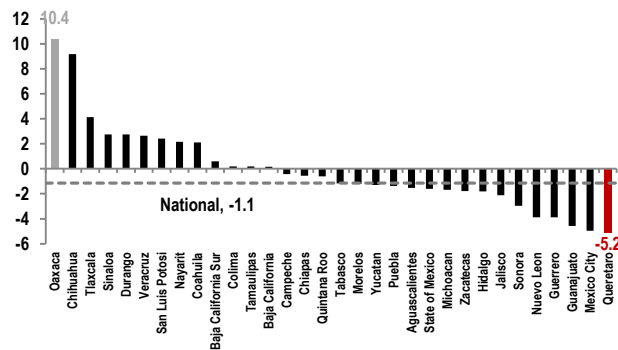
Regional Analysis

Retail sales in Oaxaca outperformed the national average (seasonally adjusted figures). Retail sales in Oaxaca posted a 10.4% m/m growth, which stands as the highest growth in the country. Moreover, we highlight that this advance was the highest observed in the entity since January 2013.

As we can see in the following chart, retail sales growth in 16 states including Oaxaca outperformed the national average. In this regard, we highlight June’s expansion in Chihuahua (9.2%), Tlaxcala (4.1%), and Sinaloa and Durango (2.7%). By contrast, retail sales revenues in Queretaro fell 5.2% m/m, being the strongest contraction since December 2012, as shown in the table below.

Retail sales: June 2017

% m/m; sa



Source: Banorte-Ixe; INEGI

States with the greatest and lowest increase in retail sales

% m/m; sa

	Jun-17	May-17
Oaxaca	10.4	3.7
Chihuahua	9.2	-8.3
Tlaxcala	4.1	-3.6
Sinaloa	2.7	-2.2
Durango	2.7	0.3
National Average	-1.1	-0.3
Nuevo Leon	-3.9	2.9
Guerrero	-3.9	-2.2
Guanajuato	-4.6	2.7
Mexico City	-5.0	5.4
Queretaro	-5.2	-0.7

Source: Banorte-Ixe; INEGI

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