

Retail sales – March’s growth undermined by the deceleration in durable goods sales

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- **INEGI just published its retail sales report for March**
- **Retail sales (March): 6.1% yoy; Banorte-Ixe: 6.1%; consensus: 5.5%; (range of estimates: 1.9% to 8%); previous: 3.6%**
- **March’s growth was explained by a seasonal effect (*Holy Week*), which added working days to the annual comparison**
- **However, in seasonally adjusted terms, retail sales posted a 3.3% yoy expansion and a 1.3% m/m contraction**
- **The deceleration of durable goods sales continued in March, where we highlight the 3.1% m/m fall in vehicle sales**
- **Looking ahead, we believe that both private consumption and retail sales will decelerate, as a result of the upward trend in inflation coupled with the lower economic growth**
- **In seasonally adjusted terms retail sales in Michoacan outperformed the national average in March 2017**

Retail sales increased 6.1% yoy in March. According to *INEGI’s* report published today, the income generated by retail sales grew 6.1% yoy, in line with our forecast, but above consensus 5.5% forecast. However, we highlight that March’s growth was explained by the *Holy week’s* seasonal effect, which added working days to the annual comparison. With calendar adjusted figures, retail sales increased 3.3% yoy

Taking a look at the breakdown, and analyzing the seasonal adjusted figures, we highlight the 30.1% yoy growth in internet retail sales, probably as a result of the higher penetration of Amazon and other similar internet retailers in Mexico.

On the downside, supermarket, convenience, and departmental stores sales increased a scant 1.1% yoy, while household appliances, computers, and interior decoration sales posted a 3.2% contraction. Moreover, motor vehicles, auto parts, and gasoline sales increased a moderate 1.7%, as shown in the table below.

Retail sales: March 2017

% yoy, sa

	Mar-17	Feb-17	Jan-17
Retail sales	3.3	7.5	5.2
Food, beverages, and tobacco	6.3	11.5	12.0
Supermarket, convenience, and departmental stores	1.1	2.9	5.0
Clothing and shoes	8.2	5.8	8.6
Health care products	6.1	5.8	5.4
Office, leisure, and other personal use goods	7.7	17.7	9.3
Appliances, computers, and interior decoration	-3.2	-0.6	5.4
Glass and hardware shop	4.6	17.6	4.0
Motor Vehicles, auto parts, fuel and lube oil	1.7	7.7	4.0
Internet sales	30.1	7.0	4.4

Source: INEGI

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In seasonally adjusted terms, retail sales fell 1.3% m/m. March's contraction was explained by the reduction in 5 of its 9 sub-indices. Durable goods sales posted a mixed performance, given that household appliances, computers, and interior decoration sales increased 6.1% m/m; however, *motor vehicle and auto-parts* sales fell 3.1%, adding three consecutive months in contraction (refer to the table below).

Retail sales: March 2017

% m/m, sa

%m/m sa	Mar-17	Feb-17	Difference
Retail sales	-1.3	2.1	-3.4
Food, beverages, and tobacco	0.2	1.1	-0.9
Supermarket, convenience, and departmental stores	-0.1	-0.2	0.1
Clothing and shoes	2.8	0.7	2.2
Health care products	-1.4	1.3	-2.7
Office, leisure, and other personal use goods	-7.5	8.6	-16.1
Appliances, computers, and interior decoration	6.1	5.9	0.3
Glass and hardware shop	-5.3	1.8	-7.1
Motor Vehicles, auto parts, fuel and lube oil	-3.1	-1.2	-1.9
Internet sales	10.9	0.6	10.2

Source: INEGI

Retail sales will decelerate in the next months. Looking ahead, we believe that both private consumption and retail sales will decelerate due to the following factors: (1) The lower economic growth in our country, caused by the uncertainty surrounding the policies that will be implemented by the Trump administration; (2) the upward trend of inflation –generated by the higher pass-through effect of the depreciation of the Mexican currency to prices and the new adjustment in gasoline prices– will discourage the consumption of durable goods; and (3) the Federal Government's fiscal consolidation 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.

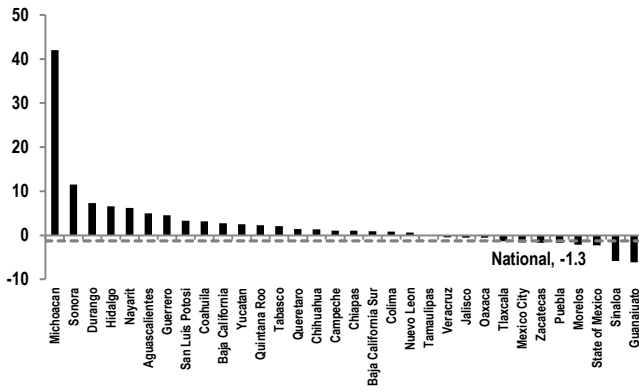
From our regional economist

In seasonally adjusted terms, retail sales in Michoacan outperformed the national average in March. In the third month of 2017, retail sales in Michoacán showed a 42% growth vs Feb'17, the entity with the highest growth of the country. Moreover, we highlight that this advance was the highest observed in the entity since 2008.

As we can see in the following chart, retail sales growth in 24 states including Michoacan outperformed the national average in March. In this regard, we highlight March's expansion in Sonora (11.5%), Durango (7.3%), Hidalgo (6.6), and Nayarit (6.2%). By contrast, retail sales revenues in Guanajuato fell 6.1% yoy, as shown in the table below.

Retail sales: March 2017

% m/m; sa



Source: Banorte-lxe; INEGI

States with the greatest and lowest increase in retail sales

% m/m; sa

	Mar-17	Feb-17	Jan-Mar'17
Michoacan	42.0	-30.5	-8.3
Sonora	11.5	-5.1	8.9
Durango	7.3	-6.2	7.4
Hidalgo	6.6	-23.8	-5.2
Nayarit	6.2	-5.3	4.3
National average	-1.3	2.1	5.3
Puebla	-1.7	-1.7	4.4
Morelos	-2.1	11.7	14.6
State of Mexico	-2.3	-3.6	7.0
Sinaloa	-5.8	-1.7	16.8
Guanajuato	-6.1	4.8	11.4

Source: Banorte-lxe; INEGI

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