

## June's Retail sales – 5.4% yoy growth suggests a stronger domestic demand

- **Retail sales (June): 5.4% yoy; Banorte-Ixe: 4.8%; consensus: 4.6% (range of estimates: 3.6% to 6.4%); previous: 4.1%**
- **In seasonally adjusted terms, retail sales posted a 1.1% m/m expansion**
- **Looking ahead, we believe that retail sales will continue to show better growth dynamics**

**Retail sales increased 5.4% yoy in June.** According to *INEGI's* report published today, the income generated by retail sales grew 5.4% yoy, above our 4.8% yoy forecast (consensus: 4.6% yoy). Taking a look at the breakdown, we highlight the significant recovery in 8 of its 9 of the sub-indices. In particular, the income generated by office, leisure, and other personal use goods sales expanded 5.5% yoy. Similarly, clothing and shoes sales grew 10.3%, while motor vehicles, auto parts, fuel and lube oil increased 9.1% yoy, as shown in the table below.

### Retail sales: June 2015

%yoy, nsa	Jun-15	Jun-14	Jan-Jun, '15	Jan-Jun, '14
<b>Retail sales</b>	<b>5.4</b>	<b>3.8</b>	<b>5.0</b>	<b>2.2</b>
Food, beverages, and tobacco	3.3	12.3	4.1	14.0
Supermarket, convenience, and departmental stores	2.4	0.1	5.6	-0.2
Clothing and shoes	10.3	-4.8	9.5	-4.7
Health care products	18.7	2.5	10.2	1.2
Office, leisure, and other personal use goods	5.5	7.2	7.0	3.6
Appliances, computers, and interior decoration	-8.0	22.3	-2.6	14.7
Glass and hardware shop	13.9	3.1	7.1	-3.4
Motor Vehicles, auto parts, fuel and lube oil	9.1	1.4	4.4	-1.4
Internet sales	137.1	-5.4	110.3	-3.0

Source: INEGI

**In seasonally adjusted terms, retail sales increased 1.1%.** The expansion in the headline index was also explained by the recovery in 8 of the 9 sub-indices. Taking a look at the breakdown, durable goods sales posted a favorable performance. In particular, vehicle and auto parts sales increased 2% m/m, while household appliances, computers, and interior decoration sales edged-up 2.1% m/m. (refer to the following table). With these numbers, retail sales posted a 2.4% 3m/3m saar expansion.

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**Retail sales: June 2015**

%m/m sa	Jun-15	May-15	Difference
<b>Retail sales</b>	<b>1.1</b>	<b>0.2</b>	<b>0.9</b>
Food, beverages, and tobacco	2.4	1.0	1.4
Supermarket, convenience, and departmental stores	-0.1	1.2	-1.3
Clothing and shoes	1.1	1.7	-0.7
Health care products	3.5	0.6	2.8
Office, leisure, and other personal use goods	0.5	-1.0	1.5
Appliances, computers, and interior decoration	2.1	-6.7	8.8
Glass and hardware shop	-0.5	-1.6	1.1
Motor Vehicles, auto parts, fuel and lube oil	2.0	0.1	2.0
Internet sales	23.1	-11.9	35.0

Source: INEGI

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

With today's report, retail sales posted a 5% yoy growth during the first half of the year, suggesting a marked recovery in the growth dynamics of domestic demand. We continue to expect that both retail sales and private consumption will show a more visible recovery driven by the following factors: *(i)* The recovery in consumer confidence; *(ii)* the recent downward trend in inflation; and *(iii)* the better growth dynamics observed in the Mexican labor market.

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