

Retail sales – Mixed results in durable goods sales

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- **INEGI just published its retail sales report for May**
- **Retail sales (May): 4.1% yoy; Banorte-Ixe: 2.9%; consensus: 3.7%; (range of estimates: 1.9% to 6%); previous: 1.4%**
- **In seasonally adjusted terms, retail sales fell 0.1% m/m**
- **Taking a look at the breakdown, non-durable outperformed the headline index...**
- **...however, durable goods sales posted a mixed performance, where we highlight the 1.1% m/m contraction in vehicle sales and the 1.2% 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**
- **With seasonally adjusted figures, retail sales in Mexico City outperformed the national average in May'17**

Retail sales fell 0.1% m/m in May. According to *INEGI's* report published today, the income generated by retail sales grew 4.1% yoy nsa, above our 2.9% yoy forecast. Year-to-date, retail sales now add a 4% yoy expansion. However, in seasonal adjusted terms, retail sales fell 0.1% m/m.

Taking a look at the breakdown, and analyzing the seasonal adjusted figures, the headline figure fell despite that 7 out of 9 sub-indexes posted a monthly gain. In particular, non-durable goods sales showed a strong recovery, where we highlight the 2% m/m increase in both clothing and shoes sales, and in office, leisure, and other personal use goods sales. In addition, internet sales increased 5.5% m/m. However, durable-goods sales posted a mix performance. In particular, vehicle and autoparts sales fell 1.1% m/m, while household appliances, computers, and interior decoration sales increased 1.2% m/m.

Retail sales will decelerate in the next months. 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.

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Retail sales: May 2017

% m/m, sa

	May-17	Apr-17	Difference
Retail sales	-0.1	1.2	-1.2
Food, beverages, and tobacco	0.7	-0.3	1.0
Supermarket, convenience, and departmental stores	0.3	0.5	-0.1
Clothing and shoes	2.0	-1.2	3.2
Health care products	1.5	1.2	0.3
Office, leisure, and other personal use goods	2.0	-1.2	3.2
Appliances, computers, and interior decoration	1.2	0.5	0.8
Glass and hardware shop	-2.7	0.3	-3.0
Motor Vehicles, auto parts, fuel and lube oil	-1.1	1.4	-2.5
Internet sales	5.5	-14.4	19.9
Wholesales	-2.1	-0.3	-1.8

Source: INEGI

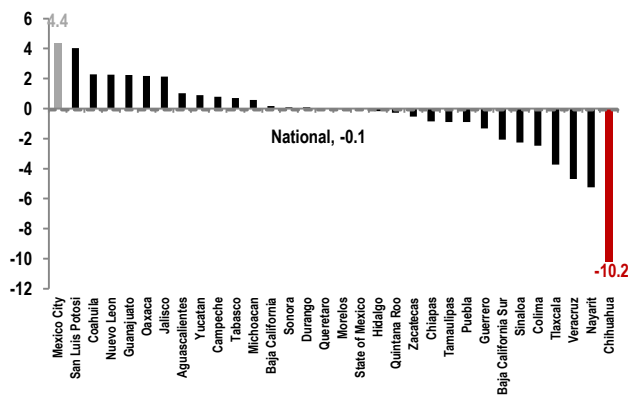
Regional Analysis

With seasonally adjusted figures, retail sales in Mexico City outperformed the national average in May. Retail sales in Mexico City posted a 4.4% 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 August 2016.

As we can see in the following chart, retail sales growth in 17 states including Mexico City outperformed the national average in May. In this regard, we highlight May's expansion in San Luis Potosi (4%), Coahuila and Nuevo Leon (2.3%), and Guanajuato (2.2%). By contrast, retail sales revenues in Chihuahua fell 10.2% m/m, as shown in the table below.

Retail sales: May 2017

% m/m, sa



Source: Banorte-ixe; INEGI

States with the greatest and lowest increase in retail sales

% m/m, sa

	May-17	Apr-17	Jan-May'17
Mexico City	4.4	1.8	3.1
San Luis Potosi	4.0	-1.3	9.0
Coahuila	2.3	-4.3	10.1
Nuevo Leon	2.3	0.1	3.8
Guanajuato	2.2	2.4	9.1
National Average	-0.1	1.2	4.6
Colima	-2.5	2.1	34.8
Tlaxcala	-3.7	-4.5	4.0
Veracruz	-4.7	5.0	-6.3
Nayarit	-5.3	7.6	6.7
Chihuahua	-10.2	1.9	3.9

Source: Banorte-ixe; INEGI

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