

7-26-1995

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Recommended Citation

LADB Staff. "Poor Retail Sales Reflect Impact of Mexican Devaluation, Economic Crisis." (1995). <https://digitalrepository.unm.edu/sourcemex/3475>

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Poor Retail Sales Reflect Impact of Mexican Devaluation, Economic Crisis

by LADB Staff

Category/Department: Mexico

Published: 1995-07-26

The devaluation of the peso and President Ernesto Zedillo's tough economic measures have had a profound negative impact on retail sales, both in Mexico and in US cities near the US-Mexico border. According to a report released in early July by the government statistics agency Instituto Nacional de Estadística, Geografía e Informática (INEGI), retail sales in Mexico's three largest metropolitan areas during January-May declined by 23.4% from the same period in 1994. The INEGI statistics showed retail sales declined in real terms by 26.5% in Guadalajara, 23.5% in Mexico City, and 19.5% in Monterrey. The INEGI report indicated the greatest declines at the retail level for stores specializing in sales of records, toys, gifts, and goods sold by hardware stores, bookstores, and department stores. Retail sales were also down for sales of automobiles and for automobile parts.

As for wholesale business, INEGI reported an average decline of 7.9% for the country's three biggest metropolitan areas. Wholesale business was down 11.3% in Monterrey and down 9.2% in Mexico City. Surprisingly, however, wholesale activity increased by 0.6% in Guadalajara. Another significant statistic published in the INEGI report was a decline of the average wages for people involved in retail and wholesale commerce. Wages were down 7% at the retail level and 10.8% at the wholesale level. The reduction of purchasing power by the vast majority of the Mexican population also continued to have negative implications for retail sales and other related activity at US communities near the US-Mexico border. A higher percentage of businesses in cities bordering Mexico in Arizona, California, Texas, and New Mexico rely on sales to Mexican nationals for much of their business.

The decline in sales has been reflected not only in increased bankruptcies for many retailers, but also in a drop off in sales tax revenues for local governments. According to Miguel Conchas, director of the Chamber of Commerce in Laredo, Texas, sales tax collections in that city this year during January-May have totaled US\$5.1 million, compared with almost US\$5.7 million during the same period in 1994. Conchas said that the lack of sales has had a deep impact on the city's unemployment rate, which went from 8.9% in January to 13.2% in May. The reduction in Mexicans shopping in Laredo has also lowered the amount of money obtained from fees to cross the city's three international bridges. According to city officials, revenues from bridge crossings declined from year-ago levels for the seventh consecutive month. In some months, revenues were down by more than 10%.

Retailers in El Paso, Texas, reported a similar situation as in Laredo. According to some estimates, more than 600 retail stores in the city have been forced to shut down because of a lack of sales. Brook Ward, an economic development official in El Paso, estimates that overall retail sales have fallen between 30% and 60%, depending on the type of store. In order to attract customers, he said, many stores are offering discounts of 25% to 60% on their products. In recent years, monthly crossings to El Paso from Ciudad Juarez, Chihuahua state, have averaged about 3.17 million persons. However,

according to Ward, crossings have declined about 40% in the first six months of the year. "The loss of employment and the lack of sales has been apparent at all levels," said Ward. "Restaurants, clothing stores, auto parts outlets, and many other categories of stores have all gone bankrupt and been forced to close." (Sources: Notimex, 07/07/95; Excelsior, 07/17/95; La Jornada, 07/20/95)

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