

## **Economic policies led to the closure of "neighborhood stores" and place small shopkeepers in survival mode**

- *Unfair competition, insecurity and fiscal reforms on products that generate profitability to "neighborhood stores" suffocate the shopkeepers.*
- *Dark picture for small traders; change in public policy, effective government response needed.*

**Mexico, DF. March 3, 2015.** – Because of policies that the federal government has imposed on the Mexican population since last year, coupled with unfair competition from multinational retail chains, insecurity and lack of governance in some regions of the country, small businesses remain in recession with an average fall in sales of 8 percent (data for the first quarter of 2014). More than half of the businesses are in an alarming situation and are practically fighting to survive.

Based on a 2014 study by Nielsen Mexico and according to the results reported by ANPEC, 30,000 neighborhood stores have closed. This has caused the loss of 56,000 sources of employment; largely because of the new taxes imposed on merchants and on basic foods which are the main core of the small business' commerce, such as: *sodas, chips or snacks, candy, dairy products.*

Small businesses are an important engine of growth of the national economy. Out of the 908,091 neighborhood stores in the country, 69% of owners are heads of households with an average economic dependence of 3 people; 87.4% live exclusively out of their store, with an average monthly income that goes from 8,000 to 9,500 pesos. Their education level is 54% high school and 40% college. (Data based ANPEC the "Urban Survey on Needs and Services of Small Merchants" done in July 2013 and applied in the cities of Monterrey, Guadalajara and Mexico City).

Although the tax sought improvements in the health of the Mexicans, the results have been extremely detrimental to the economy of families. At ANPEC we consider that the policies to fight obesity must be based on a comprehensive diet and not a prohibitive diet, as our experience shows that this has resulted in the migration of consumer toward "inexpensive" food but not necessarily healthier food, as are "chips", "fried pork", desserts, bread and other high-calorie content food, high fat food and on most occasions sold in the street with little sanitary control, as is usually offered through informal trade.

According to ANPEC the fiscal measures have not yielded positive results for people's health. Although apparently these products are being consumed less, it is not because people are looking to improve their health, but rather, the low sales are a reflection of inflation and a reduction of wages in the working class. This combination has led to a widespread consumer recession that is linked to more than "junk" food.

## PRESS RELEASE

Attn: Business source journalists  
Chief Editors

The basis of sales of established small businesses are: soft drinks, 88%; fried foods or snacks, 50%; lottery and groceries, 39%; dairy products, 48%; cigarettes, 82%; beer, 66%. All of these products are aligned to health standards controlled by Cofepris and sanitation. They are also produced by companies that pay taxes and provide jobs for thousands of Mexicans.

Data show that 52% of what is sold in the traditional channel or "neighborhood store" belongs to taxable categories, compared with 23% of what is sold in supermarkets, which means a greater impact to consumers with middle and low income.

If this economic trend continues, it is expected to cause more neighborhood stores to close, leading to a significant increase in the unemployment rate. In 2014, more than 56,000 sources of employment were lost, which affected thousands of families due to the closure of the stores. Additionally, the tax increase has slowed innovations in small businesses, preventing entrepreneurs from growing their businesses -- many have been forced to stick to informal sales.

As if that were not enough, in addition to the tax increase in "strategic" products to attract customers and declining profits for payment procedure to obtain MUNICIPAL permissions or licenses TO ESTABLISH BUSINESSES, small business owners also suffer with insecurity and lack of governance in some regions, as it happens to businesses in Guerrero, Oaxaca, Michoacán, Tamaulipas, Chiapas and some regions of the state of Mexico, among others; who even have to pay "rights to use the land" fees to organized crime groups. All of this is within a framework of social discontentment, where the government has shown an inability to respond effectively.

"In ANPEC, we are convinced that the only way for the economy and security of our country to improve, is to promote employment, consumption, stability and entrepreneurship of Mexicans. We are sure that tax reforms have only generated economic loss, confusion, uncertainty and discomfort, because in the end again the informality has benefited. Today, our country cannot afford the luxury of losing its Mexican entrepreneur symbol, because without a doubt, the new tax policies are undermining the best form of self-employment", Cuauhtémoc Rivera, leader of ANPEC said.

### **About ANPEC:**

*The "National Alliance of small businesses" AKA (ANPEC) was born in 2010 to give voice and identity to small businesses and represent the interests of this important sector of the Mexican economy, specifically in this kind of groceries and convenience stores (section 4611). ANPEC currently has a total of 72,000 entrepreneurs affiliated with self-employment, legality and honesty contributing to the development of the economy of Mexico.*

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