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Economic Research, Mexico

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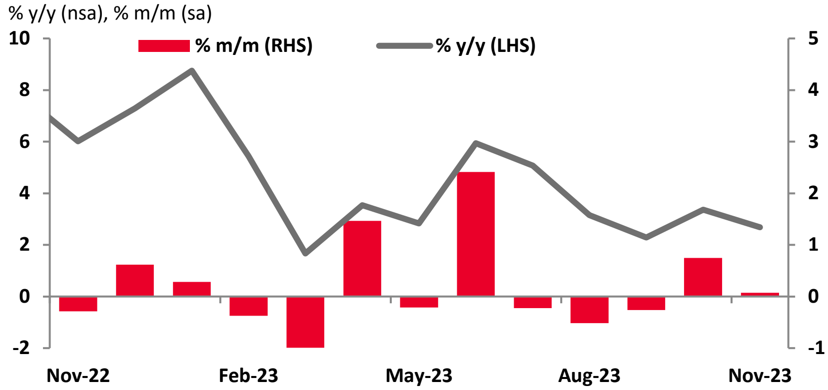
Retail sales – Modest gains in November, supported by the discount season

- **Retail sales (November): 2.7% y/y; Banorte: 3.6%; consensus: 3.4% (range: 2.0% to 4.9%); previous: 3.4%**
- **Sales rose 0.1% m/m, adding two months to the upside. Gains were limited, helped by different promotions carried out in the month and with favorable conditions for fundamentals**
- **By categories, just three of the nine sectors improved. We highlight gains on clothing and shoes (5.4%) and internet sales (1.2%). Meanwhile, we note glass and hardware (-4.5%) and office and leisure (-2.3%) to the downside**
- **We believe that positive rates will continue in the short-term, with households benefiting from strong fundamentals and other circumstantial factors. However, we recognize some headwinds, including the recent acceleration in inflationary pressures**

Retail sales grew 2.7% y/y in November. This was lower than consensus (3.4%) and our estimate (3.6%). We highlight different promotions and discounts carried out during the period, mainly *El Buen Fin* and *Black Friday*. Meanwhile, consumer fundamentals were relatively resilient. The unemployment rate kept declining, with wages improving. Remittances moderated, but with consumer loans remaining high. Price pressures increased, both in their annual and monthly metrics, although still somewhat limited. Lastly, MXN resumed its appreciation trend, boosting imported goods.

Retail sales
% y/y (nsa), % m/m (sa)



Source: INEGI, Banorte

Another month higher. Sales rose 0.1% m/m, accumulating a 0.8% expansion in the last two months. The result was slightly lower relative to timely figures, highlighting ANTAD sales (+0.9% y/y in real terms in same-stores), as well as the 1.8% m/m increase in non-oil consumer goods imports. Within the report, just three of the nine categories grew. We highlight gains at clothing and shoes (5.4%) and internet sales (+1.2%). On the other hand, losses were centered on glass and hardware (-4.5%) and office and leisure (-2.3%), which we associate with more challenging base effects, at least in the latter. Finally, motor vehicles and fuel came in at +0.3%, with autos falling -0.6% –in contrast with the AMIA's timely data– and with gasoline sales also negative (-0.7%). Further details are presented in the table on the following page.


Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com


Francisco José Flores Serrano
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com


Yazmín Selene Pérez Enríquez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com


Cintia Gisela Nava Roa
Senior Economist, Mexico
cintia.nava.roa@banorte.com

www.banorte.com/analisiseconomico
@analisis_fundam

Winners of the 2023 award for best Mexico economic forecasters, granted by *Focus Economics*

Retail sales
% m/m sa; % 3m/3m sa

	% m/m			% 3m/3m
	Nov-23	Oct-23	Sep-23	Sep-Nov'23
Retail sales	**0.1**	**0.7**	**-0.3**	**-0.2**
Food, beverages, and tobacco	-1.4	1.9	0.5	1.4
Supermarket, convenience, and departmental stores	-0.3	1.4	0.5	0.0
Clothing and shoes	5.4	-6.0	-2.6	-6.0
Healthcare products	-1.4	0.7	0.9	-0.3
Office, leisure, and other personal use goods	-2.3	11.0	-7.7	-2.5
Appliances, computers, and interior decoration	-1.4	4.4	-3.7	0.5
Glass and hardware shop	-4.5	-0.1	-1.2	-3.5
Motor vehicles, auto parts, fuel, and lube oil	0.3	-0.7	1.4	0.8
Internet sales	1.2	1.0	-5.7	-2.2

Source: INEGI

We expect consumption to remain as a relevant driver for activity, at least in the first half of 2024. Considering that consumption was a driver for the economy in 2023, we expect this to continue in 1H24. It could even accelerate at the margin. In this regard, we believe the outlook for household consumption has a positive bias despite not ruling out some headwinds. Finally, we anticipate higher uncertainty in the second semester, with some elements petering out and an overall more challenging outlook.

Regarding the first semester, we believe that the strength of fundamentals will continue; especially due to a tight labor market which will support low unemployment rates and wage growth. Although global employment projections for 2024, according to the *International Labor Organization*, point to a slight deterioration, we anticipate labor force stability in our country, which along with higher dynamism in some sectors (*e.g.* construction, logistics and mass media) can compensate for a slowdown in other branches. On the other hand, we expect dynamism in remittances to continue in 2024, even though some downward risks persist. Regarding more circumstantial factors, we highlight: (1) The 20% minimum wage increase and its lighthouse effect for the rest of the wage curve; (2) an expansion in social programs transfers; (3) said payments made in advance due to restrictions related to the electoral period; and (4) MXN strength, especially in the first months of the year.

Current headwinds come mainly from inflationary pressures and high interest rates. However, it is important to highlight that the path for the latter in our base scenario is positive. Thus, we estimate cuts will start in March, with a cumulative interest rate reduction of 200bps. However, we remain more negative on prices, with relevant risks for the non-core component –especially for agricultural goods– along with the persistent upward trend in services within the core.

Lastly, towards the second half of the year, we believe that consumption will show lower growth rates because of the overall slowdown in activity. Although fundamentals could continue to provide some support, we consider that household debt, weakness in external demand, and a negative base effect will be determining factors for the sector's slowdown, especially in the last quarter of the year.

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Santiago Leal Singer, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Daniel Sebastián Sosa Aguilar, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Jazmin Daniela Cuautencos Mora, Andrea Muñoz Sánchez and Paula Lozoya Valadez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
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Directory
Research and Strategy

Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com
(55) 1103 - 4043

Raquel Vázquez Godinez
Assistant
raquel.vazquez@banorte.com
(55) 1670 – 2967

Itzel Martínez Rojas
Analyst
itzel.martinez.rojas@banorte.com
(55) 1670 - 2251

Lourdes Calvo Fernández
Analyst (Edition)
lourdes.calvo@banorte.com
(55) 1103 - 4000 x 2611

María Fernanda Vargas Santoyo
Analyst
maria.vargas.santoyo@banorte.com
(55) 1103 - 4000 x 2586

Economic Research

Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com
(55) 1103 - 4046

Francisco José Flores Serrano
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com
(55) 1670 - 2957

Katia Celina Goya Ostos
Director of Economic Research, Global
katia.goya@banorte.com
(55) 1670 - 1821

Yazmín Selene Pérez Enríquez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com
(55) 5268 - 1694

Cintia Gisela Nava Roa
Senior Economist, Mexico
cintia.nava.roa@banorte.com
(55) 1103 - 4000

Luis Leopoldo López Salinas
Economist, Global
luis.lopez.salinas@banorte.com
(55) 1103 - 4000 x 2707

Market Strategy

Santiago Leal Singer
Director of Market Strategy
santiago.leal@banorte.com
(55) 1670 - 1751

Marissa Garza Ostos
Director of Equity Strategy
marissa.garza@banorte.com
(55) 1670 - 1719

Víctor Hugo Cortes Castro
Senior Strategist, Technical
victorh.cortes@banorte.com
(55) 1670 - 1800

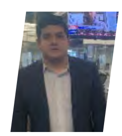
José Itzamna Espitia Hernández
Senior Strategist, Equity
jose.espitia@banorte.com
(55) 1670 - 2249

Carlos Hernández García
Senior Strategist, Equity
carlos.hernandez.garcia@banorte.com
(55) 1670 - 2250

Hugo Armando Gómez Solís
Senior Analyst, Corporate Debt
hugoa.gomez@banorte.com
(55) 1670 - 2247

Leslie Thalía Orozco Vélez
Senior Strategist, Fixed Income and FX
leslie.orozco.velez@banorte.com
(55) 5268 - 1698

Isaías Rodríguez Sobrino
Analyst, Fixed Income, FX and Commodities
isaias.rodriguez.sobrino@banorte.com
(55) 1670 - 2144



Gerardo Daniel Valle Trujillo
Analyst, Corporate Debt
gerardo.valle.trujillo@banorte.com
(55) 1670 - 2248

Juan Carlos Mercado Garduño
Strategist, Equity
juan.mercado.garduno@banorte.com
(55) 1103 - 4000 x 1746

Paula Lozoya Valadez
Analyst, Equity
paula.lozoya.valadez@banorte.com
(55) 1103 - 4000

Quantitative Analysis

Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com
(55) 1670 - 2972

José Luis García Casales
Director of Quantitative Analysis
jose.garcia.casales@banorte.com
(55) 8510 - 4608

Miguel Alejandro Calvo Domínguez
Senior Analyst, Quantitative Analysis
miguel.calvo@banorte.com
(55) 1670 - 2220

José De Jesús Ramírez Martínez
Senior Analyst, Quantitative Analysis
jose.ramirez.martinez@banorte.com
(55) 1103 - 4000

Daniel Sebastián Sosa Aguilar
Senior Analyst, Quantitative Analysis
daniel.sosa@banorte.com
(55) 1103 - 4000 x 2124

Jazmin Daniela Cuautencos Mora
Strategist, Quantitative Analysis
jazmin.cuautencos.mora@banorte.com
(55) 1103 - 4000

Andrea Muñoz Sánchez
Analyst, Quantitative Analysis
andrea.muñoz.sanchez@banorte.com
(55) 1103 - 4000