Retail sales – Stagnation in March after sizable gains at the start of the year

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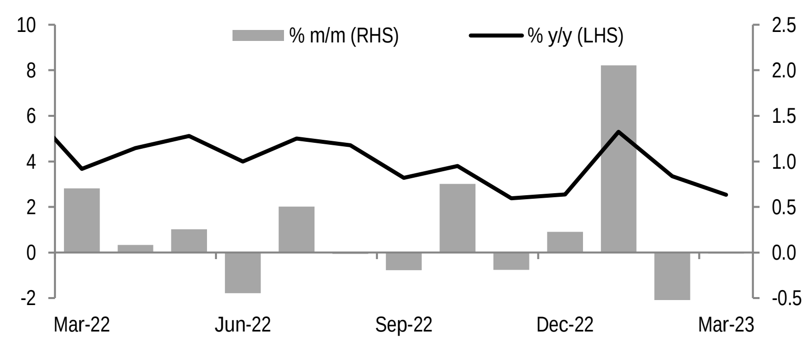
- **Retail sales (March): 2.5% y/y; Banorte: 2.9%; consensus: 2.9% (range: 0.8% to 4.2%); previous: 3.4%**
- **Retail sales were flat on a monthly basis after dropping 0.6% of the previous month, signaling a loss in momentum despite solid fundamentals and an additional moderation in inflation**
- **Inside, we observed relevant contractions in glass and hardware (-2.3% m/m), supermarkets and departmental stores (-1.9%). On the contrary, strength was seen in online sales (27.8%) and vehicles and fuel (1.8%)**
- **We expect the sector to rebound in coming months as domestic conditions remain favorable. Nevertheless, these results could have been affected by changes in consumption patterns after the end of the pandemic**

Sales continued to grow at an annual rate in March. Retail sales grew 2.5% y/y, slightly below our expectation (2.9%), which matched consensus. The moderation vs. the previous month's figure is largely explained by more normalized bases of comparison. We continue to believe that the sector's performance is underpinned by several factors, the main one being consumer fundamentals. Among these we highlight a buoyant labor market, both in terms of job and wage gains, as well as solid remittances. This is taking place in a favorable economic environment, contributing to growth. In addition, higher banking credit, along with a moderation in inflationary pressures, constitute additional tailwinds. On the contrary, we do not rule out that people may be substituting purchases of goods for spending on services as the pandemic is now behind us, which could pose risks to this indicator.

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



Source: INEGI, Banorte

Stability in sequential terms. Sales were flat on a monthly basis, failing to make up for the -0.6% of the previous month. Nevertheless, considering January's sizable growth (2.1%), performance was positive in the full quarter. The result is consistent with mixed signals in timely indicators. In this context, AMIA sales advanced further in sequential terms (in our opinion more related to a normalization in supply issues).

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However, gasoline and ANTAD sales slowed down, with same-stores remaining in negative territory for a second consecutive month (-2.6% y/y in real terms). At the detail, six out of nine categories fell. Losses were concentrated in glass and hardware (-2.3% m/m), appliances and computers (-1.9%), and supermarket and departmental stores (-1.9%). Specifically, the latter fell 2.1%. On the contrary, outperformance was observed in online sales (27.8%) and vehicles and fuel (1.8%). Autos were quite strong (3.6%), with fuel more modest (0.4%), which contrasted with Pemex figures.

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

	% m/m			% 3m/3m
	Mar-23	Feb-23	Jan-23	Ene-**Mar'23**
Retail sales	0.0	-0.6	2.1	1.7
Food, beverages, and tobacco	0.0	-1.7	0.6	-1.3
Supermarket, convenience, and departmental stores	-1.9	1.7	1.2	1.6
Clothing and shoes	-1.1	-2.5	3.2	1.5
Healthcare products	0.1	3.3	-4.2	-2.0
Office, leisure, and other personal use goods	-1.1	1.8	-0.8	1.8
Appliances, computers, and interior decoration	-1.9	-2.5	4.3	0.2
Glass and hardware shop	-2.3	-2.3	0.1	0.2
Motor Vehicles, auto parts, fuel and lube oil	1.8	-1.2	5.6	4.8
Internet sales	27.8	1.4	3.9	18.3

Source: INEGI

Despite recent setbacks, consumption will remain as a key growth driver in 2023. In our view, the outlook for the overall trend remains positive. In this context, ANTAD sales recovered dynamism, with same-store sales improving to 0.0% y/y in real terms. In addition, Banxico's transactional data showed an acceleration in operations (both debit and credit cards). Nonetheless, auto sales fell 1.0% sequentially, albeit only after four consecutive months higher. In addition, price pressures kept declining, which could free up some spending for households. Meanwhile, the effect of MXN appreciation is mixed, with benefits for imported goods, albeit with an impact on the purchasing power of remittances.

Going forward, we believe consumption will remain strong, with dynamism rooted in domestic drivers, which we believe is key in a more challenging external environment. Specifically, global recession expectations have increased in light of several risk events (*e.g.* banking crisis, slowdown in China, etc.), which could dampen US activity, thus impacting our country. In addition, we keep an eye on the mix, with services potentially recovering ground relative to goods. Specifically, we do not rule out that, after the May 9th announcement regarding the 'end of the COVID-19 health emergency', people who had been more cautious about returning to normalcy may begin to resume spending on social activities.

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Daniel Sebastián Sosa Aguilar and Andrea Muñoz Sánchez, 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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