

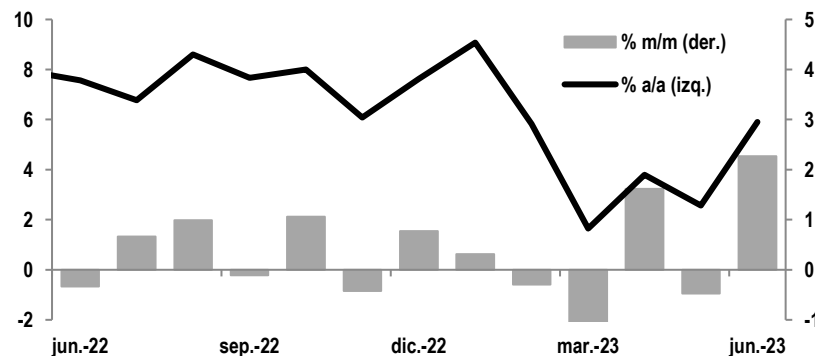
Retail sales – Strong rebound, boosted by discount campaigns

- Retail sales (June): 5.9% y/y; Banorte: 4.9%; consensus: 3.0% (range: 2.5% to 5.0%); previous: 2.6%
- In sequential terms, retail sales grew 2.3% m/m, the highest increase so far this year. We believe performance was supported by lower inflationary pressures, discount campaigns, an appreciated peso, and stronger fundamentals
- Inside, seven of the nine sectors grew. The most relevant increase was registered in internet sales (30.5%), boosted by the *Hot Sale*. By contrast, categories with setbacks included appliances (-2.3%), and food and beverages (-0.8%)
- Regarding the second half of the year, we anticipate a mixed scenario. Good fundamentals would remain as the main support. However, we are more cautious on inflationary pressures and the impact they could have on domestic demand dynamism

Rebound in sales in annual terms. Retail sales came in at 5.9% y/y, surprisingly higher than consensus (3.0%), but closer to our 4.9%. The period was characterized by a positive base effect, solid fundamentals, and lower inflationary pressures. Analyzing fundamental drivers, [employment](#) resumed its positive trend with the creation of 419.1 thousand jobs –along with a lower unemployment rate and real wages strengthening. On the other hand, [remittances](#) (in line with their seasonality) and [consumer credit](#) maintained their growth trend. Additionally, we do not rule out that lower inflationary pressures –with an increase of 5.06% y/y from 5.84%– provided an additional boost to sales.

Retail sales

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



Source: INEGI, Banorte

The biggest sequential expansion so far this year. Sales increased 2.3% m/m, more than enough to erase May's losses. Stronger dynamism was likely driven by discounts at the beginning of the summer, specifically the *Hot Sale* campaign. This is also reflected in subcategories. Hence, it is highly likely that households decided to postpone their purchases to take advantage of these discounts.

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Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Financial Markets Strategy
juan.alderete.mactal@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

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



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On related figures, ANTAD figures stood out, with same-store sales at +4.0% y/y in real terms. Additionally, auto sales kept climbing (+2.3% m/m). In the detail, seven of the nine items fell. As such, we highlight the rise of internet sales (30.5%), and to a lesser extent, clothing and shoes (4.4%). Additionally, autos and fuel increased 1.2%, mainly explained by fuel (+3.3%), with autos at +0.1%. Finally, declines were centered in appliances (-2.3%) and food and beverages (-0.8%).

Retail sales

% m/m sa; % 3m/3m sa

	% m/m			% 3m/3m
	Jun-23	May-23	Apr-23	Apr-Jun'23
Retail sales	2.3	-0.5	1.6	1.1
Food, beverages, and tobacco	-0.8	1.6	1.1	0.5
Supermarket, convenience, and departmental stores	4.3	-0.1	4.6	6.1
Clothing and shoes	4.4	-1.1	0.6	1.1
Healthcare products	0.5	2.0	4.0	4.2
Office, leisure, and other personal use goods	2.9	2.9	-1.7	1.4
Appliances, computers, and interior decoration	-2.3	4.0	1.8	1.9
Glass and hardware shop	2.2	0.4	1.3	-1.2
Motor Vehicles, auto parts, fuel and lube oil	1.2	-2.2	-0.2	-2.9
Internet sales	30.5	-16.4	-21.5	-7.8

Source: INEGI

Solid consumer fundamentals will strengthen sales in 2H23, although with more caution about potential inflationary pressures. Based on what we anticipate about employment, credit, and remittances, we believe that retail sales will continue to add gains during the second half of the year. However, we are more cautious about potential price pressures, which could limit dynamism in the sector. In this regard, adverse weather conditions and oil production disruptions could imply increases in the non-core component, which could translate –via raw materials– into broader pressures.

In the short-term, we see a moderation in consumption relative to the two previous quarters. July's data shows that dynamism has been maintained. ANTAD same-store sales came in at +1.6% y/y in real terms –quite positive considering the result of the previous month–, while car sales rose 3.1% m/m –its third month on the rise. In our opinion, a relatively better performance will be observed at the start of 3Q23, supported by special sales and the discount season. Nevertheless, we do not rule out seeing a slight moderation in the rest of the quarter. On the remainder of the year, we anticipate that internet sales will continue to expand. In this regard, we will remain attentive to the different specialized events (*e.g. Hot Fashion, Hot Travel, El Buen Fin, Cyber Monday*, etc.), which will likely provide an additional boost to retail sales.

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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, Juan Carlos Mercado Garduño, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cuautencos Mora 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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GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	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
Economic Research			
Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets 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
Yazmin Selene Pérez Enriquez	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	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Leslie Thalía Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Isaías Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
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
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Juan Carlos Mercado Garduño	Strategist, Equity	juan.mercado.garduno@banorte.com	(55) 1103 - 4000 x 1746
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.a.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
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
Jazmin Daniela Cuautencos Mora	Strategist, Quantitative Analysis	jazmin.cuautencos.mora@banorte.com	(55) 1103 - 4000
Andrea Muñoz Sánchez	Analyst, Quantitative Analysis	andrea.munoz.sanchez@banorte.com	(55) 1103 - 4000
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899