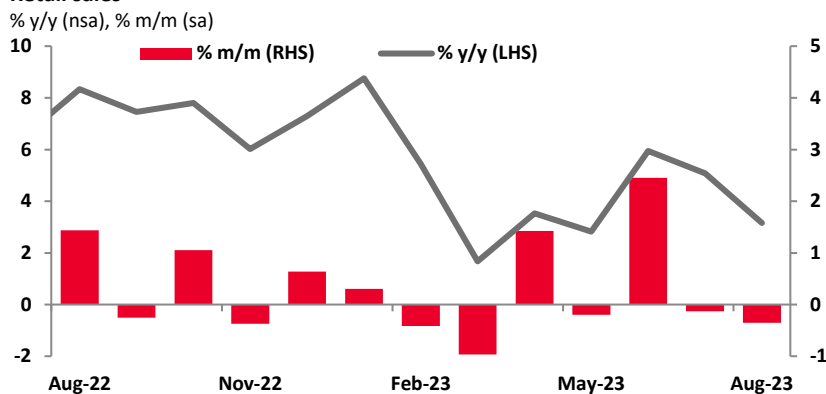


Retail sales – Modest fall in August, albeit with strength on internet sales

- Retail sales (August): 3.2% y/y; Banorte: 4.5%; consensus: 4.4% (range: 3.3% to 4.9%); previous: 5.1%
- Retail sales fell 0.4% sequentially, the second month with marginal falls, not so negative considering the gains in June. Fundamentals kept strengthening, while inflation moderated in annual terms
- In detail, five out of nine sectors contracted. We highlight supermarket and department stores (-1.1%), while internet sales rose 5.9%
- We reiterate our view that fundamentals will support consumption in coming months. Notwithstanding, we remain focused on headwinds such as high interest rates, inflation persistence, and the recent MXN depreciation

Sales moderated more than anticipated in annual terms. Retail sales grew 3.2% y/y, lower than consensus and our estimate. The latter, despite positive signs in the period. In our opinion, fundamental support remains in place. In the labor market, the [unemployment rate was below 3%](#), albeit with job losses due to an adverse seasonality; wages increased further in real terms in a backdrop of labor market tightness. [Remittances](#) improved and [consumer loans](#) accelerated their pace of growth again. In addition, we highlight higher dynamism on internet sales, possibly explained by the back-to-school effect. However, we noticed that said effect was not visible in 'clothing and shoes' and 'supermarket and department stores'. Lastly, we believe that the Mexican peso's behavior was still an additional driver for sales.

Retail sales



Source: INEGI, Banorte

Modest setback in sequential terms. Sales drop 0.4% m/m. Its second month with marginal losses, not so negative considering June's gains. The figure contrasts with consumer confidence, which recorded its fourth month to the upside. We do not rule out that some cultural and sporting events would provide a boost that limited the fall. On related figures, ANTAD sales were also negative, down 1.5% y/y in real terms in same stores. In further detail, five out of nine categories declined. The most relevant was supermarket and department stores (-1.1%) –with the former at -0.9%, and the latter at -3.2%–, followed by clothing and shoes (-0.9%). Meanwhile, internet sales increased 5.9%, somewhat normalizing after a downward adjustment in July, and gains in June. Lastly, 'autos and fuel' modified their recent trend with a fall of 0.8%, mainly due to autos since fuel stood without changes.



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Retail sales

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

	% m/m		% 3m/3m	
	Aug-23	Jul-23	Jun-23	Jun-Aug'23
Retail sales	-0.4	-0.1	2.5	2.6
Food, beverages, and tobacco	-0.5	1.7	-0.9	2.2
Supermarket, convenience, and departmental stores	-1.1	-1.5	4.5	4.4
Clothing and shoes	-0.9	1.0	4.8	4.6
Healthcare products	-0.6	-1.9	-0.6	0.0
Office, leisure, and other personal use goods	0.9	-0.6	2.8	3.8
Appliances, computers, and interior decoration	0.8	4.2	-1.8	4.6
Glass and hardware shop	0.4	-2.4	2.0	1.2
Motor vehicles, auto parts, fuel and lube oil	-0.8	0.6	1.1	-0.3
Internet sales	5.9	-3.1	31.8	6.1

Source: INEGI

Focused on some headwinds that could lead to a moderation in consumption for the rest of 2023. Despite the declines in July and August, results so far this year continue to reflect the strength of consumption. This has been supported by fundamentals, forecasting that the pace in 3Q23 (4.4% y/y) will be very similar to that of the second quarter (4.3%). However, we recognize some headwinds that could limit its accumulated progress. In this regard, we highlight: (1) Renewed inflationary pressures, mainly in the non-core component; (2) high interest rates, with the central bank's reference rate remaining at 11.25% beyond 2023, along with pressures at longer tenors; (3) USD strength vs the Mexican peso, which could impact demand for imported goods. In this backdrop, [we see consumption decelerating in 4Q23](#) to 3.5% y/y. The rise in energy prices and agricultural items will also be an important constraint to retail sales.

On timely data, the balance has been positive so far. September's ANTAD sales grew, with same-stores at +0.3% y/y in real terms, and total-stores at +3.2% (previous: +1.3%). Annual headline inflation extended its move lower (4.45% from: 4.64%). On the other hand, AMIA showed that auto sales rose 4.8% m/m (using our in-house seasonal adjustment model), in line with the normalization in supply.

Finally, and apart from fundamentals, other positive factors for households' spending and consumption in 4Q23 include: (1) A positive outlooks for the discount season of "El Buen Fin" (Mexico's Black Friday), with 8 out of 10 internet users anticipating that they will purchase something according to a study by the *Asociación Mexicana de Venta Online*; (2) better auto sales' projections, with AMDA revising higher its estimate for full-year 2023 to +25.6% y/y; (3) Stronger forecasts in tourism, with the Tourism Ministry anticipating that it will recover its pre-pandemic level this year; and (4) one more long weekend vs 2022, from December 23rd to 25th.

All in, we consider that private consumption, and therefore retail sales, will be able to continue growing for the rest of 2023. Nevertheless, the pace will likely moderate in the fourth quarter.

Analyst Certification.

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 Thalia 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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