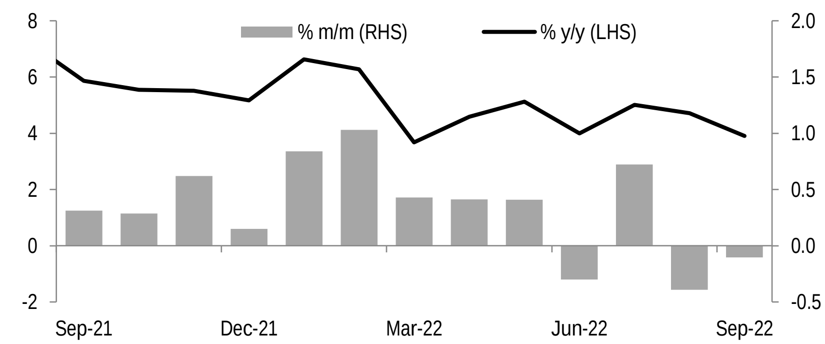
Economic Research
Mexico

Retail sales extend losses in September amid a more challenging backdrop

- **Retail sales (September): 3.3% y/y; Banorte: 3.9%; consensus: 3.9% (range: 2.5% to 4.6%); previous: 4.7%**
- **Retail sales fell 0.2% m/m, extending the 0.1% decline of the previous month. We believe that performance continues to be limited by price pressures. Nevertheless, we cannot rule out that consumers postponed their spending to 4Q22**
- **Inside, dynamics were skewed to the downside. We highlight declines in appliances and computers (-2.0%), as well as glass and hardware (-2.0%). Internet sales rebounded sharply (5.3%), partly due to a positive base effect**
- **Headwinds prevail in the short-term –mainly inflationary pressures, impacting real wages–, although fundamentals should continue supporting household consumption**

Retail sales keep moderating in annual terms. These increased 3.3% y/y, lower than consensus and our estimate at 3.9%. Figures continue to unwind as base effects normalized further. This situation has been seen in the deceleration of the last couple of months. We highlight a relatively positive behavior of fundamentals despite persisting headwinds. Regarding this last point, the main factor would be inflation, which despite being unchanged at 8.70% y/y (for the headline), the core accelerated to 8.28% from 8.05%. In addition, real wages remain under pressure, albeit with marginal relief given an increase in average wages in nominal terms. On a positive note, we had a slight improvement in consumer confidence during the period after four months lower. Regarding fundamentals, we note: (1) Some losses in the labor market, but with overall signs still positive; (2) strength in remittances; and (3) an additional expansion in consumer loans.

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



Source: INEGI, Banorte

Additional drop in September sales. Retail sales fell 0.2% m/m, extending the -0.1% of the previous month. Although not favorable, it does not come entirely as a surprise, with timely data consistent with the sequential result. ANTAD sales fell, with same-stores down 0.5% y/y in real terms, while IMEF's non-manufacturing indicator slowed down for a second consecutive month.

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www.banorte.com
@analisis_fundam

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

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

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

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

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Inside, five of the nine subsectors dropped, with dynamics still influenced by base effects. The most relevant setbacks were in appliances and computers (-2.0%), as well as glass and hardware (-2.0%), with the result possibly from consumers deciding to postpone purchases towards late in 4Q22 to take advantage of discounts. On the other hand, the main increases were in internet sales (5.3%) and supermarket and departmental stores (1.3%). The former likely corresponds to a rebound after falling 13.0% in the previous month. On the latter, the increase was driven by departmental (4.8%), albeit with supermarkets also positive (0.9%). Lastly, we highlight that vehicles and fuel sales fell 1.4%, with vehicles at -2.9% –in line with AMIA figures–, and fuel sales at 0.0%, –matching Pemex's data.

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

	% m/m			% 3m/3m
	Sep-22	Aug-22	Jul-22	Jul-Sep'22
Retail sales	-0.2	-0.1	0.5	0.1
Food, beverages, and tobacco	-1.0	0.3	0.0	-0.9
Supermarket, convenience, and departmental stores	1.3	0.3	0.7	0.8
Clothing and shoes	-0.8	2.8	2.1	4.0
Healthcare products	0.5	-6.1	-0.2	1.2
Office, leisure, and other personal use goods	0.3	1.7	0.0	3.9
Appliances, computers, and interior decoration	-2.0	-5.7	4.2	-1.4
Glass and hardware shop	-2.0	0.7	-3.1	-3.6
Motor Vehicles, auto parts, fuel and lube oil	-1.4	-1.3	0.6	-1.4
Internet sales	5.3	-13.0	13.0	4.9

Source: INEGI

We anticipate a recovery in sales during the last quarter of the year. Today's results are consistent with signs of a consumption slowdown during 3Q22. Despite of the latter, we believe conditions are favorable for retail sales to regain dynamism at the end of the year. In this regard, we identify three key factors: (1) Solid fundamentals; (2) households that have postponed purchases to benefit from better prices during discounts and special sales at the end of the year; and (3) a stronger Mexican peso that favors the consumption of imported goods, a trend that began at the end of the third quarter. As such, timely data shows encouraging signs. October's ANTAD sales returned to positive territory, with same-stores at +1.5% y/y in real terms (previous: -0.5%), and total-stores at +3.7% (previous: +1.7%). Regarding inflation, the headline kept moderating (from 8.64% to 8.53%), although with pressures on the core continuing. On the other hand, vehicle sales rebounded 0.7% m/m (using our in-house seasonal adjustment model) according to AMIA. Finally, INEGI's *Timely Indicator of Economic Activity* also flags more dynamism, with services resilient at 0.1% m/m. Considering the latter, we maintain our view that domestic demand will keep boosting activity towards the end of 2022, despite price pressures.

Finally, we believe that '*El Buen Fin*' (Mexico's Black Friday) will be the main boost for the period; currently being the most important weekend nationwide for retail sales, with higher sales in clothing, shoes, TVs, computers, and smartphones. Héctor Tejada, president of the National Chamber of Commerce, Services and Tourism (Concanaco Servytur in Spanish), points out that the economic benefit of this edition is estimated at $195 billion. Moreover, we expect an additional positive spillover from the 2022 FIFA World Cup, with the event usually helping TV sales, as well as consumption in restaurants and bars.

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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 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
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
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	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
Paola Soto Leal	Analyst	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 1746
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugoa.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
Daniela Olea Suárez	Senior Analyst, Quantitative Analysis	daniela.olea.suarez@banorte.com	55) 1103 - 4000
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	Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Salvador Austria Valencia	Analyst, Quantitative Analysis	salvador.austria.valencia@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.ceballos@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.roldan.ferrer@banorte.com	(55) 1670 - 1899