Retail sales – Important acceleration at the start of the year

March 23, 2023

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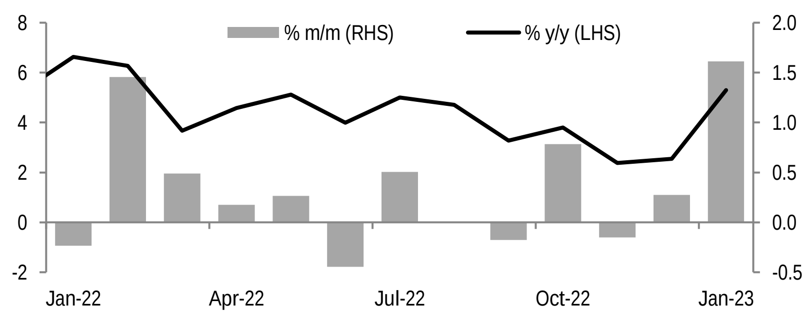
- **Retail sales (January): 5.3% y/y; Banorte: 4.4%; consensus: 3.2% (range: 2.5% to 4.4%); previous: 2.5%**
- **Retail sales grew 1.6% m/m, gaining strength after December's rebound (0.3%), likely supported by strong fundamentals –noting employment and wages– and despite prevailing price pressures**
- **Inside, performance was mostly positive, with relevant upticks in clothing and shoes (6.7% m/m) and vehicles and fuel (5.9%). On the contrary, the only two categories lower were healthcare (-3.7%) and office and leisure (-0.8%)**
- **Considering today's result, we expect consumption to remain strong in coming months, remaining as a key driver for GDP in 2023. However, risks remain, particularly as external volatility has picked up recently**

Acceleration in sales at the start of 2023. Retail sales rose 5.3% y/y, above consensus (3.2%) but closer to our estimate (4.4%). In our view, sales were supported by several factors, including: (1) Strong fundamentals, noting job gains and an acceleration in wages as the latest minimum wage hike came into force; (2) higher social programs' payments, disbursing higher amounts to low-income families; and (3) resilience in economic activity. However, we do identify challenges stemming from higher prices, with turn-of-the-year adjustments staying high relative to their historical averages, worsening the January crunch that families usually experience. Nevertheless, strength took the upper hand, with overall results consistent with positive timely signals.

Relevant sequential acceleration, adding two months of improvements. Sales grew 1.6% m/m, building up on December's 0.3%. In our view, this is consistent with early signs, such as ANTAD sales (both same-stores and all-stores) and still high levels across in sentiment indicators, mainly IMEF's non-manufacturing PMI (at 52.6pts). As such, sales have now more than made up for November's loss (-0.2%) and seem to be consolidating their upward trend –albeit still waiting for additional information to be certain– after consolidating throughout the second half of 2022.

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



Source: INEGI, Banorte

Seven of nine categories improved, supporting the result. Gains centered in clothing and shoes (6.7% m/m) and vehicles and fuel (5.9%). Within the latter we highlight autos (9.2%) –outpacing AMIA's gains–, but with fuels also strong (4.3%). Other sectors with notable gains included appliances and computers (4.8%), and internet sales (2.6%). Within supermarket and departmental stores (1.2%), the former outperformed at 2.9%. Lastly, declines materialized only in healthcare products (-3.7%) and office and leisure (-0.8%).

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

	% m/m			% 3m/3m
	Jan-23	Dec-22	Nov-22	**Nov'22-Jan'23**
Retail sales	1.6	0.3	-0.2	1.0
Food, beverages, and tobacco	0.6	-1.0	0.2	-0.7
Supermarket, convenience, and departmental stores	1.2	-0.3	0.4	0.7
Clothing and shoes	6.7	1.4	-0.4	2.9
Healthcare products	-3.7	-0.2	0.6	1.5
Office, leisure, and other personal use goods	-0.8	1.6	2.2	2.2
Appliances, computers, and interior decoration	4.8	-3.5	2.1	1.4
Glass and hardware shop	0.3	4.5	-2.9	0.4
Motor Vehicles, auto parts, fuel and lube oil	5.9	0.4	-2.0	1.2
Internet sales	2.6	3.7	-1.9	1.8

Source: INEGI

Strength in consumption at the turn of the year, expecting it to remain as a key driver of growth in 2023. We believe that the result is consistent with the narrative of strength at the start of the year, quite positive considering a challenging outlook. In this backdrop, short-term data has been mixed at the margin. ANTAD sales decelerated, with same-store sales back to negative at -1.0% y/y in real terms –its first contraction since November. Meanwhile, vehicle sales according to AMIA kept growing, up 2.9% m/m (using our in-house model). Nevertheless, transactions with credit and debit cards according to Banxico point to a rebound, suggesting some strength. In addition, price pressures eased in February –and even more at the beginning of March–, which could help families' real disposable income.

As such, we believe consumption –and in the same sense, retail sales– is consolidating its position as one of the main drivers for GDP this year. This is increasingly relevant as risks from abroad are gathering importance, now related to financial stability in the US and European banking sectors. This turmoil has led some market participants to increase their conviction about a recession in the short-term. Nevertheless, in our view the sector remains in a favorable position. We believe support will remain driven by fundamentals, noting: (1) Low labor market slack, expecting job growth to continue in coming months along with positive wages; (2) dynamism in remittances, with the US labor market still very healthy; (3) the continuation and growth in social programs' transfers; and (4) constant growth in consumer loans.

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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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