

Retail sales extend their upward trend for a tenth consecutive month in May

- **Retail sales (May): 5.2% y/y; Banorte: 4.8%; consensus: 4.3% (range: 2.5% to 5.4%); previous: 4.6%**
- **Retail sales grew 0.5% sequentially, stringing ten consecutive months higher. Overall, we think that progress continues to be driven by fundamentals, and to a lesser extent by some discounts in the period**
- **At the sector level, performance was skewed upwards. The most important increases were in office and leisure (2.4%) and glass and hardware shops (1.7%). Meanwhile, the only item down was appliances, computers, and interior decoration (-1.0%)**
- **Timely figures point to a slight moderation in economic activity towards the end of 2Q22. Along with other negative developments, this could result in a slight drop in sales. However, we do not rule out that dynamism in some consumption fundamentals could help offset for these factors**

Retail sales grow 5.2% y/y in May. This was higher than the consensus (4.3%) but closer to our estimate (4.8%). It is worth mentioning that the period had an additional working day in the annual comparison, leading to a more modest result with seasonally adjusted figures (+4.9% y/y). In our opinion, the result was driven by sales related to Mother's Day and a week of discounts (*Hot Sale* campaign) towards the end of the month. An additional boost comes from better virus conditions—higher mobility and stability in contagions, remembering that the fifth wave began until June—. However, we still believe that further progress is being limited by [higher inflation](#).

Sequential expansion continues. Retail sales increased 0.5% m/m, keeping the pace of the previous month (which was revised upwards). In our opinion, this is very positive considering accumulated gains of the past nine months. Based on our analysis of consumer fundamentals, we believe growth is justified by a [solid inflow of remittances](#), an improvement in real wages, as well as progress in [consumer credit](#). On the other hand, some factors may be limiting an acceleration, such as: (1) High inflation, especially in food items; (2) a [drop in employment](#); and (3) an additional month without social programs' payments (due to the electoral ban), set to resume in early July. By sectors, 8 out of 9 advanced. Specifically, strength centered on office and leisure (2.4%), glass and hardware (1.7%), and healthcare products (1.6%), with the latter rebounding after a strong fall in the previous month. Meanwhile, internet sales rose 1.3%, likely boosted by the *Hot Sale* campaign. On the contrary, the only sector lower was appliances, computers, and interior decoration at -1.0%. In vehicles and fuel (1.3%) we note a string of 15 months higher, with auto sales rising 3.4%—consistent with AMIA figures— but with a 1.1% contraction in gasoline sales—contrasting with Pemex data—. Lastly, supermarket and departmental stores rose 1.5%, with strength centered in the former (+4.3%).

July 21, 2022

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

Winners of the award for best
economic forecasters for Mexico in
2021, granted by *Refinitiv*



Document for distribution among the
general public

Retail sales

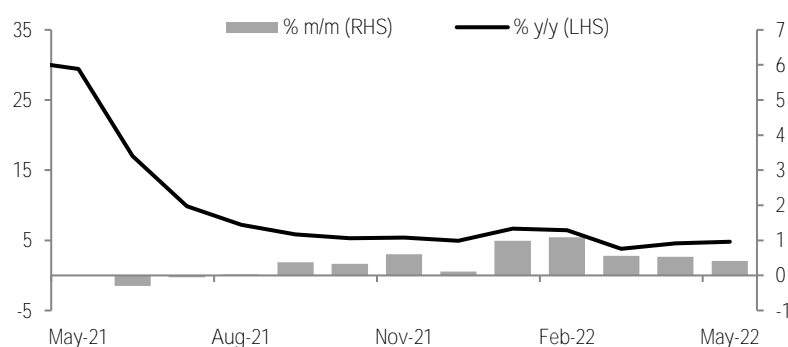
% m/m sa; % 3m/3m sa

| | % m/m | | % 3m/3m | |
|---|--------|--------|---------|------------|
| | May-22 | Apr-22 | Mar-22 | Mar-May'22 |
| Retail sales | 0.5 | 0.5 | 0.6 | 2.2 |
| Food, beverages, and tobacco | 0.6 | -0.5 | 0.9 | 0.9 |
| Supermarket, convenience, and departmental stores | 1.5 | 0.3 | 0.1 | 1.9 |
| Clothing and shoes | 0.5 | 0.5 | -1.3 | 1.4 |
| Healthcare products | 1.6 | -3.8 | 0.2 | -4.4 |
| Office, leisure, and other personal use goods | 2.4 | -2.4 | 2.6 | 0.5 |
| Appliances, computers, and interior decoration | -1.0 | 2.1 | 2.1 | 5.4 |
| Glass and hardware shop | 1.7 | -2.1 | 2.0 | 2.2 |
| Motor Vehicles, auto parts, fuel and lube oil | 0.7 | 2.2 | 1.8 | 6.0 |
| Internet sales | 1.3 | -2.2 | 2.6 | -3.5 |

Source: INEGI

Retail sales

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



Source: INEGI, Banorte

Deterioration in the balance of risks in the short-term. At the end of the first half of the year, timely data signals an economic moderation which will likely impact domestic consumption. Regarding hard data, ANTAD sales in real terms were mixed, with total-sales at +2.1% (previous: 5.5%) but same-store sales at -0.1% (previous: 3.4%), negative for the first time since August 2021. Similarly, AMIA reported that vehicle sales reached 90.4 thousand units, which translates to -2.6% m/m (calculated with an internal adjustment model). In addition, [inflation kept climbing, reaching levels not seen since 2001](#), with large pressures still in the core component and higher risks of a larger contamination of expectations for coming periods. On the supply side, [IMEF's non-manufacturing PMI](#) had a second month lower, noting weakness in 'new orders' and 'production' despite a drop in some commodity prices (*e.g.* energy and metals). Finally, an additional negative driver could be the increase in contagions (triggering a fifth wave), although in this case we anticipate a more modest impact on mobility and activity compared to previous waves.

Towards 2H22, we believe the outlook will remain challenging both locally and globally. Internally, the main risk continues to be price pressures. According to our estimates, the peak of this inflationary cycle could be reached around August. In this context, we expect Banxico to keep increasing its reference rate in the four remaining decisions of the year. These two factors may have implications on sales in the face of possible changes in household consumption patterns. Regarding external factors, we take the behavior of US domestic demand with caution given market fears of a possible recession or slowdown.

On the other hand, the intensification of lockdowns in some Chinese cities and the continuation of the war in Ukraine may translate into new disruptions for international trade and global production, involving shortages and/or increases in input prices that may be transferred to final consumers.

We do not rule out that retail sales will continue to grow, mainly driven by fundamentals. On one hand, employment managed to maintain a positive trend (despite a decline in May, but with positive signs for June). Meanwhile, consumer credit appears solid and shows no signs of slowing down. Finally, despite previously mentioned concerns about a possible US recession, employment remains be favorable, including for Mexican migrants, which could mean that remittances could keep contributing to domestic households' income.

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 Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Miguel Alejandro Calvo Domínguez, Daniela Olea Suárez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Oscar Rodolfo Olivios Ortiz, Daniel Sebastián Sosa Aguilar and Salvador Austria Valencia 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.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

| | Reference |
|-------------|---|
| BUY | When the share expected performance is greater than the MEXBOL estimated performance. |
| HOLD | When the share expected performance is similar to the MEXBOL estimated performance. |
| SELL | When the share expected performance is lower than the MEXBOL estimated performance. |

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V, since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.

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 |
| Katía Celina Goya Ostos | Director of Economic Research, Global | katia.goya@banorte.com | (55) 1670 - 1821 |
| Yazmin Selene Pérez Enríquez | Senior Economist, Mexico | yazmin.perez.enriquez@banorte.com | (55) 5268 - 1694 |
| 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 Thalia 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 |
| Oscar Rodolfo Olivos Ortiz | Analyst | oscar.olivos@banorte.com | (55) 1103 - 4000 |
| Corporate Debt | | | |
| Hugo Armando Gómez Solís | Senior Analyst, Corporate Debt | hugo.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.cebillos@banorte.com | (55) 5004 - 1282 |
| Alejandro Eric Faesi Puente | Head of Global Markets and Institutional Sales | alejandro.faes@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 |