

## Other Retail Segment Plummets in August

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- **Broad retail sales posted a weak August figure, fully giving back the previous (surprising) gain.** The headline index retreated 2.5% MoM-sa, well below market consensus (-0.5%) and our estimate (-0.9%). Regarding the core index (ex building material and vehicles sales), sales were down 3.1% (consensus at +0.6%), also giving back the previous gain. Despite the steep decline, August's figure still places the core index above the pre-pandemic mark (up 2.2%), while the broad index stands virtually at its pre-crisis mark.
- **Zooming in on the details, this drop reflects the plummet seen in Other Retail segment (down 16%).** This segment, which includes various heterogeneous goods like jewelry, watches, and bicycles, among others, posted steep (and unexpected) growth in July (up 19.1%), partially giving back this gain in August. Supermarkets also posted a weak figure (down 0.9%), while Vehicles showed resilience, expanding 0.7% and likely reflecting healthy figures in auto parts and used cars sales. Credit-led segments like Furniture and Building Materials decreased, in line with credit granted to households' tepid figure.
- In quarterly terms, August's figure implies a -0.7% carryover for 3Q21, in line with our scenario of a tepid figure for the Goods sector in the quarter, as consumption gradually shifts toward a pre-pandemic pattern, with the predominance of services. Moreover, based on IGet data (our proprietary indicator) and Fenabrave's car sales data, our tracking for broad retail sales in September points to a slight increase of 0.2% MoM-sa (-2.1% YoY). **Regarding August IBC-Br, we are keeping our tracking at +0.1% MoM-sa, which imparts downside risks to our current 3Q21 GDP projection (+0.7% QoQ-sa).**

Figure 1 – Retail Sales Breakdown

Weights	Jun-21			Jul-21			Aug-21		
	% MoM	% YoY	% QoQ	% MoM	% YoY	% QoQ	% MoM	% YoY	% QoQ
<b>66.9% Core Retail Sales</b>	<b>-1.1</b>	<b>6.3</b>	<b>2.7</b>	<b>2.7</b>	<b>5.8</b>	<b>3.6</b>	<b>-3.1</b>	<b>-4.2</b>	<b>1.9</b>
8.3% Fuels	-0.8	11.8	2.5	-0.7	6.6	5.6	-2.4	0.4	3.1
30.6% Hypermarkets, supermarkets	-0.5	-3.1	1.0	0.0	-1.7	0.4	-0.9	-4.6	-0.8
6.2% Fabrics, clothing and footwear	-2.4	61.4	15.5	2.0	42.0	15.0	1.1	1.0	10.5
7.4% Furniture and home appliances	1.1	-5.4	7.0	-1.6	-12.0	5.8	-1.3	-19.8	5.8
5.1% Pharmaceutical	0.4	13.2	-0.9	0.1	4.9	-0.8	0.2	6.5	-0.1
0.9% Books, papers and magazine	4.8	17.2	13.7	-5.9	-23.3	8.2	-1.0	1.6	4.8
0.6% Office equipment and supplies	-4.2	3.7	2.2	-0.1	-5.1	2.5	-4.7	-9.1	-1.1
7.8% Other	0.3	22.7	7.1	19.1	36.9	14.2	-16.0	-1.7	13.3
<b>100% Broad Retail Sales</b>	<b>-2.4</b>	<b>11.5</b>	<b>2.8</b>	<b>1.1</b>	<b>7.1</b>	<b>2.7</b>	<b>-2.5</b>	<b>0.0</b>	<b>0.8</b>
8.9% Building Materials	-3.9	5.4	2.0	-2.4	-4.7	1.0	-1.3	-7.1	-2.1
24.2% Vehicles	-0.2	32.9	7.1	0.3	17.9	5.9	0.7	16.8	7.0

Sources: IBGE, Santander.

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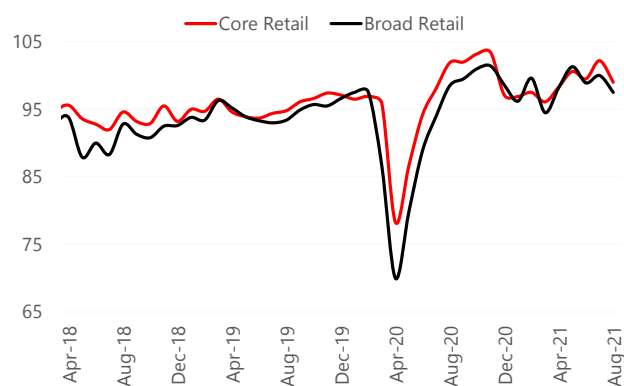


**Broad activity posted a weak August figure, giving back the previous growth.** Following the surprisingly positive figure in July (1.1%), the headline index retreated 2.5% MoM-sa, fully giving back the previous expansion. This result was considerably below the market consensus (-0.5%) and our estimate (-0.9%), reinforcing the cumulated contraction of broad retail sales seen since June. Regarding the core index (which excludes Building Materials and Vehicles sales), sales were down 3.1%, well below the market consensus of +0.6% and fully giving back the previous expansion (2.7%). Compared with the pre-crisis mark (February 2020), the core index still stands above it (up 2.2%), while the broad index virtually returned to it due to August's drop. In quarterly terms, August's results imply carryovers of 1.1% and -0.7% for 3Q21 for core and broad retail sales, respectively, in line with our scenario of a tepid figure for the Goods sector, as household consumption shifts toward a pre-pandemic pattern with predominance of services.

**Zooming in on the details, August's figure stems mainly from partial devolution in the Other Retail segment.** Following the steep growth seen in the Other Retail segment in July (up 19.1%, reaching all-time high levels), August's weak figure reflects mainly the partial devolution of this segment (down 16%), which was the major contributor to the monthly drop and includes various heterogeneous goods like jewelry, watches, and bicycles. Supermarkets (-0.9%) and credit-led segments like Furniture and Building Materials (both down 1.3%) also posted weak figures, with the last two segments posting figures in line with the tepid result of household credit granting. Conversely, Vehicles showed resilience (again) amid disruption in the supply chain in auto factories, reflecting healthy figures in the remaining autoparts and used vehicles sales also captured in the survey.

Looking ahead, based on IGet data (our proprietary indicator) and Fenabreve's car sales data, our tracking for broad retail sales in September points to a slight increase of 0.2% MoM-sa (-2.1% YoY)<sup>1</sup>. **Regarding August IBC-Br, we are keeping our tracking at +0.1% MoM-sa, which imparts downside risks to our current 3Q21 GDP projection (+0.7% QoQ-sa). Indeed, our tracking stands at +0.5% QoQ-sa. For details on Santander's activity outlook, please refer to our last chartbooks<sup>2</sup>.**

Figure 2.A – Retail Sales (sa, 2014=100)



Sources: IBGE, Santander.

Figure 2.B – Retail Sales Breakdown (sa, MoM %)



Sources: IBGE, Santander.

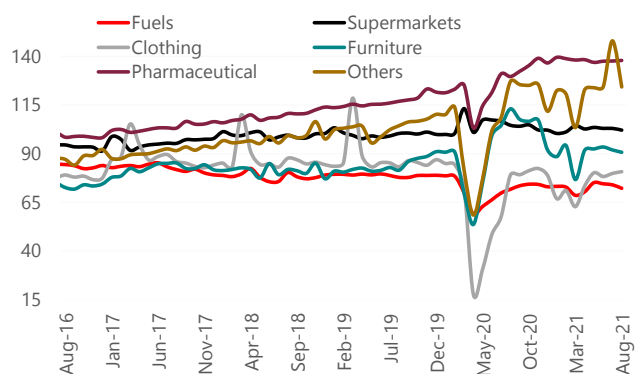
<sup>1</sup> Santander Brazil Economic Activity - "IGet: Varejo Arrefece no 3T21" – October 05, 2021 – Available (in Portuguese) on: <https://bit.ly/Std-IGET-set21>

<sup>2</sup> Santander Brazil Economic Activity - "Chartbook – Downgrading the Estimate for 2022" – September 20, 2021 – Available on: <https://bit.ly/Std-chart-econact-set21>

Santander Brazil Economic Activity - "Chartbook – Eyeing a Higher Consumer Indebtedness" – September 24, 2021 - Available on: <https://bit.ly/Std-chart-credit-set21>

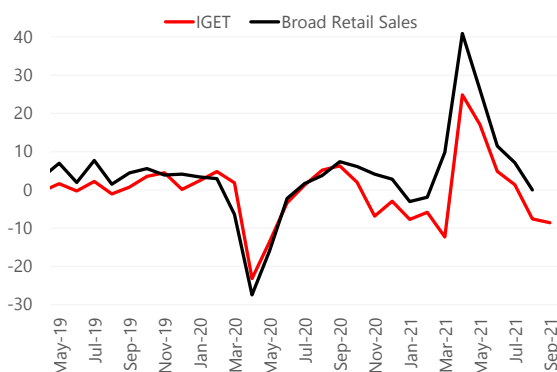


Figure 3.A – Core Retail Sales (sa, 2011=100)



Sources: IBGE, Santander.

Figure 3.B – IGET x Broad Retail Sales (nsa, YoY%)



Sources: IBGE, Santander.

Figure 4 – “Heatmap” Showing Retail Sales by Component

Retail Sales (% MoM sa)												
	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21
<b>Core Retail Sales</b>	0.10	1.18	0.19	-6.09	-0.21	0.62	-1.44	2.29	2.34	-1.09	2.71	-3.13
Fuels	2.51	1.09	-0.13	-1.62	0.27	-0.55	-5.77	2.62	6.68	-0.80	-0.67	-2.43
Hypermarkets, supermarkets	-0.48	0.67	-2.48	-0.10	-1.67	0.80	3.16	-1.63	0.78	-0.48	0.00	-0.87
Fabrics, clothing and footwear	0.13	2.65	1.35	-4.25	-15.23	6.29	-11.69	16.91	9.28	-2.37	2.05	1.13
Furniture and home appliances	-4.78	-0.93	0.56	-14.27	-3.70	6.44	-18.58	19.56	0.76	1.08	-1.61	-1.31
Pharmaceutical	2.08	2.27	2.73	-1.73	2.12	-0.50	-0.50	0.14	-1.01	0.44	0.07	0.22
Office equipment and supplies	-0.40	2.56	0.53	-6.41	1.82	-0.69	-10.24	9.71	2.95	-4.23	-0.14	-4.71
Books, papers and magazine	4.64	3.75	26.32	-16.67	-25.00	12.92	-3.32	8.02	2.83	4.81	-5.90	-1.05
Others	-1.26	-0.32	0.40	-10.99	9.48	-1.47	-14.26	18.76	0.90	0.32	19.07	-16.01
<b>Broad Retail Sales</b>	1.02	1.51	0.40	-2.76	-2.43	3.53	-5.12	3.92	3.16	-2.37	1.11	-2.50
Building material	1.92	-1.64	-2.00	-1.87	-0.52	1.30	-7.20	6.10	3.05	-3.89	-2.37	-1.26
Vehicles	5.01	4.43	3.05	-2.85	-4.24	8.63	-19.75	20.31	1.19	-0.21	0.32	0.75

Sources: IBGE, Santander.



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