

## A Positive Surprise, Driven by Supermarkets

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- **Broad retail sales surprised positively in March.** The headline index declined by 5.3% MoM-sa, a much better result than the steep tumble expected by the market (-11.5%). Regarding core retail sales (ex auto and construction materials), the index posted a slight decrease of 0.6%, while the consensus was at -5.1%. In comparison to the pre-crisis period (February 2020), the headline broad index is running 3.6% below that mark.
- **March's resilient figure was mainly driven by Supermarkets, whose solid growth partially mitigated the sharp tumble in the credit-led segments.** As they are considered an essential activity, Supermarkets showed resilience during the pandemic's resurgence, expanding by 3.3% in March. Furniture and Vehicles stood out on the negative side, retreating by 22% and 20%, respectively, while Clothing also posted a sharp decrease (41.5%). In the details, nine of the ten segments that form broad retail sales showed monthly declines.
- **Going forward, our proprietary indicator (IGet) already points to a rebound of broad retail sales in April.** Moreover, vehicle sales (per Fenabrave) sharply expanded in April. Based on this information set, our tracking of broad retail sales for April stands at +12.3% MoM-sa (41.1% YoY).

Figure 1 – Retail Sales Breakdown

	Jan-21			Feb-21			Mar-21		
	% MoM	% YoY	% QoQ	% MoM	% YoY	% QoQ	% MoM	% YoY	% QoQ
<b>Core Retail Sales</b>	<b>-0.2</b>	<b>-0.3</b>	<b>-3.6</b>	<b>0.5</b>	<b>-3.9</b>	<b>-5.9</b>	<b>-0.6</b>	<b>2.4</b>	<b>-4.3</b>
Fuels	0.1	-7.8	-0.1	-0.8	-10.6	-1.9	-5.3	-1.4	-3.4
Hypermarkets, supermarkets	-1.8	1.2	-2.8	0.7	-4.6	-2.5	3.3	-3.9	-1.2
Fabrics, clothing and footwear	-8.3	-21.3	-3.9	7.5	-18.8	-11.7	-41.5	-12.0	-23.8
Furniture and home appliances	-11.4	-5.2	-9.3	9.9	0.6	-8.0	-22.0	11.9	-14.3
Pharmaceutical	2.3	12.9	4.8	-0.4	8.8	2.6	-0.1	12.1	1.9
Books, papers and magazine	-24.0	-53.2	10.7	24.6	-41.0	-10.7	-19.1	-19.6	-21.1
Office equipment and supplies	1.7	-13.5	-1.7	-0.8	-10.2	-4.7	-4.5	0.9	-4.7
Other	7.6	9.8	-6.9	-2.5	2.0	-7.9	-5.9	29.9	-4.4
<b>Broad Retail Sales</b>	<b>-2.3</b>	<b>-3.1</b>	<b>-1.1</b>	<b>3.2</b>	<b>-1.9</b>	<b>-2.8</b>	<b>-5.3</b>	<b>10.1</b>	<b>-3.9</b>
Building Materials	-1.0	11.1	-6.0	2.4	18.1	-5.0	-5.6	33.4	-3.7
Vehicles	-4.3	-15.5	4.4	8.9	-3.6	0.6	-20.0	27.6	-6.4

Sources: IBGE, Santander.

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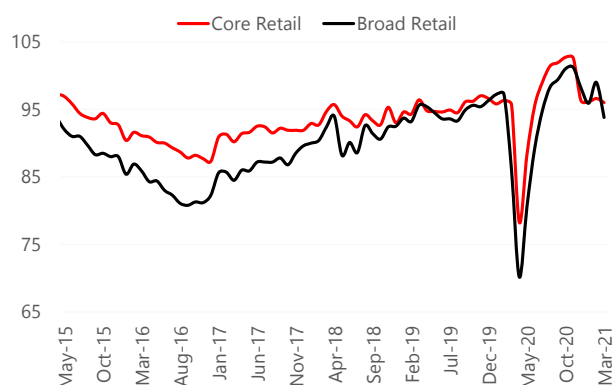


**Retail activity positively surprised in March, mainly due to Supermarkets.** The headline index retreated by 5.3% MoM-sa, a much better result than the steep slump expected by the market (-11.5%). Regarding the core index (which excludes auto sales and construction materials), the index posted a slight decrease of 0.6%, while the consensus was at -5.1%. The main explanation for the gap between actual figures and expectations is the figure for Supermarkets. Since they are considered an essential activity, Supermarkets showed considerable resilience during the worst periods of the pandemic's resurgence, even in an environment with lower disposable income.

**In quarterly terms, the broad index ended 1Q21 with a sharp contraction.** The index posted a 3.9% drop QoQ-sa (up by 3.2% in 4Q20), and in comparison to the pre-crisis period (February 2020), the headline index is running 3.6% below that mark. Looking ahead, March's figure implies a substantial negative carryover of -2.5% to 2Q21.

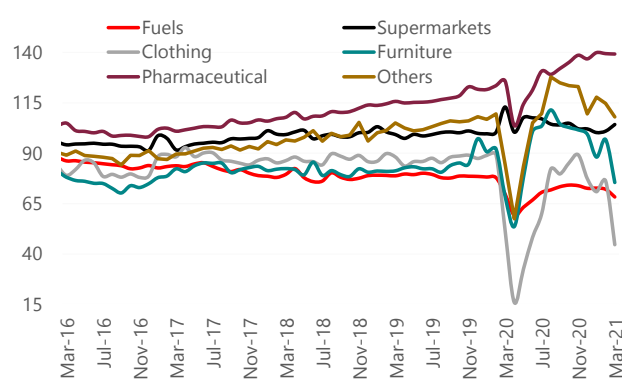
**Despite the lower than expected decline, the drop was widespread across segments.** Sales retreated in nine of the ten segments that form broad retail sales. Furniture and Vehicles stood out, retreating by 22% and 20%, respectively, while Clothing also posted a sharp decrease (41.5%). The breakdown highlights that the figure for Supermarkets partially mitigated the hard impact of the plummet in credit-led segments.

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



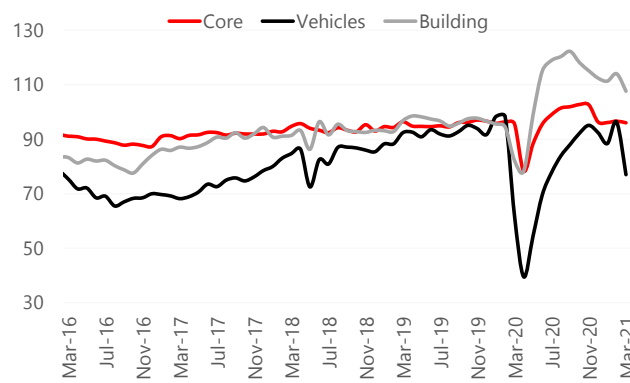
Sources: IBGE, Santander.

Figure 2.B – Core Retail Sales (sa, 2011=100)



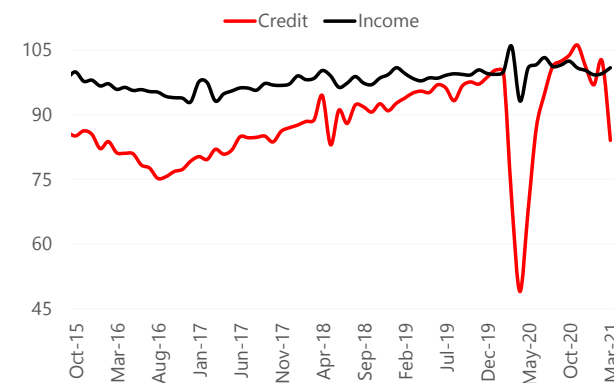
Sources: IBGE, Santander.

Figure 3.A – Broad Retail Sales (sa, 2014=100)



Sources: IBGE, Santander.

Figure 3.B – Sensitivity Analysis (sa, 2011=100)



Sources: IBGE, Santander.



Going forward, our proprietary indicator (IGet) already points to an expansion of broad retail sales in April. Mobility seems to be recovering faster than expected, which we think may indicate that there were some tailwinds for retail sales in April. In addition to this positive outlook, vehicle sales sharply expanded in April, according to Fenabrave. Based on this information set, our tracking of broad retail sales for April stands at +12.3% MoM-sa (41.1% YoY). [See link below](#)<sup>1</sup>.

We forecast a stable GDP in 1Q21 (+0.2% QoQ-sa). The upsurge in the pandemic was more intense in March, which led to the adoption of tighter social distancing measures on a national basis and to tertiary sectors being hard hit. Even considering this scenario, we expect stable 1Q21 GDP, but with sequential deterioration in 2Q21 (-0.6% QoQ-sa). For details on Santander's economic activity scenario, please refer to our latest chartbook<sup>2</sup>.

Figure 4 – “Heatmap” Showing Retail Sales Trend by Component

Retail Sales (% 3MMA sa)													
	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
<b>Core Retail Sales</b>	-0.31	-6.08	-2.96	-0.08	7.90	4.63	2.16	1.22	0.39	-1.82	-2.19	-2.03	-0.10
Fuels	-3.75	-8.37	-7.10	-1.51	5.97	4.29	3.15	1.67	0.96	-0.36	-0.68	-0.82	-1.98
Hypermarkets, supermarkets	4.37	0.26	2.33	-1.68	2.09	-0.99	-1.10	-0.70	-0.73	-0.64	-1.49	-0.39	0.73
Fabrics, clothing and footwear	-13.44	-31.71	-36.24	-3.50	45.45	35.37	16.56	11.41	2.87	-0.94	-5.68	-5.48	-14.57
Furniture and home appliances	-10.17	-14.75	-6.67	16.03	21.48	11.91	1.20	-0.22	-3.10	-1.68	-4.84	-1.66	-8.41
Pharmaceutical	1.12	-4.83	-2.61	-1.31	7.96	4.04	2.81	1.12	2.40	1.18	1.17	0.19	0.58
Office equipment and supplies	-13.60	-27.60	-34.66	-4.50	34.51	13.02	0.89	-5.93	13.54	3.39	-5.67	-8.43	-8.63
Books, papers and magazine	-5.33	-13.66	-10.94	-0.87	15.24	8.53	2.84	0.68	1.12	-1.20	-1.57	-2.01	-1.21
Others	-7.24	-16.38	-10.41	9.09	21.19	14.93	5.78	3.84	-1.25	-4.15	-1.60	-2.37	-0.44
<b>Broad Retail Sales</b>	-3.54	-9.63	-6.59	1.35	10.25	6.69	3.61	2.12	0.97	-0.40	-1.70	-0.75	-1.50
Building material	-4.99	-6.35	1.69	12.61	13.90	6.46	2.03	-0.22	-1.44	-2.76	-1.97	-0.32	-1.42
Vehicles	-10.23	-22.72	-21.95	4.74	23.43	14.62	8.00	5.76	4.24	1.56	-1.36	0.43	-5.56

Sources: IBGE, Santander.

<sup>1</sup> Santander Brazil Economic Activity - “IGET Abril: Uma recuperação no começo do trimestre” – May 06, 2021 - Available (in Portuguese) on: <http://bit.ly/Std-iget-abril>

<sup>2</sup> Santander Brazil Economic Activity - “Chartbook - Lingering Impacts to Keep Recovery at a Slow Pace” – April 13, 2021- Available on: <http://bit.ly/STD-chartbook-Act-apr21>



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