

Widespread Retail Sales Growth despite Negative Headline Surprise

Gabriel Couto*
gabriel.couto@santander.com.br
+5511 3553 8487

- **Broad retail sales surprised negatively in May: the headline index climbed 3.8% MoM-sa, below market consensus (+4.7%) and our call (+5.5%).** Regarding core retail sales (ex auto and building materials), the index also was below both consensus (+2.3%) and our call (+2.9%), expanding 1.4% MoM-sa.
- **Zooming in on the details, we see that this growth was widespread,** with nine out of ten retail segments posting monthly gains. The negative surprise was mainly due to the supermarket segment, which posted 1.0% MoM-sa growth — not enough to offset April's drop (-1.4% MoM-sa) despite the introduction of a new round of Emergency Aid. We highlight the growth in clothing (+16.8%), fuels (+6.9%), and building (+5.0%). Vehicles posted 1.0% MoM-sa growth, after considerable gains in April (+20.3%).
- **Looking ahead, our proprietary indicator (IGet) points broad retail sales sequentially falling in June, mainly driven by supermarkets and clothing.** Moreover, according to Fenabrave (Brazil's National Federation of Automotive Vehicle Distribution) vehicle sales also dropped in June. Based on this information set, our tracking of broad retail sales for June stands at -0.6% MoM-sa (15.4% YoY).

Figure 1 – Retail Sales Breakdown

	Mar-21			Apr-21			May-21		
	% MoM	% YoY	% QoQ	% MoM	% YoY	% QoQ	% MoM	% YoY	% QoQ
Core Retail Sales	-3.0	2.2	-3.7	4.9	23.6	-1.1	1.4	15.9	1.4
Fuels	-5.5	-1.4	-2.9	2.9	19.4	-3.5	6.9	19.6	-1.7
Hypermarkets, supermarkets	3.3	-3.9	-1.0	-1.4	-1.8	1.3	1.0	-4.1	2.6
Fabrics, clothing and footwear	-7.8	-14.7	-13.5	6.2	300.7	-8.4	16.8	165.3	1.7
Furniture and home appliances	-18.8	11.8	-13.0	19.0	71.1	-7.0	0.6	22.5	-6.0
Pharmaceutical	-0.5	11.8	1.6	0.1	34.0	0.2	-1.4	18.9	-0.5
Books, papers and magazine	-4.8	-19.6	-23.0	8.5	96.0	-13.2	1.4	59.3	-0.4
Office equipment and supplies	-10.8	-0.5	-6.3	11.5	46.7	-5.3	3.3	32.7	-2.6
Other	-15.1	30.1	-6.7	22.5	104.6	-3.3	6.7	59.7	2.9
Broad Retail Sales	-9.1	9.8	-4.1	5.4	40.9	-2.4	3.8	26.1	-2.3
Building Materials	-11.9	33.4	-2.6	8.2	44.3	-2.5	5.0	25.6	-3.3
Vehicles	-19.8	27.0	-6.6	20.3	131.6	-3.7	1.0	71.8	-4.9

Sources: IBGE, Santander.

Retail activity negatively surprised in May but still posted solid growth. The broad retail index climbed 3.8% MoM-sa, below median expectations (4.7%) and our call (5.5%). This positive figure comes on the heels of the previous increase (+5.4% in April, revised up from +3.8%). Regarding the core index (which excludes auto sales and building materials), the index expanded 1.4% — also below both market consensus and our expectation (+2.3% and +2.9%, respectively). Following April's growth, both indexes are still running above the pre-pandemic mark: up at 1.6% and 3.9% since February 2020, for broad and core sales, respectively. In quarterly terms, May's figures imply carryovers of 3.0% and 4.1%, respectively.

IMPORTANT DISCLOSURES/CERTIFICATIONS ARE IN THE "IMPORTANT DISCLOSURES" SECTION OF THIS REPORT.

U.S. investors' inquiries should be directed to Santander Investment at (212) 350-0707.

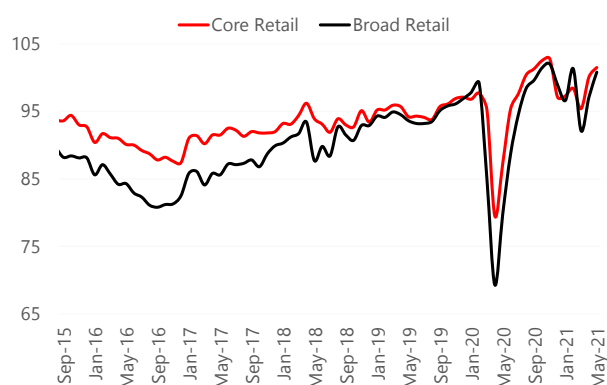
*Employed by a non-US affiliate of Santander Investment Securities Inc. and is not registered/qualified as a research analyst under FINRA rules.



Zooming in on the details: widespread growth, despite the negative headline surprise. Nine of the ten retail categories posted monthly gains, with income-led segments driving May's growth (+1.6% MoM-sa), as credit-led segments also posted solid expansion (+0.9% MoM-sa). The supermarket segment was primarily responsible for the negative surprise, as the 1.0% MoM-sa growth was insufficient to offset April's drop (-1.4%) despite the introduction of a new round of the Emergency Aid. We highlight growth in clothing (+16.8%), fuels (+6.9%), and building (+5.0%). Vehicles posted 1.0% MoM-sa growth, after considerable gains in April (+20.3%).

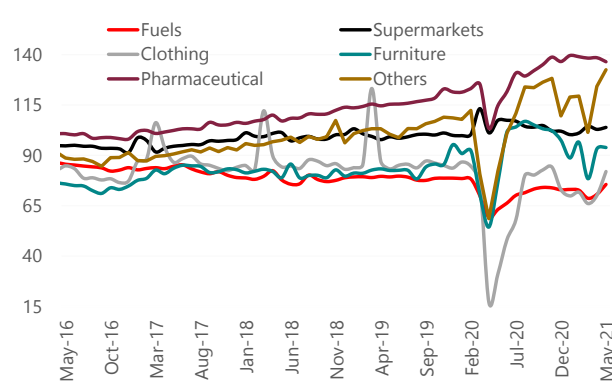
Looking ahead, our proprietary indicator (IGet) points to a sequential drop of broad retail sales in June, mainly driven by supermarkets and clothing. Moreover, according to Fenabrave, vehicle sales also dropped in June. Based on this information set, our tracking of broad retail sales for June stands at -0.6% MoM-sa (15.4% YoY). For core retail sales, our tracking indicates near stability (+0.1% MoM-sa). **For details on Santander's economic activity scenario, please refer to our last chartbook¹.**

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



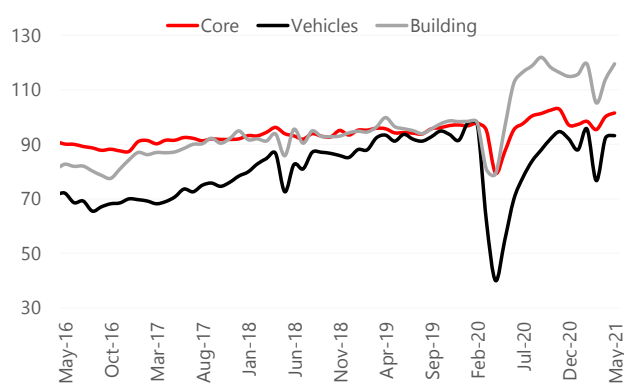
Sources: IBGE, Santander.

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



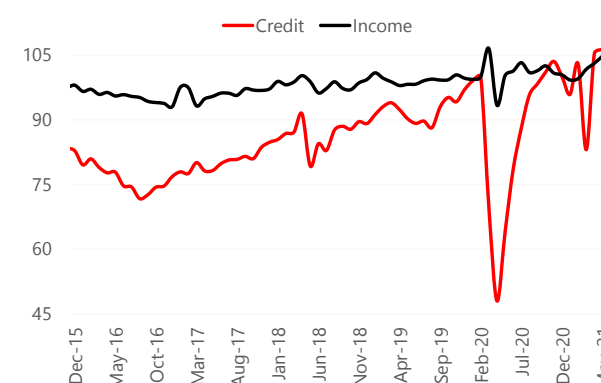
Sources: IBGE, Santander.

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



Sources: IBGE, Santander.

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



Sources: IBGE, Santander.

¹ Santander Brazil Economic Activity - "Chartbook – Better Outlook Due to Mobility and Commodities" – July 6, 2021- <https://bit.ly/Std-chart-econact-jul21>



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

Retail Sales (% 3MMA sa)												
	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21
Core Retail Sales	0.04	6.91	4.71	2.05	1.64	0.79	-1.37	-1.72	-1.48	-0.58	0.96	1.05
Fuels	-1.92	5.77	4.16	3.37	1.81	1.10	-0.18	-0.45	-0.55	-1.92	-1.12	1.37
Hypermarkets, supermarkets	-1.80	1.84	-0.93	-1.07	-0.70	-0.73	-0.64	-1.46	-0.33	0.79	0.85	0.91
Fabrics, clothing and footwear	-22.65	42.58	35.69	17.23	11.31	1.69	-2.91	-5.38	-5.50	-3.22	0.14	4.95
Furniture and home appliances	15.37	21.36	10.69	1.12	-0.28	-1.49	-2.45	-4.79	-1.98	-6.76	1.75	-0.97
Pharmaceutical	-1.11	8.10	4.00	2.75	1.07	2.37	1.11	1.10	0.05	0.41	-0.26	-0.60
Office equipment and supplies	-6.04	35.75	12.14	0.87	-6.55	11.94	2.77	-6.29	-11.50	-7.10	5.57	1.60
Books, papers and magazine	0.70	14.98	8.79	2.88	0.68	1.17	-1.11	-1.43	-1.77	-3.19	-0.38	0.96
Others	9.12	21.59	14.22	6.73	4.32	1.12	-3.70	-2.00	-2.47	-2.36	1.53	3.80
Broad Retail Sales	1.58	10.61	7.12	3.91	2.36	1.20	-0.23	-1.59	-0.24	-2.29	0.17	-0.17
Building material	12.30	13.01	7.02	2.73	0.50	-0.70	-1.96	-0.74	0.89	-2.77	-0.56	0.03
Vehicles	4.85	23.05	14.48	7.86	5.64	4.09	1.46	-1.44	0.33	-5.55	1.65	-0.91

Sources: IBGE, Santander.



CONTACTS / IMPORTANT DISCLOSURES

Brazil Macro Research

Ana Paula Vescovi*	Chief Economist	anavescovi@santander.com.br	5511-3553-8567
Mauricio Oreng*	Head of Macro Research	mauricio.oreng@santander.com.br	5511-3553-5404
Jankiel Santos*	Economist – External Sector	jankiel.santos@santander.com.br	5511-3012-5726
Ítalo Franca*	Economist – Fiscal Policy	italo.franca@santander.com.br	5511-3553-5235
Daniel Karp Vasquez*	Economist – Inflation	daniel.karp@santander.com.br	5511-3553-9828
Tomas Urani*	Economist – Global Economics	tomas.urani@santander.com.br	5511-3553-9520
Lucas Maynard*	Economist – Economic Activity	lucas.maynard.da.silva@santander.com.br	5511-3553-7495
Felipe Kotinda*	Economist – Credit	felipe.kotinda@santander.com.br	5511-3553-8071
Gabriel Couto*	Economist – Special Projects	gabriel.couto@santander.com.br	5511-3553-8487
Gilmar Lima*	Economist – Modeling	gilmar.lima@santander.com.br	5511-3553-6327

Global Macro Research

Maciej Reluga*	Head Macro, Rates & FX Strategy – CEE	maciej.reluga@santander.pl	48-22-534-1888
Juan Cerruti *	Senior Economist – Argentina	jcerruti@santander.com.ar	54 11 4341 1272
Ana Paula Vescovi*	Economist – Brazil	anavescovi@santander.com.br	5511-3553-8567
Juan Pablo Cabrera*	Economist – Chile	jcabrera@santander.cl	562-2320-3778
Guillermo Aboumrad*	Economist – Mexico	gjaboumrad@santander.com.mx	5255-5257-8170
Piotr Bielski*	Economist – Poland	piotr.bielski@santander.pl	48-22-534-1888
Mike Moran	Head of Macro Research, US	mike.moran@santander.us	212-350-3500

Fixed Income Research

Juan Arranz*	Chief Rates & FX Strategist – Argentina	jarranz@santander.com.ar	5411-4341-1065
Mauricio Oreng*	Senior Economist/Strategist – Brazil	mauricio.oreng@santander.com.br	5511-3553-5404
Juan Pablo Cabrera*	Chief Rates & FX Strategist – Chile	jcabrera@santander.cl	562-2320-3778

Equity Research

Miguel Machado*	Head Equity Research Americas	mmachado@santander.com.mx	5255 5269 2228
Alan Alanis*	Head, Mexico	aalanis@santander.com.mx	5552-5269-2103
Andres Soto	Head, Andean	asoto@santander.us	212-407-0976
Claudia Benavente*	Head, Chile	claudia.benavente@santander.cl	562-2336-3361
Walter Chiarvesio*	Head, Argentina	wchiarvesio@santander.com.ar	5411-4341-1564
Mariana Cahen Margulies*	Head, Brazil	mmargulies@santander.com.br	5511 3553 1684

Electronic

Bloomberg
Reuters

SIEQ <GO>
Pages SISEMA through SISEMZ

This report has been prepared by Santander Investment Securities Inc. ("SIS"; SIS is a subsidiary of Santander Holdings USA, Inc. which is wholly owned by Banco Santander, S.A. "Santander"), on behalf of itself and its affiliates (collectively, Grupo Santander) and is provided for information purposes only. This document must not be considered as an offer to sell or a solicitation of an offer to buy any relevant securities (i.e., securities mentioned herein or of the same issuer and/or options, warrants, or rights with respect to or interests in any such securities). Any decision by the recipient to buy or to sell should be based on publicly available information on the related security and, where appropriate, should take into account the content of the related prospectus filed with and available from the entity governing the related market and the company issuing the security. This report is issued in Spain by Santander Investment Bolsa, Sociedad de Valores, S.A. ("Santander Investment Bolsa"), and in the United Kingdom by Banco Santander, S.A., London Branch. Santander London is authorized by the Bank of Spain. This report is not being issued to private customers. SIS, Santander London and Santander Investment Bolsa are members of Grupo Santander.

ANALYST CERTIFICATION: The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed, that their recommendations reflect solely and exclusively their personal opinions, and that such opinions were prepared in an independent and autonomous manner, including as regards the institution to which they are linked, and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report, since their compensation and the compensation system applying to Grupo Santander and any of its affiliates is not pegged to the pricing of any of the securities issued by the companies evaluated in the report, or to the income arising from the businesses and financial transactions carried out by Grupo Santander and any of its affiliates: Gabriel Couto*. *Employed by a non-US affiliate of Santander Investment Securities Inc. and not registered/qualified as a research analyst under FINRA rules, and is not an associated person of the member firm, and, therefore, may not be subject to the FINRA Rule 2242 and Incorporated NYSE Rule 472 restrictions on communications with a subject company, public appearances, and trading securities held by a research analyst account.

The information contained herein has been compiled from sources believed to be reliable, but, although all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading, we make no representation that it is accurate or complete and it should not be relied upon as such. All opinions and estimates included herein constitute our judgment as at the date of this report and are subject to change without notice.

Any U.S. recipient of this report (other than a registered broker-dealer or a bank acting in a broker-dealer capacity) that would like to effect any transaction in any security discussed herein should contact and place orders in the United States with SIS, which, without in any way limiting the foregoing, accepts responsibility (solely for purposes of and within the meaning of Rule 15a-6 under the U.S. Securities Exchange Act of 1934) for this report and its dissemination in the United States.

© 2021 by Santander Investment Securities Inc. All Rights Reserved.

