

## A Positive Surprise at the Start of 3Q21

Lucas Maynard\*  
 lucas.maynard.da.silva@santander.com.br  
 +5511 3553 7495

- Broad retail sales surprised to the upside in July by expanding 1.1% MoM-sa, beating market consensus and our call (both at -0.5%). Regarding the core index (ex Building Materials and Vehicle sales), sales were up by 1.2% (consensus at +0.5%), with June's figure revised upward to +0.9% (from -1.7%). Both indexes stand above their pre-pandemic levels (up by 2.8% and 5.9%, respectively, since February 2020).
- Zooming in on the details, July's positive surprise stems mainly from the Other retail segment (up 19.1%), which includes various heterogeneous goods like jewelry, watches, and bicycles, among others. Vehicle sales continued to show resilience (up 0.2%), decoupling from the deterioration seen in Fenabrave's light vehicles sales data. Credit-led segments like Furniture and Building Materials retreated at the margin, in line with the decrease seen in credit granted to households.
- Looking ahead, based mainly on our proprietary indicator (IGet), our tracking for broad retail sales in August points to a retreat of 0.4% MoM-sa (+3.1% YoY).

Figure 1 – Retail Sales Breakdown

Weights	May-21			Jun-21			Jul-21		
	% MoM	% YoY	% QoQ	% MoM	% YoY	% QoQ	% MoM	% YoY	% QoQ
<b>66.9%</b> <b>Core Retail Sales</b>	<b>1.3</b>	<b>15.9</b>	<b>1.4</b>	<b>0.9</b>	<b>6.3</b>	<b>4.2</b>	<b>1.2</b>	<b>5.7</b>	<b>4.4</b>
8.3% Fuels	6.5	19.5	-2.0	-0.8	11.8	2.7	-0.3	6.4	5.7
30.6% Hypermarkets, supermarkets	0.8	-4.3	2.4	-0.5	-3.1	1.2	0.2	-1.7	0.6
6.2% Fabrics, clothing and footwear	11.1	165.3	-0.6	-4.3	61.4	15.6	2.8	42.0	15.7
7.4% Furniture and home appliances	1.0	22.7	-4.1	1.5	-5.4	8.1	-1.4	-12.0	6.9
5.1% Pharmaceutical	-0.9	19.5	-0.4	0.4	13.2	-0.9	0.1	4.9	-0.7
0.9% Books, papers and magazine	3.5	59.3	1.2	4.8	17.2	14.8	-5.2	-23.3	9.4
0.6% Office equipment and supplies	3.1	32.7	-3.1	-3.5	3.7	3.1	0.6	-5.6	3.7
7.8% Other	6.3	59.6	0.4	-2.5	22.7	11.7	19.1	36.8	19.3
<b>100%</b> <b>Broad Retail Sales</b>	<b>3.0</b>	<b>26.2</b>	<b>0.0</b>	<b>-2.1</b>	<b>11.5</b>	<b>3.0</b>	<b>1.1</b>	<b>7.0</b>	<b>2.9</b>
8.9% Building Materials	3.0	25.7	-1.6	-3.7	5.4	2.2	-2.3	-4.7	1.2
24.2% Vehicles	1.2	72.3	-4.7	-0.1	32.9	7.2	0.2	17.9	5.9

Sources: IBGE, Santander.

**Broad retail activity surprised to the upside at the start of 3Q21.** The index climbed 1.1% MoM-sa (7.0% YoY), well above market consensus and our estimate (both at -0.5%), but still not enough to fully offset June's decline. Regarding the core index (which excludes Building Materials and Vehicle sales), sales were up 1.2%, with June's figure revised upward to +0.9% from -1.7% due to seasonal adjustment. Compared with the pre-crisis level (February 2020), both indexes remain above that mark, up by 2.8% and 5.9%, respectively, and in quarterly terms, July's figures imply 3Q21 carryover of 0.7% and 2.2% for the broad retail sales index and core index, 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.

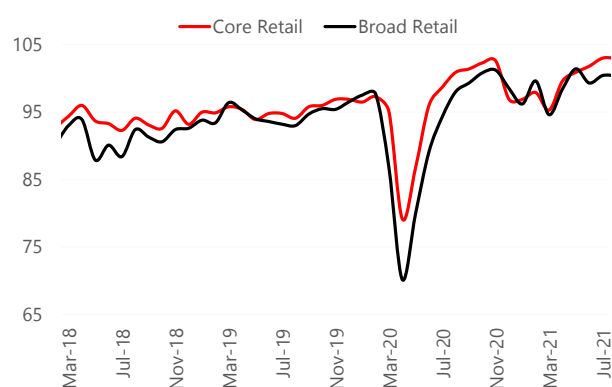


**Zooming in on the details, July's climb was not widespread.** Six of the ten retail categories reported some growth in July, but only Clothing (up 2.8%) and Other (up 19.1%) posted healthy figures different from a virtual flattening. The latter, which was the major contributor to the monthly gain, includes various heterogeneous goods like jewelry, watches, and bicycles, making it a difficult category to forecast. For the second month in a row, Vehicle sales (up 0.2%) decoupled from Fenabrave's car sales data (light vehicle sales retreated 5.4%), likely reflecting an increase in auto parts sales that are not captured in Fenabrave's survey, in our view.

**Looking ahead, our tracking for August's broad retail sales points to a retreat.** Based on IGet and Fenabrave car sales data (down 6.9%), our tracking for broad retail sales stands at -0.4% MoM-sa (+3.1% YoY). [See details in the link<sup>1</sup>](#).

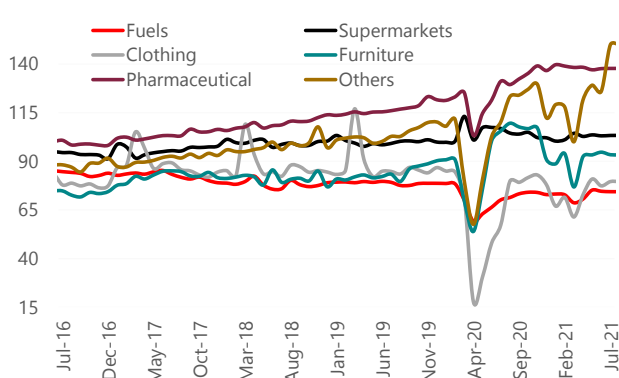
**For details on Santander's activity outlook, please refer to our last chartbook<sup>2</sup>.**

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



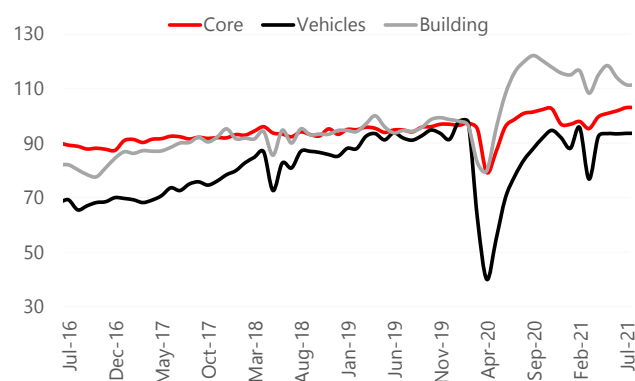
Sources: IBGE, Santander.

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



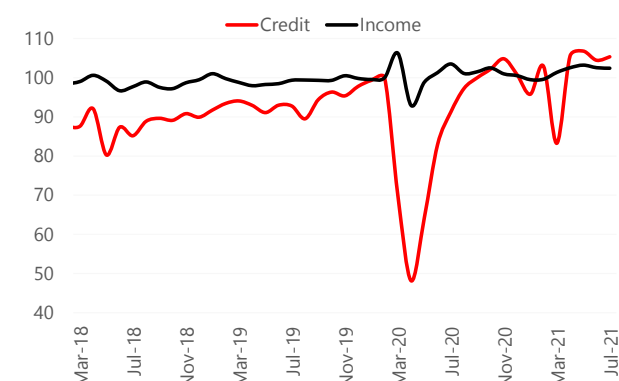
Sources: IBGE, Santander.

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



Sources: IBGE, Santander.

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



Sources: IBGE, Santander.

<sup>1</sup> **Santander Brazil Economic Activity - "Varejo Aparenta Acomodação no 3T21"** – September 8, 2021 - Available (in Portuguese) on: <https://bit.ly/Std-IGET-ago21>

<sup>2</sup> **Santander Brazil Economic Activity - "Chartbook – A Brighter Outlook for Mobility and Services"** – August 18, 2021 - Available on: <https://bit.ly/Std-chart-econact-aug21>



Figure 4 – “Heatmap” Showing Retail Sales by Component

Retail Sales (% MoM sa)												
	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21
<b>Core Retail Sales</b>	2.23	0.50	0.89	0.29	-5.56	0.00	1.03	-2.66	4.51	1.31	0.89	1.18
Fuels	1.71	2.66	1.09	-0.13	-1.49	0.41	-0.55	-5.63	2.77	6.52	-0.80	-0.27
Hypermarkets, supermarkets	-2.25	-0.48	0.87	-2.57	-0.10	-1.67	0.70	3.26	-1.53	0.78	-0.48	0.19
Fabrics, clothing and footwear	39.27	-0.75	3.16	1.59	-6.02	-14.10	6.72	-14.13	18.57	11.13	-4.33	2.84
Furniture and home appliances	3.79	-1.73	-0.84	0.37	-15.21	-2.42	5.98	-18.30	20.31	0.97	1.50	-1.37
Pharmaceutical	-1.30	2.24	2.19	2.81	-1.73	2.20	-0.50	-0.50	0.07	-0.94	0.44	0.07
Office equipment and supplies	-1.08	0.54	2.71	0.40	-6.30	1.68	-0.69	-10.40	10.37	3.09	-3.54	0.56
Books, papers and magazine	-25.61	5.80	3.42	26.49	-16.23	-25.31	13.39	-3.32	8.40	3.52	4.76	-5.19
Others	11.80	0.65	2.42	2.05	-13.35	6.06	-1.01	-15.18	21.50	6.26	-2.48	19.06
<b>Broad Retail Sales</b>	3.92	1.33	1.51	0.40	-2.67	-2.34	3.53	-5.02	4.02	3.05	-2.07	1.11
Building material	3.36	1.92	-1.56	-2.00	-1.78	-0.61	1.30	-7.04	6.09	3.05	-3.72	-2.28
Vehicles	7.71	5.01	4.43	3.05	-2.85	-4.24	8.63	-19.75	20.31	1.19	-0.11	0.21

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	gaboumrad@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: Lucas Maynard\*.

\*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.