

Retail Sales Post Monthly Drop, Quarterly Expansion

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- **Broad retail sales fell in June (-2.3% MoM-sa) after two gains in a row, below market consensus (-1.8%) and in line with our estimate (-2.0%).** Regarding core retail sales (ex auto and building materials), the index surprised negatively by retreating 1.7%, well below the market's lower estimate (-1.0%), but with upward revisions in the seasonal adjusted series. Despite June's drop, both indexes remain above the pre-pandemic level.
- **Zooming in on the details, this retreat was less widespread than our expectations, with six of the ten retail segments posting monthly declines.** Clothing stood out by retreating 3.6%, while Supermarkets fell slightly, -0.5%. Vehicles surprised positively by retreating only 0.2%, amid disruptions in the supply chain, likely reflecting cost increases and the widespread shortage of inputs. Furniture and Building Materials showed resilience by expanding 1.6% and 1.9%, respectively.
- **Regarding IBC-Br for June, we maintained our tracking at +0.6% MoM-sa.** Looking ahead, our proprietary indicator (IGet) points to broad retail sales sequentially retreating in July: our tracking stands at -0.2% MoM (4.6% YoY).

Figure 1 – Retail Sales Breakdown

	Apr-21			May-21			Jun-21		
	% MoM	% YoY	% QoQ	% MoM	% YoY	% QoQ	% MoM	% YoY	% QoQ
Core Retail Sales	2.5	23.6	-1.8	2.7	15.9	1.5	-1.7	6.2	3.0
Fuels	2.8	19.4	-3.6	6.8	19.5	-1.8	-1.2	11.5	2.8
Hypermarkets, supermarkets	-1.6	-1.8	1.2	1.0	-4.3	2.4	-0.5	-3.0	1.2
Fabrics, clothing and footwear	16.3	300.7	-9.5	10.2	165.3	-0.6	-3.6	61.8	14.7
Furniture and home appliances	19.1	71.1	-6.9	0.9	22.7	-5.8	1.6	-5.4	7.5
Pharmaceutical	0.1	34.0	0.2	-1.0	19.5	-0.3	0.4	13.1	-0.9
Books, papers and magazine	8.7	96.0	-12.6	4.2	59.3	1.8	5.0	17.2	15.7
Office equipment and supplies	10.5	46.7	-5.4	3.1	32.7	-2.9	-3.5	3.3	3.3
Other	21.5	104.6	-6.0	6.3	59.6	0.4	-2.6	22.6	11.7
Broad Retail Sales	4.0	40.9	-1.2	3.2	26.2	0.1	-2.3	11.5	3.0
Building Materials	7.7	44.3	-2.8	4.9	25.7	-3.6	1.9	5.3	3.9
Vehicles	20.3	131.6	-3.7	1.2	72.3	-4.8	-0.2	33.1	7.1

Sources: IBGE, Santander.

Retail activity fell substantially in June but ended 2Q21 with quarterly expansion. Broad retail sales retreated sharply at the end of 2Q21, down by 2.3%, below market consensus (-1.8%) and in line with our estimate (-2.0%). Core retail sales (which excludes Building Materials and Vehicle sales) posted a 1.7% retreat. There were revisions in both seasonally adjusted series, with May's figure rising in the core index (up by 1.3 p.p) and falling in the broad index (down by 0.6 p.p). Despite June's drop, both indexes remain above pre-pandemic levels (up by 1.5% and 2.6%, respectively). In quarterly terms, broad retail sales climbed 3.0% in 2Q21, not enough to fully offset the 3.5% decline seen in the previous quarter.

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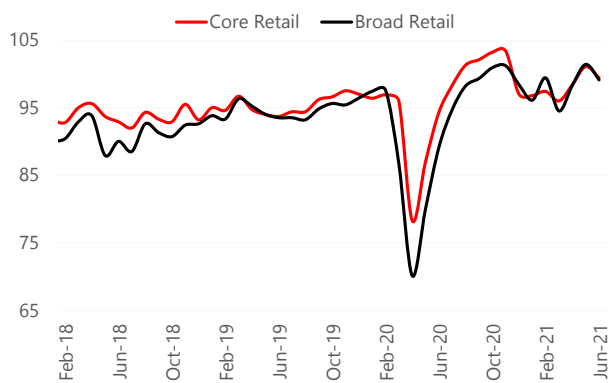


Zooming in on the details, a less widespread than expected retreat. Six of the ten retail categories posted monthly declines. Clothing stood out by retreating 3.6%, while Supermarkets continued to surprise negatively by falling 0.5% and accumulating a contraction since April, despite the payment of the new round of emergency aid, likely reflecting food price hikes. Vehicles surprised positively by retreating only 0.2%, while Fenabrave’s car sales data pointed to a 4.6% drop in light vehicles, amid disruptions in the supply chain due to cost increases and a widespread shortage of inputs. Furniture and Building Materials showed resilience by expanding 1.6% and 1.9%, respectively, in line with the sequential increase seen in credit granted to households.

Looking ahead, our proprietary indicator (IGet) points to a sequential drop of broad retail sales in July. Based on IGet and Fenabrave car sales data, our tracking for broad retail sales stands at -0.2% MoM-sa (4.6% YoY). Indeed, light vehicles sales were down by 4.7% in July, which, given the major importance of the segment in the composition of retail sales, reinforces the likelihood of a sequential retreat, in our view.

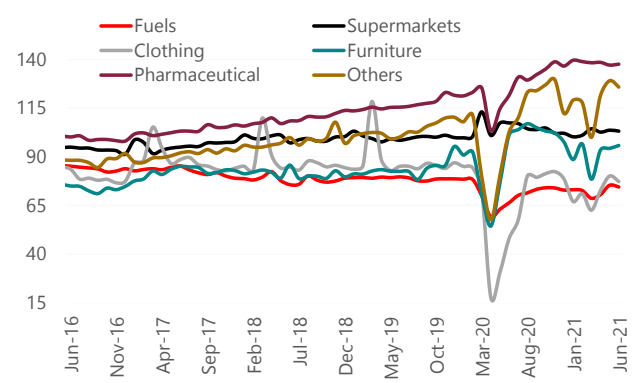
Regarding IBC-Br for June, we maintained our tracking at +0.6% MoM-sa. We still expect the releases of services sector data and the quarterly livestock survey preview to complete our information set. **For details on Santander’s economic activity scenario, please refer to our last chartbook¹.**

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



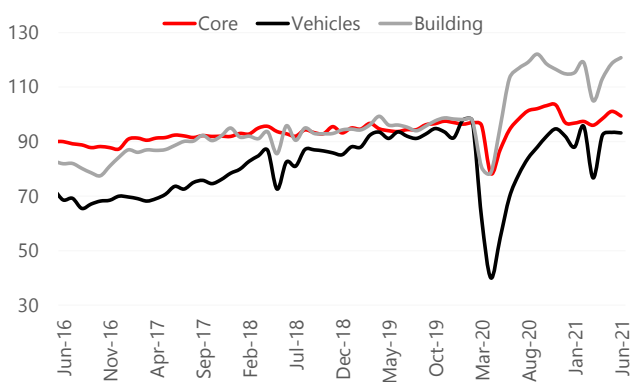
Sources: IBGE, Santander.

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



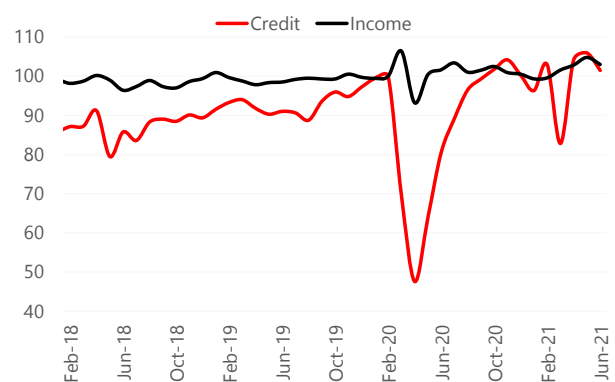
Sources: IBGE, Santander.

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 by Component

	Retail Sales (% MoM 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	Jun-21	
Core Retail Sales	8.39	4.24	3.05	0.79	1.08	0.19	-6.19	-0.21	0.62	-1.44	2.50	2.74	-1.68	
Fuels	5.23	5.72	1.85	2.52	1.09	-0.13	-1.49	0.27	-0.55	-5.50	2.77	6.80	-1.19	
Hypermarkets, supermarkets	0.00	-0.28	-2.52	-0.38	0.77	-2.58	0.00	-1.76	0.80	3.26	-1.63	0.97	-0.48	
Fabrics, clothing and footwear	56.86	20.00	39.06	-0.87	2.39	1.23	-4.50	-14.76	5.97	-11.97	16.32	10.18	-3.62	
Furniture and home appliances	31.90	2.57	2.98	-1.87	-1.71	-0.97	-4.50	-9.22	9.03	-18.74	19.11	0.86	1.59	
Pharmaceutical	6.02	7.65	-1.15	2.16	2.19	2.74	-1.59	2.20	-0.50	-0.43	0.14	-1.01	0.36	
Office equipment and supplies	22.40	8.64	-0.94	0.54	2.57	0.40	-6.31	1.68	-0.69	-10.28	10.53	3.08	-3.53	
Books, papers and magazine	46.74	34.07	-23.76	5.80	3.42	26.16	-16.01	-25.31	14.23	-3.66	8.75	4.20	5.03	
Others	27.26	7.21	11.81	0.73	2.42	2.05	-13.35	6.06	-1.01	-15.18	21.50	6.26	-2.56	
Broad Retail Sales	11.38	6.29	3.70	1.12	1.61	0.30	-2.77	-2.34	3.43	-4.93	4.02	3.15	-2.27	
Building material	18.78	3.27	1.88	2.52	-2.95	-1.69	-1.37	0.35	3.21	-11.76	7.71	4.86	1.85	
Vehicles	27.47	11.93	7.70	4.89	-4.55	2.93	-2.85	-4.35	8.64	-19.77	20.34	1.19	-0.21	

Sources: IBGE, Santander.



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