

Weak Figure (Once Again) for Retail Activity

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- **Broad retail sales surprised to the downside, retreating 0.9% MoM-sa — well below market consensus (-0.2%) and our estimate (+0.5%).** Core retail sales (ex building material and vehicle sales) also posted a sequential decrease (-0.1% MoM-sa), below market consensus (+0.6%) and our estimate (+0.2%). October's figure marked the third decline in a row for broad retail sales, placing the index 2.8% below the pre-pandemic mark (February 2020). Regarding core retail sales, the index is 0.1% below the pre-pandemic mark.
- **Zooming in on the details, both income-led and credit-led segments posted weak figures.** Supermarkets (-0.30%) and Fuels (-0.29%) were the lowlights in the income-led segments, while Other Retail Segments expanded 1.44%. Regarding the credit-led segments, Vehicles (-0.54%), Building Materials (-0.92%) and Furniture (-0.47%) were the lowlights. All in all, only 3 out of 10 retail segments printed growth, marking a widespread decline in the month.
- **The biggest positive contributions came from Other retail segments (+0.11 p.p) and Office equipment (+0.05 p.p).** Conversely, the biggest negative contributions came from Vehicles (-0.13 p.p), Supermarkets (-0.09) and Building Materials (-0.08 p.p). Moreover, only 3 out of 10 retail segments remain above the pre-crisis levels, notably Pharmaceutical products (+11.7%), Other (+7.6%) and Building Materials (+10.9%).
- **In quarterly terms, for broad retail sales, October's figure implies a -2.7% carryover for 4Q21.** Regarding core retail sales, October's result implies a -2.3% carryover for 4Q21. Moreover, according to FGV, retail confidence fell (-6.6%) in November, which, along with high inflation and increased household spending for services, still brings challenges to retail sales in 4Q21.
- **We are updating our October IBC-Br tracking to -0.2% MoM-sa (from -0.1%).** Regarding 4Q21 GDP, we lowered our tracking to 0% QoQ-sa (from +0.1%).

Figure 1 – Retail Sales Breakdown

Weights	Aug-21			Sep-21			Oct-21		
	% MoM	% YoY	% QoQ	% MoM	% YoY	% QoQ	% MoM	% YoY	% QoQ
66.9% Core Retail Sales	-4.1	-4.1	1.6	-1.1	-5.1	-0.2	-0.1	-7.1	-3.3
8.3% Fuels	-3.1	0.4	3.1	-2.8	-4.2	-1.7	-0.3	-7.8	-5.4
30.6% Hypermarkets, supermarkets	-0.9	-4.6	-0.7	-1.3	-3.2	-0.8	-0.3	-5.6	-1.8
6.2% Fabrics, clothing and footwear	0.9	1.2	13.4	-1.0	0.4	6.0	0.6	-2.0	1.7
7.4% Furniture and home appliances	-2.9	-19.8	5.7	-3.4	-22.6	-4.9	-0.5	-22.1	-6.8
5.1% Pharmaceutical	0.2	6.6	-0.2	0.0	4.2	0.0	-0.1	-0.1	0.3
0.9% Books, papers and magazine	-1.4	1.6	4.6	0.0	-3.5	-3.1	-1.1	-7.8	-4.3
0.6% Office equipment and supplies	-4.9	-9.1	-1.1	-3.2	-14.6	-6.4	5.6	-11.1	-6.8
7.8% Other	-19.5	-1.5	12.4	-2.0	-6.7	4.8	1.4	-7.2	-10.6
100% Broad Retail Sales	-3.1	-0.1	0.5	-1.0	-3.9	-1.7	-0.9	-7.1	-4.0
8.9% Building Materials	-1.1	-6.9	-1.1	-1.0	-10.1	-4.9	-0.9	-13.7	-4.7
24.2% Vehicles	0.3	16.2	6.6	-1.7	2.9	0.0	-0.5	-4.0	-1.0

Sources: IBGE, Santander.

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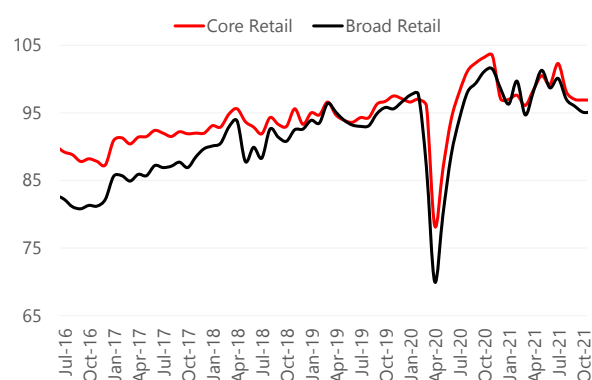
Retail activity marked the start of 4Q21 with new weak figures. The headline index surprised to the downside, retreating 0.9% MoM-sa — well below market consensus (-0.1%) and our estimate (+0.5%), reinforcing the downward trend seen in the last few months, with a 6.1-contraction accumulated since May 2021. Core retail sales also surprised by slightly retreating 0.1% — below market consensus (+0.6%) and our estimate (+0.2%). Both indexes now stand at readings below their pre-pandemic mark (February 2020): down 2.8% and 0.1%, respectively.

Both income and credit sensitive segments posted weak figures. Regarding the income-led segments, Supermarkets (-0.3%) and Fuels (-0.3%) were the lowlights; conversely, Other retail segment expanded 1.4%. Regarding the credit-led segments, Vehicles (-0.5%), Building Materials (-0.9%) and Furniture (-0.5%) were the lowlights. In terms of diffusion, October's result marked a widespread decline, with only 3 out of 10 retail segments printing growth: besides Other retail segments, Clothing (+0.6%) and Office equipment (+5.6%) contributed positively, but with the last two categories accounting for only 7% of the survey.

Most segments show idleness regarding the pre-pandemic mark. Indeed, only 3 out of 10 retail segments remain above their pre-crisis level, with Pharmaceutical Products (up 11.7%), Other Retail (up 7.6%) and Building Materials (up 10.9%) showing resilience. In terms of contribution, the biggest positive contributions came from Other Retail (+0.11 p.p) and Office Equipment (+0.05 p.p), while the biggest negative contributions came from Vehicles (-0.13 p.p), Supermarkets (-0.09) and Building Materials (-0.08 p.p).

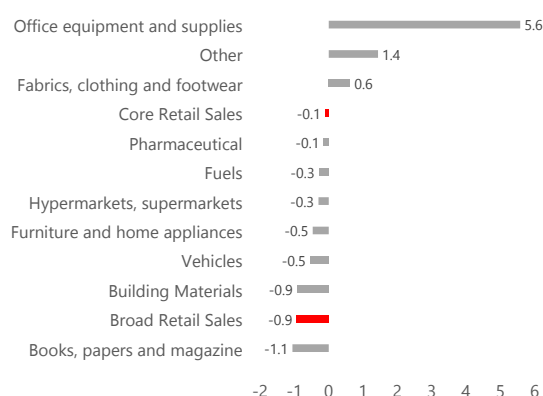
In quarterly terms, for broad retail sales, October's figure implies a -2.7% carryover for 4Q21; regarding core index, the carryover is -2.3%. Moreover, according to FGV, retail confidence fell (-6.6%) in November, which, along with high inflation and increased household spending for services, still brings challenges to retail sales in 4Q21. Regarding October IBC-Br, we are lowering our tracking to -0.2% MoM-sa (from -0.1%). Regarding 4Q21 GDP, our tracking was updated to 0% QoQ-sa (from +0.1%), which imparts little downside risks to our 2021 current projection (+4.6%) Despite the weak figures seen in goods-related sectors at the start of 4Q21, we do not expect a new quarterly GDP retreat, with our scenario stemming mainly from expectations of sequential rebound of the services sector – mainly from those segments that still show wide idleness regarding the pre-pandemic mark – and from a farm output rebound. **For details on Santander's activity outlook, please refer to our last chartbooks:**

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



Sources: IBGE, Santander.

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



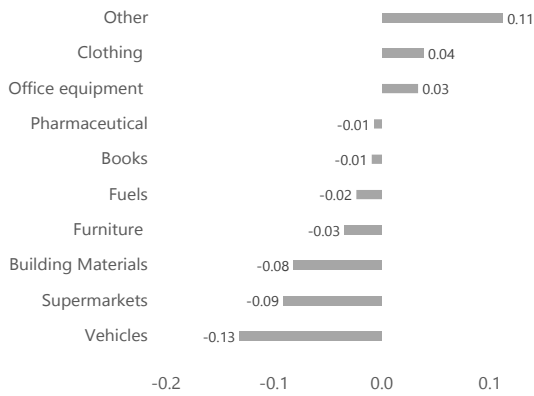
Sources: IBGE, Santander.

¹ Santander Brazil Economic Activity - "Chartbook – Lowering (Again) Our GDP Estimates" – December 08, 2021 – Available on: <https://bit.ly/Std-chart-econact-dec21>

Santander Brazil Economic Activity - "Chartbook – Household Debt is a Risk for Loan Growth and Delinquencies" – December 02, 2021 – Available on: <https://bit.ly/Std-chart-credit-dec21>

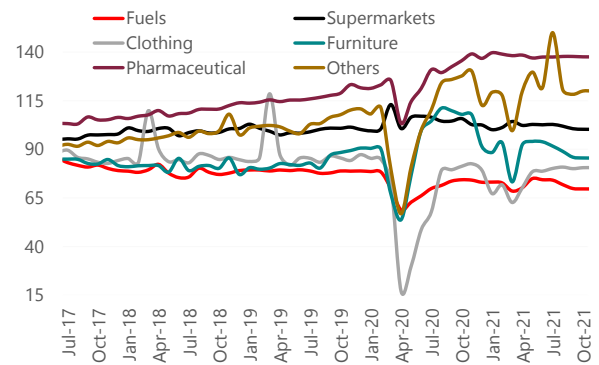


Figure 3.A – Retail Sales Contributions* (sa, p.p)



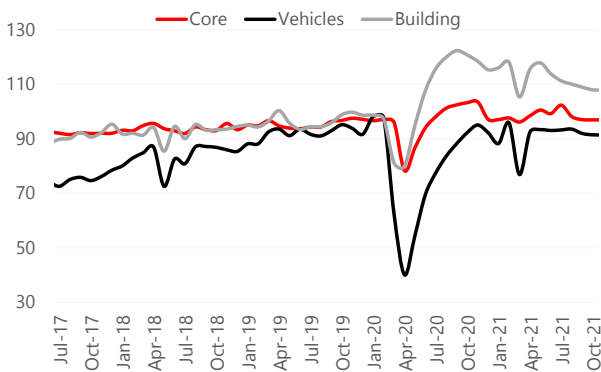
Sources: IBGE, Santander. * Proxy for monthly contributions from broad retail segments.

Figure 3.B – Retail Sales Segments (sa, 2011=100)



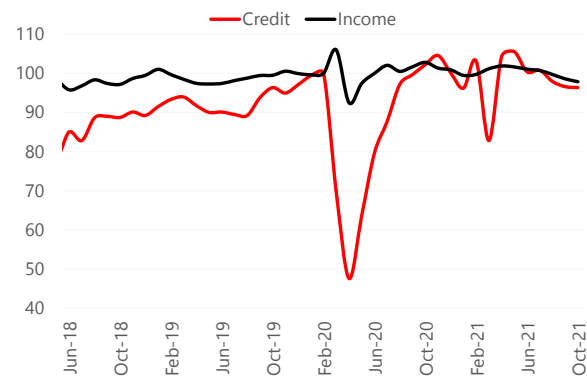
Sources: IBGE, Santander.

Figure 4.A – Retail Sales Segments (sa, 2011=100)



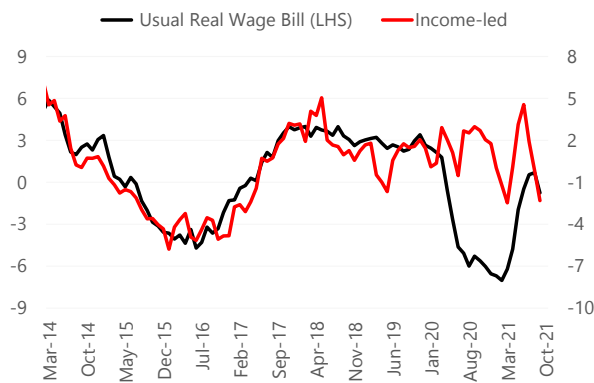
Sources: IBGE, Santander.

Figure 4.B – Sensitivity Analysis (sa, 2011=100)



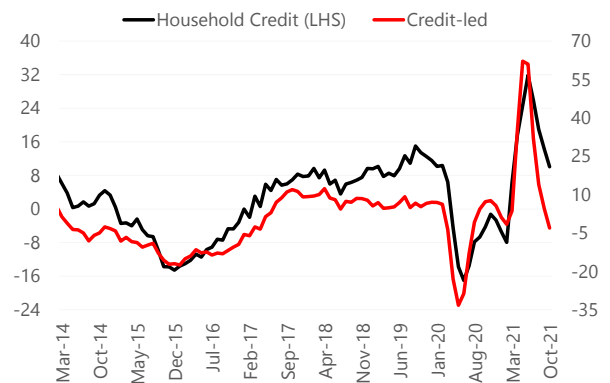
Sources: IBGE, Santander.

Figure 5.A – Income-led Segments (3mma, YoY%)



Sources: IBGE, Santander.

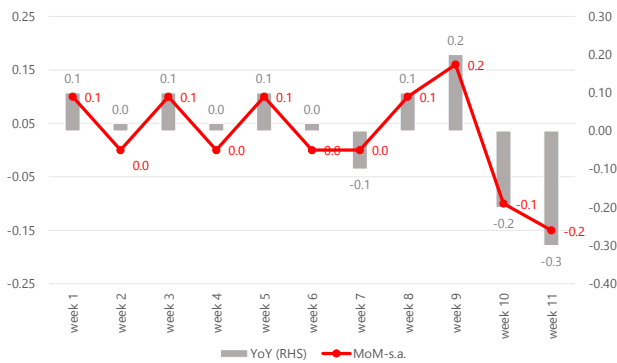
Figure 5.B – Credit-led Segments (3mma, YoY%)



Sources: IBGE, Santander.

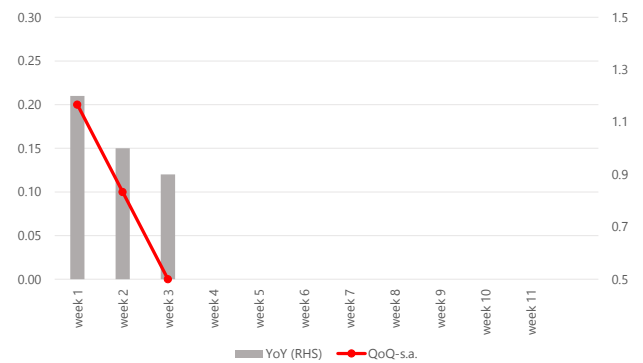


Figure 6.A – IBC-Br Tracking (%)



Sources: BCB, Santander.

Figure 6.B – GDP Tracking (%)



Sources: IBGE, Santander.

Figure 7 – “Heatmap” Showing Retail Sales by Component

Retail Sales (% MoM sa)												
	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
Core Retail Sales	0.29	-6.18	-0.10	0.62	-1.54	2.39	2.13	-1.29	3.13	-4.11	-1.12	-0.10
Fuels	-0.27	-1.48	0.14	-0.55	-5.77	2.48	6.69	-0.80	-0.27	-3.10	-2.78	-0.29
Hypermarkets, supermarkets	-2.93	-0.19	-2.34	1.10	3.06	-1.92	0.49	-0.19	0.19	-0.88	-1.28	-0.30
Fabrics, clothing and footwear	1.60	-4.00	-15.13	6.69	-12.67	12.12	11.66	0.38	1.78	0.87	-0.99	0.62
Furniture and home appliances	-0.19	-15.12	-3.39	5.77	-21.60	26.06	1.84	-0.21	-2.34	-2.94	-3.37	-0.47
Pharmaceutical	2.58	-1.65	2.12	-0.50	-0.58	0.22	-1.08	0.37	0.00	0.22	0.00	-0.15
Office equipment and supplies	2.00	-6.28	1.68	-0.55	-10.77	10.22	3.09	-4.22	-0.43	-4.86	-3.15	5.58
Books, papers and magazine	26.82	-16.45	-25.00	12.92	-3.32	8.40	3.17	4.44	-5.88	-1.39	0.00	-1.06
Others	1.96	-13.44	5.86	-1.26	-15.45	20.28	8.26	-6.17	23.25	-19.53	-1.99	1.44
Broad Retail Sales	0.40	-2.86	-2.33	3.53	-5.02	3.70	3.16	-2.57	1.42	-3.10	-1.03	-0.94
Building material	-1.91	-2.62	0.61	1.72	-10.76	9.69	1.99	-3.40	-2.28	-1.08	-1.00	-0.92
Vehicles	3.04	-2.95	-4.34	8.62	-19.83	20.31	0.97	-0.32	0.22	0.32	-1.71	-0.54

Sources: IBGE, Santander.



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