

Widespread Decline in Retail Activity in September

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- **Broad retail sales surprised to the downside in September by retreating 1.1%, below market consensus (-0.1%) and our estimate (+0.3%).** Core retail sales (ex Building material and Vehicle sales) also surprised to the downside by retreating 1.3%, below market consensus (-0.6%) and close to our estimate (-1.0%). September's figures brought both indexes back to levels below their pre-pandemic marks: down 1.7% and 0.4%, respectively.
- **Zooming in on the details, both credit- and income-led segments dragged down retail activity.** Supermarkets (-1.5%), Vehicles (-1.7%), and Furniture and home appliances (-3.5%) were the lowlights. The Other retail segment continued to weaken (-2.2%), fully giving back July's steep (and unexpected) growth.
- **In quarterly terms, broad retail sales ended 3Q21 by retreating 1.7% (up 2.6% in 2Q21),** in line with our forecast of weak figures for goods-related sectors as consumption gradually shifts toward a pre-pandemic pattern, with services predominating. Regarding September IBC-Br, we are lowering our tracking to 0% MoM-sa (from +0.1%). We are updating our tracking of 3Q21 GDP growth to +0.2% QoQ-sa (from +0.3%).

Figure 1 – Retail Sales Breakdown

Weights	Jul-21			Aug-21			Sep-21		
	% MoM	% YoY	% QoQ	% MoM	% YoY	% QoQ	% MoM	% YoY	% QoQ
66.9% Core Retail Sales	3.1	5.8	3.3	-4.3	-4.1	1.5	-1.3	-5.4	-0.4
8.3% Fuels	-0.3	6.6	5.5	-2.8	0.4	3.0	-2.6	-3.9	-1.5
30.6% Hypermarkets, supermarkets	0.2	-1.7	0.2	-1.0	-4.6	-0.6	-1.5	-3.7	-0.9
6.2% Fabrics, clothing and footwear	1.9	42.0	15.4	1.0	1.2	13.2	-1.1	0.0	5.8
7.4% Furniture and home appliances	-2.2	-12.0	8.0	-2.9	-19.8	5.9	-3.5	-22.6	-4.7
5.1% Pharmaceutical	0.0	4.9	-0.8	0.2	6.6	-0.1	0.1	4.2	0.1
0.9% Books, papers and magazine	-6.2	-23.3	8.3	-1.0	1.6	4.7	0.0	-3.5	-3.1
0.6% Office equipment and supplies	-1.0	-5.1	2.1	-4.6	-9.1	-1.6	-3.6	-14.7	-7.0
7.8% Other	23.3	36.9	19.0	-19.5	-1.5	12.3	-2.2	-6.9	4.6
100% Broad Retail Sales	1.4	7.1	2.6	-3.0	-0.1	0.6	-1.1	-4.1	-1.7
8.9% Building Materials	-2.2	-4.7	1.2	-1.2	-6.9	-1.1	-1.1	-10.3	-5.0
24.2% Vehicles	0.3	17.9	5.6	0.3	16.2	6.6	-1.7	3.0	0.0

Sources: IBGE, Santander.



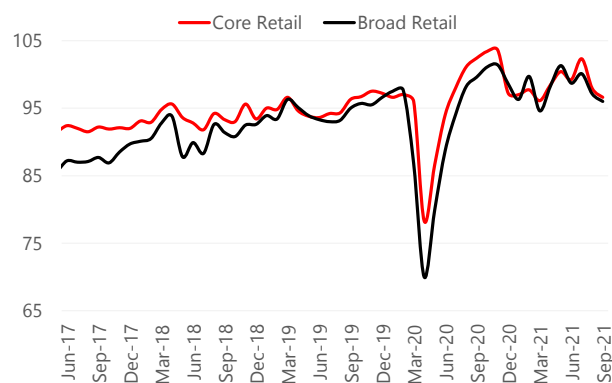
Broad retail activity reached a new weak level in September. The headline broad index fell 1.1%, well below market consensus (-0.1%) and our estimate (+0.3%) and reinforcing the downward trend seen in the last few months, with a 5.2% contraction accumulated since May 2021. Core retail sales also surprised to the downside by retreating 1.3%, below market consensus and close to our estimate (-1.0%). Both indexes now stand at readings below their pre-pandemic marks: down 1.7% and 0.4%, respectively. In quarterly terms, broad retail sales ended 3Q21 by retreating 1.7% (up 2.6% in 2Q21), in line with our forecast of weak figures for the goods-related sectors as consumption gradually shifts toward a pre-pandemic pattern with services predominating. For 4Q21, September's figures imply carryovers of -1.8%% and -2.4% for broad and core retail sales, respectively.

Zooming in on the details, a widespread decline. Both credit- and income led-segments dragged down retail activity, reflecting the impact of inflation eating into household income and the recent deceleration in credit granting. Supermarkets (-1.5%), Vehicles (-1.7%), and Furniture and home appliances (-3.5%) were the lowlights, with negative contributions of -0.45, -0.41, and -0.26 p.p., respectively, to the broad activity result. The Other retail segment continued to weaken by retreating 2.2% (down 19.5% in August), fully giving back July's steep (and unexpected) growth (up 23.3%). This segment, which includes various heterogeneous goods like jewelry, watches, and bicycles, contributed -0.17 p.p to September's broad growth.

Looking ahead, based on IGet data (our proprietary indicator), we have updated our tracking for broad retail sales in October to 0.8% MoM-sa (from +1.5%)¹, marking a positive start to 4Q21. However, we still expect tepid figures for goods-related sectors, in the wake of the shift in spending out of goods to services as the economy reopens, reinforced by inflation eating into household income and disruptions in the supply chain.

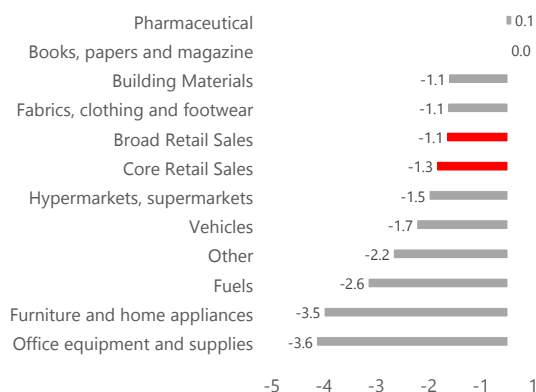
Regarding September IBC-Br, we are lowering our tracking to 0% MoM-sa (from +0.1%), which imparts downside risks to our current 3Q21 GDP growth estimate (+0.3% QoQ-sa). Indeed, we have updated our tracking to +0.2% QoQ-sa (from +0.3%). **For details on Santander's activity outlook, please refer to our last chartbooks².**

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



Sources: IBGE, Santander.

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



Sources: IBGE, Santander.

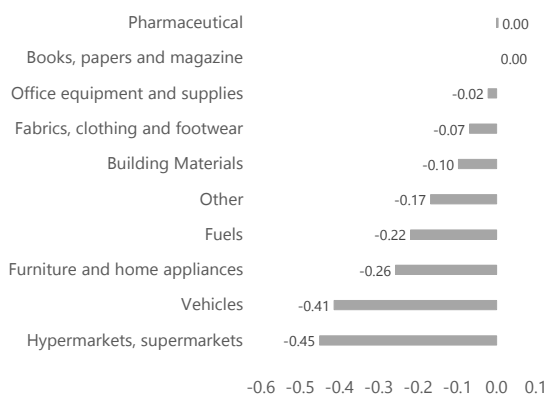
¹ Santander Brazil Economic Activity - "IGet: Varejo mostra começo positivo de 4T" – November 05, 2021 – Available (in Portuguese) on: <https://bit.ly/Std-IGET-out21>

² Santander Brazil Economic Activity - "Chartbook – Downgrading the Estimate for 2022 and 2023" – November 05, 2021 – Available on: <https://bit.ly/Std-chart-econact-nov21>

Santander Brazil Economic Activity - "Chartbook - Household Indebtedness Expected to Slow Lending in 2022" – November 09, 2021 – Available on: <https://bit.ly/Std-chart-credit-nov21>

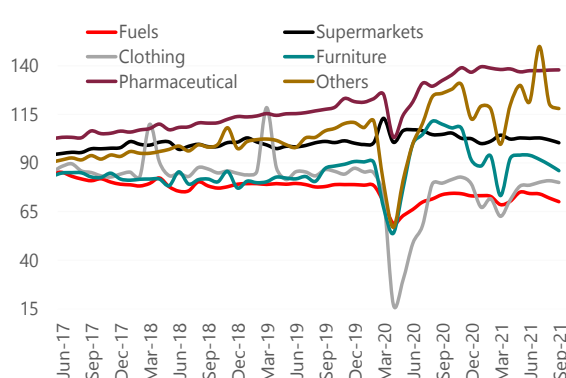


Figure 3.A – Retail Sales Contributions* (sa, p.p)



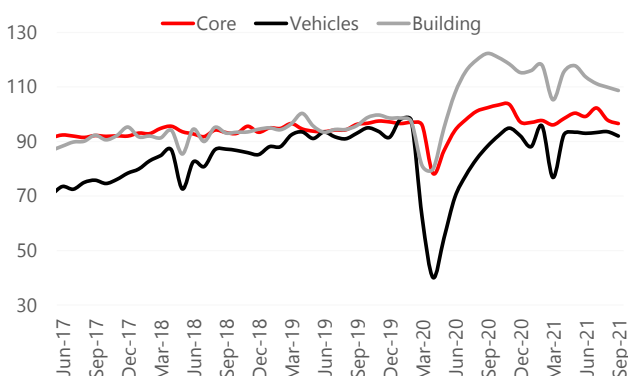
Sources: IBGE, Santander. * Proxy for monthly contributions from broad retail segments.

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



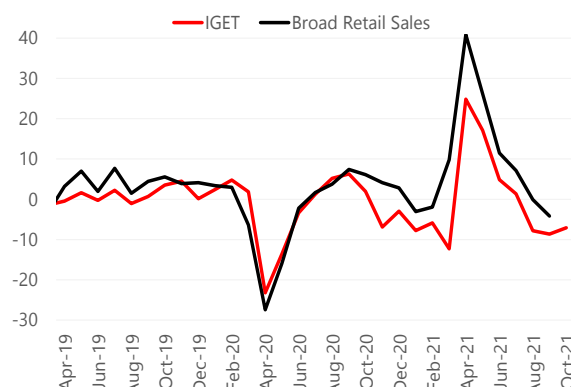
Sources: IBGE, Santander.

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



Sources: IBGE, Santander.

Figure 4.B – IGet x Broad Retail Sales (nsa, YoY%)



Sources: IBGE, Santander.

Figure 5 – “Heatmap” Showing Retail Sales by Component

Retail Sales (% MoM sa)												
	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21
Core Retail Sales	0.98	0.19	-6.18	-0.21	0.72	-1.64	2.39	2.03	-1.20	3.13	-4.30	-1.33
Fuels	0.95	-0.27	-1.48	0.14	-0.55	-5.77	2.48	6.69	-0.93	-0.27	-2.83	-2.64
Hypermarkets, supermarkets	0.67	-2.56	-0.19	-2.44	1.20	3.06	-1.92	0.59	-0.19	0.19	-0.97	-1.47
Fabrics, clothing and footwear	2.39	1.47	-4.11	-15.13	6.39	-12.57	13.42	10.00	0.64	1.91	1.00	-1.11
Furniture and home appliances	-1.73	-0.19	-15.03	-3.49	5.77	-21.71	26.09	1.84	-0.11	-2.24	-2.94	-3.48
Pharmaceutical	2.19	2.73	-1.65	2.05	-0.50	-0.50	0.22	-1.08	0.44	0.00	0.22	0.07
Office equipment and supplies	1.46	0.39	-6.27	1.67	-0.69	-10.50	9.72	2.81	-4.10	-1.00	-4.61	-3.63
Books, papers and magazine	3.77	26.40	-16.45	-25.00	12.92	-3.32	8.40	2.82	4.79	-6.21	-1.05	0.00
Others	1.67	1.88	-13.51	5.77	-1.17	-15.45	20.28	8.43	-6.39	23.27	-19.55	-2.16
Broad Retail Sales	1.51	0.30	-2.76	-2.33	3.53	-5.12	3.81	3.16	-2.57	1.42	-3.00	-1.13
Building material	-1.23	-1.99	-2.62	0.61	1.72	-10.76	9.69	1.99	-3.48	-2.20	-1.17	-1.09
Vehicles	4.30	3.04	-2.95	-4.34	8.63	-19.75	20.31	1.08	-0.43	0.32	0.32	-1.71

Sources: IBGE, Santander.



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