

**RETAIL ACTIVITY CONTINUED TO WEAKEN IN AUGUST**

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- **Broad retail sales shrank 0.6% MoM-sa in August (-0.7% YoY), vs. our estimate of -1.0% (-2.0% YoY) and market consensus at -0.2% MoM-sa (-0.8% YoY).** Meanwhile, core retail sales (excluding building materials and vehicle sales) retreated slightly by 0.1% MoM-sa (+1.6% YoY), vs. our estimate of -0.4% MoM-sa (+0.3% YoY) and market consensus at -0.3% MoM-sa (+0% YoY). Broad retail sales remain 3.0% below the pre-pandemic benchmark (February 2020), while core retail sales are up by 1.1%.
- **The details pointed to mixed signals across retail activities.** On the positive side, clothing (+13.0% MoM-sa), furniture (+1.0 MoM-sa), and vehicles (+4.8% MoM-sa) expanded at the margin, after tumbling in the previous month. Fuels continued to strengthen in real terms (+3.6% MoM-sa) but reflected significant deflation due to the recent tax cuts, while supermarkets stayed virtually flat (+0.2% MoM-sa). Conversely, other personal items (-1.2% MoM-sa), building materials (-0.8% MoM-sa), and pharmaceuticals products (-0.3% MoM-sa) continued to weaken in the month. In broad terms, income-led segments showed resilience, while credit-led segments continued to suffer.
- **August's figures provide more evidence of continued deterioration of retail activity in 3Q22.** Core retail sales marked the third decline in a row, while broad retail sales marked the fifth decline in the past six months. To 3Q22, we calculate statistical carryovers of -1.8% QoQ-sa and -2.4% QoQ-sa for the core and broad indexes, respectively. Regarding September's available data, we see a mixed bag: according to FGV surveys (soft data), the consumer confidence index jumped to 88.9 points (from 82.9) and retail confidence rose to 101.8 points (from 99.4), while our proprietary IGet data (real sales) pointed to sequential declines in broad retail (-1.3% MoM-sa) and core retail (-0.5% MoM-sa). For 2H22, we expect retail activity to show a tepid performance, amid a virtual flattening of the real wage bill, deceleration in credit granting to households, and normalization of the savings rate (positively correlated with interest rates).
- **We are upwardly revising our August IBC-Br to 1.3% MoM-sa (from -1.4% MoM-sa previously).** We are maintaining our 3Q22 GDP growth tracking at +0.6% QoQ-sa (+3.8% YoY), imparting slight upside risks to our current 2022 GDP forecast (+2.6%).



Figure 1 – Retail Sales Details

		Retail Sales Breakdown									
		% MoM			% YoY			% QoQ			%
Weights		Jun-22	Jul-22	Aug-22	May-22	Jul-22	Aug-22	Mar-21	Jun-22	Aug-22	Feb-20*
<b>66.9%</b>	<b>Core Retail Sales</b>	<b>-1.7</b>	<b>-0.5</b>	<b>-0.1</b>	<b>-0.2</b>	<b>-5.3</b>	<b>1.6</b>	<b>-4.8</b>	<b>1.3</b>	<b>-2.0</b>	<b>1.1</b>
8.3%	Fuels	1.9	12.6	3.6	7.2	17.4	30.2	-2.8	7.2	10.9	16.6
30.6%	Hypermarkets, supermarkets	0.0	-0.7	0.2	-0.5	-0.3	1.4	-1.7	0.2	-0.1	2.3
6.2%	Fabrics, clothing and footwear	1.3	-13.0	13.0	8.5	-16.2	-5.6	-16.8	3.4	-10.5	-14.6
7.4%	Furniture and home appliances	-0.3	-3.3	1.0	-12.5	-14.5	-8.5	-15.3	0.5	-4.5	-17.2
5.1%	Pharmaceuticals	-0.7	-1.7	-0.3	9.3	4.0	6.6	0.4	-1.2	1.6	20.1
0.9%	Books, papers and magazine	0.9	-2.9	2.1	25.8	11.0	19.0	-35.7	18.0	-1.8	-34.8
0.6%	Office equipment and supplies	-0.4	-1.4	-1.4	2.1	-0.2	2.1	-7.3	2.4	-4.3	-13.8
7.8%	Other personal items	0.5	-0.7	-1.2	-7.2	-28.7	-10.5	-7.4	-3.5	-4.2	-3.8
<b>100%</b>	<b>Broad Retail Sales</b>	<b>0.1</b>	<b>-0.8</b>	<b>-0.6</b>	<b>-0.7</b>	<b>-6.9</b>	<b>-0.7</b>	<b>-5.1</b>	<b>-0.1</b>	<b>-2.6</b>	<b>-3.0</b>
8.9%	Building Materials	0.5	-2.0	-0.8	-7.7	-13.7	-7.1	-2.4	-3.6	-5.2	1.6
24.2%	Vehicles	-0.3	-2.7	4.8	0.8	-8.5	-4.1	-4.2	-0.3	-5.1	-8.4

\*We set up our pre-pandemic mark at February 2020. Sources: IBGE, Santander.

**Retail activity continued to weaken in August.** Broad retail sales shrank 0.6% MoM-sa (-0.7% YoY), vs. our estimate of -1.0% (-2.0% YoY) and market consensus at -0.2% MoM-sa (-0.8% YoY). Meanwhile, core retail sales (excluding building materials and vehicle sales) retreated slightly by 0.1% MoM-sa (+1.6% YoY), vs. our estimate of -0.4% MoM-sa (+0.3% YoY) and market consensus at -0.3% MoM-sa (+0% YoY). Broad retail sales remain 3.0% below the pre-pandemic benchmark (February 2020), while core retail sales are up by 1.1%.

**Among retail activities, a mixed bag.** On the positive side, clothing (+13.0% MoM-sa), furniture (+1.0 MoM-sa), and vehicles (+4.8% MoM-sa) expanded at the margin, after tumbling in the previous month. Fuels continued to strengthen in real terms (+3.6% MoM-sa) but reflected significant deflation due to the recent tax cuts, while supermarkets stayed virtually flat (+0.2% MoM-sa). Conversely, other personal items (-1.2% MoM-sa), building materials (-0.8% MoM-sa), and pharmaceuticals products (-0.3% MoM-sa) continued to weaken in the month. In comparison with pre-pandemic readings, it was also a mixed bag: fuels (up 16.6%), supermarkets (up 2.3%), and pharmaceuticals products (up 20.1%) were the highlights, while vehicles (down 8.4%), clothing (down 14.6%), and furniture (down 17.2%) were the lowlights. Moreover, our sensitivity analysis points to a continued decline of credit-led segments (-1.4% MoM-sa), while income-led segments showed resilience (+0.8% MoM-sa).

**August's figures provide more evidence of continued deterioration of retail activity in 3Q22.** Core retail sales marked the third decline in a row, while broad retail sales marked the fifth decline in the past six months. To 3Q22, we calculate statistical carryovers of -1.8% QoQ-sa and -2.4% QoQ-sa for the core and broad indexes, respectively. Regarding September's available data, we again see a mixed bag: according to FGV surveys (soft data), the consumer confidence index jumped to 88.9 points (from 82.9) and retail confidence rose to 101.8 points (from 99.4), while our proprietary IGet data (real sales) points to sequential declines in broad retail (-1.3% MoM-sa) and core retail (-0.5% MoM-sa). All in all, after the positive performance seen in 1H22 (due, in our view, to a recovery of labor income, fiscal stimuli, and the consolidation of economy's reopening process), retail activity is clearly losing steam in the short term. For 2H22, we expect a tepid performance, amid a virtual flattening of the real wage bill, deceleration in credit granting to households, and normalization of the savings rate (positively correlated with interest rates).

**We are upwardly revising our August IBC-Br to 1.3% MoM-sa (from -1.4% MoM-sa previously).** We are maintaining our 3Q22 GDP growth tracking at +0.6% QoQ-sa (+3.8% YoY), imparting slight upside risks to our current 2022 GDP forecast (+2.6%). We see clear upside risks to our 2023 GDP forecast (currently at -0.2%), mostly reflecting strong positive supply shocks (farm output) expected in the coming year.

**For details on Santander's economic activity outlook, please refer to our last reports<sup>1</sup>.**

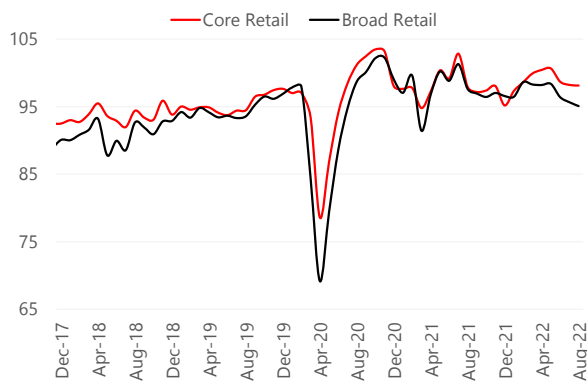
<sup>1</sup> **Santander Brazil Special Report: "Nowcasting Brazilian GDP with LASSO"** – May 16, 2022 – Available on: <https://bit.ly/Std-special-051622>  
**Santander Brazil Special Report: "A Model to Forecast Probability of Recession in Brazil"** – June 08, 2022 – Available on:

<https://bit.ly/Std-special-060822>

**Santander Brazil Special Report: "Resilience Factors for GDP Growth: What Has Changed Since January"** – June 30, 2022 – Available on: <https://bit.ly/Std-special-GDP-062922>

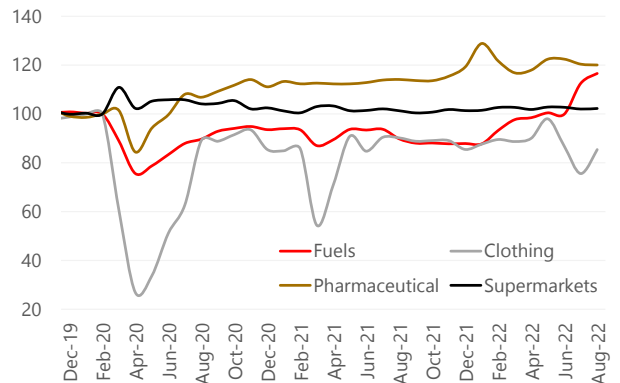


**Figure 2 – Retail Sales (sa, 2014=100)**



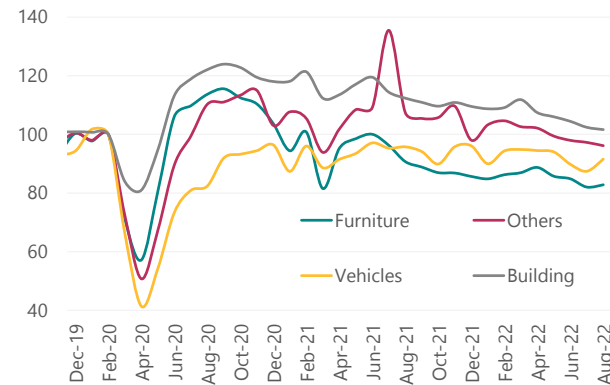
Sources: IBGE, Santander.

**Figure 3 – Retail Sales Segments (sa, Feb/20=100)**



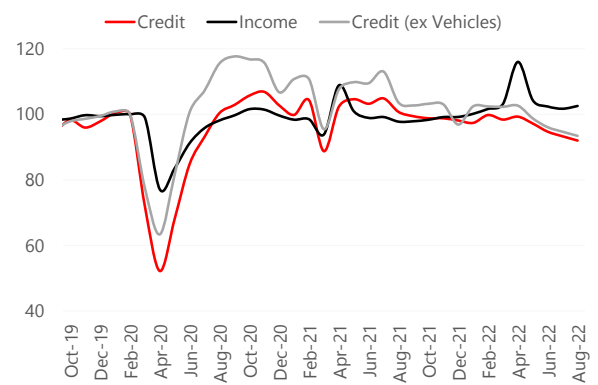
Sources: IBGE, Santander.

**Figure 4 – Retail Sales Segments (sa, Feb/20=100)**



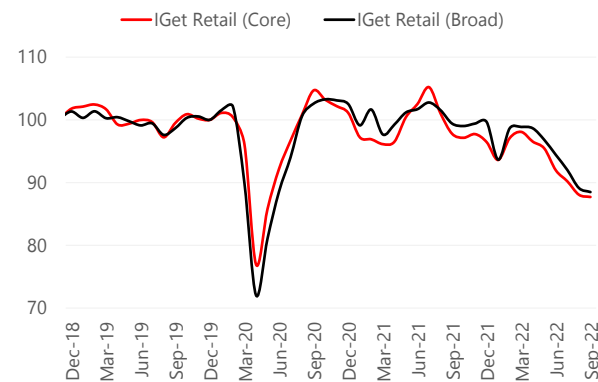
Sources: IBGE, Santander.

**Figure 5 – Sensitivity Analysis (sa, Feb/20=100)\***



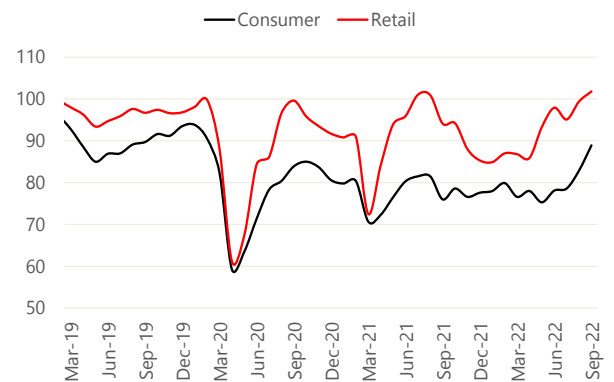
Sources: IBGE, Santander. \* Income segments include fuels, supermarkets, clothing, books, and pharmaceutical products; credit segments include furniture, building materials, others, office equipment and vehicles.

**Figure 6 – IGet (sa, Dec/19=100)**



Sources: IBGE, Santander.

**Figure 7 – FGV Economic Confidence Data (sa)\***



Sources: FGV, Santander.  
\* Neutral level: 100 points.



Figure 8 – “Heatmap” Showing Retail Sales by Component

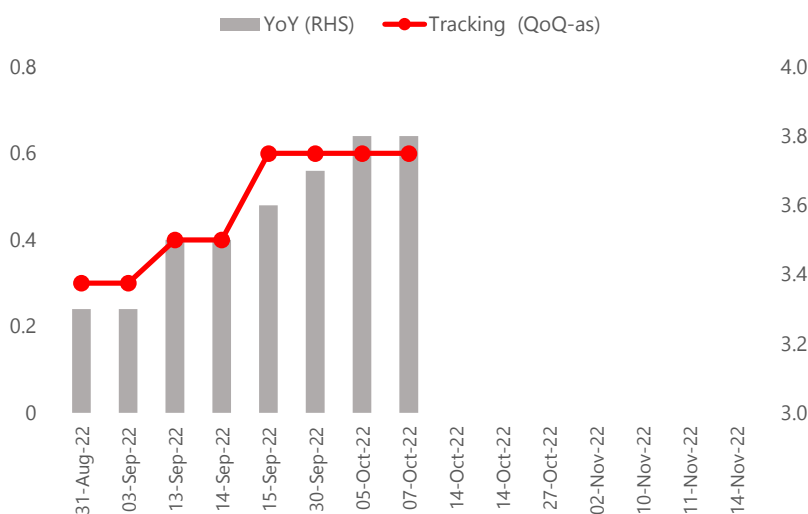
Retail Sales (% MoM sa)												
	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
<b>Core Retail Sales</b>	-0.74	0.22	0.67	-2.92	2.26	1.31	1.31	0.53	0.22	-1.94	-0.49	-0.09
Fuels	-1.95	0.08	-0.38	0.13	-0.14	6.28	4.72	0.81	2.02	-0.55	12.64	3.60
Hypermarkets, supermarkets	-0.87	0.31	1.07	-0.44	0.13	1.15	0.03	-0.83	0.97	-0.09	-0.69	0.22
Fabrics, clothing and footwear	-1.53	0.31	0.00	-4.08	2.54	2.17	-0.92	1.50	8.85	-11.41	-12.96	13.03
Furniture and home appliances	-2.04	-2.16	-0.14	-1.35	-0.96	1.66	0.81	2.07	-3.38	-1.02	-3.33	0.96
Pharmaceutical	-0.39	-0.06	1.61	3.30	8.07	-5.58	-3.98	0.95	3.80	0.02	-1.68	-0.29
Office equipment and supplies	-1.91	2.35	4.06	-2.02	-2.21	-1.88	15.08	-6.45	1.71	-1.82	-1.39	-1.40
Books, papers and magazine	2.14	-0.72	1.64	-0.21	-41.34	90.49	4.46	-5.93	5.26	-1.84	-2.89	2.08
Others	-1.81	0.30	3.67	-10.60	5.35	1.33	-1.92	-0.48	-2.67	-1.45	-0.71	-1.15
<b>Broad Retail Sales</b>	-0.69	-0.52	0.61	-0.47	-0.11	2.24	-0.35	-0.08	0.17	-1.99	-0.78	-0.60
Building material	-1.26	-1.19	1.15	-1.21	-0.74	0.37	2.49	-3.95	-1.33	-1.46	-1.96	-0.76
Vehicles	-1.70	-4.50	6.56	0.32	-6.36	4.84	0.54	-0.39	-0.48	-4.48	-2.67	4.75

Sources: IBGE, Santander.

Figure 9 – “Heatmap” Showing Retail Sales Contribution by Component

Retail Sales (contributions sa, p.p)												
	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
Fuels	-0.16	0.01	-0.03	0.01	-0.01	0.52	0.39	0.07	0.17	-0.05	1.05	0.30
Hypermarkets, supermarkets	-0.26	0.09	0.33	-0.14	0.04	0.35	0.01	-0.25	0.30	-0.03	-0.21	0.07
Fabrics, clothing and footwear	-0.09	0.02	0.00	-0.25	0.16	0.13	-0.06	0.09	0.55	-0.71	-0.80	0.81
Furniture and home appliances	-0.15	-0.16	-0.01	-0.10	-0.07	0.12	0.06	0.15	-0.25	-0.08	-0.25	0.07
Pharmaceutical	-0.02	0.00	0.08	0.17	0.41	-0.28	-0.20	0.05	0.19	0.00	-0.09	-0.01
Office equipment and supplies	-0.02	0.02	0.04	-0.02	-0.02	-0.02	0.14	-0.06	0.02	-0.02	-0.01	-0.01
Books, papers and magazine	0.01	0.00	0.01	0.00	-0.25	0.54	0.03	-0.04	0.03	-0.04	-0.02	0.01
Others	-0.14	0.02	0.29	-0.83	0.42	0.10	-0.15	-0.04	-0.21	-0.11	-0.06	-0.09
Building material	-0.11	-0.11	0.10	-0.11	-0.07	0.03	0.22	-0.35	-0.12	-0.13	-0.17	-0.07
Vehicles	-0.41	-1.09	1.59	0.08	-1.54	1.17	0.13	-0.09	-0.12	-1.08	-0.64	1.15

Sources: IBGE, Santander.

Figure 10 – 1Q22 GDP Growth Nowcasting (% , QoQ-sa and YoY-nsa)<sup>2</sup>

Sources: IBGE, Santander

<sup>2</sup> Santander Brazil Special Report: “Nowcasting Brazilian GDP with LASSO” – May 16, 2022 – Available on: <https://bit.ly/Std-special-051622>

**Figure 11 – Santander GDP Growth Nowcasting**

3Q22 GDP Growth						
Date	Release	Reference	Tracking (%)		Projection (%)	
			QoQ-sa	YoY	QoQ-sa	YoY
31-Aug-22	Labor Market	Jul-22	0.3	3.3	0.3	3.3
03-Sep-22	Industry	Jul-22	0.3	3.3	0.3	3.3
13-Sep-22	Retail Sales	Jul-22	0.4	3.5	0.3	3.3
14-Sep-22	Services	Jul-22	0.4	3.5	0.3	3.3
15-Sep-22	IBC-Br	Jul-22	0.6	3.6	0.3	3.3
30-Sep-22	Labor Market	Aug-22	0.6	3.7	0.3	3.3
05-Oct-22	Industry	Aug-22	0.6	3.8	0.3	3.3
07-Oct-22	Retail Sales	Aug-22	0.6	3.8	0.3	3.3

Sources: IBGE, Santander.



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