

TEPID RETAIL SALES FIGURES IN DECEMBER

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- **Broad retail activity expanded 0.3% MoM-sa (-2.7% YoY) in December, between market expectations of +0.8% MoM-sa (-1.8% YoY) and our estimate of -0.2% MoM-sa (-3.5% YoY).** At the same time, core retail sales (ex building material and vehicles sales) dropped 0.1% MoM-sa (-3.0% YoY), above market consensus of -0.6% MoM-sa (-3.1% YoY) and our estimate of -1.0% MoM-sa (-4.2% YoY). Both indexes remain below the pre-pandemic mark (down 1.3% and 2.3%, respectively).
- **Zooming in on the details, five of ten retail activities printed growth, with vehicles (+1.2% MoM-sa) and pharmaceutical products (+3.2% MoM-sa) sales as the highlights.** Credit-led segments like building material (-1.4% MoM-sa) and furniture and home appliances (+0.4% MoM-sa) sales shrank at the margin, while important income-led segments like supermarkets (-0.4% MoM-sa) and other personal items (-5.7% MoM-sa) also contributed negatively.
- **The biggest positive contributions came from vehicles sales (+0.29 p.p) and pharmaceutical products (+0.16 p.p), with the latter likely reflecting the increasing demand for Covid-19 tests due to the Omicron variant outbreak.** Conversely, supermarkets (-0.12 p.p), building materials (-0.12 p.p) and other personal items (-0.45 p.p) contributed negatively. Moreover, only three retail activities remain above the pre-pandemic mark, notably supermarkets (up 1.0%), pharmaceutical products (up 18.8%) and building materials (up 10.2%).
- **Broad retail activity marked the second gain in a row but ended 4Q21 with a 1.9% QoQ-sa quarterly contraction (-1.5% in 3Q21).** According to FGV, retail confidence fell 0.5% MoM-sa, and consumer confidence dropped 1.9% MoM-sa in January, still bringing challenges to retail activities amid high inflation and unemployment, supply chain disruptions and demand shifting toward services.
- **The BCB will release (on Friday, February 11) the IBC-Br, capping the batch of economic activity indexes for December.** We are maintaining our expectations of a monthly expansion of +0.1% MoM-sa. Regarding 4Q21 GDP growth, we are maintaining our tracking at +0.3% QoQ-sa, coherent with a 4.5% full growth in 2021.



Figure 1 – Retail Sales Breakdown

Weights	% MoM			% YoY			% QoQ			% 12-month	
	Oct-21	Nov-21	Dec-21	Oct-21	Nov-21	Dec-21	Jun-21	Sep-21	Dec-21	12-month	Feb-20*
66.9% Core Retail Sales	0.0	0.4	-0.1	-6.9	-4.2	-3.0	1.8	-1.6	-2.1	1.4	-2.3
8.3% Fuels	-0.3	-1.3	0.0	-7.7	-7.0	-6.1	2.2	-1.7	-4.0	0.3	-12.4
30.6% Hypermarkets, supermarkets	0.2	0.8	-0.4	-5.0	-0.7	-0.4	0.6	-0.6	-0.5	-2.7	1.0
6.2% Fabrics, clothing and footwear	0.5	-1.6	0.4	-2.0	-4.4	-0.5	12.5	5.9	-1.0	13.8	-6.9
7.4% Furniture and home appliances	-1.4	-1.2	0.4	-22.6	-21.2	-17.6	5.2	-7.1	-5.8	-7.0	-12.9
5.1% Pharmaceuticals	0.0	2.4	3.2	-0.1	2.6	7.8	-0.7	0.3	2.9	9.8	18.8
0.9% Books, papers and magazine	-0.7	0.0	2.4	-7.8	-14.1	-6.7	16.0	-1.9	0.2	-16.9	-34.4
0.6% Office equipment and supplies	5.6	-0.1	-2.0	-11.2	-5.6	-6.7	2.6	-6.2	0.9	-2.0	-14.8
7.8% Other personal items	0.0	1.2	-5.7	-7.2	-2.6	-6.0	8.7	3.6	-11.3	12.7	-2.0
100% Broad Retail Sales	-0.8	0.7	0.3	-7.0	-2.9	-2.7	2.5	-1.5	-1.9	4.5	-1.3
8.9% Building Materials	-0.9	0.5	-1.4	-14.1	-4.0	-8.3	2.2	-4.7	-2.0	4.4	10.2
24.2% Vehicles	-0.4	0.8	1.2	-4.0	1.7	0.3	6.9	-0.1	-0.6	14.9	-4.6

Sources: IBGE, Santander.

Retail activity improved slightly in December but with virtual stability seen since August. Broad retail sales expanded 0.3% MoM-sa (-2.7% YoY) in December, between market expectations of +0.8% MoM-sa (-1.8% YoY) and our estimate of -0.2% MoM-sa (-3.5% YoY). At the same time, core retail sales (ex building material and vehicles sales) dropped 0.1% MoM-sa (-3.0% YoY), above market consensus of -0.6% MoM-sa (-3.1% YoY) and our estimate of -1.0% MoM-sa (-4.2% YoY). Both indexes remain below the pre-pandemic mark (down 1.3% and 2.3%, respectively).

Zooming in on the details, five of ten retail activities printed growth, with vehicles (+1.2% MoM-sa) and pharmaceuticals products (+3.2% MoM-sa) sales as the highlights. The remaining retail activities posted tepid figures, with credit-led segments like building material (-1.4% MoM-sa) and furniture, and home appliances (+0.4% MoM-sa) sales shrinking at the margin, in line with the decreased granting of household credit in the period. Important segments like supermarkets (-0.4% MoM-sa) and other personal items (-5.7% MoM-sa) were the lowlights in the income-led segments, in line with the increasing inflation, still high unemployment and low consumer confidence figures.

The biggest positive contributions came from vehicle sales (+0.29 p.p) and pharmaceutical products (+0.16 p.p), with the latter likely reflecting the increasing demand for Covid-19 tests due to the Omicron variant outbreak. Conversely, supermarkets (-0.12 p.p), building materials (-0.12 p.p) and other personal items (-0.45 p.p) contributed negatively. It's worth noting that with the sum-up of the contribution's proxies from broad retail activities, we achieve a 0.2% MoM-sa retreat in December, in line with our estimate and below the official result. Moreover, only three retail activities remain above the pre-pandemic mark, notably supermarkets (up 1.0%), pharmaceutical products (up 18.8%) and building materials (up 10.2%).

Broad retail activity marked the second gain in a row but ended 4Q21 with a 1.9% QoQ-sa quarterly contraction (-1.5% in 3Q21). The last two positive figures came after three weak prints, likely marking a stability pattern for retail sales since September. According to FGV, retail confidence fell 0.5% MoM-sa and consumer confidence dropped 1.9% MoM-sa in January, while our proprietary index (IGet)¹ tumbled 5.7% MoM-sa. These figures still bring challenges to retail activities amid high inflation and unemployment, supply chain disruptions and demand shifting toward services.

The BCB will release (on Friday, February 11) the IBC-Br, capping the batch of economic activity indexes for December. We are maintaining our expectations of a monthly expansion of +0.1% MoM-sa. Regarding 4Q21 GDP growth, we are maintaining our tracking at +0.3% QoQ-sa, coherent with a 4.5% full growth in 2021. **For details on Santander's activity outlook, please refer to our last reports².**

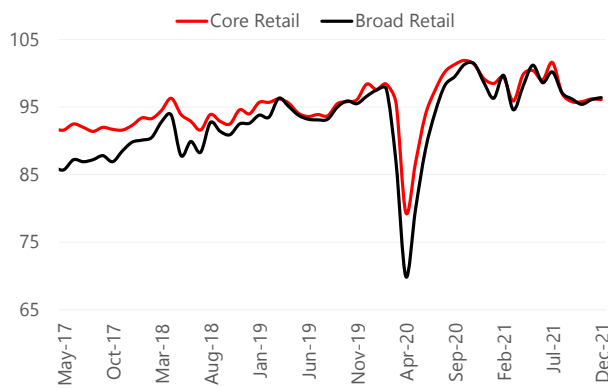
¹ Santander Brazil Economic Activity - "IGET Janeiro: Varejo segue enfraquecendo na margem" – February 7, 2022 – Available (in Portuguese) on: <https://bit.ly/Std-IGET-jan22>. For an English version, please see: <https://bit.ly/Std-IGET-EN-jan22>

² Santander Brazil Economic Activity - "Chartbook – Maintaining the Main Growth Drivers for 2022" – February 1, 2022 – Available on: <https://bit.ly/Std-chart-econact-feb22>

Santander Brazil Economic Activity - "Special Report – Resilience Factors for 2022 GDP Growth" – January 14, 2022 – Available on: <https://bit.ly/Std-special-011422>

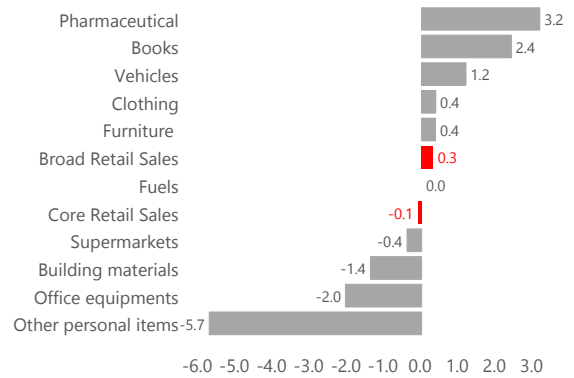


Figure 2.A – Retail Sales (sa, 2014=100)



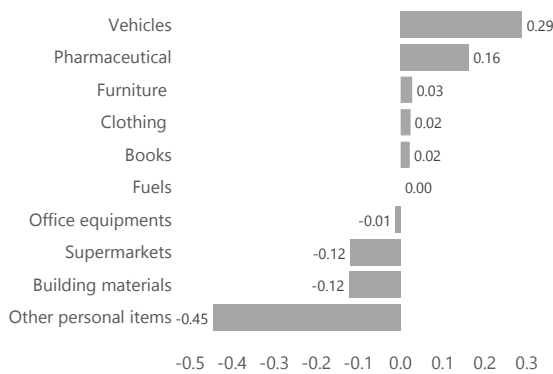
Sources: IBGE, Santander.

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



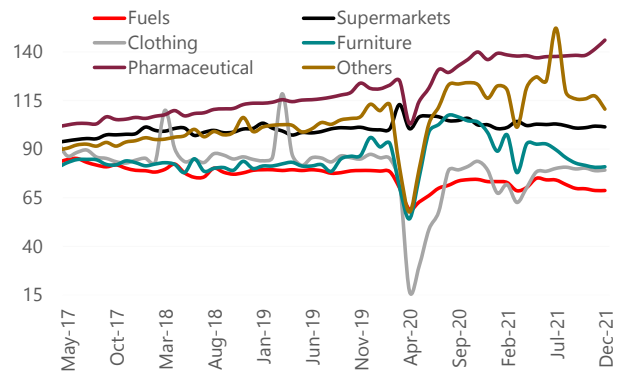
Sources: IBGE, Santander.

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



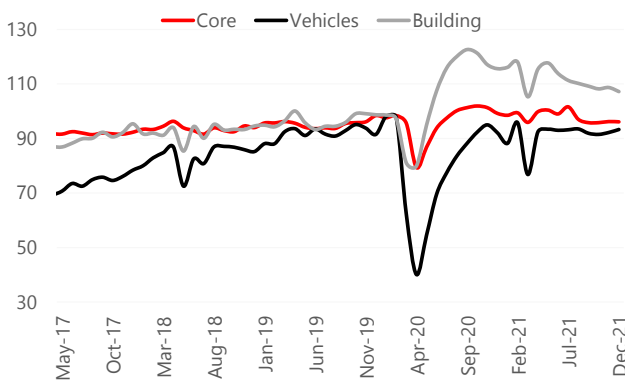
Sources: IBGE, Santander. * Proxy for monthly contributions from broad retail segments.

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



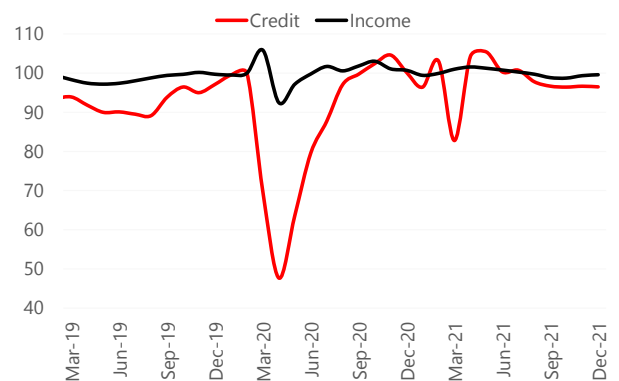
Sources: IBGE, Santander.

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



Sources: IBGE, Santander.

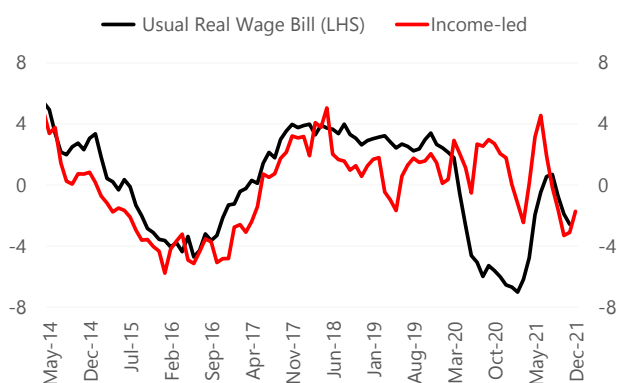
Figure 4.B – Sensitivity Analysis (sa, 2011=100)



Sources: IBGE, Santander.

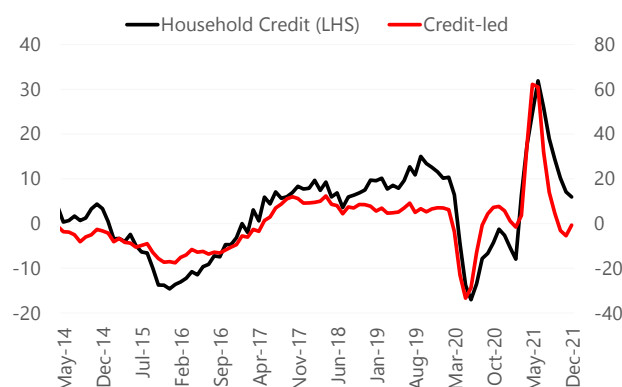


Figure 5.A – Income-led Segments (3mma, YoY%)



Sources: IBGE, Santander.

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



Sources: IBGE, Santander.

Figure 6 – “Heatmap” Showing Retail Sales by Component

Retail Sales (% MoM sa)												
	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Core Retail Sales	-0.71	0.91	-3.52	4.07	0.60	-1.39	2.63	-4.53	-1.24	0.00	0.42	-0.10
Fuels	0.00	-0.68	-5.77	2.48	6.69	-1.07	-0.13	-3.10	-2.79	-0.29	-1.29	0.00
Hypermarkets, supermarkets	-1.95	0.60	3.07	-2.02	0.69	-0.19	0.29	-0.87	-1.18	0.20	0.79	-0.39
Fabrics, clothing and footwear	-14.90	6.53	-12.81	12.14	11.54	0.38	1.91	0.75	-1.12	0.50	-1.62	0.38
Furniture and home appliances	-9.75	9.45	-19.94	19.00	-0.22	0.11	-3.24	-4.46	-3.27	-1.45	-1.23	0.37
Pharmaceutical	2.35	-0.57	-0.43	0.15	-0.80	0.44	0.07	0.22	0.22	0.00	2.39	3.18
Office equipment and supplies	1.39	-0.55	-10.91	10.54	2.95	-4.09	-0.43	-4.71	-2.99	5.56	-0.15	-2.05
Books, papers and magazine	-27.30	13.50	-2.23	8.37	4.21	4.38	-5.48	-1.02	0.69	-0.68	0.00	2.41
Others	5.43	-1.72	-15.88	20.16	4.52	-1.65	21.68	-21.50	-3.02	0.00	1.21	-5.72
Broad Retail Sales	-2.33	3.53	-5.12	3.70	3.16	-2.57	1.62	-3.09	-0.93	-0.83	0.73	0.31
Building material	0.43	1.64	-10.76	9.59	1.99	-3.31	-2.20	-0.99	-0.91	-0.92	0.46	-1.38
Vehicles	-4.23	8.62	-19.83	20.31	1.08	-0.43	0.22	0.32	-1.71	-0.44	0.77	1.19

Sources: IBGE, Santander.

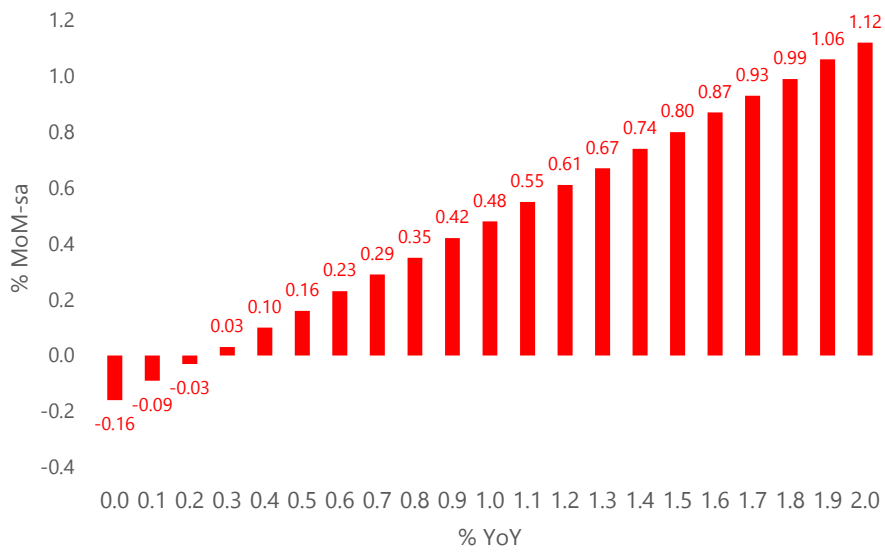
Figure 7 – “Heatmap” Showing Retail Sales Contribution by Component

Retail Sales (contributions sa, p.p)												
	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Fuels	0.00	-0.06	-0.48	0.21	0.55	-0.09	-0.01	-0.26	-0.23	-0.02	-0.11	0.00
Hypermarkets, supermarkets	-0.60	0.18	0.94	-0.62	0.21	-0.06	0.09	-0.27	-0.36	0.06	0.24	-0.12
Fabrics, clothing and footwear	-0.92	0.40	-0.79	0.75	0.72	0.02	0.12	0.05	-0.07	0.03	-0.10	0.02
Furniture and home appliances	-0.72	0.70	-1.48	1.41	-0.02	0.01	-0.24	-0.33	-0.24	-0.11	-0.09	0.03
Pharmaceutical	0.12	-0.03	-0.02	0.01	-0.04	0.02	0.00	0.01	0.01	0.00	0.12	0.16
Office equipment and supplies	0.01	0.00	-0.10	0.09	0.03	-0.04	0.00	-0.04	-0.03	0.05	0.00	-0.02
Books, papers and magazine	-0.16	0.08	-0.01	0.05	0.03	0.03	-0.03	-0.01	0.00	0.00	0.00	0.01
Others	0.42	-0.13	-1.24	1.57	0.35	-0.13	1.69	-1.68	-0.24	0.00	0.09	-0.45
Building material	0.04	0.15	-0.96	0.85	0.18	-0.29	-0.20	-0.09	-0.08	-0.08	0.04	-0.12
Vehicles	-1.02	2.09	-4.80	4.92	0.26	-0.10	0.05	0.08	-0.41	-0.11	0.19	0.29

Sources: IBGE, Santander.



Figure 8 – Deseasonalization Grid (IBC-Br) for December 2021



Sources: IBGE, Santander



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