

**ANOTHER WEAK PRINT FOR RETAIL ACTIVITY**

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- **Broad retail sales increased 0.4% MoM-sa (-0.6% YoY) in December, partially recovering from the 0.5% MoM-sa drop in November.** This result came in below market consensus and our estimate (both at +0.8% MoM-sa and +0.2% YoY). Meanwhile, core retail sales (which excluded building materials and vehicle sales) shrank 2.6% MoM-sa (+0.4% YoY), the third decline in six months, and below market consensus of -0.8% MoM-sa (+2.7% YoY) and our estimate of -0.1% MoM-sa (+2.4% YoY).
- **Full year growth for broad and core indexes in 2022 came in at -0.6% and +1.0, respectively (vs. +4.5% and +1.4%, respectively, in 2021).** The statistical carryovers calculated to 1Q23 are 0.1% QoQ-sa (+0.9% QoQ-sa in 4Q22) and -2.1% QoQ-sa (-0.7% QoQ-sa in 4Q22) for broad and core retail sales.
- **The details reveal that seven of ten retail activities retreated at the margin.** Clothing (-6.1% MoM-sa) was the lowlight (fourth decline in a row), with other personal items (-2.9% MoM-sa), fuels (-1.7% MoM-sa), and furniture (-1.7% MoM-sa) also contributing negatively. On the other hand, vehicles (+2.4% MoM-sa), building materials (+1.3% MoM-sa), and books (+0.1% MoM-sa) were the highlights. In broad terms, December's figures showed negative figures for income-led segments and positive prints for credit-led activities.
- **January's available data point to mixed signs in the month.** According to FGV surveys (soft data), retail confidence dropped 5.0% MoM-sa, while consumer confidence fell 0.3% MoM-sa, with both remaining considerably below the 100 points neutral threshold. However, our proprietary IGet data for core retail posted a 3.7% MoM-sa increase, partially recovering after high volatility in 2H22.
- **All in all, it was a weak performance for retail in December,** as there was a considerable negative surprise in the core index, as most segments posted contractions at the margin. Looking ahead, we expect retail activity to repeat a tepid performance in the coming months. Although the highlights in December were concentrated in credit-led segments, we still expect diverging figures between income-led segments (supported by an expansion in the real wage bill) and credit-led segments (stifled by tight financial conditions, as pointed out by our proprietary FCI).
- **Our IBC-Br tracking for December stands at -0.4% MoM-sa.** If our result is on the mark, it would be the fifth decline in a row. Our 4Q22 GDP growth tracking is at -0.2% QoQ-sa. We forecast GDP growth of 3.0% in 2022 and +0.8% in 2023, with a significant slowdown in domestic demand and in cyclical supply components next year, stemming mainly from the expected global recession and the tight BCB policy, but we expect strong growth for non-cyclical farm output, reflecting an all-time-high forecast for the grain harvest.

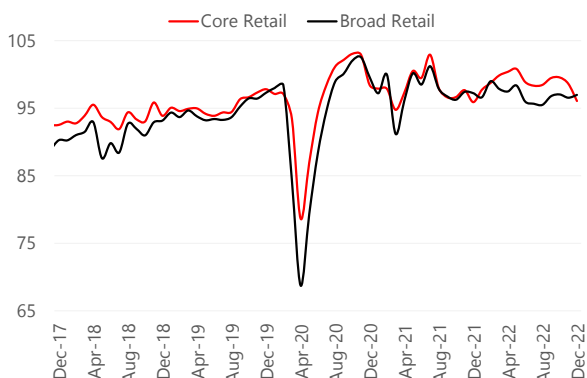


Figure 1 – Retail Sales Details

Retail Sales Breakdown												
Weights		% MoM			% YoY			% QoQ			% Feb-20*	
		Oct-22	Nov-22	Dec-22	Oct-22	Nov-22	Dec-22	Jun-22	Sep-22	Dec-22		
<b>66.9%</b>	<b>Core Retail Sales</b>	<b>0.1</b>	<b>-0.9</b>	<b>-2.6</b>	<b>2.7</b>	<b>1.4</b>	<b>0.4</b>	<b>1.3</b>	<b>-1.3</b>	<b>-0.7</b>	<b>-1.1</b>	
8.3%	Fuels	0.4	-5.4	-1.6	34.3	27.0	23.8	6.7	16.2	-1.5	10.3	
30.6%	Hypermarkets, supermarkets	0.1	-0.1	-0.8	2.7	2.8	2.5	0.3	0.2	0.7	2.9	
6.2%	Fabrics, clothing and footwear	-4.3	-2.1	-6.1	-15.0	-16.4	-11.9	1.0	-11.3	-6.8	-29.9	
7.4%	Furniture and home appliances	2.5	1.9	-1.6	-0.8	2.6	0.3	1.3	-3.8	3.7	-13.6	
5.1%	Pharmaceuticals	-0.4	1.5	-0.4	5.3	6.4	0.8	-1.4	-0.6	0.8	21.4	
0.9%	Books, papers and magazine	-4.3	-3.5	0.1	13.7	0.1	0.3	16.9	0.8	-4.7	-38.3	
0.6%	Office equipment and supplies	2.1	-3.4	-0.6	8.5	-0.2	0.1	2.4	-2.0	0.5	-13.3	
7.8%	Other personal items	1.8	-0.9	-2.9	-8.4	-10.6	-8.4	-3.4	-3.8	-1.0	-7.1	
<b>100%</b>	<b>Broad Retail Sales</b>	<b>0.3</b>	<b>-0.5</b>	<b>0.4</b>	<b>0.3</b>	<b>-1.4</b>	<b>-0.6</b>	<b>-0.6</b>	<b>-1.3</b>	<b>0.9</b>	<b>-1.5</b>	
8.9%	Building Materials	-6.0	5.2	1.3	-12.8	-11.1	-7.1	-4.1	-3.5	-2.6	2.2	
24.2%	Vehicles	-2.2	0.8	2.4	-0.8	-5.5	-1.8	0.4	-2.3	0.7	-6.9	

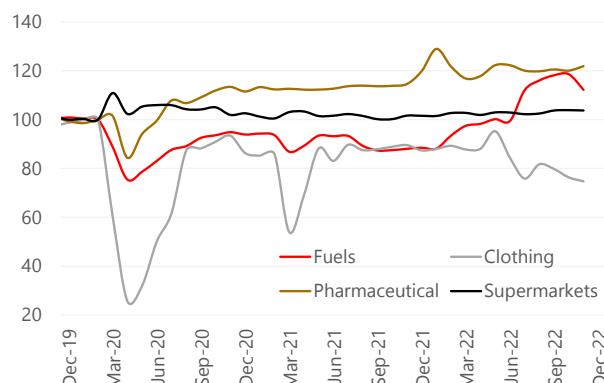
\*We set our pre-pandemic period at February 2020. Sources: IBGE, Santander.

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



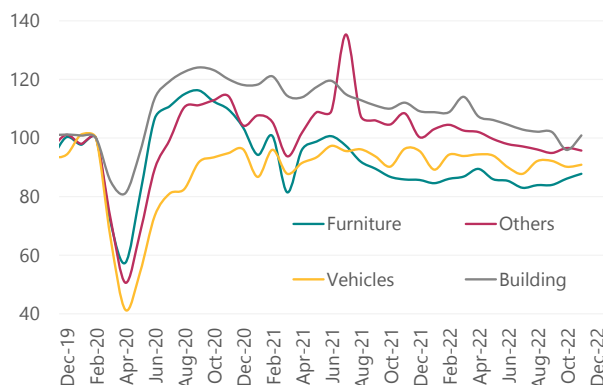
Sources: IBGE, Santander.

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



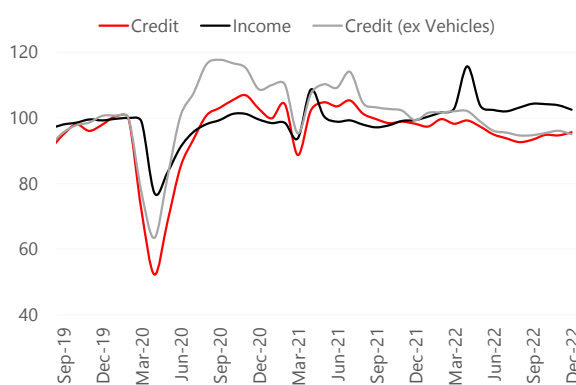
Sources: IBGE, Santander.

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



Sources: IBGE, Santander.

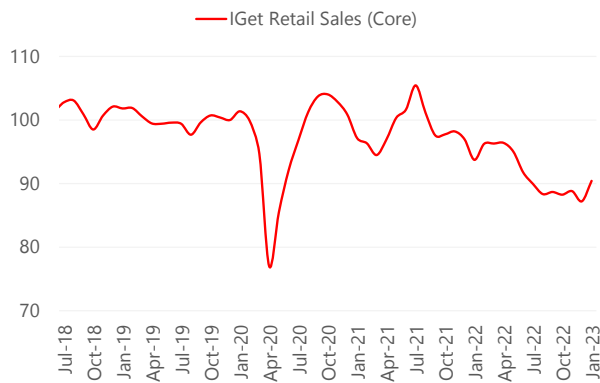
Figure 5 – Sensitivity Analysis (sa, Feb/20=100)\*



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

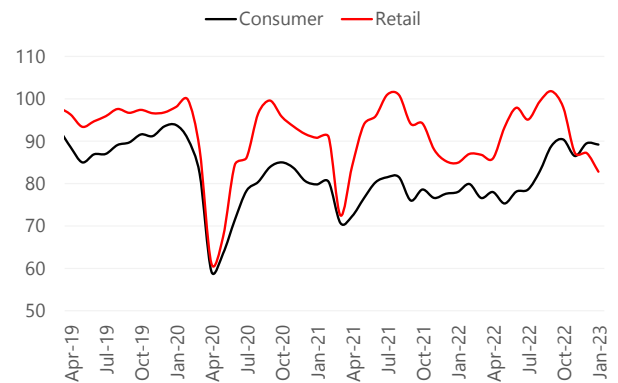


Figure 6 – IGet (sa, Dec/19=100)



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)												
	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
<b>Core Retail Sales</b>	1.91	1.03	1.13	0.53	0.43	-1.91	-0.56	0.12	1.03	0.09	-0.93	-2.60
Fuels	-0.37	6.04	4.27	0.83	1.95	-0.74	12.69	3.56	1.83	0.37	-5.41	-1.65
Hypermarkets, supermarkets	-0.07	1.19	0.05	-0.81	1.02	-0.05	-0.65	0.25	1.22	0.13	-0.14	-0.81
Fabrics, clothing and footwear	0.76	1.41	-1.68	0.34	8.14	-11.38	-10.13	7.75	-2.40	-4.28	-2.13	-6.14
Furniture and home appliances	-1.28	1.76	0.89	3.02	-3.93	-0.65	-2.77	1.09	0.09	2.54	1.93	-1.65
Pharmaceutical	7.61	-5.62	-4.04	0.90	3.76	-0.01	-1.82	-0.22	0.63	-0.40	1.54	-0.39
Office equipment and supplies	-2.83	-2.16	15.84	-6.84	1.75	-1.67	-1.17	-1.37	1.93	2.15	-3.36	-0.59
Books, papers and magazine	-41.69	87.80	4.09	-6.09	5.34	-2.82	-1.28	2.69	1.60	-4.33	-3.47	0.13
Others	2.76	1.42	-1.89	-0.49	-2.34	-1.74	-0.80	-1.08	-1.23	1.78	-0.91	-2.94
<b>Broad Retail Sales</b>	-0.61	2.44	-1.15	-0.38	0.90	-2.41	-0.35	-0.17	1.34	0.27	-0.50	0.43
Building material	-0.32	-0.01	4.82	-5.87	-1.12	-1.50	-1.61	-0.71	-0.11	-5.98	5.16	1.28
Vehicles	-6.64	5.72	-0.48	0.60	-0.44	-4.23	-2.49	4.95	0.06	-2.15	0.76	2.36

Sources: IBGE, Santander.

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

Retail Sales (contributions sa, p.p)												
	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Fuels	-0.03	0.50	0.35	0.07	0.16	-0.06	1.05	0.30	0.15	0.03	-0.45	-0.14
Hypermarkets, supermarkets	-0.02	0.36	0.02	-0.25	0.31	-0.02	-0.20	0.08	0.37	0.04	-0.04	-0.25
Fabrics, clothing and footwear	0.05	0.09	-0.10	0.02	0.50	-0.71	-0.63	0.48	-0.15	-0.27	-0.13	-0.38
Furniture and home appliances	-0.09	0.13	0.07	0.22	-0.29	-0.05	-0.21	0.08	0.01	0.19	0.14	-0.12
Pharmaceutical	0.39	-0.29	-0.21	0.05	0.19	0.00	-0.09	-0.01	0.03	-0.02	0.08	-0.02
Office equipment and supplies	-0.03	-0.02	0.14	-0.06	0.02	-0.02	-0.01	-0.01	0.02	0.02	-0.03	-0.01
Books, papers and magazine	-0.25	0.53	0.02	-0.04	0.03	-0.02	-0.01	0.02	0.01	-0.03	-0.02	0.00
Others	0.22	0.11	-0.15	-0.04	-0.18	-0.14	-0.06	-0.08	-0.10	0.14	-0.07	-0.23
Building material	-0.03	0.00	0.43	-0.52	-0.10	-0.13	-0.14	-0.06	-0.01	-0.53	0.46	0.11
Vehicles	-1.61	1.38	-0.12	0.15	-0.11	-1.02	-0.60	1.20	0.01	-0.52	0.18	0.57

Sources: IBGE, Santander.

For details on Santander’s economic activity outlook, please refer to our most recent reports<sup>1</sup>.

<sup>1</sup> Santander Brazil Special Report: “Forecasting Probability of Recession in Brazil with Financial Conditions” – January 4, 2023 – Available on: <https://bit.ly/Std-special-010423>

Santander Brazil Economic Activity: “Financial Conditions Remain Restrictive, Despite Relief at the Margin” – January 17, 2023 – Available on: <https://bit.ly/Std-FCI-jan23>

Santander Brazil Economic Activity: “Broad Activity Remains in Negative Territory” – January 19, 2023 – Available on: <https://bit.ly/Std-SAI-nov22>

Santander Brazil Special Report: “A Breakdown of Brazilian Financial Conditions” – January 19, 2023 – Available on: <https://bit.ly/Std-special-011923>



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