

VEHICLES SALES SURGE ON TAX BREAK

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- **Broad retail sales increased 1.2% MoM-sa (+8.3% YoY) in June.** This result beat market consensus (-0.3% MoM-sa; +5.4% YoY) and our estimate (-0.5% MoM-sa; +4.5% YoY). Meanwhile, core retail sales (which excludes building materials, vehicles sales and wholesale food) came in at 0.0% MoM-sa (1.3% YoY), also above consensus of -0.2% MoM-sa (+0.7% YoY) and our estimate of -0.6% MoM-sa (0.0% YoY).
- **The details showed a mixed breakdown, as five out of ten retail activities increased at the margin.** Vehicles (+8.5% MoM-sa), clothing (+1.4% MoM-sa), supermarket (+1.3% MoM-sa) and books (+1.2% MoM-sa) contributed positively. **The surprise in vehicles was a result of the tax break for car purchases that took effect in June.** Conversely, office supplies (-3.7% MoM-sa), pharmaceutical (-0.7% MoM-sa) and fuels (-0.6% MoM-sa) were the lowlights.
- **In broad terms, June's figures showed positive figures for both income-led segments and credit-led activities.** The former posted a +0.3% MoM-sa variation, and the latter indicated a +2.2% MoM-sa increase.
- **All in all, following two consecutive negative prints, we believe June posted a one-off positive figure owing to a tax break effect in vehicles sales.** Looking ahead, we expect retail activity to indicate a trend of tepid performances. With June's result, growth in 2Q23 decelerated to 1.7% QoQ-sa (3.7% QoQ-sa in 1Q23) and -0.2% QoQ-sa (1.9% QoQ-sa in 1Q23) for broad and core retail sales, respectively.
- **Our IBC-Br tracking for June is currently at 0.5% MoM-sa.** Our 2Q23 GDP growth tracking is currently at 0.0% QoQ-sa. We continue to see signs of deceleration for broad activity ahead, as more cyclical segments indicate an ongoing slowing trend owing to highly restrictive financial conditions. In addition, we expect the positive impact of the record summer crops to be limited to 1Q23 and the beginning of 2Q23.

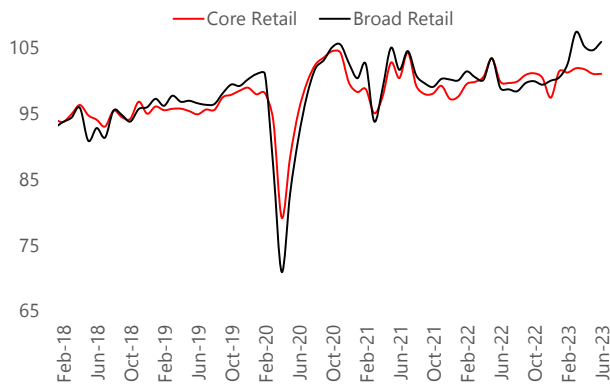


Figure 1 – Retail Sales Details

Retail Sales Breakdown												
Weights	% MoM			% YoY			% QoQ					
	Apr-23	May-23	Jun-23	Apr-23	May-23	Jun-23	Dec-22	Mar-23	Jun-23			
60.8%	Core Retail Sales			-0.1	-0.7	0.0	0.5	-1.1	1.3	-0.5	1.9	-0.2
7.7%	Fuels	-1.9	1.5	-0.6	8.3	10.8	9.9	-1.8	-2.4	-1.4		
33.0%	Hypermarkets, supermarkets	3.6	-3.3	1.3	3.3	1.3	3.1	0.8	0.8	1.4		
3.2%	Fabrics, clothing and footwear	-2.4	-2.5	1.4	-11.2	-18.2	-6.3	-6.2	17.5	-6.8		
4.4%	Furniture and home appliances	-0.8	-0.7	0.8	-3.8	0.3	2.6	3.7	0.5	-1.1		
5.6%	Pharmaceuticals	0.8	2.7	-0.7	3.2	7.6	3.8	0.9	0.8	3.6		
0.4%	Books, papers and magazine	1.4	1.8	1.2	-6.6	-6.7	-3.5	-5.8	-2.8	4.8		
0.9%	Office equipment and supplies	-7.5	1.2	-3.7	-5.8	-4.6	-8.9	1.0	1.4	-7.3		
5.6%	Other personal items	-3.0	-2.3	-0.9	-18.0	-17.3	-14.9	-1.7	-4.1	-7.3		
100%	Broad Retail Sales			-2.1	-0.5	1.2	2.6	3.0	8.3	0.9	3.7	1.7
13.9%	Wholesale	-	-	-	12.0	18.3	21.2	-	-	-		
8.0%	Building Materials	-0.9	-0.9	-0.3	-7.7	-2.0	-2.7	-1.8	3.5	-2.8		
17.2%	Vehicles	-5.1	2.2	8.5	-2.0	1.5	17.9	1.3	4.8	1.9		

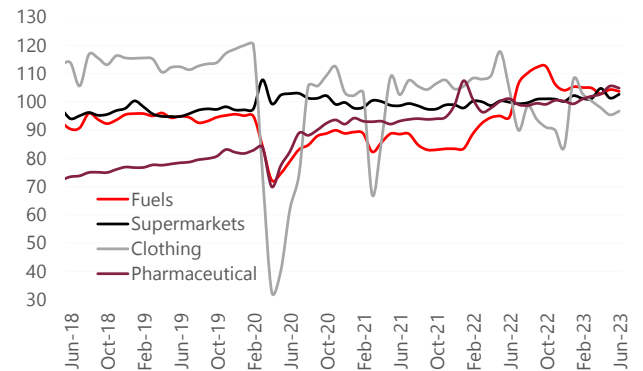
Sources: IBGE, Santander.

Figure 2 – Retail Sales (sa, 2022=100)



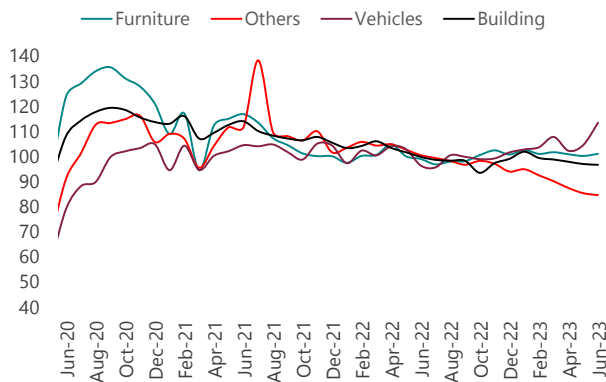
Sources: IBGE, Santander.

Figure 3 – Retail Sales Segments (sa, 2022=100)



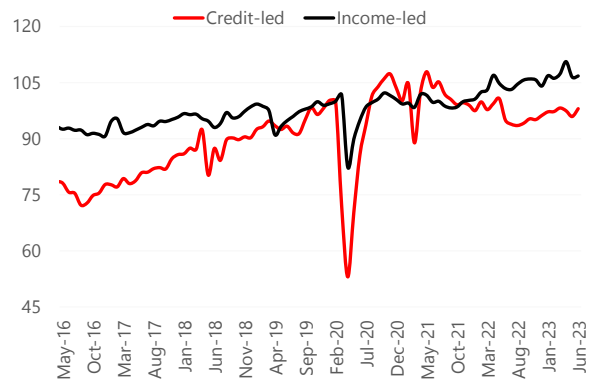
Sources: IBGE, Santander.

Figure 4 – Retail Sales Segments (sa, 2022=100)



Sources: IBGE, Santander.

Figure 5 – Figure 5 – Sensitivity Analysis (sa, 2011=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 8 – “Heatmap” Showing Retail Sales by Component

Retail Sales (% MoM sa)												
	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Core Retail Sales	-0.19	0.22	1.00	0.25	-0.68	-3.02	4.11	-0.18	0.65	-0.15	-0.69	0.00
Fuels	12.60	3.50	1.85	0.29	-5.59	-2.05	1.20	-0.26	-0.19	-1.93	1.46	-0.61
Hypermarkets, supermarkets	-0.53	0.33	1.23	0.16	-0.11	-0.77	2.03	-0.97	-0.05	3.56	-3.28	1.33
Fabrics, clothing and footwear	-13.86	9.65	-4.86	-2.95	-1.17	-6.74	28.69	-4.72	-2.52	-2.38	-2.53	1.38
Furniture and home appliances	-2.20	1.19	0.14	2.47	1.88	-1.61	1.81	-1.54	0.66	-0.81	-0.66	0.84
Pharmaceutical	-2.07	-0.28	0.77	-0.36	1.42	-0.29	-0.95	1.73	0.98	0.77	2.74	-0.70
Books, papers and magazine	-2.74	2.22	1.28	-4.77	-3.50	-0.75	-4.34	5.03	0.12	1.41	1.76	1.19
Office equipment and supplies	-2.14	-0.54	2.13	2.17	-2.92	-1.18	8.23	-9.73	6.35	-7.45	1.16	-3.70
Others	-1.14	-1.18	-1.51	1.58	-1.18	-3.18	0.99	-2.55	-2.54	-3.01	-2.34	-0.91
Broad Retail Sales	-0.19	-0.30	1.26	0.29	-0.53	0.61	0.49	2.04	4.74	-2.05	-0.54	1.21
Building material	-1.19	-0.34	-0.05	-4.87	4.13	1.75	2.89	-2.46	-0.62	-0.90	-0.92	-0.31
Vehicles	-0.77	5.06	-0.63	-0.94	0.31	2.40	1.16	0.85	3.97	-5.11	2.23	8.52

Sources: IBGE, Santander.

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

Retail Sales (contributions sa, p.p)												
	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Fuels	1.13	0.31	0.17	0.03	-0.50	-0.18	0.11	-0.02	-0.02	-0.17	0.13	-0.05
Hypermarkets, supermarkets	-0.20	0.13	0.47	0.06	-0.04	-0.30	0.78	-0.37	-0.02	1.37	-1.26	0.51
Fabrics, clothing and footwear	-0.52	0.36	-0.18	-0.11	-0.04	-0.25	1.07	-0.18	-0.09	-0.09	-0.09	0.05
Furniture and home appliances	-0.11	0.06	0.01	0.13	0.10	-0.08	0.09	-0.08	0.03	-0.04	-0.03	0.04
Pharmaceutical	-0.13	-0.02	0.05	-0.02	0.09	-0.02	-0.06	0.11	0.06	0.05	0.18	-0.05
Books, papers and magazine	-0.01	0.01	0.01	-0.02	-0.02	0.00	-0.02	0.02	0.00	0.01	0.01	0.01
Office equipment and supplies	-0.02	-0.01	0.02	0.02	-0.03	-0.01	0.09	-0.10	0.07	-0.08	0.01	-0.04
Others	-0.07	-0.08	-0.10	0.10	-0.08	-0.21	0.06	-0.17	-0.17	-0.20	-0.15	-0.06
Building material	-0.11	-0.03	0.00	-0.45	0.38	0.16	0.27	-0.23	-0.06	-0.08	-0.09	-0.03
Vehicles	-0.15	1.01	-0.13	-0.19	0.06	0.48	0.23	0.17	0.79	-1.02	0.45	1.70

Sources: IBGE, Santander.



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