

RETAIL SALES BEAT EXPECTATIONS (AGAIN) IN MARCH

Lucas Maynard*
lucas.maynard.da.silva@santander.com.br
+5511 3553 8487

- **Broad retail activity continued to strengthen, inching up 0.7% MoM-sa (+4.5% YoY) at the end of 1Q22.** March's print topped our expectations and market consensus (at -0.4% MoM-sa and -0.1% MoM-sa, respectively) and marked an encouraging streak of three consecutive gains. Core retail sales (ex Building Materials and Vehicles sales) inched up 1.0% MoM-sa (+4.1% YoY), also beating our expectations and market forecast (at +0.4% MoM-sa and +0.5% MoM-sa, respectively) and marking the third gain in a row. Both indexes reached levels above the pre-pandemic benchmark: up 1.6% and 2.7% for broad and core retail sales, respectively.
- **The survey breakdown points to less-than-expected widespread growth.** March's growth stemmed mainly from other personal items (+3.3%) – a very heterogeneous and volatile retail component – and building materials (+2.1%). Office equipment (+14%) and books (+4.7%) strongly edged up at the margin, but their low weights limited their contribution. Moreover, five out of ten retail activities posted results close to stability, while pharmaceutical products inched down (-5.9%), a continued bouncing back from January's steep growth (due to the Omicron variant outbreak).
- **We highlight the resilience shown by income-led segments this year, amid an environment of lingering inflationary pressures.** Indeed, our proxy for income-led retail segments reached the highest reading since May 2021, likely reflecting the benefits from economy's reopening consolidation, anticipation of governmental benefits and the FGTS withdrawal authorization. Conversely, credit-led segments seem to main their stable trajectory.
- **In quarterly terms, March's data capped the batch of retail figures for 1Q22, with broad retail sales marking the first positive print (+2.3 QoQ-sa) since 2Q21.** Core retail sales expansion (+2.0% QoQ-sa) also broke a streak of two discouraging consecutive drops. These results (along with healthy figures for industrial output) highlight short-term relief for goods-related sectors, following the continued weakening seen throughout 2H21. However, we see these sectors facing a challenging environment ahead (mainly in 2H22) amid rising interest rates, inflationary pressures and lingering supply-chain bottlenecks.
- **Our short-term tracking for March IBC-Br tracking was updated to +0.7% MoM-sa (from +0.6%), which would imply a 0.1% QoQ-sa growth.** Moreover, we are upward updating our 1Q22 GDP growth tracking to +0.6% QoQ-sa (from +0.5%). We recognize upside risks to our 0.7% GDP growth projection to 2022, given a better than expected 1H22 outlook, though we continue to foresee a gloomy outlook for 2H22.



Figure 1 – Retail Sales Breakdown

Weights	% MoM			% YoY			% QoQ			%
	Jan-22	Feb-22	Mar-22	Jan-22	Feb-22	Mar-22	Sep-21	Dec-21	Mar-22	Feb-20*
66.9% Core Retail Sales	2.4	1.3	1.0	-1.5	1.3	4.1	-0.1	-2.4	2.0	2.7
8.3% Fuels	0.1	5.4	0.4	-7.0	0.2	6.0	-2.2	-3.5	3.5	-7.1
30.6% Hypermarkets, supermarkets	0.3	1.6	-0.2	-0.9	2.0	-3.4	-0.6	0.0	1.4	2.7
6.2% Fabrics, clothing and footwear	6.4	2.4	0.0	2.4	8.2	81.4	7.0	-3.7	2.6	-10.4
7.4% Furniture and home appliances	-1.2	1.8	0.1	-11.5	-13.3	6.7	-6.7	-6.2	-1.0	-13.9
5.1% Pharmaceuticals	8.4	-4.8	-5.9	14.2	9.4	1.5	0.2	1.8	5.6	15.0
0.9% Books, papers and magazine	-40.7	90.4	4.7	23.4	18.9	36.3	-4.0	-0.3	-3.0	-32.0
0.6% Office equipment and supplies	-2.2	-1.6	14.0	-7.7	-8.0	16.3	-4.9	1.3	1.2	-6.0
7.8% Other personal items	7.1	3.4	3.3	-6.2	1.2	8.9	9.1	-10.1	-0.1	8.8
100% Broad Retail Sales	0.4	2.1	0.7	-1.4	0.3	4.5	-1.1	-1.8	2.3	1.6
8.9% Building Materials	-0.2	1.2	2.1	-8.1	-8.0	1.3	-4.0	-1.6	1.2	12.7
24.2% Vehicles	-6.4	5.1	0.0	1.7	1.1	7.2	0.6	-1.0	-1.0	-5.6

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

Retail Sales surprised to the upside, capping a better than expected quarter. Broad activity inched up 0.7% MoM-sa (+4.5% YoY) in March, topping our expectations and market consensus (at -0.4% MoM-sa and -0.1% MoM-sa, respectively) and marking an encouraging streak of three consecutive gains. At the same time, core retail sales (which excludes Building Materials and Vehicles sales) inched up 1.0% MoM-sa (+4.1% YoY), also beating our expectations and market forecast (at +0.4% MoM-sa and +0.5% MoM-sa, respectively) and marking the third gain in a row. After the continued weakening seen in 2H21, both indexes surpassed their pre-pandemic benchmarks and reached levels 1.6% and 2.7% above the readings seen in February 2020, respectively.

The survey breakdown points to concentrated growth. March's growth stemmed mainly from other personal items (+3.3%) – a very heterogeneous and volatile retail component – and building materials (+2.1%). Office equipment (+14%) and books (+4.7%) strongly edged up at the margin, but their low weights limited their contribution. Moreover, five out of ten retail activities posted results close to stable, while pharmaceutical products inched down (-5.9%), a continued bouncing back from January's steep growth (due to Omicron variant outbreak). Regarding contributions and according to our contribution proxies, other personal items (+0.26 p.p.) and building materials (+0.19 p.p.) contributed the most, while pharmaceuticals (-0.30 p.p.) contributed the least, and the remaining seven retail activities showed virtually null contribution. Additionally, only four out of ten activities surpassed their pre-pandemic marks, with supermarkets (up 2.7%), pharmaceuticals (up 15%), other personal items (up 8.8%) and building materials (up 12.7%) as the highlights, while vehicles (down 5.6%) and furniture and home appliances (down 13.9%) continued to show wide idleness.

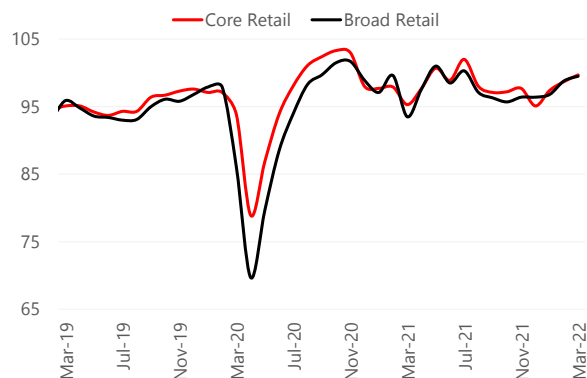
We highlight the resilience shown by income-led segments this year, amid an environment with lingering inflationary pressures. Indeed, our proxy for income-led retail segments reached the highest reading since May 2021, likely reflecting the benefits from economy's reopening consolidation, anticipation of governmental benefits and retirees' salaries, and the FGTS withdrawal authorization. Conversely, credit-led segments seem to maintain their stable trajectory.

In quarterly terms, March's data capped the batch of retail figures for 1Q22, with broad retail sales marking the first positive print (+2.3 QoQ-sa) since 2Q21. Core retail sales expansion (+2.0% QoQ-sa) also broke a streak of two discouraging consecutive drops. These results (along with healthy figures for industrial output) highlight a short-term relief from goods-related sectors, following the continued weakening seen throughout 2H21. Regarding 2Q22, March's prints implied carryovers of +1.2% QoQ-sa and +1.1% QoQ-sa for broad and core indexes, respectively, while economic confidence data along with our proprietary indicator (IGet) pointed to a positive pace in April. However, we see retail activity facing a challenging environment ahead (mainly in 2H22) amid rising interest rates, inflationary pressures and lingering supply-chain bottlenecks.



Our short-term tracking for March IBC-Br tracking was updated to +0.7% MoM-sa (from +0.6%), which would imply a 0.1% QoQ-sa growth. Moreover, we are upwardly revising our 1Q22 GDP growth tracking to +0.6% QoQ-sa (from +0.5%). We recognize upside risks to our 0.7% GDP growth projection to 2022, given a better-than-expected 1H22 outlook, though we continue to see a gloomy outlook for 2H22. **For details on Santander’s activity outlook, please refer to our last chartbook¹.**

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



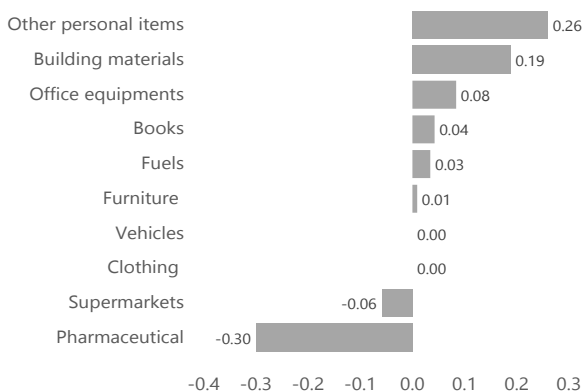
Sources: IBGE, Santander.

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



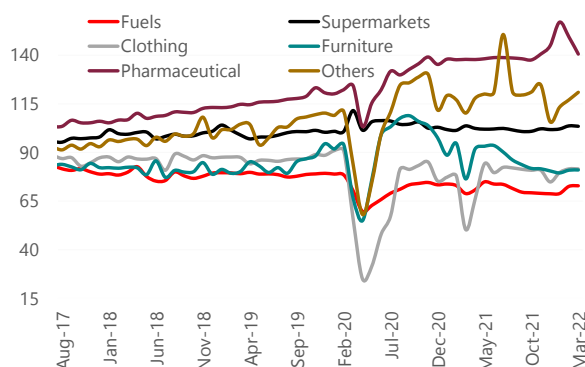
Sources: IBGE, Santander.

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)

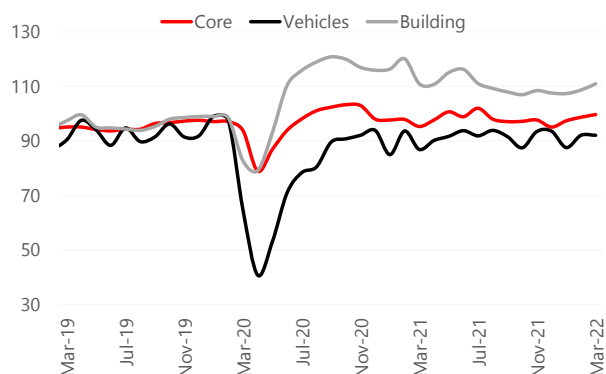


Sources: IBGE, Santander.

¹ Santander Brazil Economic Activity: “Resilience in 2022, but with Concerns Regarding 2023” – April 19, 2022 – Available on: <https://bit.ly/Std-chart-Econact-apr22>

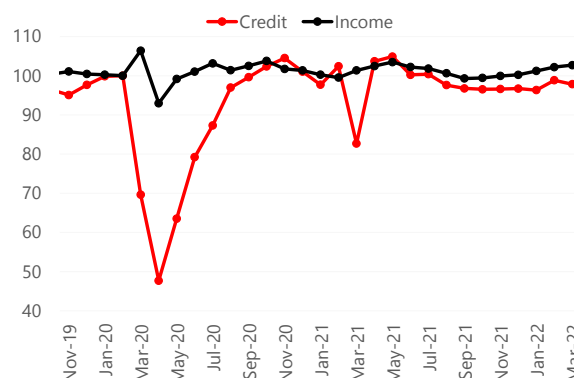


Figure 4.A – Retail Sales Segments (sa, 2011=100)



Sources: IBGE, Santander.

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



Sources: IBGE, Santander.

Figure 5 – “Heatmap” Showing Retail Sales by Component

Retail Sales (% MoM sa)												
	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
Core Retail Sales	2.52	3.07	-1.79	3.13	-3.92	-0.92	0.10	0.51	-2.66	2.42	1.33	1.01
Fuels	2.76	5.79	-1.47	-0.27	-2.85	-2.66	-0.43	-0.43	-0.29	0.15	5.37	0.41
Hypermarkets, supermarkets	-1.25	-0.39	0.10	0.29	-0.78	-0.79	0.10	1.29	-0.39	0.29	1.57	-0.19
Fabrics, clothing and footwear	30.95	27.58	-5.34	3.39	-0.36	-0.85	-0.61	0.00	-7.42	6.41	2.38	0.00
Furniture and home appliances	20.16	1.53	0.43	-3.63	-4.55	-2.79	-2.27	-0.24	-1.35	-1.24	1.76	0.12
Pharmaceutical	-0.07	0.29	0.43	0.00	-0.14	-0.29	-0.43	2.18	3.06	8.35	-4.84	-5.89
Office equipment and supplies	10.83	2.12	-1.94	0.00	-5.80	-1.50	2.44	4.02	-2.00	-2.19	-1.64	13.96
Books, papers and magazine	8.36	3.69	7.77	-9.91	0.00	0.67	-1.66	1.68	-0.66	-40.67	90.45	4.72
Others	6.89	1.87	0.58	24.75	-19.64	-1.24	1.25	3.06	-15.22	7.09	3.35	3.33
Broad Retail Sales	4.39	3.48	-2.48	1.83	-3.19	-0.82	-0.62	0.73	0.00	0.41	2.07	0.71
Building material	-0.18	3.88	1.04	-4.47	-1.62	-1.19	-0.93	1.40	-0.83	-0.19	1.21	2.12
Vehicles	3.80	1.66	2.29	-2.03	2.18	-2.45	-4.48	6.86	0.11	-6.41	5.14	0.00

Sources: IBGE, Santander.

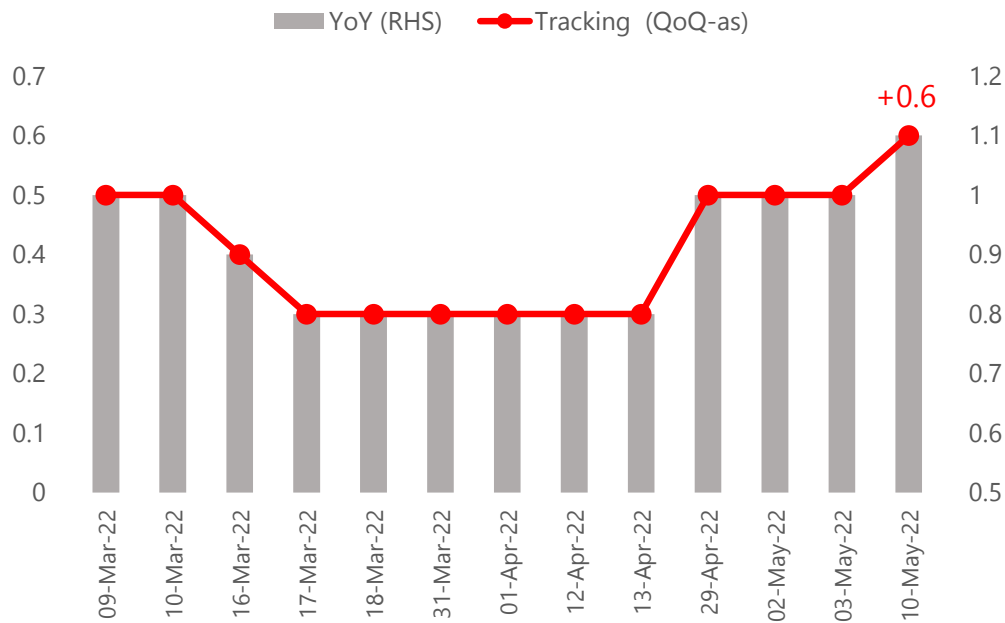
Figure 6 – “Heatmap” Showing Retail Sales Contribution by Component

Retail Sales (contributions sa, p.p)												
	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
Fuels	0.23	0.48	-0.12	-0.02	-0.24	-0.22	-0.04	-0.04	-0.02	0.01	0.45	0.03
Hypermarkets, supermarkets	-0.38	-0.12	0.03	0.09	-0.24	-0.24	0.03	0.39	-0.12	0.09	0.48	-0.06
Fabrics, clothing and footwear	1.92	1.71	-0.33	0.21	-0.02	-0.05	-0.04	0.00	-0.46	0.40	0.15	0.00
Furniture and home appliances	1.49	0.11	0.03	-0.27	-0.34	-0.21	-0.17	-0.02	-0.10	-0.09	0.13	0.01
Pharmaceutical	0.00	0.01	0.02	0.00	-0.01	-0.01	-0.02	0.11	0.16	0.43	-0.25	-0.30
Office equipment and supplies	0.10	0.02	-0.02	0.00	-0.05	-0.01	0.02	0.04	-0.02	-0.02	-0.01	0.13
Books, papers and magazine	0.05	0.02	0.05	-0.06	0.00	0.00	-0.01	0.01	0.00	-0.24	0.54	0.03
Others	0.54	0.15	0.05	1.93	-1.53	-0.10	0.10	0.24	-1.19	0.55	0.26	0.26
Building material	-0.02	0.35	0.09	-0.40	-0.14	-0.11	-0.08	0.12	-0.07	-0.02	0.11	0.19
Vehicles	0.92	0.40	0.55	-0.49	0.53	-0.59	-1.08	1.66	0.03	-1.55	1.24	0.00

Sources: IBGE, Santander.



Figure 7 – 1Q22 GDP Growth Tracking (%), QoQ-sa and YoY-nsa)



Sources: IBGE, Santander

Figure 8 – Santander Tracking

1Q22 GDP Growth						
Date	Release	Reference	Tracking (%)		Projection (%)	
			QoQ-sa	YoY	QoQ-sa	YoY
09-Mar-22	Industry	Jan-22	0.5	1.0	0.5	1.0
10-Mar-22	Retail Sales	Jan-22	0.5	1.0	0.5	1.0
16-Mar-22	Services	Jan-22	0.4	0.9	0.5	1.0
17-Mar-22	IBC-Br	Jan-22	0.3	0.8	0.5	1.0
18-Mar-22	PNAD	Jan-22	0.3	0.8	0.5	1.0
31-Mar-22	PNAD	Feb-22	0.3	0.8	0.5	1.0
01-Apr-22	Industry	Feb-22	0.3	0.8	0.5	1.0
12-Apr-22	Services	Feb-22	0.3	0.8	0.5	1.0
13-Apr-22	Retail Sales	Feb-22	0.3	0.8	0.5	1.0
29-Apr-22	PNAD	Mar-22	0.5	1.0	0.5	1.0
02-May-22	IBC-Br	Feb-22	0.5	1.0	0.5	1.0
03-May-22	Industry	Mar-22	0.5	1.0	0.5	1.0
10-May-22	Retail Sales	Mar-22	0.6	1.1	0.5	1.0

Sources: IBGE, Santander.



CONTACTS / IMPORTANT DISCLOSURES

Brazil Macro Research

Ana Paula Vescovi*	Chief Economist	anavescovi@santander.com.br	5511-3553-8567
Mauricio Oreng*	Head of Macro Research	mauricio.oreng@santander.com.br	5511-3553-5404
Jankiel Santos*	Economist – External Sector	jankiel.santos@santander.com.br	5511-3012-5726
Ítalo Franca*	Economist – Fiscal Policy	italo.franca@santander.com.br	5511-3553-5235
Daniel Karp Vasquez*	Economist – Inflation	daniel.karp@santander.com.br	5511-3553-9828
Tomas Urani*	Economist – Global Economics	tomas.urani@santander.com.br	5511-3553-9520
Lucas Maynard*	Economist – Economic Activity	lucas.maynard.da.silva@santander.com.br	5511-3553-7495
Felipe Kotinda*	Economist – Commodities	felipe.kotinda@santander.com.br	5511-3553-8071
Gabriel Couto*	Economist – Special Projects	gabriel.couto@santander.com.br	5511-3553-8487
Fabiana Moreira*	Economist – Credit	fabiana.de.oliveira@santander.com.br	5511-3553-6120
Gilmar Lima*	Economist – Modeling	gilmar.lima@santander.com.br	5511-3553-6327

Global Macro Research

Maciej Reluga*	Head Macro, Rates & FX Strategy – CEE	maciej.reluga@santander.pl	48-22-534-1888
Rodrigo Park *	Economist – Argentina	rpark@santander.com.ar	54-11-4341-1272
Ana Paula Vescovi*	Economist – Brazil	anavescovi@santander.com.br	5511-3553-8567
Juan Pablo Cabrera*	Economist – Chile	jcabrera@santander.cl	562-2320-3778
Guillermo Aboumrad*	Economist – Mexico	gjaboumrad@santander.com.mx	5255-5257-8170
Piotr Bielski*	Economist – Poland	piotr.bielski@santander.pl	48-22-534-1888
Mike Moran	Head of Macro Research, US	mike.moran@santander.us	212-350-3500

Fixed Income Research

Juan Arranz*	Chief Rates & FX Strategist – Argentina	jarranz@santanderrio.com.ar	5411-4341-1065
Mauricio Oreng*	Senior Economist/Strategist – Brazil	mauricio.oreng@santander.com.br	5511-3553-5404
Juan Pablo Cabrera*	Chief Rates & FX Strategist – Chile	jcabrera@santander.cl	562-2320-3778

Equity Research

Miguel Machado*	Head Equity Research Americas	mmachado@santander.com.mx	5255 5269 2228
Alan Alanis*	Head, Mexico	aalanis@santander.com.mx	5552-5269-2103
Andres Soto	Head, Andean	asoto@santander.us	212-407-0976
Walter Chiarvesio*	Head, Argentina	wchiarvesio@santanderrio.com.ar	5411-4341-1564
Mariana Cahen Margulies*	Head, Brazil	mmargulies@santander.com.br	5511-3553-1684

Electronic

Bloomberg
Reuters

SIEQ <GO>
Pages SISEMA through SISEMZ

This report has been prepared by Santander Investment Securities Inc. ("SIS"; SIS is a subsidiary of Santander Holdings USA, Inc. which is wholly owned by Banco Santander, S.A. "Santander"), on behalf of itself and its affiliates (collectively, Grupo Santander) and is provided for information purposes only. This document must not be considered as an offer to sell or a solicitation of an offer to buy any relevant securities (i.e., securities mentioned herein or of the same issuer and/or options, warrants, or rights with respect to or interests in any such securities). Any decision by the recipient to buy or to sell should be based on publicly available information on the related security and, where appropriate, should take into account the content of the related prospectus filed with and available from the entity governing the related market and the company issuing the security. This report is issued in Spain by Santander Investment Bolsa, Sociedad de Valores, S.A. ("Santander Investment Bolsa"), and in the United Kingdom by Banco Santander, S.A., London Branch. Santander London is authorized by the Bank of Spain. This report is not being issued to private customers. SIS, Santander London and Santander Investment Bolsa are members of Grupo Santander.

ANALYST CERTIFICATION: The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed, that their recommendations reflect solely and exclusively their personal opinions, and that such opinions were prepared in an independent and autonomous manner, including as regards the institution to which they are linked, and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report, since their compensation and the compensation system applying to Grupo Santander and any of its affiliates is not pegged to the pricing of any of the securities issued by the companies evaluated in the report, or to the income arising from the businesses and financial transactions carried out by Grupo Santander and any of its affiliates: Lucas Maynard*.

*Employed by a non-US affiliate of Santander Investment Securities Inc. and not registered/qualified as a research analyst under FINRA rules, and is not an associated person of the member firm, and, therefore, may not be subject to the FINRA Rule 2242 and Incorporated NYSE Rule 472 restrictions on communications with a subject company, public appearances, and trading securities held by a research analyst account.

The information contained herein has been compiled from sources believed to be reliable, but, although all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading, we make no representation that it is accurate or complete and it should not be relied upon as such. All opinions and estimates included herein constitute our judgment as at the date of this report and are subject to change without notice.

Any U.S. recipient of this report (other than a registered broker-dealer or a bank acting in a broker-dealer capacity) that would like to effect any transaction in any security discussed herein should contact and place orders in the United States with SIS, which, without in any way limiting the foregoing, accepts responsibility (solely for purposes of and within the meaning of Rule 15a-6 under the U.S. Securities Exchange Act of 1934) for this report and its dissemination in the United States.

© 2022 by Santander Investment Securities Inc. All Rights Reserved.