

ANOTHER GAIN FOR RETAIL SALES

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- **Broad retail activity continued to strengthen, surging 0.7% MoM-sa in April (+1.5% YoY).** This result was in line with our estimate (+0.7% MoM-sa) and market consensus (+0.9% MoM-sa) and marked a healthy streak of four consecutive gains. Meanwhile, core retail sales (which excludes building materials and vehicles sales) rose 0.9% MoM-sa (+4.5% YoY), topping market expectations (+0.3% MoM-sa) and our estimate (+0.5% MoM-sa), and also marking the fourth gain in a row. Both series suffered substantial revisions for March 2022: the broad index rose to +5.3% YoY (from +4.5%), while the core index rose to +4.9% YoY (from +4.1% YoY).
- **The details pointed to lower-than-expected growth diffusion, with only four of ten retail activities surveyed posting monthly gains.** April's growth stemmed mainly from the strengthening in health-related products (+0.4%), clothing (+1.7%), and furniture (+2.3%), whereas the remaining activities posted weak or tepid prints. Other personal items (+0.1%), fuels (-0.1% MoM-sa), and vehicles (-0.2%) stayed virtually flat, while building materials (-2.0%) and supermarkets (-1.1%) shrank at the margin.
- **In comparison with the pre-crisis mark (February 2020), broad retail sales were up by 1.6%, while core retail sales surpassed it by 4.0%.** In 2H21 retail activity suffered continued deterioration, as demand shifted toward services and rising prices ate into household income. However, we saw several measures adopted to boost disposable income in 1H22 (increasing government transfers, anticipation of benefits, and the FGTS withdrawal authorization), with a strong labor market recovery lending a hand, boosting demand for goods. We expect a continued recovery of the real wage bill in 2Q22, which should support a sequential improvement of goods sectors in the period.
- **In quarterly terms, April's data led positive carryover to 2Q22.** Indeed, we calculate a 1.6% QoQ-sa print for the broad index, while for the core index we calculate a 2.3% QoQ-sa print. These figures (along with a healthy picture for industry) suggest a positive contribution by goods sectors to overall activity (for the second quarter in a row), following the continued weakening seen in 2H21. However, we see these sectors facing a challenging environment (mainly in 2H22) amid rising interest rates, continued inflationary pressures, and lingering supply-chain bottlenecks.
- **Our tracking for IBC-Br in April stands at -0.3% MoM-sa and considers +1.3% MoM-sa growth in March (with the data release still delayed).** Regarding 2Q22 GDP growth, we are maintaining our tracking at +0.4% QoQ-sa, which imparts upside risks to our 1.2% GDP growth projection for 2022.



Figure 1 – Retail Sales Breakdown

Weights	% MoM			% YoY			% QoQ			%
	Feb-22	Mar-22	Apr-22	Feb-22	Mar-22	Apr-22	Sep-21	Dec-21	Apr-22	Feb-20*
66.9% Core Retail Sales	1.4	1.4	0.9	1.3	4.9	4.5	-0.1	-2.3	3.3	4.0
8.3% Fuels	6.2	5.5	-0.1	0.1	12.3	9.7	-1.7	-3.0	9.9	-1.9
30.6% Hypermarkets, supermarkets	1.1	-0.1	-1.1	2.0	-3.4	4.0	-0.9	0.0	0.6	1.4
6.2% Fabrics, clothing and footwear	2.5	0.2	1.7	8.2	81.3	33.9	7.5	-3.7	4.8	-8.6
7.4% Furniture and home appliances	1.9	1.2	2.3	-13.3	7.2	-8.7	-6.2	-5.9	2.3	-10.7
5.1% Pharmaceuticals	-4.6	-4.3	0.4	9.5	3.6	3.5	0.3	2.0	-1.3	17.7
0.9% Books, papers and magazine	85.7	3.6	-5.6	18.8	40.6	-0.9	-4.5	-0.7	28.7	-37.3
0.6% Office equipment and supplies	-1.1	14.6	-6.7	-8.0	16.5	-0.5	-5.0	1.3	3.7	-11.7
7.8% Other personal items	1.0	1.2	0.1	1.1	8.9	1.5	7.7	-9.3	2.8	7.3
100% Broad Retail Sales	2.4	0.1	0.7	0.3	5.3	1.5	-1.1	-1.9	2.6	1.6
8.9% Building Materials	0.7	1.6	-2.0	-7.9	1.2	-10.1	-4.4	-1.9	0.4	9.1
24.2% Vehicles	5.3	0.6	-0.2	1.2	8.5	-2.1	0.7	-0.9	1.0	-5.1

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

Retail activity surged at the start of 2Q. Broad retail activity strengthened 0.7% MoM-sa in April (+1.5% YoY), in line with our estimate (+0.7% MoM-sa) and market consensus (+0.8% MoM-sa), and marking an encouraging streak of four consecutive gains. Meanwhile, core retail sales (which excludes building materials and vehicles sales) rose 0.8% MoM-sa (+4.5% YoY), topping market expectations (+0.3% MoM-sa) and our estimate (+0.5% MoM-sa), and also marking the fourth gain in a row. However, we highlight that both series suffered substantial upward revisions for March 2022: the broad index rose to +5.3% YoY (from +4.5%), while the core index rose to +4.9% YoY (from +4.1% YoY).

The breakdown pointed to concentrated growth. Indeed, we saw limited growth diffusion, with only four of ten retail activities surveyed posting monthly gains. April's growth stemmed mainly from the strengthening in health-related products (+0.4%), clothing (+1.7%), and furniture (+2.3%), whereas the remaining activities posted weak or tepid prints. Other personal items (+0.1%), fuels (-0.1% MoM-sa), and vehicles (-0.2%) stayed virtually flat, while building materials (-2.0%) and supermarkets (-1.1%) shrank at the margin. Regarding contributions, according to our contribution proxies, furniture (+0.17 p.p.) and clothing (+0.11 p.p.) contributed the most, with building materials (-0.17 p.p.) and supermarkets (-0.35 p.p.) contributing the least.

After the continued weakening in 2H21, retail sales surpassed readings observed before the pandemic outbreak. Broad retail sales were up by 1.6%, while core retail sales surpassed the pre-pandemic mark by 4.0%. Among retail activities, only four of ten activities surpassed their pre-pandemic marks, with supermarkets (up 1.4%), pharmaceuticals (up 17.7%), other personal items (up 7.3%), and building materials (up 9.1%) as the highlights, while vehicles (down 5.1%) and furniture and home appliances (down 10.7%) continued to show widespread idleness. The continued shrinking of retail activity in 2H21 was owing mainly to demand shifting toward services and rising prices eating into household income. However, we saw several measures adopted to boost disposable income in 1H22 (increasing government transfers, anticipation of benefits, and the FGTS withdrawal authorization), with a strong labor market recovery lending a hand, boosting demand for goods. We see a continued recovery of the real wage bill in 2Q22, which should support a sequential improvement of goods sectors in the period.

In quarterly terms, April's data led a positive carryover to 2Q22. Indeed, we calculate a 1.6% QoQ-sa print for the broad index, while for the core index we calculate a 2.3% QoQ-sa print. These figures (along with a healthy picture for industry) suggest a positive contribution from goods sectors to overall activity (for the second quarter in a row), following the continued weakening in 2H21. However, we see these sectors facing a challenging environment (mainly in 2H22) amid rising interest rates, continued inflationary pressures, and lingering supply-chain bottlenecks. Our tracking for IBC-Br in April stands at -0.3% MoM-sa and considers a +1.3% MoM-sa growth in March (with data release still delayed). Regarding 2Q22 GDP growth, we are maintaining our tracking at +0.4% QoQ-sa¹, which imparts upside risks to our 1.2% GDP growth projection to 2022. **For details on Santander's economic outlook, please refer to our last scenario review².**

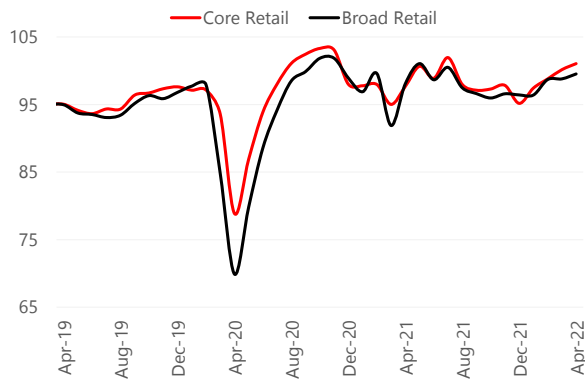
¹ For details regarding our GDP nowcasting methodology, please see: **Santander Brazil Economic Activity - "Special Report: Nowcasting Brazilian GDP with LASSO"** – May 16, 2022 - Available on: <https://bit.ly/Std-special-051622>

² **Scenario Review: "A Bittersweet Scenario"** – June 02, 2022 – Available on: <https://bit.ly/Std-scenreview-jun22>

Santander Brazil – Special Report: "A Model to Forecast Probability of Recession in Brazil" – June 08, 2022 – Available on: <https://bit.ly/Std-special-060822>

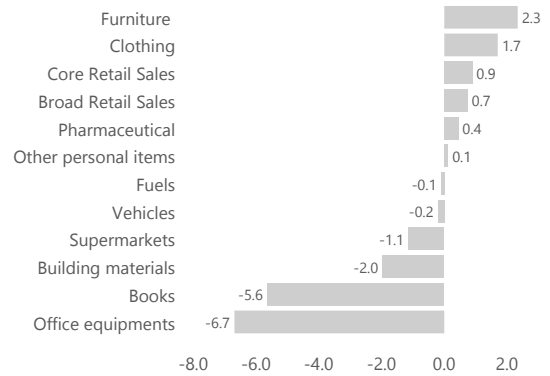


Figure 2.A – Retail Sales (sa, 2014=100)



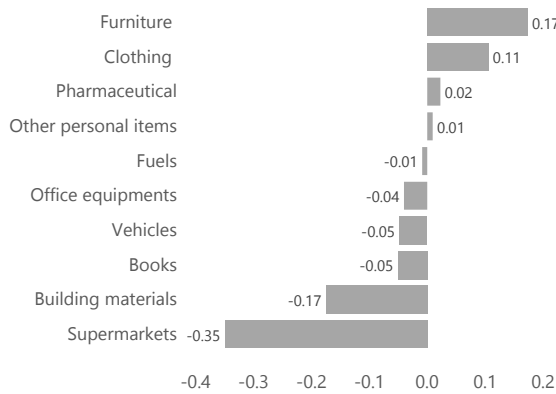
Sources: IBGE, Santander.

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



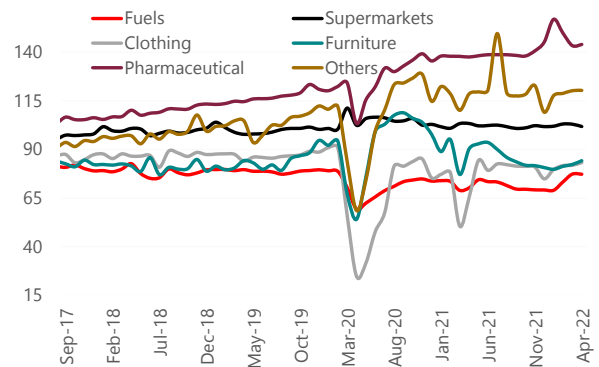
Sources: IBGE, Santander.

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



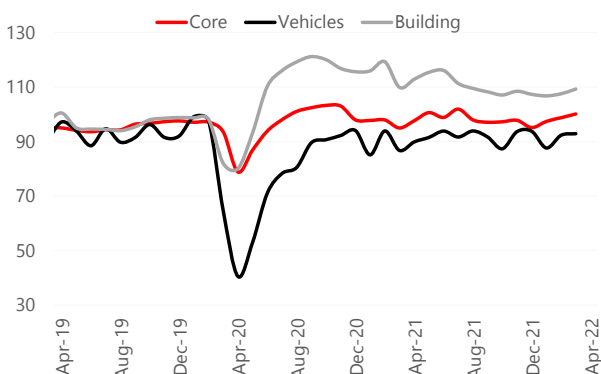
Sources: IBGE, Santander. * Proxy for monthly contributions from broad retail segments.

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



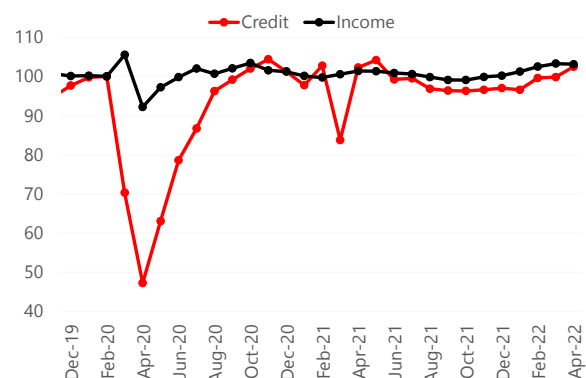
Sources: IBGE, Santander.

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 – “Heatmap” Showing Retail Sales by Component

Retail Sales (% MoM sa)												
	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
Core Retail Sales	3.06	-1.77	3.11	-3.90	-0.87	0.18	0.55	-2.72	2.39	1.39	1.39	0.89
Fuels	5.92	-1.29	-0.27	-2.46	-2.54	-0.13	-0.47	-0.08	-0.22	6.22	5.47	-0.11
Hypermarkets, supermarkets	-1.17	0.18	0.21	-0.80	-0.87	0.28	1.12	-0.45	0.19	1.12	-0.11	-1.14
Fabrics, clothing and footwear	28.94	-6.07	4.17	-0.45	-0.91	-0.16	-0.40	-7.51	6.41	2.51	0.19	1.70
Furniture and home appliances	2.85	0.75	-3.84	-4.50	-2.64	-2.14	-0.24	-1.22	-1.10	1.92	1.19	2.34
Pharmaceutical	0.47	0.38	0.00	-0.01	-0.25	-0.23	1.91	3.22	8.07	-4.58	-4.25	0.45
Office equipment and supplies	1.58	-2.22	0.13	-5.61	-1.45	2.37	3.96	-2.07	-2.25	-1.08	14.58	-6.69
Books, papers and magazine	2.34	4.42	-7.99	-0.07	0.57	-1.64	1.41	-0.91	-39.95	85.70	3.56	-5.64
Others	0.87	0.73	24.16	-20.29	-1.42	0.68	3.82	-11.17	7.85	0.96	1.18	0.12
Broad Retail Sales	3.05	-2.37	1.86	-3.01	-0.89	-0.67	0.65	-0.18	-0.01	2.37	0.10	0.74
Building material	2.24	0.62	-4.12	-1.62	-1.16	-1.06	1.28	-1.05	-0.51	0.71	1.62	-1.96
Vehicles	1.84	2.55	-2.33	2.42	-2.37	-4.70	7.19	0.13	-6.53	5.33	0.62	-0.20

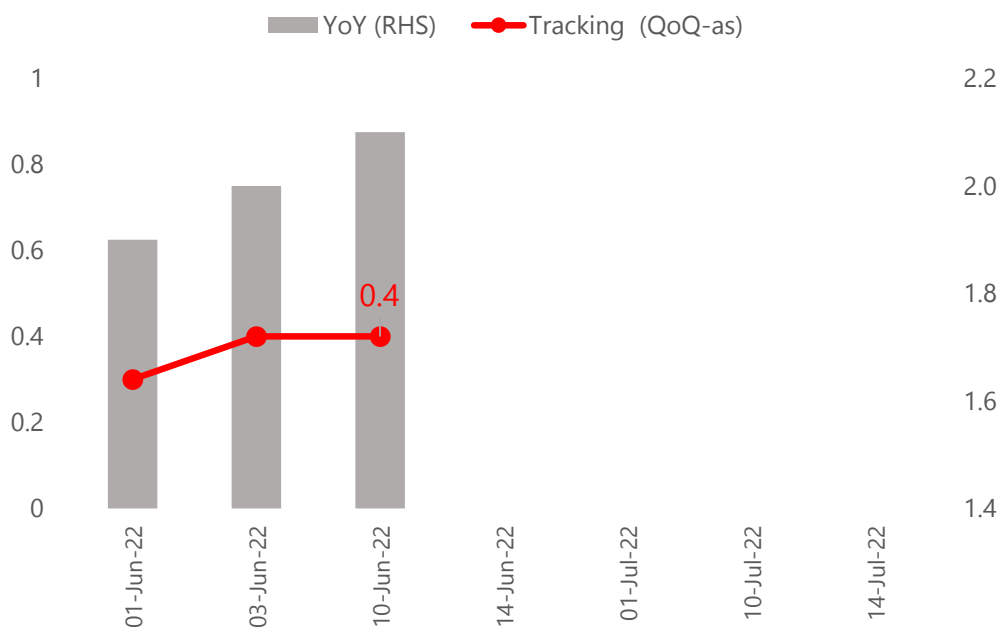
Sources: IBGE, Santander.

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

Retail Sales (contributions sa, p.p)												
	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
Fuels	0.49	-0.11	-0.02	-0.20	-0.21	-0.01	-0.04	-0.01	-0.02	0.52	0.45	-0.01
Hypermarkets, supermarkets	-0.36	0.05	0.06	-0.24	-0.27	0.08	0.34	-0.14	0.06	0.34	-0.03	-0.35
Fabrics, clothing and footwear	1.79	-0.38	0.26	-0.03	-0.06	-0.01	-0.02	-0.47	0.40	0.16	0.01	0.11
Furniture and home appliances	0.21	0.06	-0.28	-0.33	-0.20	-0.16	-0.02	-0.09	-0.08	0.14	0.09	0.17
Pharmaceutical	0.02	0.02	0.00	0.00	-0.01	-0.01	0.10	0.16	0.41	-0.23	-0.22	0.02
Office equipment and supplies	0.01	-0.02	0.00	-0.05	-0.01	0.02	0.04	-0.02	-0.02	-0.01	0.13	-0.06
Books, papers and magazine	0.01	0.03	-0.05	0.00	0.00	-0.01	0.01	-0.01	-0.24	0.51	0.02	-0.03
Others	0.07	0.06	1.88	-1.58	-0.11	0.05	0.30	-0.87	0.61	0.07	0.09	0.01
Building material	0.20	0.05	-0.37	-0.14	-0.10	-0.09	0.11	-0.09	-0.05	0.06	0.14	-0.17
Vehicles	0.44	0.62	-0.56	0.59	-0.57	-1.14	1.74	0.03	-1.58	1.29	0.15	-0.05

Sources: IBGE, Santander.

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



Sources: IBGE, Santander

**Figure 8 – Santander Tracking**

2Q22 GDP Growth						
Date	Release	Reference	Tracking (%)		Projection (%)	
			QoQ-sa	YoY	QoQ-sa	YoY
01-Jun-22	Labor Market	Apr-22	0.3	1.9	0.2	1.7
03-Jun-22	Industry	Apr-22	0.4	2.0	0.2	1.7
10-Jun-22	Retail Sales	Apr-22	0.4	2.1	0.2	1.7

Sources: IBGE, Santander.



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