

NEW WEAK PRINT FOR RETAIL ACTIVITY

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

- **Broad retail sales retreated 0.6% MoM-sa (-1.4% YoY) in November, the fourth decline in six months.** This result came below market consensus of -0.1% MoM-sa (-0.7% YoY) and close to our estimate of -0.4% MoM-sa (-1.1% YoY). Meanwhile, core retail sales (which excluded building materials and vehicles sales) shrank 0.6% MoM-sa (+1.5% YoY), the third decline in six months and below market consensus of -0.4% MoM-sa (+1.8% YoY) and our estimate of -0.2% MoM-sa (+2.2% YoY). The statistical carryovers calculated to 4Q22 are 0.55% QoQ-sa (-1.6% QoQ-sa in 3Q22) and 0.72% QoQ-sa (-0.8% QoQ-sa in 3Q22) for broad and core retail sales, respectively, but we caution readers about the high volatility of seasonal adjustments seen in the recent period.
- **The details revealed that six out of ten retail activities retreated at the margin.** Fuels (-5.4% MoM-sa) were the lowlight (partially giving back the strong spurious growth seen in 3Q22 owing to tax cuts), with hypermarkets (-0.2% MoM-sa), clothing (-0.8% MoM-sa, the third decline in a row) and other personal items (-0.3% MoM-sa) also contributing negatively. On the other hand, furniture and home appliances (+2.2% MoM-sa, reflecting an increase in spending during the soccer tournament in Qatar), health products (+1.7% MoM-sa), building materials (+3.0% MoM-sa, breaking a gloomy streak of seven consecutive declines) and vehicles (+0.4% MoM-sa) were the highlights. In broad terms, November's figures showed negative figures for income-led segments and positive prints for credit-led activities.
- **December's available data point to a continued tepid performance in the month.** According to FGV surveys (soft data), retail confidence stayed flat at 87.2 points, while consumer confidence rose to 88 points (from 85.3), with both remaining considerably below the 100 points neutral threshold. Moreover, our proprietary IGet data for core retail sales tumbled 1.6% MoM-sa. Looking ahead, we expect retail activity to repeat a tepid performance in the coming months, with 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).
- **Santander's monthly activity indicator (SAI) entered restrictive territory.** Details pointed out that the restrictive effects of shaky financial conditions already have started to kick in, hitting primarily goods-related sectors, while services activities showed some resilience (albeit with a clear deceleration pace). Considering November's available data (industry and retail), SAI reached -0.10 points in the month, marking the second negative print in a row since January (during the Omicron variant outbreak) and reinforcing a negative trend.
- **We are maintaining our IBC-Br tracking for November at -0.4% MoM-sa (we expect the series to be revised, as usual in months after 3Q GDP releases).** If our result is on the mark, it would be the fourth decline in a row. Our 4Q22 GDP growth tracking at -0.1% 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 also expect strong growth for non-cyclical farm output, reflecting an all-time high forecast for the grain harvest.

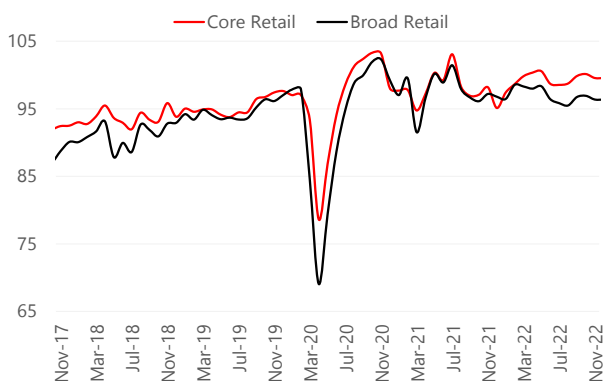


Figure 1 – Retail Sales Details

Retail Sales Breakdown												
Weights		% MoM			% YoY			% QoQ			% Feb-20*	
		Sep-22	Oct-22	Nov-22	Sep-22	Oct-22	Nov-22	Jun-22	Sep-22	Nov-22		
66.9%	Core Retail Sales	1.1	0.3	-0.6	3.2	2.7	1.5	1.3	-0.8	1.2	2.6	
8.3%	Fuels	1.3	0.3	-5.4	34.7	34.3	27.3	7.0	16.2	6.1	12.0	
30.6%	Hypermarkets, supermarkets	1.3	0.3	-0.2	3.8	2.7	2.7	0.3	0.3	1.4	4.0	
6.2%	Fabrics, clothing and footwear	-2.1	-3.2	-0.8	-9.5	-15.0	-16.1	3.1	-14.6	-5.8	-24.1	
7.4%	Furniture and home appliances	0.1	2.5	2.2	-6.1	-0.8	3.0	1.1	-3.5	2.6	-11.7	
5.1%	Pharmaceuticals	0.6	-0.3	1.7	5.8	5.3	6.5	-1.3	-0.5	0.2	22.4	
0.9%	Books, papers and magazine	1.7	-4.2	-2.7	31.0	13.7	1.1	17.8	0.5	-1.1	-37.6	
0.6%	Office equipment and supplies	2.0	2.2	-3.4	7.0	8.5	-0.5	2.3	-1.9	1.0	-12.9	
7.8%	Other personal items	-1.0	2.0	-0.3	-10.1	-8.4	-10.5	-3.5	-3.6	-0.7	-3.0	
100%	Broad Retail Sales	1.3	0.2	-0.6	0.9	0.3	-1.4	-0.2	-1.6	0.8	-1.6	
8.9%	Building Materials	-0.4	-4.6	3.0	-8.2	-12.8	-10.9	-3.7	-4.0	-3.6	-0.6	
24.2%	Vehicles	0.1	-1.8	0.4	-1.2	-0.8	-5.5	-0.4	-2.3	1.4	-9.3	

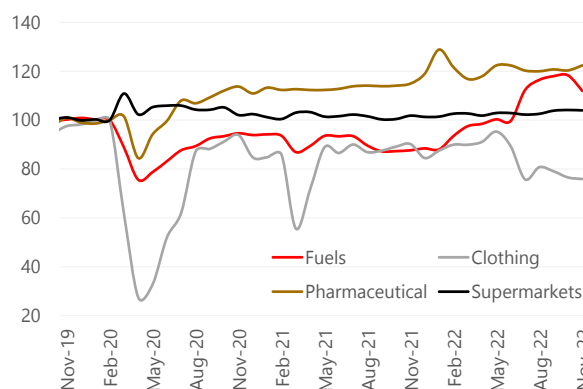
*We set our pre-pandemic period at February 2020. Sources: IBGE, Santander.

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



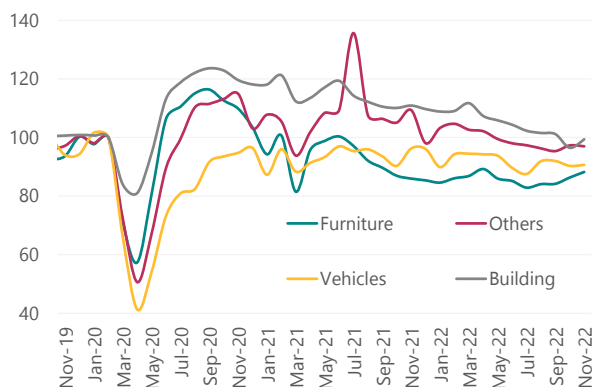
Sources: IBGE, Santander.

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



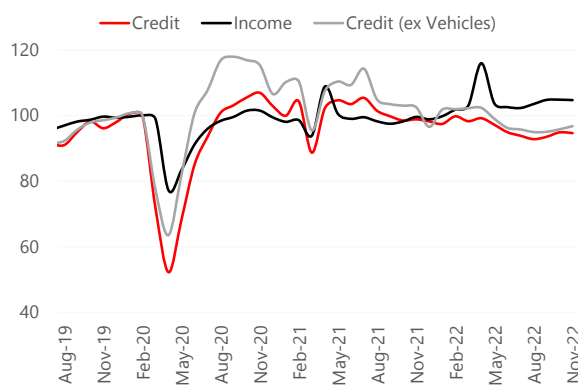
Sources: IBGE, Santander.

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



Sources: IBGE, Santander.

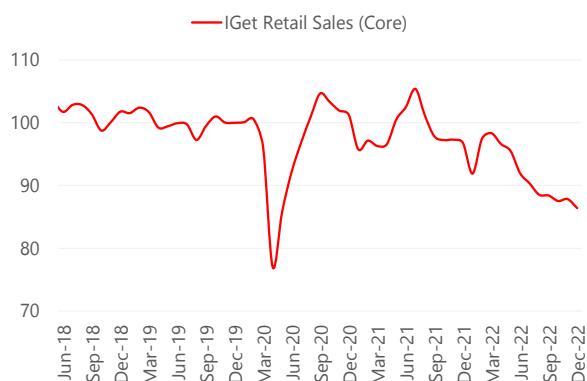
Figure 5 – Sensitivity Analysis (sa, Feb/20=100)*



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

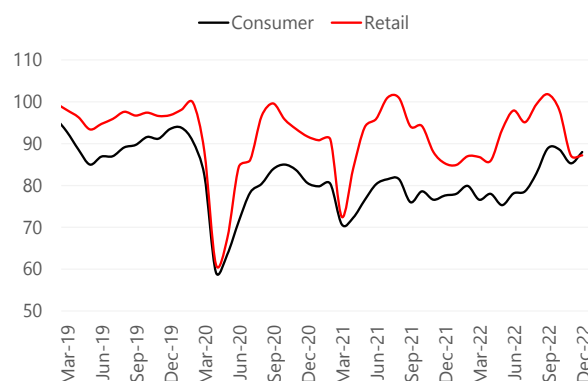


Figure 6 – IGet (sa, Dec/19=100)



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)												
	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22
Core Retail Sales	-3.13	2.41	1.26	1.20	0.53	0.22	-1.85	-0.17	0.21	1.12	0.30	-0.59
Fuels	0.89	-0.46	6.19	4.35	0.99	1.88	-0.69	12.68	3.73	1.32	0.29	-5.39
Hypermarkets, supermarkets	-0.51	0.11	1.18	0.08	-0.84	1.05	-0.03	-0.61	0.31	1.25	0.27	-0.15
Fabrics, clothing and footwear	-6.36	3.60	2.77	-0.03	1.33	4.62	-6.29	-15.18	6.56	-2.10	-3.17	-0.84
Furniture and home appliances	-0.71	-0.89	1.74	0.91	2.74	-3.65	-0.97	-2.67	1.46	0.13	2.55	2.19
Pharmaceutical	3.52	8.33	-5.60	-3.98	0.94	3.77	0.00	-1.72	-0.23	0.62	-0.34	1.70
Office equipment and supplies	-2.32	-2.31	-1.75	15.24	-6.72	1.62	-1.60	-1.16	-1.23	1.97	2.19	-3.45
Books, papers and magazine	-3.46	-41.62	88.93	4.10	-5.93	5.42	-1.48	-2.58	2.74	1.68	-4.17	-2.66
Others	-10.33	5.28	1.38	-1.93	-0.50	-2.60	-1.46	-0.70	-1.09	-0.96	2.02	-0.32
Broad Retail Sales	-0.42	-0.35	2.15	-0.24	-0.32	0.36	-1.94	-0.62	-0.36	1.31	0.19	-0.57
Building material	-1.08	-0.77	0.18	2.46	-3.94	-1.38	-1.40	-1.99	-0.74	-0.37	-4.64	3.02
Vehicles	-0.14	-6.45	4.88	0.19	-0.24	-0.49	-4.39	-2.36	4.97	0.09	-1.80	0.39

Sources: IBGE, Santander.

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

Retail Sales (contributions sa, p.p)												
	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22
Fuels	0.07	-0.04	0.51	0.36	0.08	0.16	-0.06	1.05	0.31	0.11	0.02	-0.45
Hypermarkets, supermarkets	-0.16	0.03	0.36	0.03	-0.26	0.32	-0.01	-0.19	0.09	0.38	0.08	-0.05
Fabrics, clothing and footwear	-0.39	0.22	0.17	0.00	0.08	0.29	-0.39	-0.94	0.41	-0.13	-0.20	-0.05
Furniture and home appliances	-0.05	-0.07	0.13	0.07	0.20	-0.27	-0.07	-0.20	0.11	0.01	0.19	0.16
Pharmaceutical	0.18	0.42	-0.29	-0.20	0.05	0.19	0.00	-0.09	-0.01	0.03	-0.02	0.09
Office equipment and supplies	-0.02	-0.02	-0.02	0.14	-0.06	0.01	-0.01	-0.01	-0.01	0.02	0.02	-0.03
Books, papers and magazine	-0.02	-0.25	0.53	0.02	-0.04	0.03	-0.01	-0.02	0.02	0.01	-0.03	-0.02
Others	-0.81	0.41	0.11	-0.15	-0.04	-0.20	-0.11	-0.05	-0.09	-0.07	0.16	-0.02
Building material	-0.10	-0.07	0.02	0.22	-0.35	-0.12	-0.12	-0.18	-0.07	-0.03	-0.41	0.27
Vehicles	-0.03	-1.56	1.18	0.05	-0.06	-0.12	-1.06	-0.57	1.20	0.02	-0.44	0.10

Sources: IBGE, Santander.

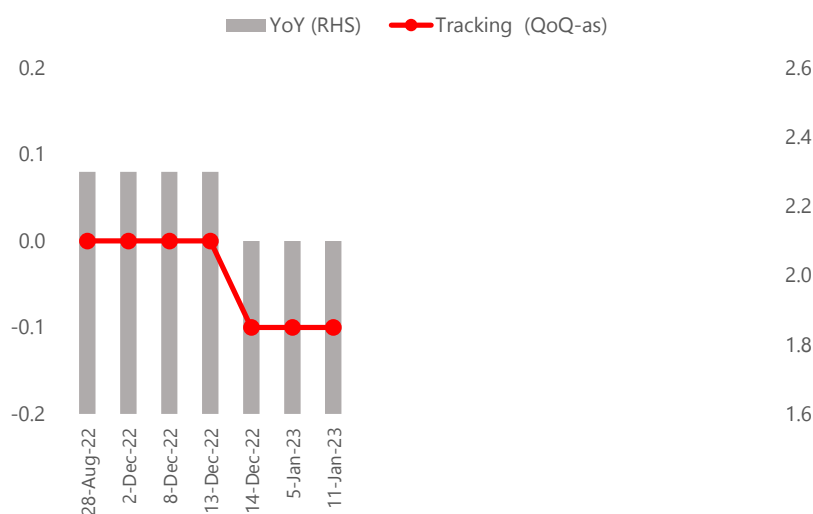
For details on Santander’s economic activity outlook, please refer to our last reports¹.

¹ Santander Brazil Economic Activity: “Financial Conditions Remain Critically Restrictive” – November 30, 2022 – Available on: <https://bit.ly/Std-FCI-nov22>

Santander Brazil Special Report: “Santander’s Monthly Activity Indicator Entered Restrictive Territory in October” – January 03, 2023 – Available on: <https://bit.ly/Std-special-010323>

Santander Brazil Special Report: “Forecasting Probability of Recession in Brazil with Financial Conditions” – January 04, 2023 – Available on: <https://bit.ly/Std-special-010423>

Santander Brazil Economic Activity: “IGet: Atividade varejista segue enfraquecendo em dezembro” – January 05, 2023 – Available (in Portuguese) on: <https://bit.ly/Std-IGET-dez22>


Figure 10 – 4Q22 GDP Growth Nowcasting (% , QoQ-sa and YoY-nsa)²


Sources: IBGE, Santander

Figure 11 – 4Q22 GDP Growth Nowcasting (% , QoQ-sa and YoY-nsa)

4Q22 GDP Growth						
Date	Release	Reference	Tracking (%)		Projection (%)	
			QoQ-sa	YoY	QoQ-sa	YoY
28-Aug-22	Labor Market	Oct-22	0.0	2.3	0.0	2.3
02-Dec-22	Industry	Oct-22	0.0	2.3	0.0	2.3
08-Dec-22	Retail Sales	Oct-22	0.0	2.3	0.0	2.3
13-Dec-22	Services	Oct-22	0.0	2.3	0.0	2.3
14-Dec-22	IBC-Br	Oct-22	-0.1	2.1	0.0	2.3
05-Jan-23	Industry	Nov-22	-0.1	2.1	0.0	2.3
11-Jan-23	Retail Sales	Nov-22	-0.1	2.1	0.0	2.3

Sources: IBGE, Santander

² Santander Brazil Special Report: “Nowcasting Brazilian GDP with LASSO” – May 16, 2022 – Available on: <https://bit.ly/Std-special-051622>
 Santander Brazil Special Report: “Nowcasting Supply Sectors: Updating GDP Tracking” – October 28, 2022 – Available on: <https://bit.ly/Std-special-102822>



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

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