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A STRONGER RESULT, WITH WIDESPREAD GROWTH

- **Broad retail activity jumped 2.1% MoM-sa (+0.3% YoY) in February, well above market expectations (+1.1% MoM-sa) and our call (+0.8% MoM-sa), and fully offsetting the previous drop.** Core retail sales (ex Building Materials and Vehicles sales) increased 1.1% MoM-sa (+1.3% YoY), also above market consensus (+0.4% MoM-sa) and our call (+0.2% MoM-sa). Both indexes are now above their pre-pandemic marks (up 0.9% and 1.1%, respectively, since February 2020).
- **Zooming in on the details, growth was widespread, with eight of ten retail activities expanding at the margin.** Books (+43.1%, a rebound from January's 25.8% drop), Vehicles (5.3%), and Fuels (+5.2%) were the highlights. The only two activities posting retreats were Pharmaceuticals (-5.5%), probably reflecting the reduction in infections due to the easing of the Omicron outbreak and the decrease in demand for Covid-19 tests, and Building Materials (-0.5%). According to our proxies, Vehicles and auto parts (+1.27 p.p.) and Fuels (+0.43 p.p.) contributed the most, while Building Materials (-0.04 p.p.) and Pharmaceuticals (-0.28 p.p.) contributed the least.
- **January's prints imply carryovers of +1.8% and +1.2% to 1Q22 for broad and core retail sales, respectively.** These figures may suggest short-term relief in terms of the impact of goods-related sectors on overall activity, after continued weakening in 2H21. We see GDP growing in 1Q22 (our tracking was maintained at +0.3% QoQ-sa), owing mainly to a strengthening in farm output and a continued rebound of mobility-related services activities (as we saw in 4Q21). Our tracking of IBC-Br in February stands at +0.5% MoM-sa (from +0.4%).

Figure 1 – Retail Sales Breakdown

Weights	% MoM			% YoY			% QoQ			%
	Dec-21	Jan-22	Feb-22	Dec-21	Jan-22	Feb-22	Sep-21	Dec-21	Feb-22	Feb-20*
66.9% Core Retail Sales	-2.6	2.0	1.1	-3.0	-1.5	1.3	-0.2	-2.6	-0.5	1.1
8.3% Fuels	-0.3	0.3	5.2	-6.3	-7.0	0.2	-2.2	-3.6	1.1	-7.5
30.6% Hypermarkets, supermarkets	-0.4	0.3	1.4	-0.4	-0.9	1.9	-0.8	0.0	1.2	2.8
6.2% Fabrics, clothing and footwear	-5.6	3.9	2.2	-1.0	2.4	8.0	6.8	-3.3	-2.8	-11.0
7.4% Furniture and home appliances	-1.2	-1.4	2.4	-18.0	-11.5	-12.5	-6.7	-6.2	-2.3	-13.4
5.1% Pharmaceuticals	2.6	8.3	-5.5	7.8	14.2	9.4	0.6	2.3	7.8	22.0
0.9% Books, papers and magazine	-0.3	-25.8	43.1	-6.0	23.4	18.6	-3.5	-2.7	-7.9	-38.7
0.6% Office equipment and supplies	-2.2	-2.4	0.0	-6.4	-7.7	-7.2	-5.3	0.4	-0.7	-17.2
7.8% Other personal items	-10.8	6.0	1.6	-5.8	-6.2	1.1	7.3	-9.6	-4.2	5.1
100% Broad Retail Sales	0.0	0.2	2.1	-2.7	-1.4	0.3	-1.4	-1.9	1.1	0.9
8.9% Building Materials	-1.4	-0.6	-0.5	-8.2	-8.1	-8.1	-4.7	-2.5	-1.7	8.5
24.2% Vehicles	0.1	-6.5	5.3	0.4	1.7	1.4	0.6	-1.0	0.2	-5.5

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

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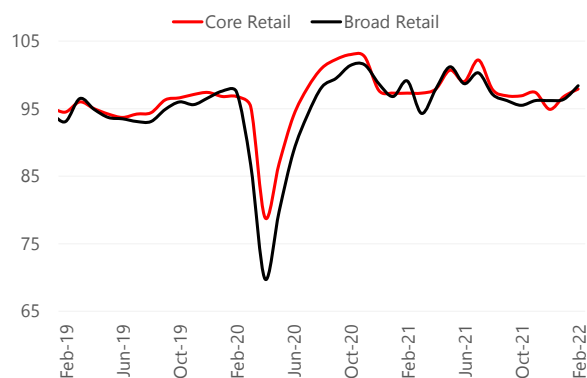


Broad retail sales surprised on the upside in February. The headline index jumped 2.1% MoM-sa (+0.3% YoY), above market expectations (+1.1% MoM-sa) and our call (+0.8% MoM-sa). Core retail sales (ex Building Materials and Vehicles sales) increased 1.1% MoM-sa (+1.3% YoY), also above market consensus (+0.4% MoM-sa) and our call (+0.2% MoM-sa). Both indexes are now above their pre-pandemic marks (up 1.1% and 0.9%, respectively, since February 2020).

Zooming in on the details, growth was widespread, with eight of ten retail activities expanding at the margin. Books (+43.1%, a rebound from January's 25.8% drop, probably a distortion caused by the seasonal adjustment parameters), Vehicles (5.3%), and Fuels (+5.2%) were the highlights. The only two activities posting retreats were Pharmaceuticals (-5.5%), probably reflecting the reduction in infections due to the easing of the Omicron outbreak and the decrease in demand for Covid-19 tests, and Building Materials (-0.5%). According to our proxies, Vehicles and auto parts (+1.27 p.p.) and Fuels (+0.43 p.p.) contributed the most, while Building Materials (-0.04 p.p.) and Pharmaceuticals (-0.28 p.p.) contributed the least.

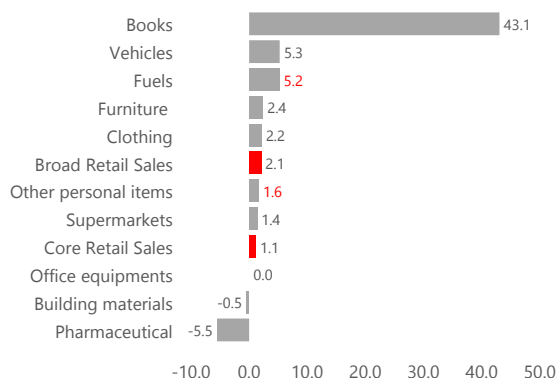
Looking ahead, better carryovers to 1Q22 are implied. February's prints imply carryovers of 1.8% and 1.2% to 1Q22 for broad and core retail sales, respectively. These figures may suggest short-term relief in terms of the impact of goods-related sectors on overall activity, after a continued weakening in 2H21. We see GDP growing in 1Q22 (our tracking was maintained at +0.3% QoQ-sa), owing mainly to a strengthening in farm output and a continued rebound of mobility-related services activities (as we saw in 4Q21). Our tracking of IBC-Br in February stands at +0.5% MoM-sa (from +0.4%). **For details on Santander's activity outlook, please refer to our last chartbook¹.**

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



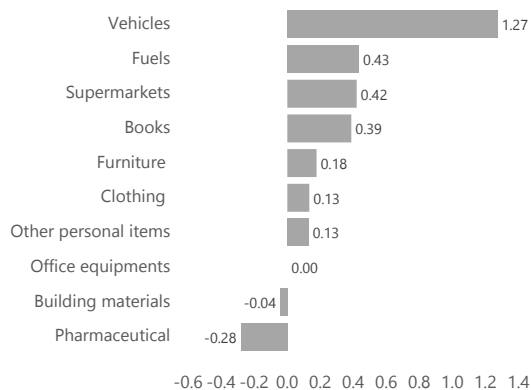
Sources: IBGE, Santander.

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



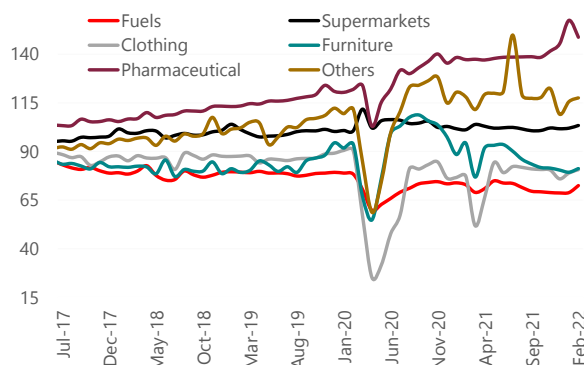
Sources: IBGE, Santander.

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)

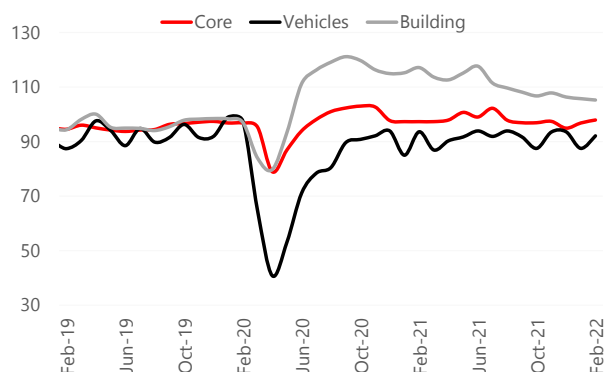


Sources: IBGE, Santander.

¹ Santander Brazil Economic Activity: "Positive Surprises Reinforce Resilience Outlook for 2022" – March 14, 2022 – Available on: <https://bit.ly/Std-chart-econact-mar22>

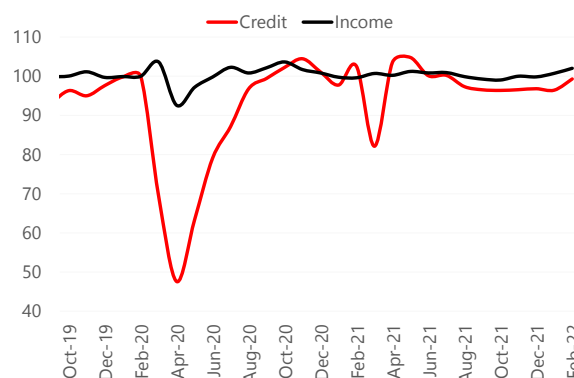


Figure 4.A – Retail Sales Segments (sa, 2011=100)



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)												
	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
Core Retail Sales	0.00	0.62	2.86	-1.69	3.23	-4.31	-0.92	0.00	0.52	-2.57	2.00	1.14
Fuels	-5.35	2.75	5.64	-1.47	-0.27	-2.85	-2.66	-0.43	-0.58	-0.29	0.29	5.22
Hypermarkets, supermarkets	2.67	-0.87	-0.97	0.20	0.20	-0.78	-0.89	0.10	1.29	-0.39	0.29	1.37
Fabrics, clothing and footwear	-32.95	27.55	27.34	-6.05	3.91	-0.49	-0.98	-0.37	-0.37	-5.59	3.95	2.15
Furniture and home appliances	-18.54	19.38	1.53	0.43	-3.63	-4.66	-2.79	-2.15	-0.37	-1.23	-1.37	2.39
Pharmaceutical	0.15	-0.29	0.58	0.44	0.07	0.07	0.07	-0.22	2.31	2.61	8.33	-5.53
Office equipment and supplies	-4.88	4.11	0.85	-0.84	-0.56	-5.95	-1.81	2.15	3.60	-2.17	-2.37	0.00
Books, papers and magazine	9.51	5.90	2.30	1.60	-5.05	-0.33	0.00	-2.00	-0.68	-0.34	-25.77	43.06
Others	-5.50	6.90	0.59	0.67	24.09	-20.55	-1.43	0.34	3.90	-10.78	5.95	1.64
Broad Retail Sales	-4.84	3.82	3.37	-2.47	1.62	-3.19	-0.93	-0.73	0.73	0.00	0.21	2.07
Building material	-2.99	-0.88	2.22	2.17	-5.27	-1.62	-1.37	-1.30	1.03	-1.39	-0.56	-0.47
Vehicles	-7.16	3.91	1.55	2.40	-2.13	2.18	-2.34	-4.58	6.86	0.11	-6.52	5.26

Sources: IBGE, Santander.

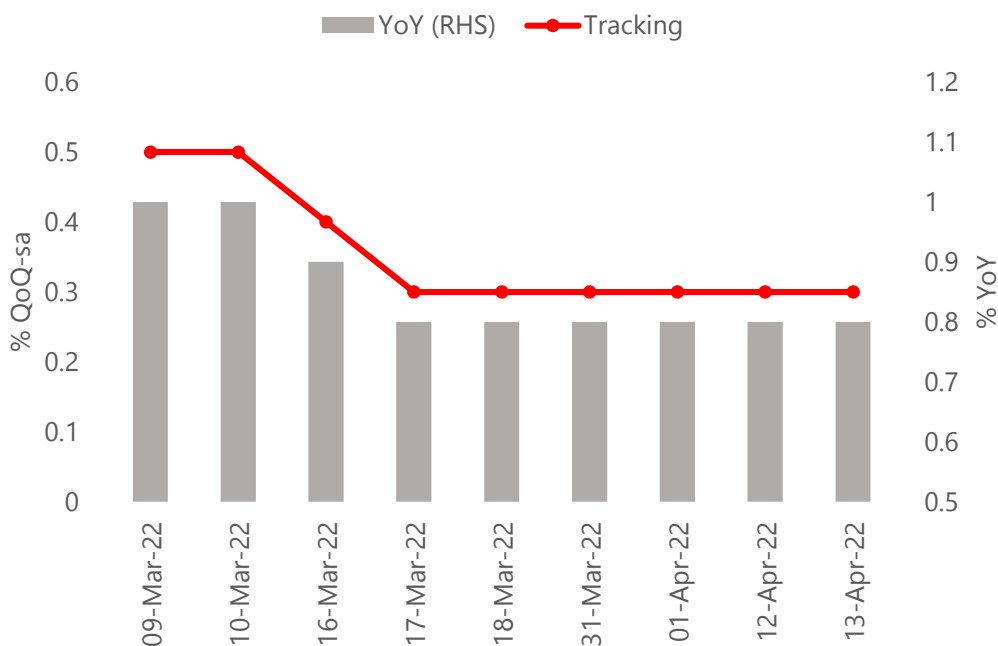
Figure 6 – “Heatmap” Showing Retail Sales Contribution by Component

Retail Sales (contributions sa, p.p)												
	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
Fuels	-0.44	0.23	0.47	-0.12	-0.02	-0.24	-0.22	-0.04	-0.05	-0.02	0.02	0.43
Hypermarkets, supermarkets	0.82	-0.27	-0.30	0.06	0.06	-0.24	-0.27	0.03	0.39	-0.12	0.09	0.42
Fabrics, clothing and footwear	-2.04	1.71	1.70	-0.38	0.24	-0.03	-0.06	-0.02	-0.02	-0.35	0.24	0.13
Furniture and home appliances	-1.37	1.43	0.11	0.03	-0.27	-0.34	-0.21	-0.16	-0.03	-0.09	-0.10	0.18
Pharmaceutical	0.01	-0.01	0.03	0.02	0.00	0.00	0.00	-0.01	0.12	0.13	0.42	-0.28
Office equipment and supplies	-0.04	0.04	0.01	-0.01	-0.01	-0.05	-0.02	0.02	0.03	-0.02	-0.02	0.00
Books, papers and magazine	0.06	0.04	0.01	0.01	-0.03	0.00	0.00	-0.01	0.00	0.00	-0.15	0.26
Others	-0.43	0.54	0.05	0.05	1.88	-1.60	-0.11	0.03	0.30	-0.84	0.46	0.13
Building material	-0.27	-0.08	0.20	0.19	-0.47	-0.14	-0.12	-0.12	0.09	-0.12	-0.05	-0.04
Vehicles	-1.73	0.95	0.38	0.58	-0.52	0.53	-0.57	-1.11	1.66	0.03	-1.58	1.27

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

Sources: IBGE, Santander.



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