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## Positive Surprise for Retail Activity

- Broad retail sales expanded +0.5% MoM-sa (-2.9% YoY) in November, topping market expectations of -0.4% MoM-sa (-4.7% YoY) and our estimate of -0.6% MoM-sa (-6.5% YoY).** Meanwhile, core retail sales (ex building material and vehicles sales) expanded +0.6% MoM-sa (-4.2% YoY), also above market consensus of 0% MoM-sa (-5.8% YoY) and our estimate of -0.5% MoM-sa (-6.5% YoY). November's figure broke a string of three drops in a row for broad retail sales, but the index remains 1.9% below the pre-pandemic mark.
- Zooming in on the details, both income-led and credit-led segments posted solid figures.** Income led segments like Supermarkets (+0.9%) and Other (+2.2%) continued to strengthen, while credit-led segments like Vehicles (+0.7%) and Building Materials (+0.8%) also printed growth despite weak figures in credit granting to households. Conversely, Fuels (-1.4%), Clothing (-1.9%) and Furniture and Home Appliances (-2.3%) retreated in November.
- The biggest positive contributions came from Supermarkets (+0.27 p.p.), Other Retail segments (+0.17 p.p.) and Vehicles (+0.16 p.p.).** Conversely, the biggest negative contributions came from Furniture (-0.17 p.p.), Clothing (-0.12 p.p.) and Fuels (-0.12 p.p.). Moreover, only 4 out of 10 retail segments remain above the pre-crisis levels, notably Pharmaceutical Products (+13.2%), Supermarkets (+1.7%), Other (+11.1%) and Building Materials (+12.6%).
- In quarterly terms, for broad retail sales, November's figure implies a -2.1% carryover for 4Q21.** For core retail sales, we calculate a -1.4% carryover for 4Q21. According to FGV, retail confidence fell (-3.1%) in December, still bringing challenges to retail sales in December amid high inflation and demand shifting.
- The BCB will release (on Monday, January 17) the IBC-Br, capping the batch of economic activity indexes for November.** We expect monthly expansion of 0.8% MoM-sa (updated from +0.6%), which would break a string of three declines in a row. Regarding 4Q21 GDP growth, we have updated our tracking to +0.2% QoQ-sa (from previously +0.1% QoQ-sa).

**Figure 1 – Retail Sales Breakdown**

Weights	Sep-21			Oct-21			Nov-21		
	% MoM	% YoY	% QoQ	% MoM	% YoY	% QoQ	% MoM	% YoY	% QoQ
<b>66.9%</b> <b>Core Retail Sales</b>	<b>-1.0</b>	<b>-5.1</b>	<b>0.0</b>	<b>0.2</b>	<b>-6.9</b>	<b>-3.0</b>	<b>0.6</b>	<b>-4.2</b>	<b>-2.3</b>
8.3% Fuels	-2.9	-4.2	-1.7	-0.3	-7.7	-5.4	-1.4	-7.2	-5.5
30.6% Hypermarkets, supermarkets	-1.2	-3.2	-0.6	0.3	-5.0	-1.4	0.9	-0.5	-1.1
6.2% Fabrics, clothing and footwear	-1.7	0.4	6.0	1.3	-2.0	1.3	-1.9	-4.4	-0.3
7.4% Furniture and home appliances	-4.6	-22.6	-7.5	-2.1	-22.6	-9.6	-2.3	-21.5	-10.0
5.1% Pharmaceuticals	0.0	4.2	0.1	-0.1	-0.1	0.3	1.2	2.5	0.4
0.9% Books, papers and magazine	0.3	-3.5	-2.7	-1.0	-7.8	-3.9	-1.4	-14.4	-3.7
0.6% Office equipment and supplies	-3.0	-14.6	-6.1	5.7	-11.2	-6.4	-0.1	-5.6	-2.6
7.8% Other personal items	-1.9	-6.7	5.1	1.8	-7.2	-10.1	2.2	-2.6	-7.5
<b>100%</b> <b>Broad Retail Sales</b>	<b>-0.9</b>	<b>-3.9</b>	<b>-1.5</b>	<b>-0.8</b>	<b>-7.0</b>	<b>-3.8</b>	<b>0.5</b>	<b>-2.9</b>	<b>-2.9</b>
8.9% Building Materials	-0.8	-10.1	-4.6	-0.8	-14.1	-4.3	0.8	-4.1	-2.4
24.2% Vehicles	-1.8	2.9	-0.1	-0.4	-4.0	-1.0	0.7	1.6	-1.6

Sources: IBGE, Santander.

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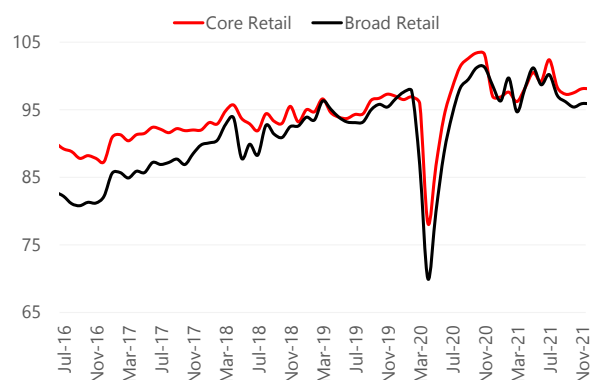
**Retail activity surprised to the upside in November.** Broad retail sales expanded +0.5% MoM-sa (-2.9% YoY) in November, topping market expectations of -0.4% MoM-sa (-4.7% YoY) and our estimate of -0.6% MoM-sa (-6.5% YoY). Meanwhile, core retail sales (ex building material and vehicles sales) expanded +0.6% MoM-sa (-4.2% YoY), also above market consensus of 0% MoM-sa (-5.8% YoY) and our estimate of -0.5% MoM-sa (-6.5% YoY). November's figure broke a string of three drops in a row for broad retail sales but the index remains 1.9% below the pre-pandemic mark. Regarding core retail sales, November's figure marked the second gain in a row and placed the index 1.2% above the pre-pandemic mark.

**Both income and credit sensitive segments posted healthy figures.** The survey details indicate that some income led segments like Supermarkets (+0.9%) and Other (+2.2%) continued to strengthen, while Fuels (-1.4%) continued to struggle amid high inflation. Credit-led segments like Vehicles (+0.7%) and Building Materials (+0.8%) also printed growth, even with weak figures seen in credit granting to households (-1.43% MoM-sa, inflation adjusted). Conversely, Clothing (-1.9%) and Furniture and Home Appliances (-2.3%) retreated in November. All in all, despite the monthly headline growth, 5 out of 10 retail segments retreated at the margin. In terms of contributions, the biggest positive contributions came from Supermarkets (+0.27 p.p.), Other retail segments (+0.17 p.p.) and Vehicles (+0.16 p.p.). Conversely, the biggest negative contributions came from Furniture (-0.17 p.p.), Clothing (-0.12 p.p.) and Fuels (-0.12 p.p.). Moreover, only 4 out of 10 retail segments remain above the pre-crisis levels, notably Pharmaceutical Products (+13.2%), Supermarkets (+1.7%), Other (+11.1%) and Building Materials (+12.6%).

**In quarterly terms, for broad retail sales, November's figure implies a -2.1% carryover for 4Q21, still suggesting a negative quarterly contribution of retail sales to overall activity.** Regarding core retail sales, November's result implies a -1.4% carryover for 4Q21. Moreover, according to FGV, retail confidence fell (-3.1%) in December, which, along with high inflation and increased household spending for services, still brings challenges to retail sales in December.

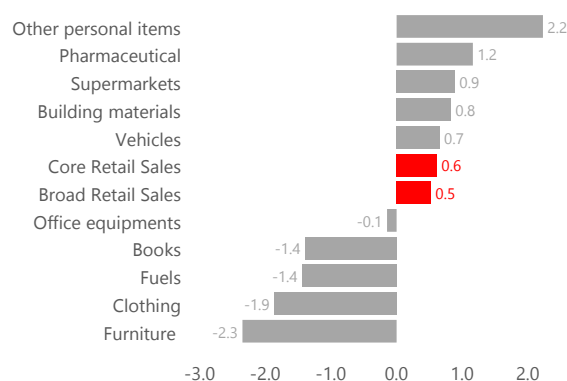
**For the coming week, on Monday (January 17) the BCB will release the IBC-Br (a monthly GDP proxy) capping the batch of economic activity indexes for November.** We expect a monthly expansion of 0.8% MoM-sa (updated from +0.6%), which would break a string of three declines in a row. Regarding 4Q21 GDP growth, we have updated our tracking to +0.2% QoQ-sa (from previously +0.1% QoQ-sa). **For details on Santander's activity outlook, please refer to our last chartbook<sup>1</sup> and our most recent special report<sup>2</sup>.**

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



Sources: IBGE, Santander.

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



Sources: IBGE, Santander.

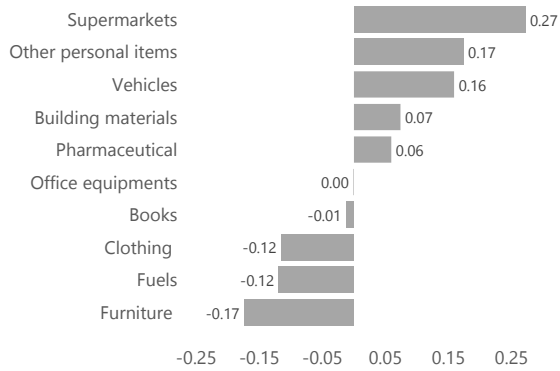
<sup>1</sup> Santander Brazil Economic Activity - "Chartbook – Lowering (Again) Our GDP Estimates" – December 8, 2021 – Available on: <https://bit.ly/Std-chart-econact-dec21>

Santander Brazil Economic Activity - "Chartbook – Household Debt is a Risk for Loan Growth and Delinquencies" – December 02, 2021 – Available on: <https://bit.ly/Std-chart-credit-dec21>

<sup>2</sup> Santander Brazil Economic Activity - "Special Report – Resilience Factors for 2022 GDP Growth" – January 14, 2022 – Available on: <https://bit.ly/Std-special-011422>

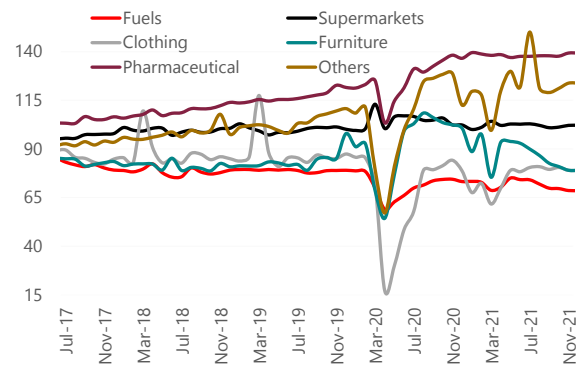


**Figure 3.A – Retail Sales Contributions\* (sa, p.p.)**



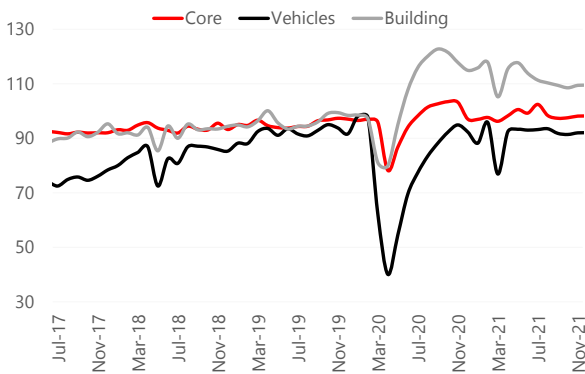
Sources: IBGE, Santander. \* Proxy for monthly contributions from broad retail segments.

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



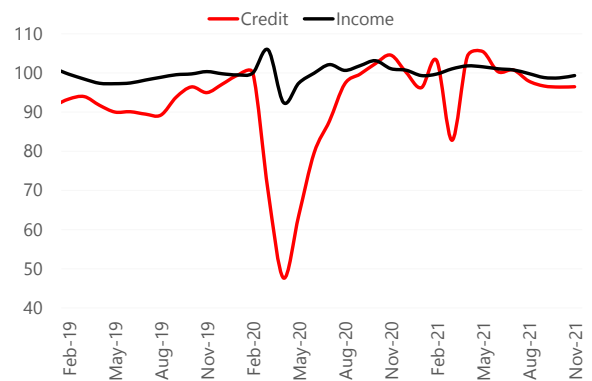
Sources: IBGE, Santander.

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



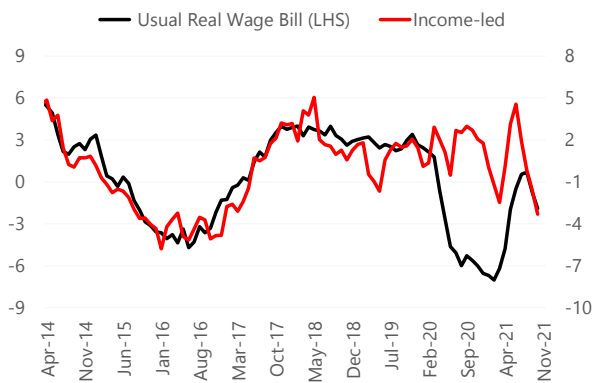
Sources: IBGE, Santander.

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



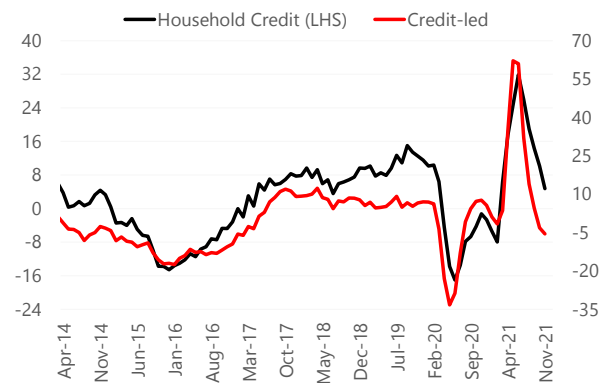
Sources: IBGE, Santander.

**Figure 5.A – Income-led Segments (3mma, YoY%)**



Sources: IBGE, Santander.

**Figure 5.B – Credit-led Segments (3mma, YoY%)**



Sources: IBGE, Santander.



Figure 6 – “Heatmap” Showing Retail Sales by Component

Retail Sales (% MoM sa)												
	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
<b>Core Retail Sales</b>	-6.01	-0.10	0.72	-1.43	2.08	2.34	-1.29	3.23	-4.00	-1.02	0.21	0.62
Fuels	-1.61	0.14	-0.68	-5.63	2.33	6.69	-1.07	-0.13	-2.97	-2.92	-0.29	-1.44
Hypermarkets, supermarkets	-0.10	-2.25	1.10	3.07	-2.02	0.69	-0.10	0.19	-0.78	-1.18	0.30	0.89
Fabrics, clothing and footwear	-6.53	-14.10	6.95	-14.66	13.29	13.02	-0.89	2.81	0.50	-1.73	1.26	-1.86
Furniture and home appliances	-1.66	-11.93	10.05	-22.67	23.87	0.43	-0.96	-3.23	-3.67	-4.62	-2.06	-2.35
Pharmaceutical	-1.16	2.12	-0.50	-0.50	0.29	-1.08	0.44	0.00	0.22	0.00	-0.15	1.16
Office equipment and supplies	-5.17	1.54	-0.55	-10.24	9.71	3.09	-4.36	-0.14	-4.71	-2.99	5.71	-0.15
Books, papers and magazine	-1.79	-27.88	13.45	-2.96	9.92	3.13	4.71	-5.79	-1.37	0.35	-1.03	-1.39
Others	-12.66	6.22	-1.51	-15.46	20.40	8.43	-6.24	23.23	-19.19	-1.90	1.76	2.23
<b>Broad Retail Sales</b>	-2.67	-2.33	3.53	-5.02	3.70	3.05	-2.47	1.52	-3.09	-0.93	-0.83	0.52
Building material	-2.46	0.78	1.73	-10.70	9.70	1.99	-3.31	-2.20	-0.90	-0.82	-0.82	0.83
Vehicles	-2.74	-4.44	8.62	-19.73	20.16	0.97	-0.32	0.22	0.32	-1.82	-0.44	0.66

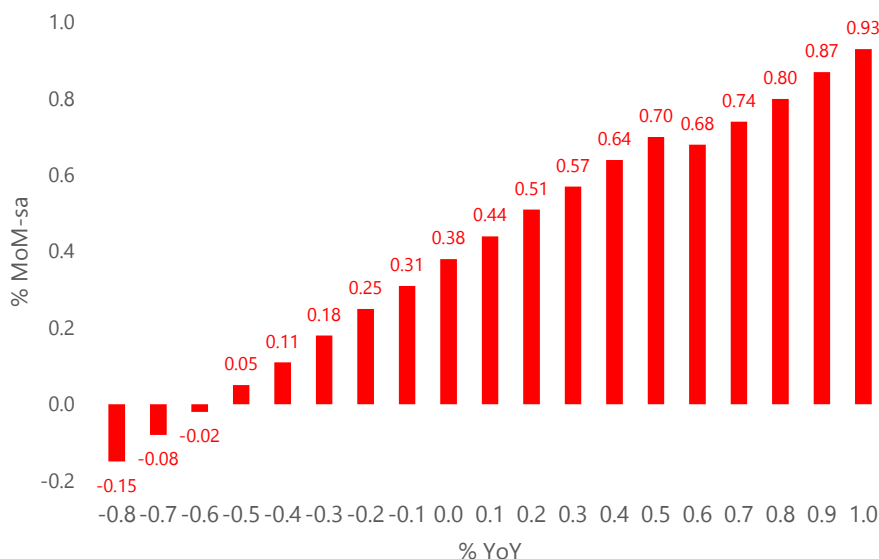
Sources: IBGE, Santander.

Figure 7 – “Heatmap” Showing Retail Sales Contribution by Component

Retail Sales (contributions sa, p.p)												
	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
Fuels	-0.13	0.01	-0.06	-0.47	0.19	0.55	-0.09	-0.01	-0.25	-0.24	-0.02	-0.12
Hypermarkets, supermarkets	-0.03	-0.69	0.34	0.94	-0.62	0.21	-0.03	0.06	-0.24	-0.36	0.09	0.27
Fabrics, clothing and footwear	-0.40	-0.87	0.43	-0.91	0.82	0.81	-0.05	0.17	0.03	-0.11	0.08	-0.12
Furniture and home appliances	-0.12	-0.88	0.74	-1.68	1.77	0.03	-0.07	-0.24	-0.27	-0.34	-0.15	-0.17
Pharmaceutical	-0.06	0.11	-0.03	-0.03	0.01	-0.06	0.02	0.00	0.01	0.00	-0.01	0.06
Office equipment and supplies	-0.05	0.01	0.00	-0.09	0.09	0.03	-0.04	0.00	-0.04	-0.03	0.05	0.00
Books, papers and magazine	-0.01	-0.17	0.08	-0.02	0.06	0.02	0.03	-0.03	-0.01	0.00	-0.01	-0.01
Others	-0.99	0.49	-0.12	-1.21	1.59	0.66	-0.49	1.81	-1.50	-0.15	0.14	0.17
Building material	-0.22	0.07	0.15	-0.95	0.86	0.18	-0.29	-0.20	-0.08	-0.07	-0.07	0.07
Vehicles	-0.66	-1.07	2.09	-4.77	4.88	0.24	-0.08	0.05	0.08	-0.44	-0.11	0.16

Sources: IBGE, Santander.

Figure 8 – Deseasonalization Grid (IBC-Br) for November 2021



Sources: IBGE, Santander



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