



A WEAK PERFORMANCE FOR RETAIL IN MAY

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- **Broad retail sales decreased 1.1% MoM-sa (+3.0% YoY) in May.** This result fell between market consensus (-0.8% MoM-sa; +3.8% YoY) and our estimate (-1.5% MoM-sa; +2.9% YoY). Meanwhile, core retail sales (which excludes building materials, vehicles sales and wholesale food) decreased 1.0% MoM-sa (-1.0% YoY), below consensus of -0.3% MoM-sa (+1.3% YoY) and closer to our estimate of -0.8% MoM-sa (-0.8% YoY).
- **The details showed a mixed breakdown, as five out of ten retail activities decreased at the margin.** Clothing (-3.3% MoM-sa), supermarkets (-3.2% MoM-sa) and other personal items (-2.3% MoM-sa) were the lowlights in the core index. Furniture (-0.7% MoM-sa) also contributed negatively. Pharmaceuticals (+2.3% MoM-sa), books (+1.7% MoM-sa), fuels (+1.4% MoM-sa) and office supplies (+1.1% MoM-sa) contributed positively. On the broad index, vehicles had a 2.1% MoM-sa increase, partially offsetting April's 5.6% MoM-sa decrease, while building materials decreased 0.9% MoM-sa.
- **In broad terms, May's figures showed negative figures for both income-led segments and credit-led activities.** The former posted a -4.3% MoM-sa variation, as the latter indicated a 3.8% MoM-sa decrease.
- **June's available data point to mixed signs in the month.** According to FGV surveys (soft data), retail confidence increased 7.9% MoM-sa (after May's 4.4% MoM-sa decrease), while consumer confidence increased 4.6% MoM-sa, with both remaining below the 100-point neutral threshold. Our proprietary IGet data for core retail had a 1.6% MoM-sa decrease in June.
- **All in all, it was a negative performance for retail in May.** The broad index had the second consecutive important decrease, which has offset part of its recent gains, on the heels of a weak performance from building materials and part of the core index. Looking ahead, we expect retail activity to indicate a trend of tepid performances. The statistical carryovers calculated to 2Q23 are 0.0% QoQ-sa (+3.3% QoQ-sa in 1Q23) and -0.4% QoQ-sa (+1.8% QoQ-sa in 1Q23) for broad and core retail sales, respectively.
- **We are maintaining our IBC-Br tracking for May at -0.4% MoM-sa, considering the weak, but close to expected result for broad retail.** Our 2Q23 GDP growth tracking is currently at +0.1% QoQ-sa. We continue to see signs of deceleration for broad activity ahead, as more cyclical segments indicate a continued slowing trend owing to highly restrictive financial conditions. In addition, we expect the positive impact of the record summer crops to be limited to 1Q23 and the beginning of 2Q23.

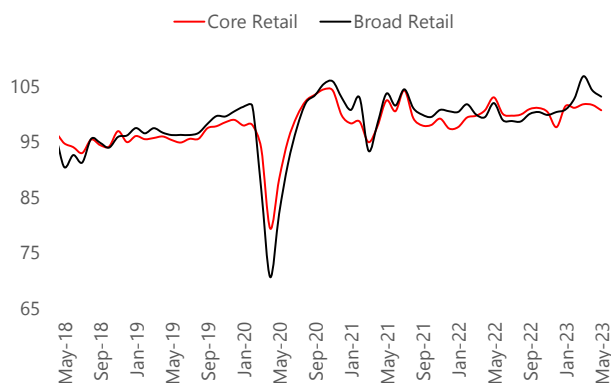


Figure 1 – Retail Sales Details

Retail Sales Breakdown										
Weights		% MoM			% YoY			% QoQ		
		Mar-23	Apr-23	May-23	Mar-23	Apr-23	May-23	Dec-22	Mar-23	May-23
60.8%	Core Retail Sales	0.6	-0.1	-1.0	3.3	0.5	-1.0	-0.5	1.7	1.3
7.7%	Fuels	-0.2	-1.9	1.4	14.3	8.3	10.8	-1.7	-2.3	-0.8
33.0%	Hypermarkets, supermarkets	-0.1	3.6	-3.2	4.5	3.3	1.5	0.7	0.8	1.2
3.2%	Fabrics, clothing and footwear	-3.1	-2.9	-3.3	-7.3	-11.2	-18.2	-6.4	17.9	-1.6
4.4%	Furniture and home appliances	0.6	-0.9	-0.7	2.7	-3.8	0.3	3.7	0.4	-0.8
5.6%	Pharmaceuticals	1.0	0.8	2.3	7.1	3.2	7.6	0.9	0.9	3.3
0.4%	Books, papers and magazine	-0.1	1.6	1.7	-8.0	-6.6	-6.7	-6.0	-2.9	3.3
0.9%	Office equipment and supplies	6.3	-7.3	1.1	4.2	-5.8	-4.9	1.2	1.7	-2.7
5.6%	Other personal items	-2.5	-2.9	-2.3	-12.4	-18.0	-17.4	-1.8	-3.9	-6.3
100%	Broad Retail Sales	3.9	-2.4	-1.1	8.8	2.6	3.0	1.1	3.3	3.4
13.9%	Wholesale	-	-	-	5.4	12.0	18.1	-	-	-
8.0%	Building Materials	-0.4	-1.2	-0.9	-5.0	-7.7	-2.0	-2.2	3.4	-2.1
17.2%	Vehicles	4.0	-5.6	2.1	10.8	-2.0	1.6	1.0	4.4	1.6

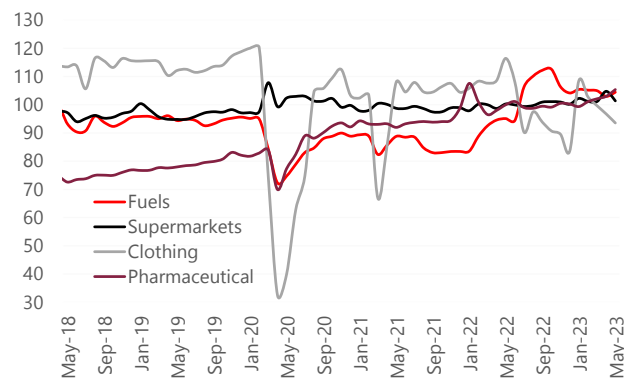
Sources: IBGE, Santander.

Figure 2 – Retail Sales (sa, 2022=100)



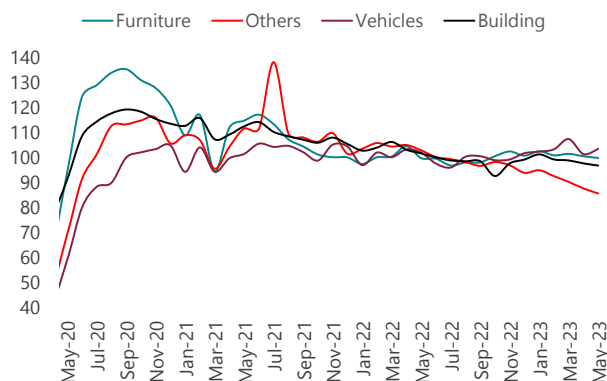
Sources: IBGE, Santander.

Figure 3 – Retail Sales Segments (sa, 2022=100)



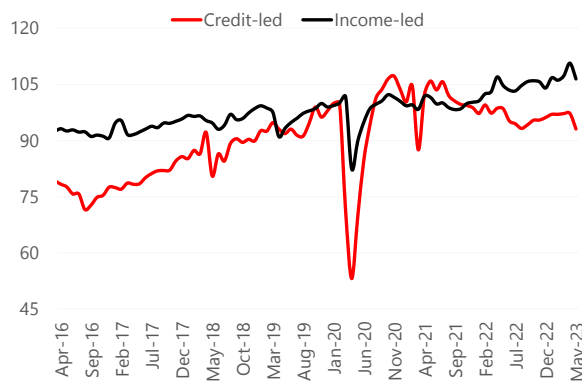
Sources: IBGE, Santander.

Figure 4 – Retail Sales Segments (sa, 2022=100)



Sources: IBGE, Santander.

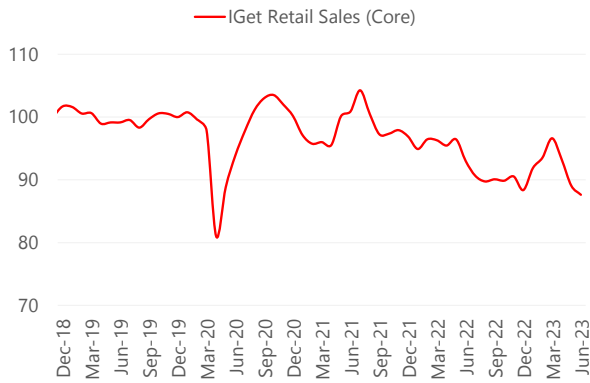
Figure 5 – Figure 5 – Sensitivity Analysis (sa, 2011=100)*



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

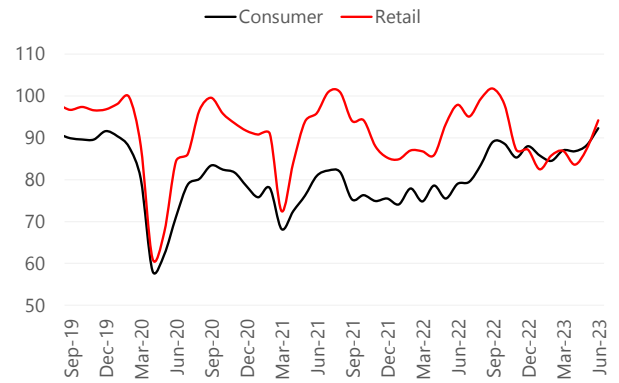


Figure 6 – IGet (sa, Dec/19=100)



Sources: Getnet, 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)												
	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Core Retail Sales	-2.90	-0.32	0.20	1.00	0.19	-0.72	-2.72	3.88	-0.30	0.64	-0.12	-0.95
Fuels	-0.70	12.58	3.60	1.88	0.35	-5.54	-2.06	1.22	-0.25	-0.19	-1.92	1.44
Hypermarkets, supermarkets	-0.34	-0.56	0.34	1.23	0.15	-0.13	-0.77	2.06	-1.03	-0.06	3.58	-3.23
Fabrics, clothing and footwear	-7.25	-16.41	7.98	-3.71	-3.36	-1.31	-6.73	29.93	-5.25	-3.06	-2.92	-3.30
Furniture and home appliances	-0.24	-2.74	1.25	0.08	2.52	1.88	-1.63	1.77	-1.61	0.58	-0.94	-0.68
Pharmaceutical	1.16	-2.14	-0.24	0.74	-0.33	1.36	-0.24	-0.91	1.75	1.03	0.84	2.33
Books, papers and magazine	-2.07	-3.14	2.18	1.19	-4.86	-3.56	-0.81	-4.35	5.05	-0.11	1.56	1.70
Office equipment and supplies	-1.45	-0.89	-0.43	2.16	2.22	-2.86	-1.11	8.45	-9.76	6.32	-7.27	1.06
Others	-2.59	-0.88	-1.19	-1.53	1.59	-1.32	-3.13	1.09	-2.51	-2.47	-2.90	-2.31
Broad Retail Sales	-3.01	-0.16	-0.09	1.37	0.35	-0.52	0.53	0.43	1.98	3.91	-2.38	-1.09
Building material	-1.60	-1.18	-0.37	0.06	-6.06	5.49	1.57	2.09	-2.01	-0.40	-1.19	-0.89
Vehicles	-4.27	-1.64	4.52	0.22	-1.60	0.31	2.53	0.60	0.92	3.97	-5.60	2.06

Sources: IBGE, Santander.

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

Retail Sales (contributions sa, p.p)												
	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Fuels	-0.06	1.13	0.32	0.17	0.03	-0.50	-0.18	0.11	-0.02	-0.02	-0.17	0.13
Hypermarkets, supermarkets	-0.13	-0.22	0.13	0.47	0.06	-0.05	-0.30	0.79	-0.40	-0.02	1.38	-1.24
Fabrics, clothing and footwear	-0.27	-0.61	0.30	-0.14	-0.12	-0.05	-0.25	1.11	-0.20	-0.11	-0.11	-0.12
Furniture and home appliances	-0.01	-0.14	0.06	0.00	0.13	0.10	-0.08	0.09	-0.08	0.03	-0.05	-0.03
Pharmaceutical	0.08	-0.14	-0.02	0.05	-0.02	0.09	-0.02	-0.06	0.11	0.07	0.05	0.15
Books, papers and magazine	-0.01	-0.01	0.01	0.01	-0.02	-0.02	0.00	-0.02	0.02	0.00	0.01	0.01
Office equipment and supplies	-0.02	-0.01	0.00	0.02	0.02	-0.03	-0.01	0.09	-0.10	0.07	-0.08	0.01
Others	-0.17	-0.06	-0.08	-0.10	0.10	-0.09	-0.20	0.07	-0.16	-0.16	-0.19	-0.15
Building material	-0.15	-0.11	-0.03	0.01	-0.56	0.51	0.15	0.19	-0.19	-0.04	-0.11	-0.08
Vehicles	-0.85	-0.33	0.90	0.04	-0.32	0.06	0.51	0.12	0.18	0.79	-1.12	0.41

Sources: IBGE, Santander.



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