

Gabriel Couto*

gabriel.couto@santander.com.br
+5511 3553 8487

NO SIGNS OF SLOWDOWN IN MARCH'S RETAIL SALES

- **Broad retail sales increased 3.6% MoM-sa (+8.8% YoY) in March.** This result came considerably above both market consensus (-0.2% MoM-sa; +2.3% YoY) and our estimate (-1.8% MoM-sa; +0.3% YoY). There were also slight positive revisions in January's and February's results, to 0.7% and 0.0% YoY, respectively (from +0.5% and -0.2% YoY, respectively). Meanwhile, core retail sales (which excludes building materials, vehicles sales and wholesale food) increased 0.8% MoM-sa (+3.2% YoY), also above both consensus of -0.2% MoM-sa (+1.2% YoY) and our estimate of -0.8% MoM-sa (-0.1% YoY).
- **The details showed a positive breakdown, as five out of ten retail activities increased at the margin.** Office supplies (+7.7% MoM-sa) and pharmaceuticals (+0.7% MoM-sa) were the highlights in the core index, as both series showed high volatility in the past few months. Furniture (+0.3% MoM-sa) also contributed positively. On the negative side, clothing (-4.5% MoM-sa), other personal items (-2.2% MoM-sa), books (-0.6% MoM-sa) and fuels (-0.1% MoM-sa) contributed negatively. Supermarkets sales remained stable (0.0% MoM-sa). On the broad index, vehicles had a 3.7% MoM-sa increase and posted the highest contribution, while building materials increased 0.2% MoM-sa.
- **In broad terms, March's figures showed positive figures for both income-led segments and credit-led activities.** The former posted a +1.2% MoM-sa variation, as the latter indicated a 0.3% MoM-sa increase.
- **April's available data point to negative signs in the month.** According to FGV surveys (soft data), retail confidence decreased 0.2% MoM-sa (after March's 3.0% MoM-sa increase), while consumer confidence decreased 3.8% MoM-sa (after two consecutive increases), with both remaining considerably below the 100 points neutral threshold. Our proprietary IGet data for core retail had a 2.9% MoM-sa decrease in April.
- **All in all, it was a positive performance for retail in March.** The broad index had another hefty increase and was a positive surprise, on the heels of a strong performance from vehicle sales. Looking ahead, we expect retail activity to return to a trend of tepid performances. The results led to 2.0% and 3.7% QoQ-sa increases in 1Q23 for core and broad retail sales, respectively. The statistical carryovers calculated to 2Q23 are +0.5% QoQ-sa and +3.0% QoQ-sa for core and broad retail sales, respectively.
- **We revised our IBC-Br tracking for March to -1.1% MoM-sa (from -1.4% MoM-sa), partially offsetting February's strong result (+3.3% MoM-sa). Our 1Q23 GDP growth tracking was revised to +1.1% QoQ-sa (from +1.0% QoQ-sa).** We forecast GDP growth at +1.0% in 2023, with a significant slowdown in domestic demand and in cyclical supply, stemming mainly from the expected global recession and the tight Brazil Central Bank (BCB) policy, but we expect strong growth for non-cyclical farm output, reflecting an all-time-high forecast for the grain harvest.

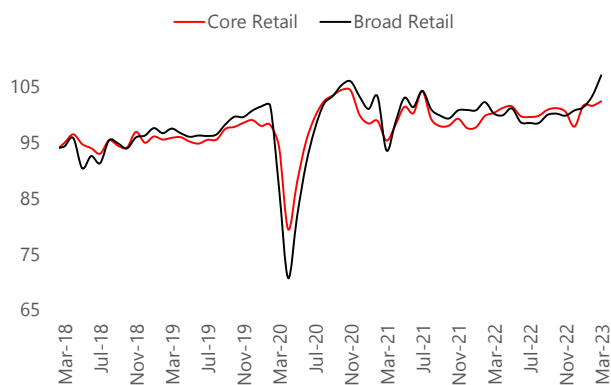


Figure 1 – Retail Sales Details

Retail Sales Breakdown												
Weights	% MoM			% YoY			% QoQ					
	Jan-23	Feb-23	Mar-23	Jan-23	Feb-23	Mar-23	Sep-22	Dec-22	Mar-23			
60.8%	Core Retail Sales			3.9	0.0	0.8	2.8	1.1	3.2	-0.7	-0.2	2.0
7.7%	Fuels	1.3	-0.3	-0.1	26.7	19.9	14.3	16.2	-1.8	-2.2		
33.0%	Hypermarkets, supermarkets	1.4	-0.8	0.0	2.3	0.9	4.5	0.3	0.7	0.3		
3.2%	Fabrics, clothing and footwear	28.2	-6.0	-4.5	2.4	-8.9	-7.3	-11.3	-6.7	15.2		
4.4%	Furniture and home appliances	1.8	-1.6	0.3	4.5	-0.7	2.0	-3.5	3.8	0.3		
5.6%	Pharmaceuticals	-1.0	1.6	0.7	-7.6	-0.7	6.8	-0.7	0.8	0.5		
0.4%	Books, papers and magazine	-4.6	4.9	-0.6	15.4	-9.4	-8.0	-1.4	-6.1	-3.4		
0.9%	Office equipment and supplies	7.5	-9.9	7.7	14.8	-2.6	4.1	-0.4	1.6	1.2		
5.6%	Other personal items	1.3	-2.2	-2.2	-6.5	-12.9	-12.9	-3.8	-1.4	-3.4		
100%	Broad Retail Sales			0.6	2.0	3.6	0.7	0.0	8.8	-0.9	1.3	3.7
13.9%	Wholesale	-	-	-	-0.3	-9.2	5.6	-	-	-		
8.0%	Building Materials	2.6	-1.8	0.2	1.1	-5.7	-5.1	-3.2	-1.9	4.0		
17.2%	Vehicles	0.8	1.0	3.7	4.7	-1.3	10.7	-1.8	1.0	4.6		

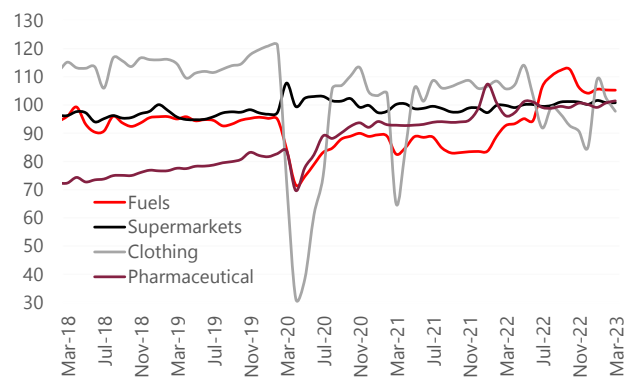
Sources: IBGE, Santander.

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



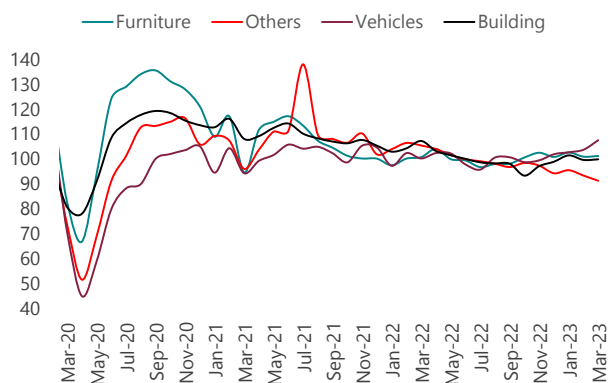
Sources: IBGE, Santander.

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



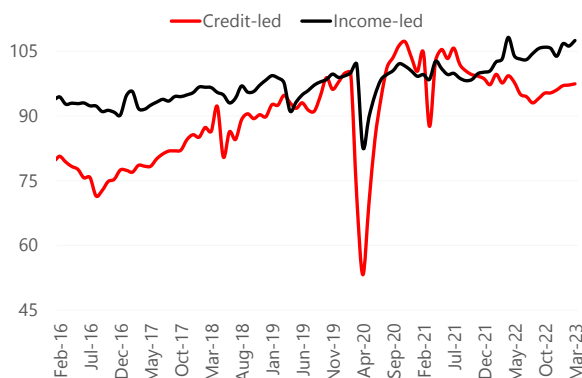
Sources: IBGE, Santander.

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



Sources: IBGE, Santander.

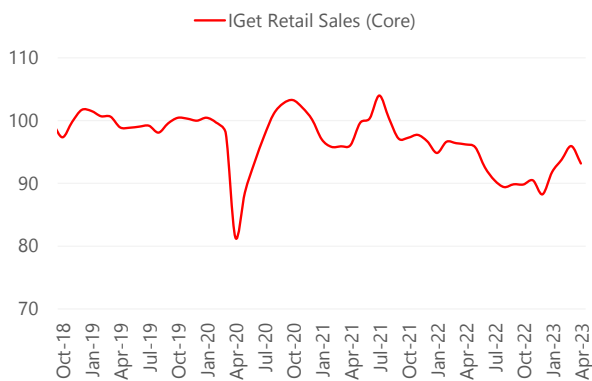
Figure 5 – Figure 5 – Sensitivity Analysis (sa, 2011=100)*



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

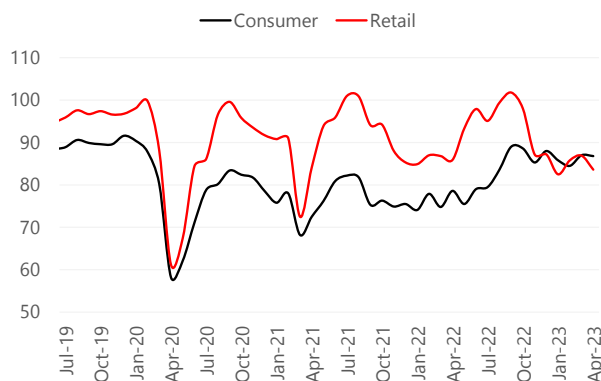


Figure 6 – IGet (sa, Dec/19=100)



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)												
	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Core Retail Sales	0.88	0.28	-1.72	-0.16	0.21	1.09	0.28	-0.63	-2.66	3.87	-0.04	0.79
Fuels	0.72	1.89	-0.70	12.64	3.61	1.80	0.35	-5.65	-1.99	1.35	-0.26	-0.06
Hypermarkets, supermarkets	-0.75	1.06	0.02	-0.64	0.30	1.22	0.17	-0.16	-0.84	1.39	-0.76	-0.02
Fabrics, clothing and footwear	1.41	6.39	-9.58	-10.94	7.97	-2.42	-4.24	-2.09	-6.37	28.24	-6.05	-4.49
Furniture and home appliances	3.29	-3.96	-0.51	-2.69	1.29	0.12	2.54	1.88	-1.64	1.76	-1.62	0.28
Pharmaceutical	1.19	3.98	-0.15	-1.91	-0.27	0.67	-0.39	1.55	-0.48	-1.03	1.64	0.67
Books, papers and magazine	-6.62	4.64	-2.40	-3.02	2.16	1.16	-4.92	-3.66	-0.83	-4.60	4.94	-0.59
Office equipment and supplies	-2.77	1.81	-1.10	-0.87	-0.18	2.29	2.37	-2.79	-0.98	7.54	-9.95	7.66
Others	-1.33	-2.33	-1.64	-0.80	-1.02	-1.35	1.68	-1.09	-3.15	1.30	-2.25	-2.23
Broad Retail Sales	-0.31	1.24	-2.45	-0.14	-0.03	1.49	0.23	-0.37	0.94	0.58	1.99	3.57
Building material	-3.76	-1.63	-1.47	-1.38	-0.43	-0.14	-4.87	4.10	1.82	2.56	-1.81	0.25
Vehicles	2.16	-0.13	-4.34	-2.11	5.06	0.08	-1.92	0.72	2.47	0.77	0.98	3.67

Sources: IBGE, Santander.

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

Retail Sales (contributions sa, p.p)												
	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Fuels	0.06	0.17	-0.06	1.13	0.32	0.16	0.03	-0.51	-0.18	0.12	-0.02	-0.01
Hypermarkets, supermarkets	-0.29	0.41	0.01	-0.25	0.12	0.47	0.06	-0.06	-0.32	0.54	-0.29	-0.01
Fabrics, clothing and footwear	0.05	0.24	-0.36	-0.41	0.30	-0.09	-0.16	-0.08	-0.24	1.05	-0.22	-0.17
Furniture and home appliances	0.17	-0.20	-0.03	-0.14	0.07	0.01	0.13	0.10	-0.08	0.09	-0.08	0.01
Pharmaceutical	0.08	0.26	-0.01	-0.12	-0.02	0.04	-0.03	0.10	-0.03	-0.07	0.11	0.04
Books, papers and magazine	-0.03	0.02	-0.01	-0.01	0.01	0.01	-0.02	-0.02	0.00	-0.02	0.02	0.00
Office equipment and supplies	-0.03	0.02	-0.01	-0.01	0.00	0.02	0.02	-0.03	-0.01	0.08	-0.10	0.08
Others	-0.09	-0.15	-0.11	-0.05	-0.07	-0.09	0.11	-0.07	-0.21	0.08	-0.15	-0.15
Building material	-0.35	-0.15	-0.14	-0.13	-0.04	-0.01	-0.45	0.38	0.17	0.24	-0.17	0.02
Vehicles	0.43	-0.03	-0.87	-0.42	1.01	0.02	-0.38	0.14	0.49	0.15	0.20	0.73

Sources: IBGE, Santander.



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
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
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
Aline de Souza Cardoso*	Head, Brazil	aline.souza.cardoso@santander.com.br	5511-3553-1684

Electronic

Bloomberg
Reuters

SIEQ <GO>
Pages SISEMA through SISEMZ

This research report (“report”) has been prepared by Santander US Capital Markets LLC (is a subsidiary of Santander Holdings USA, Inc. which is wholly owned by Banco Santander, S.A. “Santander”) on behalf of itself and its affiliates (collectively, Grupo Santander) and is provided for information purposes only. This report must not be considered as an offer to sell or a solicitation of an offer to buy any relevant securities (i.e., securities mentioned herein or of the same issuer and/or options, warrants, or rights with respect to or interests in any such securities). Any decision by the recipient to buy or to sell should be based on publicly available information on the related security and, where appropriate, should take into account the content of the related prospectus filed with and available from the entity governing the related market and the company issuing the security. This report is issued in Spain by Santander Investment Bolsa, Sociedad de Valores, S.A. (“Santander Investment Bolsa”) and in the United Kingdom by Banco Santander, S.A., London Branch. Santander London is authorized by the Bank of Spain. This report is not being issued to private customers. Santander US Capital Markets LLC, Santander London and Santander Investment Bolsa are members of Grupo Santander. ANALYST CERTIFICATION: The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed, that their recommendations reflect solely and exclusively their personal opinions, and that such opinions were prepared in an independent and autonomous manner, including as regards the institution to which they are linked, and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report, since their compensation and the compensation system applying to Grupo Santander and any of its affiliates is not pegged to the pricing of any of the securities issued by the companies evaluated in the report, or to the income arising from the businesses and financial transactions carried out by Grupo Santander and any of its affiliates: Gabriel Couto*. Employed by a non-US affiliate of Santander US Capital Markets LLC and is not registered/qualified as a research analyst under FINRA rules and is not an associated person of the member firm and therefore is not subject to FINRA Rule 2241 or FINRA Rule 2242 and restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. The information contained within this report has been compiled from sources believed to be reliable. Although all reasonable care has been taken to ensure the information contained within these reports is not untrue or misleading, we make no representation that such information is accurate or complete and it should not be relied upon as such. All opinions and estimates included within this report constitute our judgment as of the date of the report and are subject to change without notice. Any U.S. recipient of this report (other than a registered broker-dealer or a bank acting in a broker-dealer capacity) that would like to effect any transaction in any security discussed herein should contact and place orders in the United States with Santander US Capital Markets LLC, which, without in any way limiting the foregoing, accepts responsibility (solely for purposes of and within the meaning of Rule 15a-6 under the U.S. Securities Exchange Act of 1934) for this report and its dissemination in the United States. Hong Kong (HK): This report is distributed in Hong Kong by Banco Santander, S.A. (a public limited liability company incorporated in Spain) which has a branch in Hong Kong. Banco Santander, S.A., Hong Kong Branch is regulated as a Registered Institution by the Hong Kong Monetary Authority for the conduct of Advising and Dealing in Securities (Regulated Activity Type 4 and 1 respectively) under the Securities and Futures Ordinance. This report is not intended for distribution to any persons other than professional investors. Banco Santander, S.A. or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is greater than 1%, the specific holding is disclosed in the Important Disclosures section above. The recipient of this report must not distribute it to any person without the prior written consent of Banco Santander, S.A.. Singapore (SG): This report is distributed in Singapore by Banco Santander, S.A. which has a branch in Singapore. It is not intended for distribution to any persons other than institutional investors,



accredited investors and expert investors (each as defined in the Securities and Futures Act 2001 of Singapore). Recipients of this report should contact Banco Santander, S.A., Singapore Branch at researchsingapore@gruposantander.com for matters arising from, or in connection with, this report. Mainland China (CN): This report is being distributed in Mainland China by Banco Santander, S.A. which has two branches in Mainland China, being Shanghai Branch and Beijing Branch ("Santander China"). Santander China is regulated by China Banking and Insurance Regulatory Commission. Banco Santander, S.A., Shanghai Branch is licensed for foreign currency business, RMB business and derivative business. Banco Santander, S.A., Beijing Branch is licensed with foreign currency business. The recipient of this report must not distribute it to any person without the prior written consent of Banco Santander, S.A.© 2023 by Santander US Capital Markets LLC All Rights Reserved.

