

FEBRUARY'S RETAIL SALES DATA: MIXED RESULTS

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- **Broad retail sales increased 1.7% MoM-sa (-0.2% YoY) in February.** This result beat both market consensus (+1.0% MoM-sa; -1.5% YoY) and our estimate (+0.7% MoM-sa; -2.2% YoY), and marked the third consecutive month of expansion for the broad index. Meanwhile, core retail sales (which excludes building materials, vehicles sales and wholesale food) decreased 0.1% MoM-sa (+1.0% YoY), in line with consensus of -0.1% MoM-sa (+0.9% YoY) and below our estimate of 0.8% MoM-sa (+3.6% YoY).
- **The details showed a less positive breakdown, as seven out of ten retail activities decreased at the margin.** Office supplies (-10.4% MoM-sa) and clothing (-6.3% MoM-sa) were the lowlights, as both series showed high volatility in the past few months. Other personal items (-2.0% MoM-sa), furniture (-1.7% MoM-sa), supermarkets (-0.7% MoM-sa) and fuels (-0.3% MoM-sa) also contributed negatively. On the other hand, books (+4.7% MoM-sa) and pharmaceuticals (+1.4% MoM-sa) had positive contributions. On the broad index, vehicles had a 1.4% MoM-sa increase, while building materials decreased 2.0% MoM-sa.
- **In broad terms, February's figures showed stable figures for both income-led segments and credit-led activities.** The former posted a -0.1% MoM-sa variation, as the latter indicated a 0.1% MoM-sa increase.
- **March's available data point to mostly positive signs in the month.** According to FGV surveys (soft data), retail confidence increased 1.3% MoM-sa (after February's 4.0% MoM-sa increase), while consumer confidence increased 3.0% MoM-sa (after two consecutive drops), with both remaining considerably below the 100 points neutral threshold. Our proprietary IGet data for core retail had a 2.5% MoM-sa increase in March, as April's preview indicates a 0.1% MoM-sa decrease.
- **All in all, it was a mixed performance for retail in February.** On the one hand, the broad index had a hefty increase and was a positive surprise. On the other hand, most retail activities posted decreases at the margin. Looking ahead, despite still positive signals in March, we expect retail activity to return to a trend of tepid performances. The statistical carryovers calculated to 1Q23 are +1.7% QoQ-sa (+0.9% QoQ-sa in 4Q22) and +1.5% QoQ-sa (-0.4% QoQ-sa in 4Q22) for broad and core retail sales, respectively.
- **We maintained our IBC-Br tracking for February at +1.4% MoM-sa, already influenced by a strong contribution from farm output. Our 1Q22 GDP growth tracking is at +0.5% QoQ-sa.** We forecast GDP +0.8% 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.

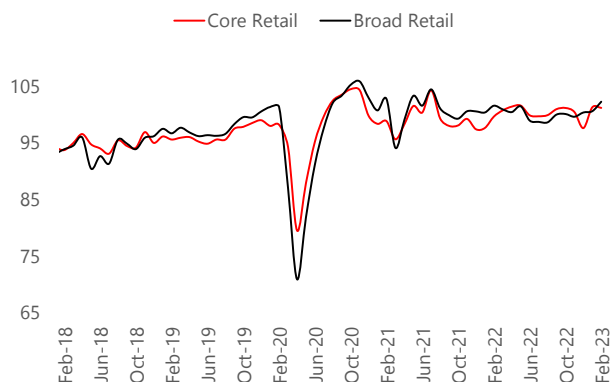


Figure 1 – Retail Sales Details

Retail Sales Breakdown										
Weights		% MoM			% YoY			% QoQ		
		Dec-22	Jan-23	Feb-23	Dec-22	Jan-23	Feb-23	Sep-22	Dec-22	Feb-23
60.8%	Core Retail Sales	-2.8	3.8	-0.1	0.4	2.6	1.0	-0.8	-0.4	-0.8
7.7%	Fuels	-2.0	1.4	-0.3	23.8	26.7	19.7	16.1	-1.7	-4.8
33.0%	Hypermarkets, supermarkets	-0.8	1.3	-0.7	2.5	2.2	1.0	0.4	0.7	-0.2
3.2%	Fabrics, clothing and footwear	-6.6	27.9	-6.3	-11.9	2.3	-9.2	-11.3	-7.1	5.1
4.4%	Furniture and home appliances	-1.7	1.2	-1.7	0.3	3.4	-1.9	-3.6	3.6	0.5
5.6%	Pharmaceuticals	-0.5	-1.1	1.4	0.8	-7.6	-0.7	-0.7	0.7	0.0
0.4%	Books, papers and magazine	-1.0	-4.3	4.7	0.3	15.2	-9.5	-0.3	-5.7	-6.2
0.9%	Office equipment and supplies	-0.6	7.9	-10.4	0.1	14.8	-4.5	-1.9	0.5	-0.8
5.6%	Other personal items	-3.0	1.6	-2.0	-8.4	-6.5	-12.9	-3.7	-1.1	-2.7
100%	Broad Retail Sales	0.8	0.2	1.7	-0.6	0.5	-0.2	-1.2	0.9	1.2
13.9%	Wholesale	-	-	-	-	-0.9	-9.5	-	-	-
8.0%	Building Materials	1.9	2.8	-2.0	-7.1	1.1	-5.9	-3.6	-1.9	4.1
17.2%	Vehicles	2.4	0.0	1.4	-1.8	4.4	-1.5	-2.0	0.8	2.6

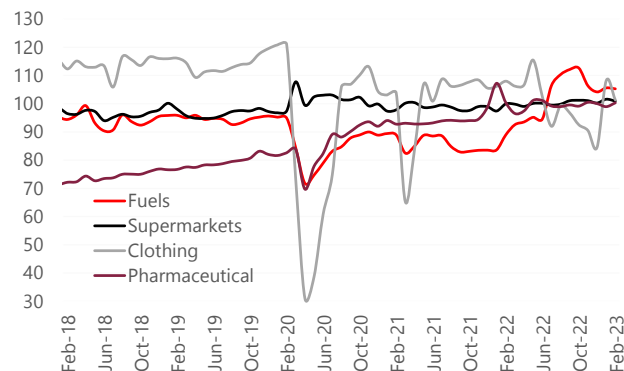
Sources: IBGE, Santander.

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



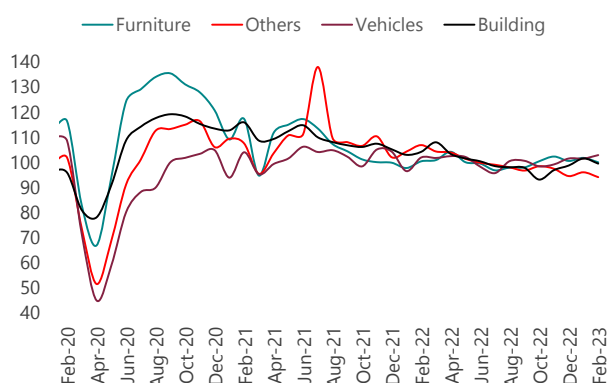
Sources: IBGE, Santander.

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



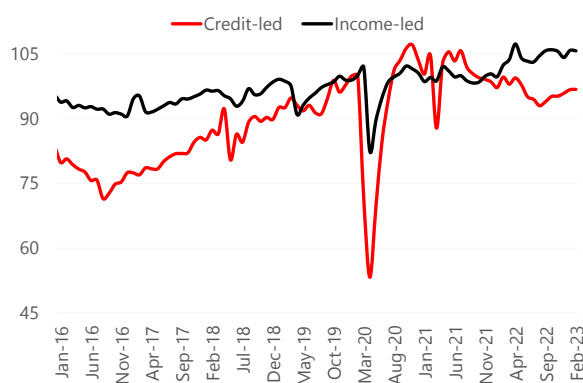
Sources: IBGE, Santander.

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



Sources: IBGE, Santander.

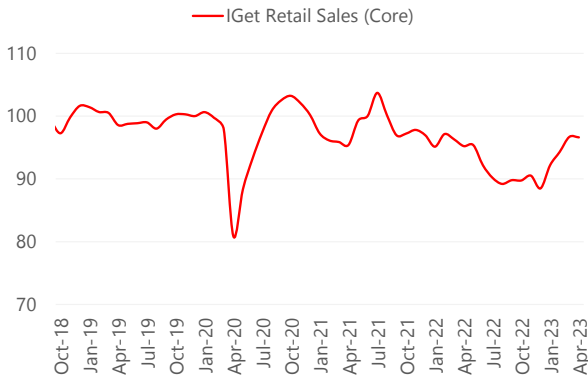
Figure 5 – Sensitivity Analysis (sa, 2011=100)*



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

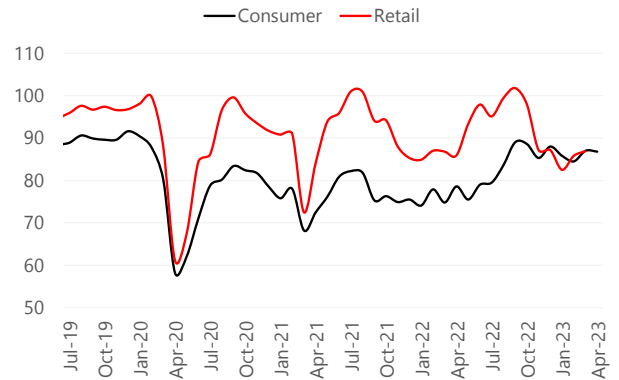


Figure 6 – IGet (sa, Dec/19=100)



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)												
	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Core Retail Sales	1.11	0.65	0.18	-1.68	-0.18	0.20	1.06	0.21	-0.70	-2.83	3.77	-0.11
Fuels	4.07	1.05	1.77	-0.71	12.57	3.70	1.62	0.47	-5.59	-2.03	1.37	-0.31
Hypermarkets, supermarkets	-0.11	-0.79	1.08	0.03	-0.62	0.32	1.23	0.15	-0.14	-0.82	1.34	-0.66
Fabrics, clothing and footwear	-1.62	0.40	8.27	-11.15	-10.32	7.92	-2.55	-4.37	-2.21	-6.57	27.94	-6.32
Furniture and home appliances	0.48	3.28	-3.99	-0.54	-2.71	1.14	0.06	2.50	1.87	-1.71	1.21	-1.73
Pharmaceutical	-3.87	0.94	3.83	-0.05	-1.92	-0.22	0.61	-0.42	1.36	-0.46	-1.08	1.38
Books, papers and magazine	3.55	-6.06	5.15	-1.96	-2.70	2.47	1.37	-4.77	-3.46	-0.95	-4.28	4.73
Office equipment and supplies	11.85	-7.16	1.98	-1.91	-1.28	-1.00	1.92	2.12	-3.38	-0.64	7.86	-10.41
Others	-2.38	-0.38	-2.41	-1.60	-0.78	-1.05	-1.30	1.77	-1.02	-2.99	1.61	-2.02
Broad Retail Sales	-0.65	-0.47	1.02	-2.48	-0.24	-0.09	1.39	0.11	-0.49	0.76	0.23	1.66
Wholesale	-	-	-	-	-	-	-	-	-	-	-	-
Building material	3.65	-4.29	-1.77	-1.10	-1.90	-0.49	-0.18	-4.82	4.05	1.88	2.85	-2.02
Vehicles	-0.19	0.72	-0.32	-3.78	-2.62	5.02	0.10	-2.19	0.78	2.37	-0.03	1.36

Sources: IBGE, Santander.

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

Retail Sales (contributions sa, p.p)												
	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Fuels	0.36	0.09	0.16	-0.06	1.13	0.33	0.15	0.04	-0.50	-0.18	0.12	-0.03
Hypermarkets, supermarkets	-0.04	-0.30	0.41	0.01	-0.24	0.12	0.47	0.06	-0.05	-0.31	0.51	-0.25
Fabrics, clothing and footwear	-0.06	0.01	0.31	-0.42	-0.38	0.29	-0.09	-0.16	-0.08	-0.24	1.04	-0.24
Furniture and home appliances	0.02	0.17	-0.20	-0.03	-0.14	0.06	0.00	0.13	0.10	-0.09	0.06	-0.09
Pharmaceutical	-0.25	0.06	0.25	0.00	-0.12	-0.01	0.04	-0.03	0.09	-0.03	-0.07	0.09
Books, papers and magazine	0.02	-0.03	0.02	-0.01	-0.01	0.01	0.01	-0.02	-0.02	0.00	-0.02	0.02
Office equipment and supplies	0.12	-0.07	0.02	-0.02	-0.01	-0.01	0.02	0.02	-0.04	-0.01	0.08	-0.11
Others	-0.15	-0.02	-0.16	-0.10	-0.05	-0.07	-0.08	0.12	-0.07	-0.19	0.10	-0.13
Building material	0.34	-0.40	-0.16	-0.10	-0.18	-0.05	-0.02	-0.45	0.38	0.18	0.27	-0.19
Vehicles	-0.04	0.14	-0.06	-0.76	-0.52	1.00	0.02	-0.44	0.16	0.47	-0.01	0.27

Sources: IBGE, Santander.



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