

## END OF TAX BREAK FOR VEHICLES LED TO CONTRACTION IN BROAD RETAIL SALES IN JULY

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- **Broad retail sales decreased 0.3% MoM-sa (+6.6% YoY) in July.** This result was below market consensus (+0.2% MoM-sa; +7.1% YoY) and our estimate (+0.3% MoM-sa; +7.2% YoY). Meanwhile, core retail sales (excluding building materials, vehicles sales, and wholesale food) rose 0.7% MoM-sa (+2.4% YoY), beating consensus of +0.5% MoM-sa (+2.0% YoY) and our estimate of -0.5% MoM-sa (0.0% YoY).
- **The details showed a mixed breakdown, as five out of ten retail activities decreased at the margin.** Vehicles (-6.2% MoM-sa), clothing (-2.7% MoM-sa), books (-2.6% MoM-sa) and furniture (-0.9% MoM-sa) contributed negatively. **The significant drop in vehicles was due to the end of the tax break for car purchases that took effect in June.** Conversely, office supplies (+11.7% MoM-sa) and other personal items (+8.4% MoM-sa) were the highlights. Fuels (-0.1% MoM-sa) and supermarkets (+0.3% MoM-sa) had smaller contributions at the margin.
- **In broad terms, July's figures showed slightly negative figures for both income-led segments and credit-led activities (-0.1% MoM-sa for both).**
- **August's available data points to mixed signs for the month.** According to FGV surveys (soft data), retail confidence increased 2.4% MoM-sa (after July's 2.8% MoM-sa decrease), while consumer confidence increased 2.1% MoM-sa in August, with both remaining below the 100-point neutral threshold. Our proprietary IGet data for core retail registered a 3.0% MoM-sa decrease in August.
- **All in all, after a positive print in June, broad retail sales returned to a downward trend on the heels of the end of the tax break for vehicles.** Looking ahead, we expect retail activity to maintain a trend of tepid performances. With July's result, the carryover for 3Q23 points to +0.4% QoQ-sa and +0.6% QoQ-sa for broad and core retail sales, respectively.
- **Our IBC-Br forecast for July (official data due on Tuesday, September 19) is at +0.2% MoM-sa.** Our 3Q23 GDP growth tracking is currently at -0.3% QoQ-sa. We continue to see signs of deceleration for broad activity ahead, as the more cyclical segments indicate a slowing trend owing to highly restrictive financial conditions. In addition, we expect negative contributions for farm output at the margin in 2H23, following a robust expansion in 1H23.

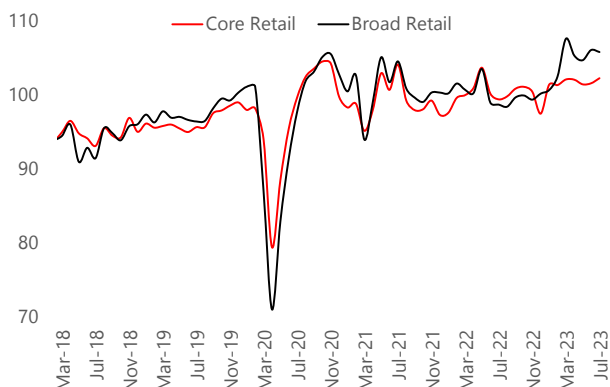


Figure 1 – Retail Sales Details

Retail Sales Breakdown										
Weights	% MoM			% YoY			% QoQ			
	May-23	Jun-23	Jul-23	May-23	Jun-23	Jul-23	Jan-23	Apr-23	Jul-23	
<b>60.8%</b>	<b>Core Retail Sales</b>	<b>-0.6</b>	<b>0.1</b>	<b>0.7</b>	<b>-1.1</b>	<b>1.4</b>	<b>2.4</b>	<b>-0.8</b>	<b>2.1</b>	<b>-0.1</b>
7.7%	Fuels	1.5	-1.0	-0.1	10.8	9.2	-2.8	-5.9	-1.0	-0.5
33.0%	Hypermarkets, supermarkets	-3.2	1.4	0.3	1.3	3.2	3.0	0.6	1.3	0.1
3.2%	Fabrics, clothing and footwear	-2.8	0.7	-2.7	-18.2	-6.3	1.6	-0.7	6.6	-5.7
4.4%	Furniture and home appliances	-0.6	0.9	-0.9	0.4	2.7	3.4	3.0	-0.7	-0.6
5.6%	Pharmaceuticals	2.6	-0.3	0.1	7.6	4.7	6.5	1.0	2.0	3.3
0.4%	Books, papers and magazine	1.4	0.5	-2.6	-5.6	-2.2	-7.3	-6.1	0.7	0.8
0.9%	Office equipment and supplies	1.3	-3.9	11.7	-4.9	-8.8	6.9	0.4	-2.6	-0.5
5.6%	Other personal items	-3.2	0.1	8.4	-17.3	-14.9	-4.9	-2.2	-4.5	-2.2
<b>100%</b>	<b>Broad Retail Sales</b>	<b>-0.6</b>	<b>1.3</b>	<b>-0.3</b>	<b>3.0</b>	<b>8.3</b>	<b>6.6</b>	<b>0.7</b>	<b>5.1</b>	<b>0.4</b>
13.9%	Wholesale	-	-	-	18.3	21.4	19.6	-	-	-
8.0%	Building Materials	-0.7	0.1	0.3	-2.0	-2.4	-0.3	2.7	-0.5	-1.1
17.2%	Vehicles	2.3	8.8	-6.2	1.5	17.8	9.8	1.3	3.3	3.7

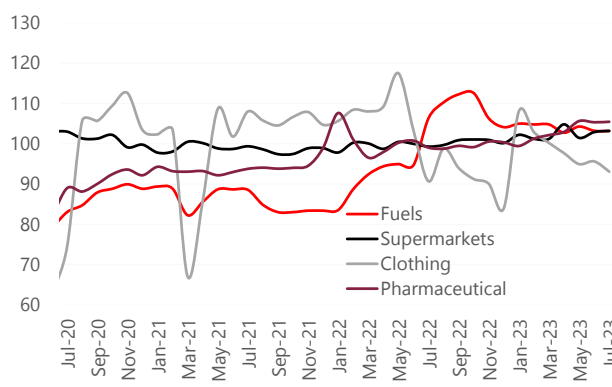
Sources: IBGE, Santander.

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



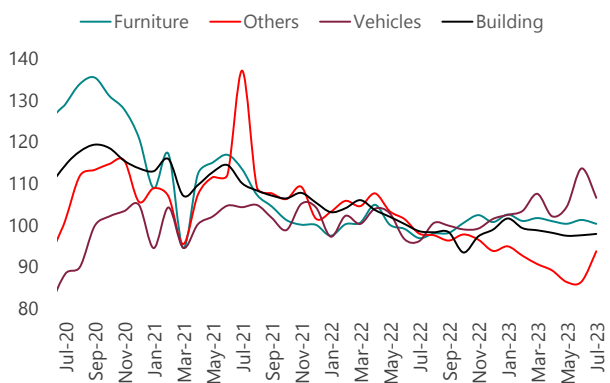
Sources: IBGE, Santander.

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



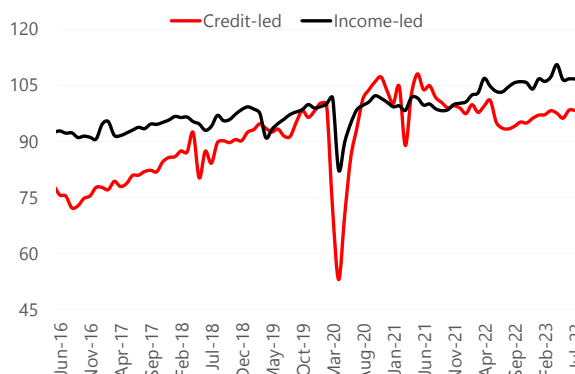
Sources: IBGE, Santander.

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



Sources: IBGE, Santander.

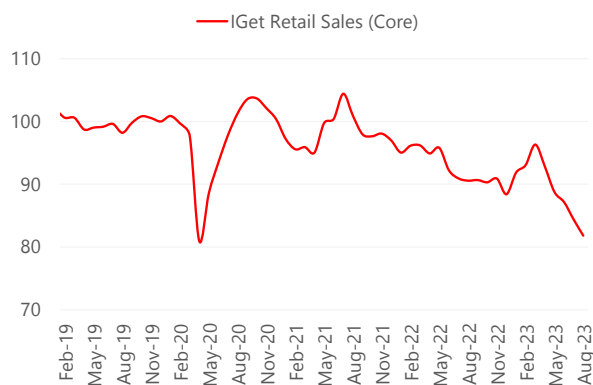
Figure 5 – Figure 5 – Sensitivity Analysis (sa, 2011=100)\*



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

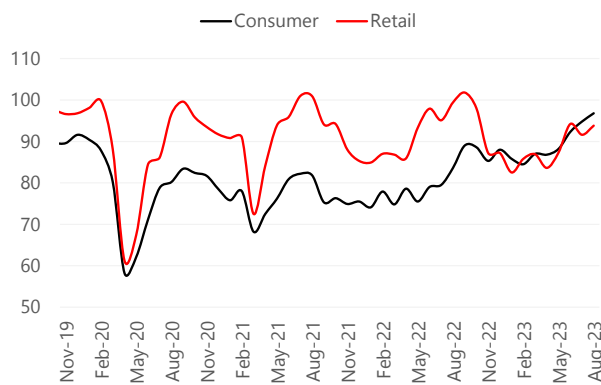


Figure 6 – IGet (sa, Dec/19=100)



Sources: Getnet, Santander.

Figure 7 – FGV Economic Confidence Data (sa)\*



Sources: FGV, Santander.  
\* Neutral level: 100 points.

Figure 6 – “Heatmap” Showing Retail Sales by Component

Retail Sales (% MoM sa)												
	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
<b>Core Retail Sales</b>	0.40	1.05	0.25	-0.65	-2.96	4.02	-0.05	0.75	-0.03	-0.62	0.14	0.68
Fuels	3.67	1.82	0.28	-5.57	-2.05	0.84	-0.19	0.01	-1.96	1.49	-1.01	-0.06
Hypermarkets, supermarkets	0.38	1.22	0.15	-0.10	-0.77	2.04	-0.96	-0.02	3.56	-3.20	1.41	0.30
Fabrics, clothing and footwear	8.98	-4.89	-2.92	-1.29	-6.74	28.62	-4.78	-2.61	-2.52	-2.78	0.72	-2.66
Furniture and home appliances	1.17	0.13	2.46	1.86	-1.63	1.80	-1.52	0.69	-0.73	-0.62	0.92	-0.93
Pharmaceutical	-0.25	0.72	-0.31	1.38	-0.19	-0.91	1.84	0.87	0.76	2.63	-0.29	0.12
Books, papers and magazine	1.95	1.27	-4.56	-3.16	-0.45	-0.26	1.85	-1.63	0.85	1.39	0.46	-2.57
Office equipment and supplies	0.86	2.22	2.13	-3.31	-0.78	6.48	-8.12	6.93	-7.46	1.29	-3.85	11.72
Others	-0.42	-1.30	1.52	-1.27	-2.82	1.18	-2.38	-2.16	-1.68	-3.15	0.12	8.45
<b>Broad Retail Sales</b>	-0.29	1.27	0.27	-0.56	0.82	0.48	1.81	5.00	-2.12	-0.59	1.32	-0.26
Building material	-0.26	0.01	-4.96	4.15	1.68	2.71	-2.29	-0.52	-0.61	-0.73	0.13	0.32
Vehicles	4.55	-0.67	-0.90	0.20	2.35	0.96	0.91	3.99	-5.02	2.25	8.81	-6.23

Sources: IBGE, Santander.

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

Retail Sales (contributions sa, p.p)												
	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Fuels	0.33	0.16	0.03	-0.50	-0.18	0.07	-0.02	0.00	-0.18	0.13	-0.09	-0.01
Hypermarkets, supermarkets	0.15	0.47	0.06	-0.04	-0.30	0.78	-0.37	-0.01	1.37	-1.23	0.54	0.11
Fabrics, clothing and footwear	0.33	-0.18	-0.11	-0.05	-0.25	1.07	-0.18	-0.10	-0.09	-0.10	0.03	-0.10
Furniture and home appliances	0.06	0.01	0.13	0.10	-0.08	0.09	-0.08	0.04	-0.04	-0.03	0.05	-0.05
Pharmaceutical	-0.02	0.05	-0.02	0.09	-0.01	-0.06	0.12	0.06	0.05	0.17	-0.02	0.01
Books, papers and magazine	0.01	0.01	-0.02	-0.01	0.00	0.00	0.01	-0.01	0.00	0.01	0.00	-0.01
Office equipment and supplies	0.01	0.02	0.02	-0.03	-0.01	0.07	-0.08	0.07	-0.08	0.01	-0.04	0.12
Others	-0.03	-0.08	0.10	-0.08	-0.18	0.08	-0.16	-0.14	-0.11	-0.21	0.01	0.55
Building material	-0.02	0.00	-0.46	0.39	0.16	0.25	-0.21	-0.05	-0.06	-0.07	0.01	0.03
Vehicles	0.91	-0.13	-0.18	0.04	0.47	0.19	0.18	0.80	-1.00	0.45	1.76	-1.25

Sources: IBGE, Santander.



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