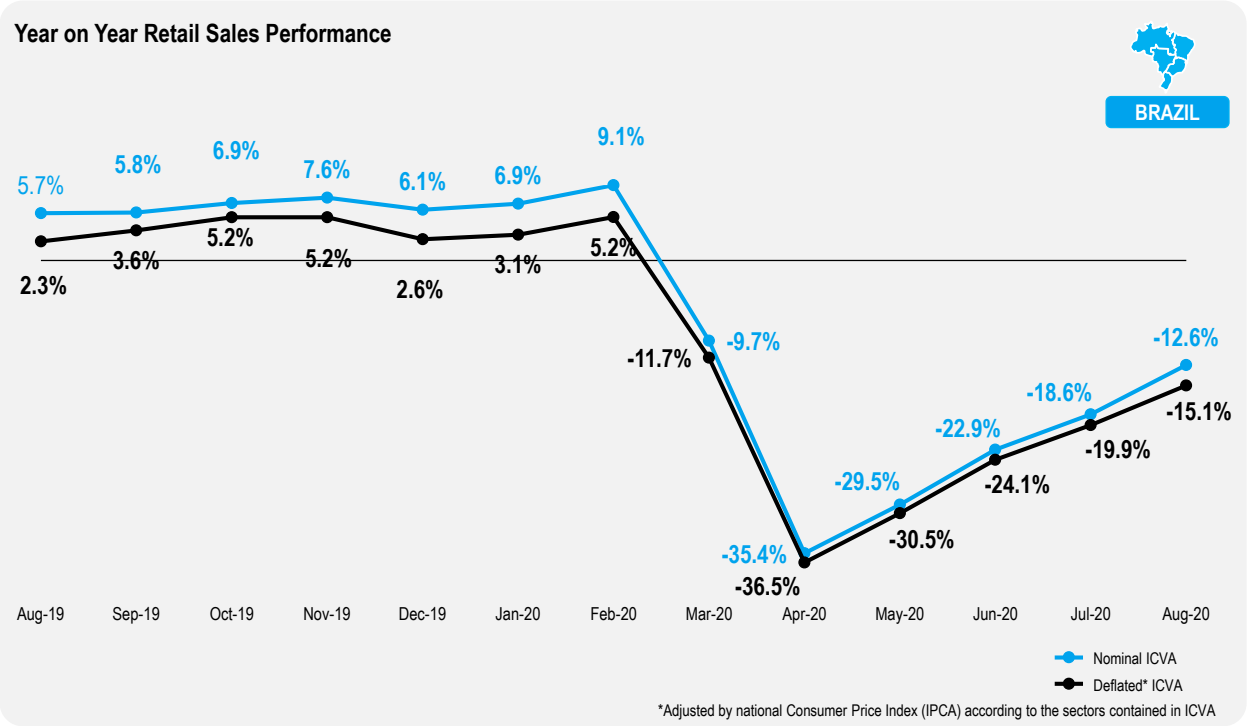
Retail sales fall 15.1% in August, according to ICVA

Although the COVID-19 pandemic is still hurting the sector, retail shows recovery for the fourth consecutive month

The COVID-19 pandemic has continued to impact the retail results. Excluding inflation, retail sales fell 15.1% in August compared to the same month last year. In nominal terms, which reflect sales revenue received by retailers, the ICVA fell 12.6%.

Despite the decline, August was the fourth consecutive month of recovery in sales. The positive highlights were the Building Materials and Furniture, Home Appliances and Department Stores segments.

"It is worth noting that, in August, the retail sector not only continued the recovery movement, but also accelerated this trajectory. Excluding calendar effects, nominal revenue was a little less than 10% below the same month last year," says Cielo's Business Analytics Director, Gabriel Mariotto. "Recovery was particularly strong in Durable Goods, but even Services, the segment that was most heavily hit by social distancing measures, saw an improvement in sales last month", adds Mariotto.



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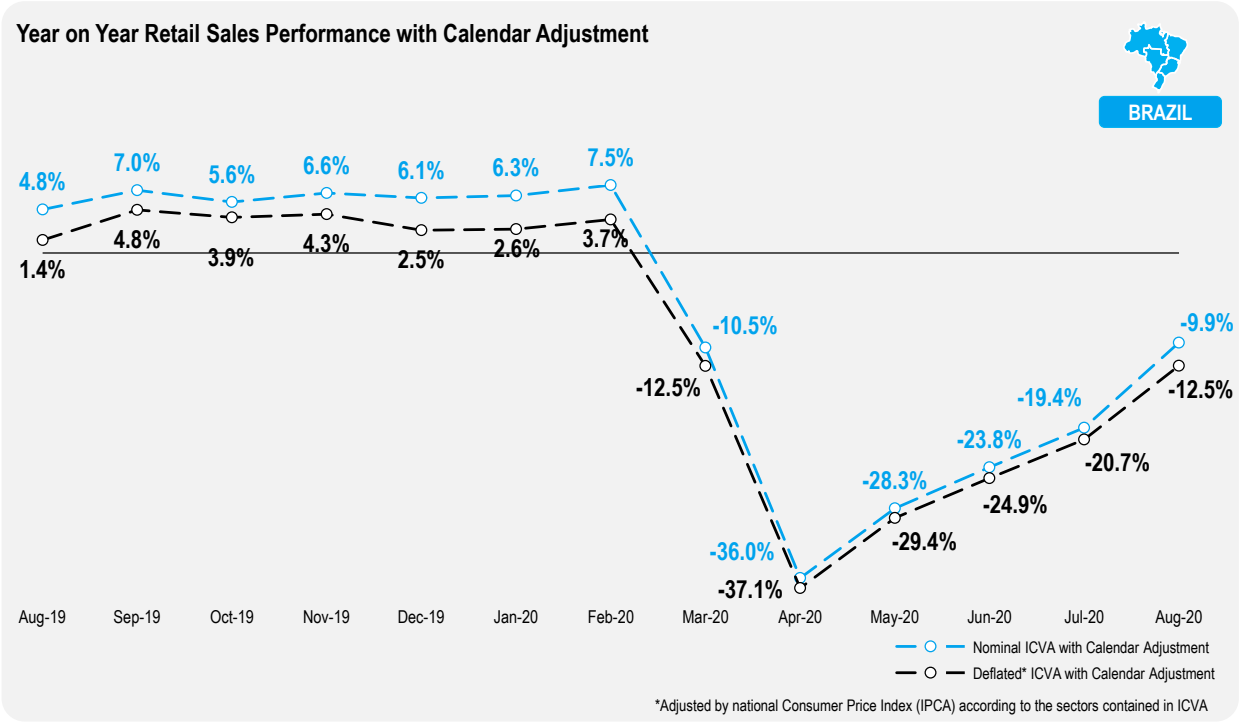

INFLATION

The Broad Consumer Price Index (IPCA) increased 0.24% in August, the highest figure for the month since 2016. In the last 12 months, inflation amounted to 2.44%. According to the Brazilian Institute of Geography and Statistics (IBGE), Transport and Food & Beverages contributed to the acceleration of the index.

Considering the IPCA weighted by sector and ICVA weights, broad retail inflation was 2.9%, higher than in July.

SECTORS

Excluding inflation and with calendar adjustments, Durable & Semi-Durable Goods accounted for most of the index acceleration, led by Furniture, Home Appliances and Department Stores. Services also accelerated, especially in the Tourism & Transport and Bars & Restaurants segments, which, despite the still substantial year-on-year drop, are showing an accelerated recovery. Non-Durable Goods decelerated slightly compared to the previous month, but continue to be the least affected sector since the beginning of the crisis caused by the pandemic.

REGIONS

All regions recorded a downturn in sales compared to August 2019. According to the deflated ICVA with calendar adjustment, the Southeast region recorded the biggest decline in August 2020 (-14.1%), followed by the South (-11.9%), Northeast (-11.7%), Midwest (-9.5%) and North (-1.5%) regions.

According to the nominal ICVA – which does not discount inflation – with calendar adjustments, the highlight was the Southeast region (-12.4%), followed by the South (8.6%), Northeast (-8.1%) and Midwest (-6.1%) regions. The only region to record an increase (3.6%) was the North.

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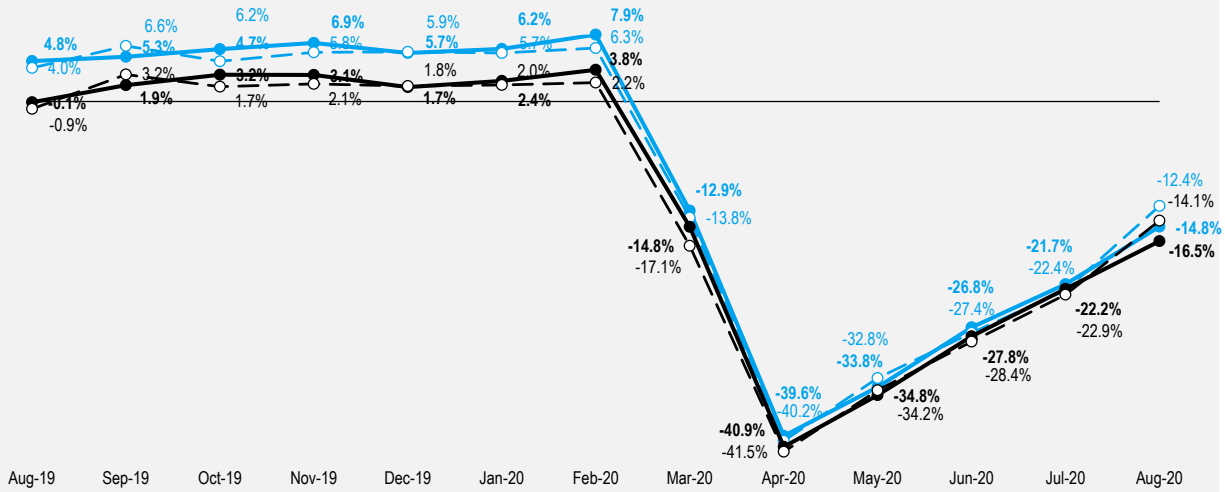
Year on Year Retail Sales Performance by Region

SOUTHEAST

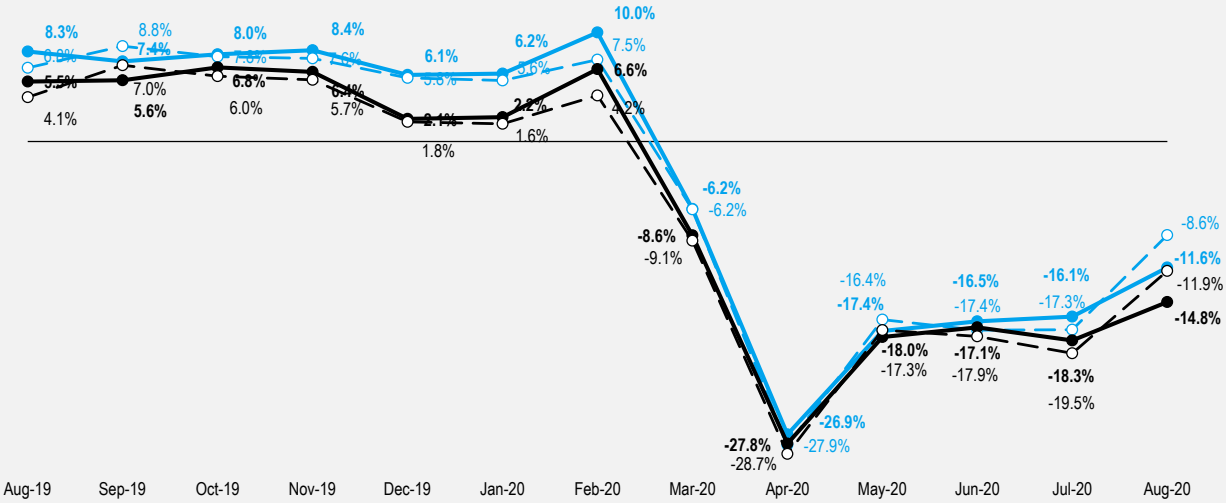


Nominal ICVA
Nominal ICVA with Calendar Adjustment
Deflated* ICVA
Deflated* ICVA with Calendar Adjustment

*Adjusted by national Consumer Price Index (IPCA) according to the sectors contained in ICVA

Year on Year Retail Sales Performance by Region

SOUTH



Nominal ICVA
Nominal ICVA with Calendar Adjustment
Deflated* ICVA
Deflated* ICVA with Calendar Adjustment

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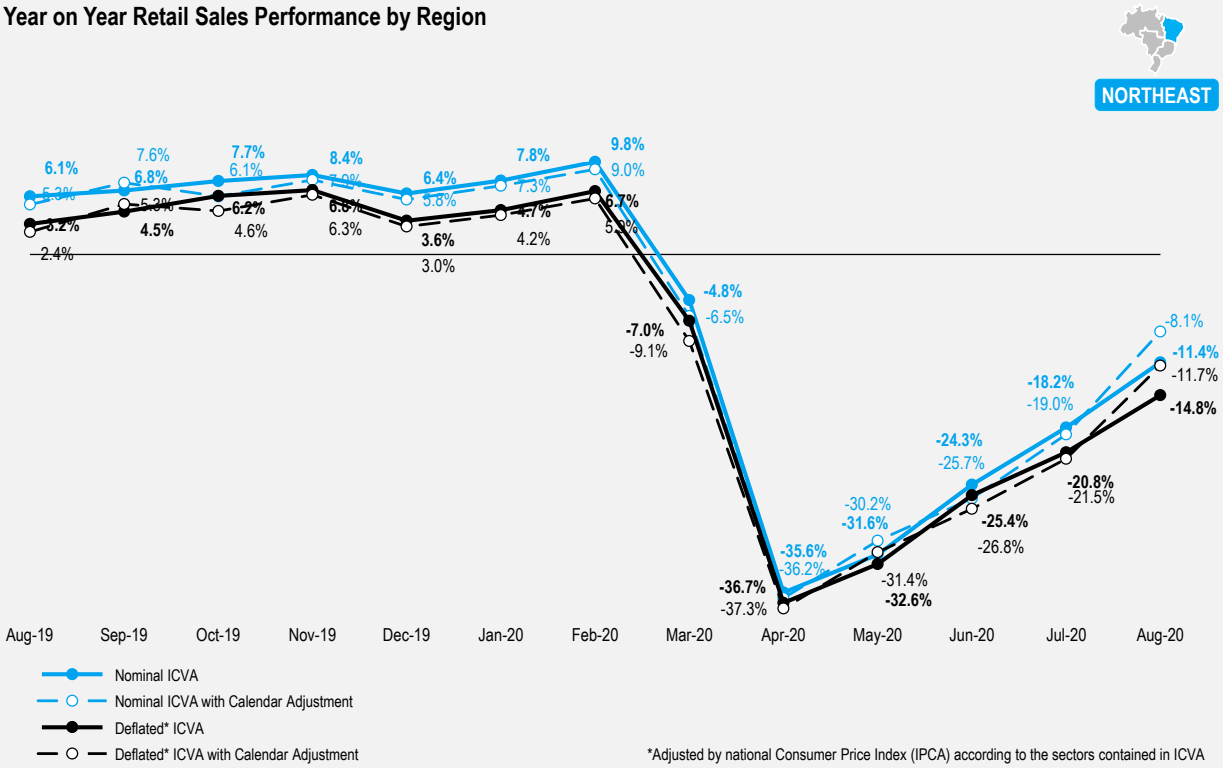
Year on Year Retail Sales Performance by Region



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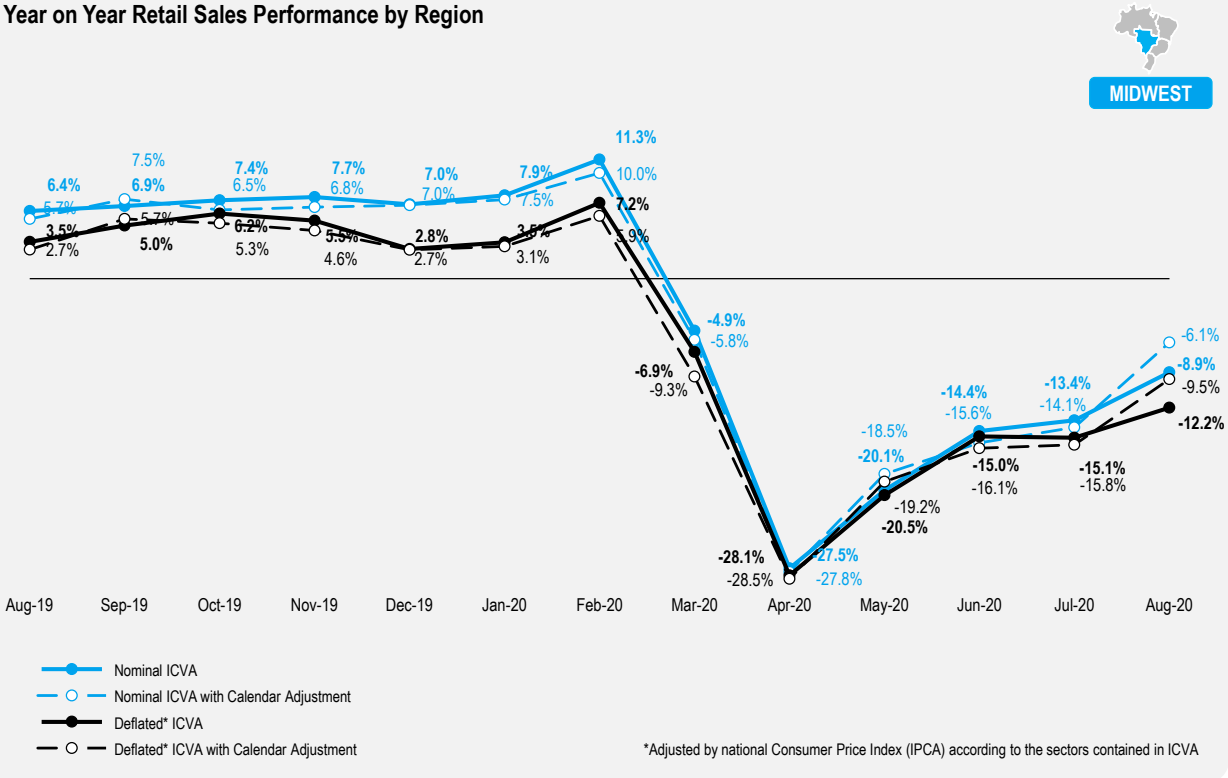
Year on Year Retail Sales Performance by Region



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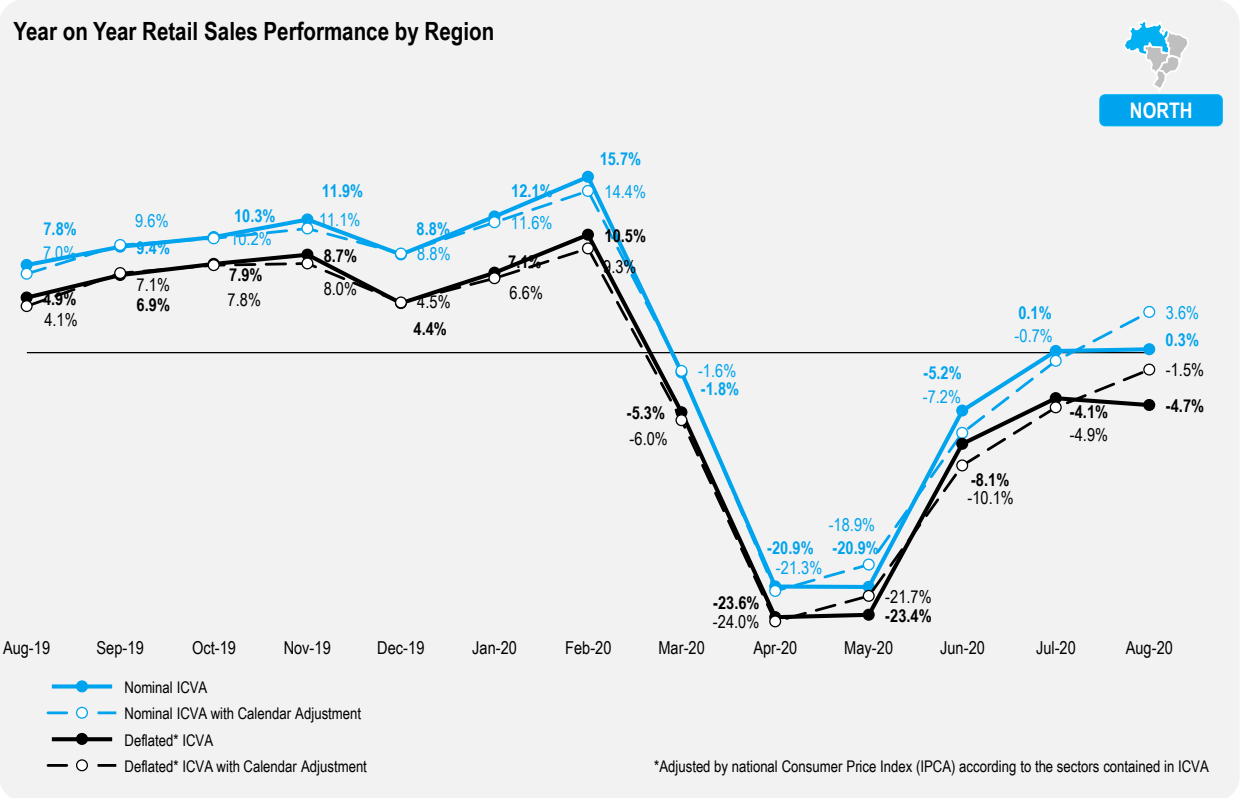

ABOUT THE ICVA

The Cielo Broad Retail Index (ICVA) tracks the monthly performance of Brazil's retail sector based on a group of 18 sectors mapped by Cielo, ranging from small to large retailers. They account for 1.5 million retailers affiliated to the Company. The weight of each sector in the overall result of this indicator is defined by its monthly performance.

The ICVA was developed by Cielo's Business Analytics department with the goal of providing a monthly snapshot of the country's retail trade based on real information.

HOW IT IS CALCULATED

Cielo's Business Analytics unit developed mathematical and statistical models, which were applied to the Company's database of the company with the purpose of isolating the effects of the competitive behavior of the acquiring market, such as market share variation, as well as excluding the effects of check and cash replacement for debit cards. Therefore, the index represents not only the retail consumption with cards but also the actual dynamics of the point-of-sale consumption.

The ICVA is in no way a preview of Cielo's financial results, which are impacted by several other factors related to both revenues and cost and expenses.

UNDERSTAND THE INDEX

Nominal ICVA - Indicates year-on-year growth in nominal sales revenue in broad retail in the period. It reflects what retailers actually see in their sales.

Deflated ICVA – Nominal ICVA discounting inflation. We use a deflator, which is calculated based on the Broad Consumer Price Index (IPCA), calculated by the IBGE, adjusted to the mix and weights of the sectors contained in the ICVA. It reflects real retail growth, excluding the contribution of price increases.

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Nominal/deflated ICVA with calendar adjustment – ICVA without calendar effects that affects a certain month/period compared to the same month/period last year. It reflects the pace of growth, showing the acceleration and deceleration of the index.

Barueri, September 17, 2020.

Gustavo Henrique Santos de Sousa
Chief Financial and Investor Relations Officer

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